CALFRAC

Q1 2024 CONSOLIDATED FINANCIAL STATEMENTS

CALFRAC WELL SERVICES

Three Months Ended March 31, 2024 and 2023

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CONSOLIDATED BALANCE SHEETS

	Note	March 31, 2024	December 31, 2023
(C$000s)		*($)*	*($)*
ASSETS			
Current assets			
Cash and cash equivalents		**58,239**	34,140
Accounts receivable	8	**197,023**	243,187
Income taxes recoverable		**—**	794
Inventories		**141,985**	123,015
Prepaid expenses and deposits		**26,159**	22,799
		423,406	423,935
Assets classified as held for sale	3	**46,448**	34,084
		469,854	458,019
Non-current assets			
Property, plant and equipment		**644,481**	614,555
Right-of-use assets	7	**23,028**	24,623
Deferred income tax assets		**29,000**	29,000
		696,509	668,178
Total assets		**1,166,363**	1,126,197
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**133,895**	176,817
Income taxes payable		**4,986**	—
Current portion of lease obligations	7	**10,813**	10,726
		149,694	187,543
Liabilities directly associated with assets classified as held for sale	3	**32,897**	20,858
		182,591	208,401
Non-current liabilities			
Long-term debt	4, 11	**314,948**	250,777
Lease obligations	7	**13,155**	13,702
Deferred income tax liabilities		**31,926**	37,414
		360,029	301,893
Total liabilities		**542,620**	510,294
Capital stock	5	**910,908**	910,908
Contributed surplus		**80,852**	78,667
Accumulated deficit		**(392,025)**	(389,872)
Accumulated other comprehensive income		**24,008**	16,200
Total equity		**623,743**	615,903
Total liabilities and equity		**1,166,363**	1,126,197

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

		Three Months Ended March 31,	
	Note	**2024**	2023
(C$000s, except per share data)		*($)*	*($)*
Revenue	12	**330,096**	493,323
Cost of sales	13	**316,208**	425,636
Gross profit		**13,888**	67,687
Expenses			
Selling, general and administrative	6	**18,011**	9,127
Foreign exchange (gains) losses	8	**(1,049)**	1,486
(Gain) loss on disposal of property, plant and equipment		**(6,241)**	(537)
Interest, net	4, 13	**6,032**	8,174
		16,753	18,250
(Loss) income before income tax		**(2,865)**	49,437
Income tax expense (recovery)			
Current		**6,414**	4,398
Deferred		**(6,376)**	8,726
		38	13,124
Net (loss) income from continuing operations		**(2,903)**	36,313
Net income from discontinued operations	3	**750**	2,024
Net (loss) income		**(2,153)**	38,337
Earnings (loss) per share – basic	5		
Continuing operations		**(0.03)**	0.45
Discontinued operations		**0.01**	0.03
		(0.02)	0.47
Earnings (loss) per share – diluted	5		
Continuing operations		**(0.03)**	0.41
Discontinued operations		**0.01**	0.02
		(0.02)	0.43

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Net (loss) income	**(2,153)**	38,337
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	**7,808**	(3,281)
Comprehensive income	**5,655**	35,056

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31,	
	Note	**2024**	2023
(C$000s)		***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net (loss) income		**(2,153)**	38,337
Adjusted for the following:			
Depreciation		**27,995**	30,162
Stock-based compensation		**2,185**	544
Unrealized foreign exchange losses (gains)		**2,638**	(292)
(Gain) loss on disposal of property, plant and equipment		**(6,256)**	(538)
Impairment of property, plant and equipment	3	**693**	—
Impairment of inventory	3	**2,414**	1,100
Impairment of other assets	3	**235**	1,151
Interest		**5,926**	8,143
Interest paid		**(9,611)**	(10,243)
Deferred income taxes		**(6,376)**	8,726
Changes in items of working capital	9	**(13,917)**	(36,196)
Cash flows provided by operating activities		**3,773**	40,894
FINANCING ACTIVITIES			
Issuance of long-term debt, net of debt issuance costs	4	**60,000**	33,233
Long-term debt repayments	4	**—**	(25,000)
Lease obligation principal repayments	7	**(2,840)**	(2,604)
Proceeds on issuance of common shares from the exercise of warrants and stock options		**—**	254
Cash flows provided by financing activities		**57,160**	5,883
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(56,420)**	(35,397)
Proceeds on disposal of property, plant and equipment		**11,523**	199
Proceeds on disposal of right-of-use assets		**227**	516
Cash flows used in investing activities		**(44,670)**	(34,682)
Effect of exchange rate changes on cash and cash equivalents		**(1,464)**	(2,807)
Increase in cash and cash equivalents		**14,799**	9,288
Cash and cash equivalents, beginning of period		**45,190**	18,393
Cash and cash equivalents, end of period		**59,989**	27,681
Included in the cash and cash equivalents per the balance sheet		**58,239**	23,169
Included in the assets held for sale/discontinued operations	3	**1,750**	4,512

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	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	**Total Equity**
(C$000s)		*($)*		*($)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2024		**910,908**	**—**	**78,667**	**—**	**16,200**	**(389,872)**	**615,903**
Net loss		—		—	—	—	(2,153)	**(2,153)**
Other comprehensive income (loss):								
Cumulative translation adjustment		—	—	—	—	7,808	—	**7,808**
Comprehensive income (loss)		—	—	—	—	7,808	(2,153)	**5,655**
Stock options:								
Stock-based compensation recognized	6	—	—	1,520	—	—	—	**1,520**
Performance share units:								
Stock-based compensation recognized	6	—	—	665	—	—	—	**665**
Balance – March 31, 2024		**910,908**	**—**	**80,852**	**—**	**24,008**	**(392,025)**	**623,743**
Balance – January 1, 2023		865,059	212	70,141	36,558	31,546	(580,544)	422,972
Net income		—	—	—	—	—	38,337	38,337
Other comprehensive income (loss):								
Cumulative translation adjustment		—	—	—	—	(3,281)	—	(3,281)
Comprehensive income (loss)		—	—	—	—	(3,281)	38,337	35,056
Stock options:								
Stock-based compensation recognized	6	—	—	544	—	—	—	544
Proceeds from issuance of shares	5, 6	223	—	(83)	—	—	—	140
Warrants:								
Proceeds from issuance of shares	5, 6	434	—	—	(320)	—	—	114
Balance – March 31, 2023		**865,716**	**212**	**70,602**	**36,238**	**28,265**	**(542,207)**	**458,826**

See accompanying notes to the consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2024 and 2023

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards applicable to the preparation of the interim consolidated financial statements, under International Accounting Standard (IAS) 34 *Interim Financial Reporting* (together IFRS). They should be read in conjunction with the annual financial statements for the year ended December 31, 2023. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on May 6, 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(a) Income Taxes

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

(b) Derivatives and Hedging Activities

i) Derivatives that do not Qualify for Hedge Accounting

Derivatives are only used for economic hedging purposes and not as speculative investments. Where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The full fair value of hedging derivatives is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

See note 8 for further information about the derivatives used by the Company.

3. ASSETS HELD FOR SALE

During the first quarter of 2022, management committed to a plan to sell its Russian division. The associated assets and liabilities were consequently presented as held for sale in 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 March 31, 2024. 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 remains committed to the 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.

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Impairment of property, plant and equipment	**693**	—
Impairment of inventory	**2,414**	1,100
Impairment of other assets	**235**	1,151
	3,342	2,251

(a) Financial Information

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

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Revenue	**36,799**	35,266
Expenses	**31,999**	31,134
Impairment	**3,342**	2,251
Income before income tax	**1,458**	1,881
Income tax expense (recovery)	**708**	(143)
Net income	**750**	2,024

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Net cash used in operating activities	**(8,133)**	(3,268)
Net cash (used in) provided by investing activities	**(678)**	1
Effect of exchange rate changes on cash and cash equivalents	**72**	843
Decrease in cash and cash equivalents	**(8,739)**	(2,424)

(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:

	March 31, 2024	December 31, 2023
(C$000s)	*($)*	*($)*
Assets classified as held for sale		
Cash and cash equivalents	1,750	11,050
Accounts receivable	40,540	21,267
Income taxes recoverable	—	1,633
Inventories	1,620	—
Prepaid expenses and deposits	2,538	134
	46,448	**34,084**
Liabilities directly associated with assets classified as held for sale		
Accounts payable and accrued liabilities	32,094	20,858
Income taxes payable	803	—
	32,897	**20,858**

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 March 31, 2024 was $7,627 (December 31, 2023 – $7,555).

4. LONG-TERM DEBT

	March 31, 2024	December 31, 2023
(C$000s)	*($)*	*($)*
$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	**155,000**	95,000
US$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	**162,600**	158,712
Less: unamortized debt issuance costs	**(2,652)**	(2,935)
	314,948	250,777

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 quoted market price at March 31, 2024 was $161,285 (December 31, 2023 – $143,963).

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 three months ended March 31, 2024 was $7,576 (three months ended March 31, 2023 – $8,437).

(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 included the following items:

a. extension of 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. an increase to the syndicated facility to $215,000 from $205,000 and decreased the operating facility to $35,000 from $45,000;

c. removal of the borrowing base requirement as well as the Funded Debt to Capitalization and Current Ratio covenants; and

d. introduction of 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 March 31, 2024.

(b) 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:

	March 31, 2024	December 31, 2023
(C$000s)	***($)***	*($)*
Balance, beginning of period	**250,777**	331,720
Issuance of long-term debt, net of debt issuance costs	**60,000**	92,202
Long-term debt repayments	**—**	(177,453)
Conversion of 1.5 Lien Notes into shares	**—**	(153)
Amortization of compound financial instrument discount	**—**	72
Amortization of debt issuance costs and debt discount	**325**	8,160
Foreign exchange adjustments	**3,846**	(3,771)
Balance, end of period	**314,948**	250,777

At March 31, 2024, the Company had utilized $3,638 of its loan facility for letters of credit, had $155,000 outstanding under its revolving term loan facility, leaving $91,362 in available credit. See note 10 for further details on the covenants in respect of the Company's long-term debt.

5. CAPITAL STOCK

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

	Three Months Ended March 31, 2024		Year Ended December 31, 2023	
Continuity of Common Shares	**Shares**	**Amount**	Shares	Amount
	(#)	*($000s)*	*(#)*	*($000s)*
Balance, beginning of period	**85,716,129**	**910,908**	80,733,504	865,059
Conversion of 1.5 Lien Notes into shares (note 4)	**—**	**—**	114,821	166
Issued upon exercise of warrants (note 6)	**—**	**—**	4,715,022	44,813
Issued upon exercise of stock options (note 6)	**—**	**—**	152,782	870
Balance, end of period	**85,716,129**	**910,908**	85,716,129	910,908

	Three Months Ended March 31,	
	2024	2023
	(#)	*(#)*
Weighted average number of common shares outstanding – Basic	**85,712,745**	80,765,832
Dilutive effective of stock options and other equity-based awards	**526,518**	9,195,347
Weighted average number of common shares outstanding – Diluted	**86,239,263**	89,961,179

The dilutive effect of stock options and warrants as disclosed in note 6 has 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.

For the comparative period, 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.

	Three Months Ended March 31,	
	2024	2023
	(#)	*(#)*
Net (loss) income from continuing operations		
Used in calculating basic earnings per share	**(2,903)**	36,313
Add: interest savings on convertible 1.5 Lien Notes, net of tax	**—**	201
Used in calculating dilutive earnings per share	**(2,903)**	36,514
Net income from discontinued operations	**750**	2,024
Net (loss) income used in calculating diluted earnings per share	**(2,153)**	38,538

6. SHARE-BASED PAYMENTS

	Three Months Ended March 31,	
	2024	2023
	($)	*($)*
Stock options	**1,520**	544
Performance share units	**665**	—
Deferred share units	**4**	(148)
Total stock-based compensation expense	**2,189**	396

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

(a) Stock Options

Three Months Ended March 31,	**2024**		2023	
Continuity of Stock Options	**Options**	**Average Exercise Price**	Options	Average Exercise Price
	(#)	*($)*	*(#)*	*($)*
Balance, beginning of period	**3,251,654**	**5.03**	3,587,769	4.90
Granted	**—**	**—**	—	—
Exercised for common shares	**—**	**—**	(40,000)	3.54
Forfeited	**—**	**—**	(173,333)	3.54
Balance, end of period	**3,251,654**	**5.03**	3,374,436	4.98

Three Months Ended March 31,	**2024**		2023	
Continuity of Performance Stock Options			**Options**	**Average Exercise Price**
			(#)	*($)*
Balance, beginning of period	**2,842,895**	**5.74**	—	—
Granted	**—**	**—**	—	—
Exercised for common shares	**—**	**—**	—	—
Forfeited	**—**	**—**	—	—
Balance, end of period	**2,842,895**	**5.74**	—	—

In 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 March 31, 2024, 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 3.46 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

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

(b) Share Units

Three Months Ended March 31,	**2024**	2023	**2024**	2023
	Performance Share Units		**Deferred Share Units**	
	(#)	*(#)*	*(#)*	*(#)*
Balance, beginning of period	**1,218,384**	—	**379,000**	232,800
Exercised	**—**	—	**(20,000)**	(800)
Balance, end of period	**1,218,384**	—	**359,000**	232,000

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 quoted market price of the

Company's shares. At March 31, 2024, the liability pertaining to deferred share units was $1,375 (December 31, 2023 – $1,475).

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 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.

At March 31, 2024, 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.

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

	March 31, 2024	December 31, 2023
(C$000s)	***($)***	*($)*
Field equipment	**14,831**	15,439
Buildings	**8,197**	9,184
	23,028	24,623

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

	2024
(C$000s)	*($)*
Balance, January 1	24,428
Additions	2,134
Disposals/retirements	(157)
Principal portion of payments	(2,840)
Foreign exchange adjustments	403
Balance, March 31	23,968

8. FINANCIAL INSTRUMENTS

The Company's financial instruments included in the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, 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 quoted market price at March 31, 2024 was $161,285 and $162,600, respectively (December 31, 2023 – $143,963 and $158,712).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 4.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At March 31, 2024, the Company had a loss allowance provision for accounts receivable of $1,806 (December 31, 2023 – $999).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment using the lifetime expected credit loss model, a loan loss allowance of $802 was recorded during the three months ended March 31, 2024. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at March 31, 2024 reconciles to the opening loss allowance provision as follows:

	2024
(C$000s)	*($)*
At January 1, 2024	999
Increase in loan loss allowance recognized in statement of operations	802
Foreign exchange adjustments	5
At March 31, 2024	1,806

(c) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities, new secured or unsecured debt, and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending to maintain liquidity. See note 10 for further details on the Company's capital structure.

(d) 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.

The Company reviews its net U.S. dollar foreign exchange exposures on a quarterly basis across all operating segments, and as a result, the Company may enter into forward foreign exchange contracts to purchase U.S. dollars, subject to Board approval. These contracts do not qualify for hedge accounting and are accounted for as held for trading, with gains and losses recognized in profit or loss.

The following amounts were recognized in the statement of operations:

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Net gain/(loss) on foreign currency forwards not qualifying as hedges included in foreign exchange gains/(losses)	**893**	—

There were no derivative financial instruments recorded in the balance sheet as at March 31, 2024 as the foreign currency contracts were all settled prior to the end of the reporting period.

(e) 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 changes in circumstances, the risks, restrictions, and uncertainties surrounding banking and limitations on the ability to repatriate funds to Canada from Russia, the Company's ownership and control over its Russian subsidiary, the physical security of property, plant and equipment in Russia, collectability of accounts receivable, the regulatory approvals to complete a sale transaction and overall business and operational risks are being monitored and addressed as circumstances evolve. The impact of these risks are and will continue to 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 determined it will sell its Russian operations as noted in note 3.

9. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Accounts receivable	**26,891**	(89,346)
Inventory	**(23,004)**	(197)
Prepaid expenses and deposits	**(5,999)**	(3,270)
Accounts payable and accrued liabilities	**(20,021)**	52,789
Income taxes recoverable	**8,216**	3,828
	(13,917)	(36,196)

Purchase of property, plant and equipment is comprised of:

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Property, plant and equipment additions	**(48,765)**	(34,474)
Change in liabilities related to the purchase of property, plant and equipment	**(7,655)**	(923)
	(56,420)	(35,397)

10. 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	**March 31, 2024**	December 31, 2023
(C$000s)	***($)***	*($)*
Net income from continuing operations	**158,353**	197,569
Adjusted for the following:		
Depreciation	**114,474**	116,641
Foreign exchange losses	**19,843**	22,378
Gain on disposal of property, plant and equipment	**(10,329)**	(4,625)
Reversal of impairment of property, plant and equipment	**(41,563)**	(41,563)
Litigation settlement	**—**	(6,805)
Restructuring charges	**1,658**	2,991
Stock-based compensation	**6,758**	5,117
Interest, net	**27,552**	29,694
Income taxes	**(9,027)**	4,059
Adjusted EBITDA from continuing operations	**267,719**	325,456

Net debt for this purpose is calculated as follows:

	March 31, 2024	December 31, 2023
(C$000s)	***($)***	*($)*
Long-term debt, net of debt issuance costs and debt discount	**314,948**	250,777
Lease obligations	**23,968**	24,428
Deduct: cash and cash equivalents	**(58,239)**	(34,140)
Net debt	**280,677**	241,065

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 March 31, 2024, the net debt to Adjusted EBITDA ratio was 1.05:1 (December 31, 2023 – 0.74:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	**March 31, 2024**	December 31, 2023
(C$000s, except ratio)	***($)***	*($)*
Net debt	**280,677**	241,065
Adjusted EBITDA	**267,719**	325,456
Net debt to Adjusted EBITDA ratio	**1.05**	0.74

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 at March 31, 2024.

11. RELATED-PARTY TRANSACTIONS

Certain entities controlled by George S. Armoyan previously held US$16,771 of the Company's Second Lien Notes as at December 31, 2023. These holdings were sold prior to March 31, 2024.

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the three months ended March 31, 2024 was $239 (three months ended March 31, 2023 – $239), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

12. 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:

	North America	Argentina	Continuing Operations
(C$000s)	*($)*	*($)*	*($)*
Three Months Ended March 31, 2024			
Fracturing	**240,523**	**49,966**	**290,489**
Coiled tubing	**8,436**	**11,357**	**19,793**
Cementing	**—**	**9,981**	**9,981**
Product sales	**—**	**—**	**—**
Subcontractor	**—**	**9,833**	**9,833**
	248,959	**81,137**	**330,096**
Three Months Ended March 31, 2023			
Fracturing	398,774	48,937	447,711
Coiled tubing	14,118	12,053	26,171
Cementing	—	10,698	10,698
Product sales	155	—	155
Subcontractor	—	8,588	8,588
	413,047	80,276	493,323

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.

13. PRESENTATION OF EXPENSES

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

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

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

	Three Months Ended March 31,	
	2024	2023
(C$000s)	*($)*	*($)*
Product costs	**85,155**	134,724
Personnel costs	**90,870**	102,423
Depreciation on property, plant and equipment	**24,047**	27,397
Depreciation on right-of-use assets	**3,948**	2,765
Other operating costs [(1)]	**112,188**	158,327
Cost of sales from continuing operations	**316,208**	425,636

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

	Three Months Ended March 31,	
	2023	2022
(C$000s)	***($)***	*($)*
Interest expense	**8,307**	9,089
Interest income	**(2,275)**	(915)
Interest, net	**6,032**	8,174

14. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Salaries and short-term employee benefits	**93,139**	113,047
Post-employment benefits (group retirement savings plan)	**2,164**	578
Share-based payments	**2,189**	396
Termination benefits	**214**	1,622
	97,706	115,643

15. 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.

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
(C$000s)	*($)*	*($)*	*($)*	*($)*
Three Months Ended March 31, 2024				
Revenue [(1)]	**248,959**	**81,137**	**—**	**330,096**
Adjusted EBITDA	**14,872**	**16,100**	**(4,915)**	**26,057**
Segmented assets [(2)]	**891,033**	**228,882**	**—**	**1,119,915**
Capital expenditures	**37,174**	**10,898**	**—**	**48,072**
Three Months Ended March 31, 2023				
Revenue [(1)]	413,047	80,276	—	493,323
Adjusted EBITDA	76,487	11,540	(4,233)	83,794
Segmented assets [(2)]	884,937	156,714	—	1,041,651
Capital expenditures	33,748	726	—	34,474

[(1)] *Revenue generated in the United States for the three months ended March 31, 2024 and 2023 was 35% and 50% of revenue from continuing operations, respectively.*
[(2)] *Assets in the United States as at March 31, 2024 and 2023 was 49% and 59% 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:

	Three Months Ended March 31,	
	2024	2023
(C$000s)	***($)***	*($)*
Net (loss) income from continuing operations	**(2,903)**	36,313
Add back (deduct):		
Depreciation	**27,995**	30,162
Foreign exchange (gains) losses	**(1,049)**	1,486
(Gain) loss on disposal of property, plant and equipment	**(6,241)**	(537)
Litigation settlement	**—**	(6,805)
Restructuring charges	**—**	1,333
Stock-based compensation	**2,185**	544
Interest, net	**6,032**	8,174
Income taxes	**38**	13,124
Adjusted EBITDA from continuing operations [(1)]	**26,057**	83,794

[(1)] For bank covenant purposes, EBITDA includes the deduction of an additional $3,235 of lease payments for the three months ended March 31, 2024 (three months ended March 31, 2023 – $2,885) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

16. 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. Activity in the fourth quarter is typically impacted by customer budget exhaustion and seasonal holidays.

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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AUDITORS

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Calgary, Alberta

BANKERS

Royal Bank of 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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