CALFRAC

Q3 2023

MANAGEMENT'S DISCUSSION & ANALYSIS

CALFRAC WELL SERVICES

Three and Nine Months Ended September 30, 2023

DO IT SAFELY, DO IT RIGHT, DO IT PROFITABLY

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of November 7, 2023 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three and nine months ended September 30, 2023 and 2022. It should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30, 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 September 30, 2023, were as follows:

Segment	Active	Idle	Total	Crewed Fleets
	(000's hhp)	*(000's hhp)*	*(000's hhp)*	*(#)*
North America	1,035	70	1,105	15
Argentina	139	—	139	7
Total	1,174	70	1,244	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 Alberta and northeast British Columbia. At September 30, 2023, Calfrac's North America operations 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 third quarter, the North America segment had approximately 70,000 idled horsepower.

- The Argentinean segment provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras, Comodoro and Añelo regions. The Company had one large and six conventional fracturing spreads utilizing approximately 139,000 active and total horsepower, 10 active cementing units and five active coiled tubing units in its Argentinean segment at September 30, 2023. The Company also had one idle cementing unit and one idle coiled tubing unit in Argentina.

- At September 30, 2023, Calfrac's continuing operations had 22 fracturing fleets utilizing combined active horsepower of approximately 1.2 million. The Company had 18 Tier IV dynamic gas blending ("DGB") units operating in North America at the end of the third quarter and has committed to the conversion and deployment of an additional 41 Tier IV DGB fracturing pumps by the end of the first quarter of 2024 to capitalize on the stronger customer demand for next-generation equipment.

- 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 interim consolidated financial statements.

HIGHLIGHTS – CONTINUING OPERATIONS

	Three Months Ended Sep. 30,			Nine Months Ended Sep. 30,		
	2023	2022	Change	**2023**	2022	Change
(C$000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
(unaudited)		*Revised (1)*			*Revised (1)*	
Revenue	**483,093**	438,338	10	**1,442,879**	1,051,373	37
Adjusted EBITDA(1)(2)(3)	**91,286**	94,289	(3)	**262,865**	157,787	67
Consolidated cash flows provided by operating activities	**101,264**	13,753	636	**160,350**	38,694	314
Capital expenditures(3)	**50,825**	24,745	105	**116,017**	52,130	123
Net income from continuing operations	**97,523**	45,352	115	**184,367**	20,546	797
Per share – basic	**1.20**	1.15	4	**2.28**	0.53	330
Per share – diluted	**1.09**	1.10	(1)	**2.12**	0.53	300
Net income (loss)	**86,572**	50,098	73	**178,170**	(7,632)	NM
Per share – basic	**1.07**	1.27	(16)	**2.20**	(0.20)	NM
Per share – diluted	**0.97**	1.21	(20)	**2.05**	(0.07)	NM

As at	Sep. 30, 2023	Dec. 31, 2022	Change
(C$000s) *(unaudited)*	*($)*	*($)*	*(%)*
Cash and cash equivalents	**23,308**	8,498	174
Working capital, end of period	**283,680**	183,580	55
Total assets, end of period	**1,178,071**	995,753	18
Long-term debt, end of period	**308,849**	329,186	(6)
Total consolidated equity, end of period	**596,141**	422,972	41

(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, 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.

THIRD QUARTER OVERVIEW

In the third quarter of 2023, the Company:

- generated revenue of $483.1 million, an increase of 10 percent from the third quarter in 2022 resulting primarily from higher activity in all operating divisions;
- reported third-quarter Adjusted EBITDA of $91.3 million, which included $11.9 million of maintenance expense related to fluid end components, versus $94.3 million in the third quarter of 2022 ($8.0 million of fluid end components capitalized);
- reported net income from continuing operations of $97.5 million or $1.09 per share diluted, which included a reversal of impairment of property, plant and equipment of $41.6 million and a deferred tax recovery of $9.0 million related to the improved business outlook in Canada, compared to net income of $45.4 million or $1.10 per share diluted during the third quarter 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 $43.7 million, further reducing its Net Debt to EBITDA to 0.92:1:00;
- increased period-end working capital to $283.7 million from $183.6 million at December 31, 2022 due to a combination of higher revenue and geographical mix; and

- incurred capital expenditures from continuing operations of $50.8 million, which included approximately $33.2 million related to the Company's fracturing fleet modernization program.

In the nine months ended September 30, 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 $1.4 billion, an increase of 37 percent from the first nine months in 2022, resulting from higher activity and pricing in all operating divisions, most notably in the United States;
- reported Adjusted EBITDA of $262.9 million, which included $30.3 million of maintenance expense related to fluid end components, versus $157.8 million in the comparable period in 2022 ($18.9 million of fluid end components capitalized), mainly as a result of higher pricing and utilization of equipment in North America;
- generated consolidated cash flow from operating activities of $160.4 million, which included $20.7 million of interest paid and cash used for working capital of $79.9 million;
- reported net income from continuing operations of $184.4 million or $2.12 per share diluted, which included a reversal of impairment of property, plant and equipment of $41.6 million and a deferred tax recovery of $29.0 million related to the improved business outlook in Canada, compared to net income of $20.5 million or $0.53 per share diluted in the first nine months in 2022;
- received net proceeds of $22.4 million related to the sale of idle, redundant and non-core equipment in North America; and
- incurred capital expenditures from continuing operations of $116.0 million, which included approximately $64.1 million related to the Company's fracturing fleet modernization program. The Company had 18 Tier IV DGB units operating in North America at the end of the third quarter and has committed to the conversion and deployment of an additional 41 Tier IV DGB fracturing pumps by the end of the first quarter of 2024.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2023 VERSUS 2022

NORTH AMERICA

Three Months Ended September 30,	2023	2022	Change
(C$000s, except operational and exchange rate information)	*($)*	*($)*	*(%)*
(unaudited)		*Revised [1]*	
Revenue	**401,291**	374,157	7
Adjusted EBITDA[2]	**83,023**	91,491	(9)
Adjusted EBITDA (%)	**20.7**	24.5	(16)
Fracturing revenue per job ($)	**43,633**	44,832	(3)
Number of fracturing jobs	**8,870**	8,092	10
Active pumping horsepower, end of period (000s)	**1,035**	871	19
Idle pumping horsepower, end of period (000s)	**70**	270	(74)
Total pumping horsepower, end of period (000s)	**1,105**	1,141	(3)
Active coiled tubing units, end of period (#)	**6**	7	(14)
Idle coiled tubing units, end of period (#)	**1**	5	(80)
Total coiled tubing units, end of period (#)	**7**	12	(42)
US$/C$ average exchange rate[3]	**1.3411**	1.3056	3

[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 to $401.3 million during the third quarter of 2023 from $374.2 million in the comparable quarter of 2022. The 7 percent increase in revenue was due to a 10 percent increase in the number of completed fracturing jobs, offset partially by a 3 percent period-over-period decrease in average job revenue. The increase in job count was mainly due to the Company operating 15 fracturing fleets during the quarter with more consistent utilization compared to an average of 13 operating fleets in the respective quarter of 2022. The slightly lower revenue per job was mainly a result of job mix as pricing remained relatively consistent with the same period in 2022. Coiled tubing revenue increased by 25 percent as compared to the third quarter in 2022 mainly due to higher utilization of Calfrac’s six deep coiled tubing units. The 3 percent appreciation in the U.S. dollar also contributed to the higher reported revenue.

ADJUSTED EBITDA

The Company’s operations in North America generated Adjusted EBITDA of $83.0 million or 21 percent of revenue during the third quarter of 2023 compared to $91.5 million or 24 percent of revenue in the same period in 2022. This decrease was primarily due to the change in accounting estimate that was adopted for fluid ends at the beginning of 2023. In the third quarter of 2023, Calfrac incurred $10.5 million of maintenance expense related to fluid end components versus $7.7 million of capital expenditures in the same quarter of 2022. However, utilization during the third quarter of 2023 was impacted by a reduction in activity, mainly in the United States, as a result of lower natural gas prices and lower crude oil prices during the second quarter of 2023, which resulted in the deferral of planned capital programs by some of the Company’s clients.

ARGENTINA

Three Months Ended September 30,	2023	2022	Change
(C$000s, except operational and exchange rate information)	*($)*	*($)*	*(%)*
(unaudited)			
Revenue	**81,802**	64,181	27
Adjusted EBITDA[1]	**14,331**	8,706	65
Adjusted EBITDA (%)	**17.5**	13.6	29
Fracturing revenue per job ($)	**78,634**	84,843	(7)
Number of fracturing jobs	**582**	471	24
Active pumping horsepower, end of period (000s)	**139**	140	(1)
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**139**	140	(1)
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Active cementing units, end of period (#)	**10**	11	(9)
Idle cementing units, end of period (#)	**1**	1	—
Total cementing units, end of period (#)	**11**	12	(8)
US$/C$ average exchange rate[2]	**1.3411**	1.3056	3

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

REVENUE

Calfrac's Argentinean operations generated revenue of $81.8 million during the third quarter of 2023 versus $64.2 million in the comparable quarter in 2022 primarily due to higher activity across all service lines. The significant 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 $14.3 million during the third quarter of 2023 compared to $8.7 million in the comparable quarter of 2022, while the Company's Adjusted EBITDA margins also improved to 18 percent from 14 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.

CORPORATE

Three Months Ended September 30,	**2023**	2022	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Adjusted EBITDA[1]	**(6,068)**	(5,909)	3
% of Revenue from Continuing Operations	**(1.3)**	(1.3)	—

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

ADJUSTED EBITDA

Corporate expenses during the third quarter of 2023 were $6.1 million or $0.2 million higher than the third quarter of 2022 primarily due to higher professional fees.

DEPRECIATION

For the three months ended September 30, 2023, depreciation expense from continuing operations of $27.4 million was $2.0 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 $1.4 million during the third quarter of 2023 versus a gain of $7.1 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 U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The foreign exchange loss during the third quarter was mainly due to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, offset partially by the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar.

INTEREST

The Company's net interest expense from continuing operations of $7.3 million for the third quarter of 2023 was $3.5 million lower than 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. The Company also had lower average revolving credit facility borrowings during the third quarter in 2023 which contributed to the reduction in interest expense despite slightly higher interest rates. The Company's interest expense during the third quarter of 2023 included $1.4 million of interest income generated primarily in Argentina.

INCOME TAXES

The Company recorded an income tax recovery from continuing operations of $2.6 million during the third quarter of 2023 versus an expense of $7.0 million in the third quarter of 2022. The Company had a current income tax expense of $3.2 million during the third quarter of 2023 which was primarily related to Argentina, and to a lesser extent, the United States. The Company recorded a deferred tax recovery of $5.8 million, which was comprised of a deferred tax recovery of $9.0 million in Canada, offset partially by a deferred tax expense of $3.2 million in the United States during the third quarter of 2023. The Company reinstated a portion of the valuation allowance on its Canadian deferred tax assets during the quarter as they are expected to be utilized in the future.

REVERSAL OF IMPAIRMENT

At September 30, 2023, the Company completed a comparison of the recoverable and carrying value amounts for its Canadian cash-generating unit 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

	Three Months Ended Sep. 30,		Nine Months Ended Sep. 30,	
	2023	2022	**2023**	2022
(C$000s) *(unaudited)*	***($)***	*($)*	***($)***	*($)*
Cash provided by (used in):				
Operating activities	**101,264**	13,753	**160,350**	38,694
Financing activities	**(29,974)**	(3,882)	**(33,960)**	79
Investing activities	**(49,288)**	(16,881)	**(104,817)**	(42,304)
Effect of exchange rate changes on cash and cash equivalents	**1,841**	7,388	**(9,369)**	27,811
Increase in cash and cash equivalents	**23,843**	378	**12,204**	24,280

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended September 30, 2023 was $101.3 million versus $13.8 million during the comparable period in 2022. The increase in cash provided by operations was primarily due to improved operating results in Argentina, combined with $22.3 million provided by changes in the Company's working capital during the third quarter in 2023 compared to working capital usage of $57.9 million during the same period in 2022.

FINANCING ACTIVITIES

Net cash used by financing activities for the three months ended September 30, 2023 was $30.0 million compared to $3.9 million in the comparable period in 2022. During the third quarter, the Company had a net repayment of $28.0 million on its credit facility, paid lease principal payments of $2.6 million, and received proceeds of $0.6 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 include, 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 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 September 30, 2023, the Company had used $3.4 million of its credit facilities for letters of credit and had $150.0 million of borrowings under its credit facilities, leaving $96.6 million in available liquidity. The Company was in compliance with its financial covenants associated with its credit facilities at September 30, 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. 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 $49.3 million during the quarter ended September 30, 2023 versus $16.9 million in the comparable period in 2022. Capital expenditures from continuing operations were $50.8 million for the three months ended September 30, 2023 versus $24.7 million in the comparable period in 2022. Calfrac's Board of Directors approved a 2023 capital budget of approximately $160.0 million, of which $116.0 million has been incurred during the first nine months in 2023. The Company's capital budget excludes expenditures related to fluid end components as these have been recorded as maintenance expenses beginning in January 2023 for all continuing reporting segments. This change in accounting estimate was based on new information surrounding the useful life of these components.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the quarter ended September 30, 2023 was a gain of $1.8 million versus a gain of $7.4 million in the comparable period in 2022. The gain was primarily related to the impact this movement had on cash, working capital and monetary liabilities held by the Company in a foreign 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 2023 and beyond.

At September 30, 2023, the Company had a cash position of $23.3 million, which was primarily comprised of cash 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 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 November 8, 2023, the Company had issued and outstanding 81,060,335 common shares, 5,045,758 common share purchase warrants, 1,218,384 performance share units, and 6,094,549 options to purchase common shares.

SUMMARY OF QUARTERLY RESULTS – CONTINUING OPERATIONS

Three Months Ended	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	**Sep. 30, 2023**
(C$000s, except per share and operating data)	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	*($)*	***($)***
(unaudited)	*Revised* (1)	*Revised* (1)	*Revised* (1)	*Revised* (1)				
Financial								
Revenue	229,661	294,524	318,511	438,338	447,847	493,323	466,463	**483,093**
Adjusted EBITDA(1)(2)(3)	8,382	22,763	40,734	94,289	75,954	83,794	87,785	**91,286**
Net income (loss)	(29,132)	(18,030)	(6,776)	45,352	14,757	36,313	50,531	**97,523**
Per share – basic	(0.77)	(0.47)	(0.18)	1.15	0.27	0.45	0.62	**1.20**
Per share – diluted	(0.77)	(0.47)	(0.18)	1.10	0.17	0.41	0.58	**1.09**
Capital expenditures(3)	14,868	12,145	15,240	24,745	35,810	34,474	30,718	**50,825**
Working capital (end of period)	121,934	130,246	144,456	207,974	183,580	232,370	282,850	**283,680**
Total equity (end of period)	328,840	302,195	292,515	358,866	422,972	458,826	502,928	**596,141**
Operating (end of period)								
Active pumping horsepower (000s)	942	936	934	1,010	1,112	1,155	1,159	**1,174**
Idle pumping horsepower (000s)	337	346	344	270	117	79	79	**70**
Total pumping horsepower (000s)	1,279	1,282	1,278	1,280	1,229	1,234	1,238	**1,244**
Active coiled tubing units (#)	13	13	13	12	11	11	11	**11**
Idle coiled tubing units (#)	7	6	6	7	5	5	2	**2**
Total coiled tubing units (#)	20	19	19	19	16	16	13	**13**
Active cementing units (#)	10	10	10	11	11	10	10	**10**
Idle cementing units (#)	5	4	2	1	1	1	1	**1**
Total cementing units (#)	15	14	12	12	12	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 areas of the United States Rockies 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).

FINANCIAL OVERVIEW – CONTINUING OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2023 VERSUS 2022

NORTH AMERICA

Nine Months Ended September 30,	**2023**	2022	Change
(C$000s, except operational and exchange rate information)	*($)*	*($)*	*(%)*
(unaudited)		*Revised* [1]	
Revenue	**1,190,660**	879,021	35
Adjusted EBITDA[2]	**234,793**	155,595	51
Adjusted EBITDA (%)	**19.7**	17.7	11
Fracturing revenue per job ($)	**43,480**	38,390	13
Number of fracturing jobs	**26,472**	22,025	20
Active pumping horsepower, end of period (000s)	**1,035**	871	19
Idle pumping horsepower, end of period (000s)	**70**	270	(74)
Total pumping horsepower, end of period (000s)	**1,105**	1,141	(3)
Active coiled tubing units, end of period (#)	**6**	7	(14)
Idle coiled tubing units, end of period (#)	**1**	5	(80)
Total coiled tubing units, end of period (#)	**7**	12	(42)
US$/C$ average exchange rate[3]	**1.3456**	1.2830	5

[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 $1.2 billion during the first nine months of 2023 from $879.0 million in the comparable period of 2022. The 35 percent increase in revenue can be attributed to a 20 percent increase in the number of fracturing jobs completed combined with a 13 percent increase in revenue per job period-over-period. The increase in job count was mainly due to the Company operating 15 fleets during the period with more consistent utilization compared to an average of 13.5 operating fleets in the comparable period in 2022. The higher revenue per job was mainly the result of job mix and improved pricing. Coiled tubing revenue also increased by 21 percent as compared to the first nine months in 2022 due to increased utilization for its six crewed units.

ADJUSTED EBITDA

The Company's operations in North America generated Adjusted EBITDA of $234.8 million during the first nine months of 2023 compared to $155.6 million in the same period in 2022. This increase in Adjusted EBITDA was largely driven by higher utilization of its fracturing and coiled tubing crews. The Company generated an Adjusted EBITDA margin of 20 percent versus 18 percent in the comparable period in 2022 through higher utilization combined with better realized pricing. In 2023, Calfrac's Adjusted EBITDA included $26.3 million of maintenance expense related to fluid ends versus $18.1 million of capital expenditures that were recorded in the comparable period in 2022.

ARGENTINA

Nine Months Ended September 30,	**2023**	2022	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**252,219**	172,352	46
Adjusted EBITDA[1]	**43,623**	16,363	167
Adjusted EBITDA (%)	**17.3**	9.5	82
Fracturing revenue per job ($)	**83,242**	70,133	19
Number of fracturing jobs	**1,784**	1,415	26
Active pumping horsepower, end of period (000s)	**139**	140	(1)
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**139**	140	(1)
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Active cementing units, end of period (#)	**10**	11	(9)
Idle cementing units, end of period (#)	**1**	1	—
Total cementing units, end of period (#)	**11**	12	(8)
US$/C$ average exchange rate[2]	**1.3456**	1.2830	5

[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 $252.2 million during the first nine months of 2023 compared to $172.4 million in the comparable period in 2022. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina also achieved significant growth compared to the first nine months of 2022. Overall fracturing activity increased by 26 percent compared to the first nine months in 2022 while revenue per job was 19 percent higher primarily due to overall inflation in operating costs and better pricing that commenced 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 6 percent higher primarily due to job mix and inflation. Cementing activity increased by 5 percent and revenue per job increased by 12 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed during the first nine months of 2023.

ADJUSTED EBITDA

The Company's operations in Argentina generated Adjusted EBITDA of $43.6 million or 17 percent of revenue during the first nine months in 2023 versus $16.4 million or 9 percent of revenue in the comparable period in 2022 primarily due to higher utilization and pricing across all service lines. Adjusted EBITDA in 2023 included $4.7 million of maintenance expense related to fluid end components that would have been recorded as capital expenditures in 2022.

CORPORATE

Nine Months Ended September 30,	**2023**	2022	Change
(C$000s)	*($)*	*($)*	*(%)*
(unaudited)			
Adjusted EBITDA[1]	**(15,551)**	(14,171)	10
% of Revenue from Continuing Operations	**(1.1)**	(1.3)	(15)

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

ADJUSTED EBITDA

Corporate expenses from continuing operations were $15.6 million during the first nine months of 2023 versus $14.2 million in the comparable period in 2022. This increase in corporate expenses was primarily due to higher personnel costs during the first nine months in 2023.

DEPRECIATION

Depreciation expense from continuing operations decreased by $3.7 million from $89.9 million in the corresponding period in 2022 to $86.2 million in the comparable nine month period in 2023 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 $7.9 million during the first nine months in 2023 versus a gain of $6.7 million in the first nine months 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 the first nine months of 2023 was largely attributable to the revaluation of net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during the year combined with net monetary assets that were held in U.S. dollars.

INTEREST

The Company's interest expense from continuing operations of $23.0 million in the first nine months in 2023 was $8.5 million lower than in the comparable period 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 the first nine months of 2023, which also contributed to the reduction in reported interest expense. The Company's interest expense was net of $3.7 million of interest income generated in Argentina.

INCOME TAXES

The Company recorded an income tax expense from continuing operations of $9.6 million in the first nine months in 2023 compared to an expense of $3.2 million in the comparable period in 2022. The Company had current tax expense of $13.7 million, which was primarily comprised of $10.2 million in Argentina and $3.4 million in the United States. The deferred tax recovery of approximately $4.1 million consists of $14.0 million in Canada, partially offset by a deferred tax expense of $9.9 million in the United States. The Company reinstated a portion of the valuation allowance on its Canadian deferred tax assets during the period as they are expected to be utilized in the future.

BUSINESS UPDATE AND OUTLOOK

Calfrac overcame lower than expected utilization in North America to make significant progress on its key strategic objectives during the third quarter. The Company leveraged its diverse geographic footprint in North America and Argentina to generate Adjusted EBITDA from continuing operations of $91.3 million. Calfrac's strong execution in the field combined with its disciplined approach to capital allocation resulted in the generation of $48.1 million of free cash flow during the quarter, which was used to strengthen its balance sheet through a $43.7 million reduction in net debt and the deployment of an additional nine Tier IV DGB fracturing pumps. Consequently, Calfrac exited the third quarter of 2023 with a net debt to EBITDA ratio of 0.92 to 1, the lowest in recent history. This strong execution leaves the Company well-positioned to capitalize on the current oilfield services market upcycle. Calfrac is currently collaborating with its customers to optimize completions schedules and anticipates that steady utilization throughout next year will drive further improvements in financial performance.

NORTH AMERICA

Calfrac benefited from the superior execution enabled by its centralized organizational structure in North America as it successfully navigated schedule gaps to generate one of its highest third-quarter Adjusted EBITDA margins since 2012. The Company increased the number of active Tier IV DGB units which are achieving significant diesel replacement rates. For the fourth quarter, the Company anticipates a decrease in activity across its operations in Canada driven by typical seasonality and customer budget exhaustion. However, Calfrac expects an increase in utilization across its United States operations due to the reallocation of customer capital programs from the third quarter to the fourth quarter stemming from recent strength in crude oil prices. Calfrac believes that its capital discipline and solid activity for its 15 fracturing fleets next year will support further fleet modernization investments and a continued reduction in long-term debt.

The industry-wide discipline demonstrated thus far in 2023 has been a welcome change compared to previous oilfield services cycles as companies idled underutilized equipment rather than sacrificing margins to gain market share. Calfrac expects similar fracturing activity across North America next year as operators maintain production. The Company believes that its strong customer relationships across all of its operating areas and growing fleet of next-generation fracturing equipment will drive improved shareholder returns over the long term.

ARGENTINA

Calfrac's Argentina division continues to leverage its strong market position to produce significant year-over-year Adjusted EBITDA growth. The Company expects its recently demonstrated profitability to continue into the fourth quarter and throughout 2024 driven by robust utilization across all service lines in the Vaca Muerta shale play and the conventional basins of southern Argentina.

RUSSIA

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

CORPORATE

Calfrac is determined to finish the year strong and continue building upon the momentum to advance towards its strategic priorities, which are:

- 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.

The Company's brand promise, "Do it safely, Do it right, Do it profitably" signals its commitment to its stakeholders and motivation to maximize long-term financial returns for its shareholders.

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 September 30, 2023 (see note 3 of the interim 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 Sep. 30,			**Nine Months Ended Sep. 30,**		
	2023	2022	Change	**2023**	2022	Change
(C$000s, except per share amounts)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
(unaudited)						
Revenue	**30,800**	32,746	(6)	**102,528**	87,832	17
Adjusted EBITDA	**6,313**	7,225	(13)	**18,147**	11,794	54
Adjusted EBITDA (%)	**20.5**	22.1	(7)	**17.7**	13.4	32

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 3 to the Company's interim consolidated financial statements for the three and nine months ended September 30, 2023 and note 4 of the audited consolidated financial statements for the year ended December 31, 2022 and the Company's Annual Information Form for the year ended December 31, 2022 under the heading "General Development of the Business – Description of the Business – Discontinued Operations" which are available on the Company's SEDAR profile at www.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 Sep. 30,		**Nine Months Ended Sep. 30,**	
	2023	2022	**2023**	2022
(C$000s)			***($)***	*($)*
(unaudited)		*Revised* [2]		*Revised* [2]
Net income from continuing operations	**97,523**	45,352	**184,367**	20,546
Add back (deduct):				
Depreciation	**27,387**	29,394	**86,206**	89,733
Foreign exchange losses (gains)[2]	**1,415**	(7,106)	**7,884**	(6,704)
(Gain) loss on disposal of property, plant and equipment	**(706)**	(406)	**(5,667)**	4,382
Reversal of impairment of property, plant and equipment	**(41,563)**	—	**(41,563)**	—
Litigation settlements	**—**	8,258	**(6,805)**	11,258
Restructuring charges	**1,059**	597	**2,991**	1,563
Stock-based compensation	**1,469**	366	**2,810**	2,319
Interest	**7,262**	10,804	**23,023**	31,537
Income taxes	**(2,560)**	7,030	**9,619**	3,153
Adjusted EBITDA from continuing operations [1]	**91,286**	94,289	**262,865**	157,787

[1] For bank covenant purposes, EBITDA includes the deduction of an additional $9.3 million of lease payments for the nine months ended September 30, 2023 (nine months ended September 30, 2022 – $7.5 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 the ratio of net debt to Adjusted EBITDA for the year ended December 31, 2022, is disclosed in note 15 to the Company's year-end consolidated financial statements. The definition and calculation of this ratio for the twelve months ended September 30, 2023, is disclosed in note 11 to the Company's interim financial statements for the corresponding period.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2022 annual consolidated financial statements.

GREEK LITIGATION

As described in note 16 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended September 30, 2023, which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the interim consolidated financial statements.

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

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

LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was $1.1 million at September 30, 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.

Effective January 1, 2023, expenditures related to fluid ends are 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.

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at September 30, 2023 was $147.0 million or approximately 90 percent of face value (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. As at September 30, 2023, there have been no trades in the 1.5 Lien Notes of which the Company is aware to provide an alternative fair value reference; however, the current trading price of the Company's common shares is significantly higher than the conversion price per share of the 1.5 Lien Notes which indicates that the fair value of the 1.5 Lien Notes would be significantly higher than its carrying amount.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

IMPAIRMENT/REVERSAL OF 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 2022 annual consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

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

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.

At September 30, 2023, the Company completed a comparison of the recoverable and carrying value amounts for its Canadian cash-generating unit which supported the reversal of the remaining property, plant and equipment impairment loss that was recorded in 2020. After taking into account normal depreciation expense that would have been recognized if no impairment had occurred, a reversal of impairment totaling $41.6 million was recorded during the three months ended September 30, 2023 (three and nine months ended September 30, 2022 – $nil).

	Three Months Ended Sep. 30,		**Nine Months Ended Sep. 30,**	
	2023	2022	**2023**	2022
(C$000s)	***($)***	*($)*	***($)***	*($)*
Reversal of impairment of property, plant and equipment	**(41,563)**	—	**(41,563)**	—

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

In conjunction with the ongoing sale process and in light of the 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 September 30, 2023. Management will continue to revisit the fair value of the net assets at each reporting period and upon the close of the transaction.

	Three Months Ended Sep. 30,		**Nine Months Ended Sep. 30,**	
	2023	2022	**2023**	2022
(C$000s)	***($)***	*($)*	***($)***	*($)*
Impairment of property, plant and equipment	**539**	—	**539**	5,634
Impairment of inventory	**985**	1,201	**3,677**	28,749
Impairment (reversal of impairment) of other assets	**14,768**	(2,312)	**17,454**	7,336
	16,292	(1,111)	**21,670**	41,719

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

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

FUNCTIONAL CURRENCY

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

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. Armoyan hold US$16.4 million of the Company's Second Lien Notes (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 nine months ended September 30, 2023 was $0.7 million (nine months ended September 30, 2022 – $0.7 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

During the second quarter, the Company adopted narrow-scope amendments to IAS 12 *Income Taxes – International Tax Reform – Pillar Two Model Rules*. The amendments provide 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 rules published by the Organization for Economic Cooperation and Development (OECD). The adoption of this standard is not expected to have a material impact on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form 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.

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 plan 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 approach and strategy with respect to environmental, 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 plan 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 and anticipated length of the pressure pumping market upcycle; 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; hazards inherent in the industry; the actions of activist shareholders and the increasing reluctance of institutional investors to invest in the industry in which the Company operates; and an intensely competitive oilfield services industry; (B) business operations risks, including but not limited to, fleet reinvestment risk, including the ability of the Company to finance the capital necessary for equipment upgrades to support its operational needs while meeting government and customer requirements and preferences; difficulty retaining, replacing or adding personnel; failure to improve and adapt equipment, proprietary fluid chemistries and other products and services; reliance on equipment suppliers and fabricators for timely delivery and quality of equipment; a concentrated customer base; seasonal volatility and climate change; cybersecurity risks, and activism; (C) financial risks, including but not limited to, price escalation and availability of raw materials, diesel fuel and component parts; restrictions on the Company's access to capital, including the impacts of covenants under the Company's lending documents; direct and indirect exposure to volatile credit markets, including interest rate risk; fluctuations in currency exchange rates and increased inflation; actual results which are materially different from management estimates and assumptions; insufficient internal controls; and possible impacts on 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; (D) geopolitical risks, including but not limited to, foreign operations exposure, including risks relating to unsettled political conditions, war, including the ongoing Russia and Ukraine conflict and any expansion of that conflict, foreign exchange rates and controls, and international trade and regulatory controls and sanctions; the impacts of a delay of sale or failure to sell the Company's discontinued operations in Russia, including failure to receive any applicable regulatory approvals and reputational risks; foreign legal actions and unknown consequences of such actions; and risk associated with compliance with applicable law; (E) legal and regulatory risks, including but not limited to, federal, provincial and state legislative and regulatory initiatives; health, safety and environmental laws and regulations; and legal and administrative proceedings; and (F) environmental, social and governance risks, including but not limited to, failure to effectively and timely address the energy transition; legal and regulatory initiatives to limit greenhouse gas emissions; and the direct and indirect costs of various existing and proposed climate change regulations. Further information about these and other risks and uncertainties may be found under the heading "Business Risks" above.

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

ADDITIONAL INFORMATION

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