# 2022 ANNUAL INFORMATION FORM

CALFRAC WELL SERVICES

March 16, 2023

**For the Year Ended December 31, 2022**

**DO IT SAFELY, DO IT RIGHT, DO IT PROFITABLY**

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# FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. These statements relate to future events or the future performance of the Company (as hereinafter defined). All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", “forecast”, "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form. Other than as required by applicable laws, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

In particular, this annual information form contains forward-looking statements pertaining to the following, without limitation:

- expectations regarding trends in, and the growth prospects of, the global oil and gas industry;
- activity, demand, utilization and outlook for the Company’s continuing operations;
- 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;
- the Company’s Russia division, including the planned sale of the Russian subsidiary and 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 sanctions and counter-sanctions;
- the Company's approach and strategy with respect to environmental, social and governance (ESG) matters;
- the Company’s debt, liquidity and financial position;
- future financial resources and performance;
- expectations regarding the Company's financing activities, restrictions under its lending documents, and the Company's ability to raise capital;
- future costs or potential liabilities;
- the Company’s service quality;
- capital investment plans;
- commodity prices and supply of raw materials, diesel fuel and component parts;
- the Company's growth strategy and prospects;
- operational execution and expectations regarding the Company's ability to maintain its competitive position;
- the continued impact of the novel coronavirus (COVID-19) pandemic (the "COVID-19 pandemic");
- the impact of environmental regulations on the Company's business;
- the impact economic sanctions on the Company's business;
- exposure under existing and potential future legal proceedings; and

- treatment under governmental regulatory regimes.

The forward-looking statements contained herein are based on certain assumptions and analyses made by the Company considering its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following:

- the economic and political environment in which the Company operates;
- the Company's expectations for its customers' capital budgets and geographical areas of focus;
- the effect unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas;
- the effect of ESG factors on customer and investor preferences and capital deployment;
- industry equipment levels, including the number of active fracturing fleets marketed by the Company's competitors;
- the effect of the military conflict in Ukraine and related Canadian, U.S. and international sanctions and restrictions involving Russia and countersanctions, restrictions and political measures that may be undertaken by Russia in respect of the Company’s ownership and planned sale of the Russian division and the broader markets for the Company’s services;
- the continued effectiveness of cost reduction measures instituted by the Company;
- the Company's existing contracts and the status of current negotiations with key customers and suppliers; and
- the likelihood that the current tax and regulatory regime will remain substantially unchanged.

The Company's actual results could differ materially from those anticipated in these forward-looking statements because of the risk factors set forth below and elsewhere in this annual information form:

- global economic conditions;
- the level of exploration, development and production for oil and natural gas in Canada, the United States, and Argentina;
- the demand for fracturing and other stimulation services for the completion of oil and natural gas wells;
- fleet re-investment risk, including the ability of the Company to finance the capital necessary for equipment upgrades to support its operational demands while addressing the energy transition and adapting equipment and technology based on government and customer requirements and preferences;
- sourcing, pricing and availability of raw materials, diesel fuel, component parts, equipment, suppliers, facilities and key and skilled personnel;
- the global direct and indirect effects of the military conflict in Ukraine on the Company and its planned sale of the Russian division;
- excess oilfield equipment levels;
- risks associated with foreign operations, including risks relating to unsettled political conditions, war, including the ongoing Russia and Ukraine conflict and any expansion of that conflict, foreign exchange rates and controls, international trade and regulatory controls and sanctions, and doing business with national oil companies;
- the availability of capital on satisfactory terms;
- failure to reach any additional agreements with the Company’s lenders;
- the Company's liquidity, restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness; and
- the other factors considered under "Risk Factors".

# CORPORATE STRUCTURE

Calfrac Well Services Ltd. (the "Company" or "Calfrac") is the corporation resulting from the amalgamation of Calfrac Well Services Ltd. (the pre-amalgamation predecessor of the Company) and Dominion Land Projects Ltd. under the Business Corporations Act (Alberta) on January 1, 2011.

On February 7, 2005 and again on May 8, 2014, the Company filed Articles of Amendment to split its common shares on a two-for-one basis.

On May 8, 2018, the Company's shareholders ratified and confirmed the advance notice by-law relating to the advance notice of nominations of directors which had been approved by the board of directors on March 15, 2018. Among other things, the advance notice by-law sets a deadline by which shareholders must submit a notice of director nominations to the Company prior to an annual or special meeting of shareholders as well as the information required in the notice for it to be valid.

On December 17, 2020, the Company filed Articles of Continuance to continue the Company under the federal jurisdiction of Canada under the *Canada Business Corporations Act* ("CBCA"), which also implemented the new by-laws of the Company as approved at the October 16, 2020 special meeting of shareholders of the Company.

On December 18, 2020, the Company filed Articles of Arrangement implementing a plan of arrangement under Section 192 of the CBCA (the "Plan of Arrangement") giving effect to a recapitalization transaction (the "Recapitalization Transaction"), as described in the Company's management information circular dated August 17, 2020 ("Special Meeting Circular"), as supplemented by the Material Change Report dated September 25, 2020 (the "Special Meeting Materials"), which are available on the Company's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com ("SEDAR") and incorporated herein by reference. The Plan of Arrangement, included, among other things, a consolidation of the Company's common shares on a 50-to-1 basis and the issuance of common share purchase warrants ("Warrants") as approved at the October 16, 2020 special meeting of shareholders. All references to common shares in this Annual Information Form are on a post- Share Consolidation (as defined below) basis unless otherwise noted. See *"General Development of the Business – Three Year History – 2020 – Recapitalization Transaction and Plan of Arrangement"* for additional information.

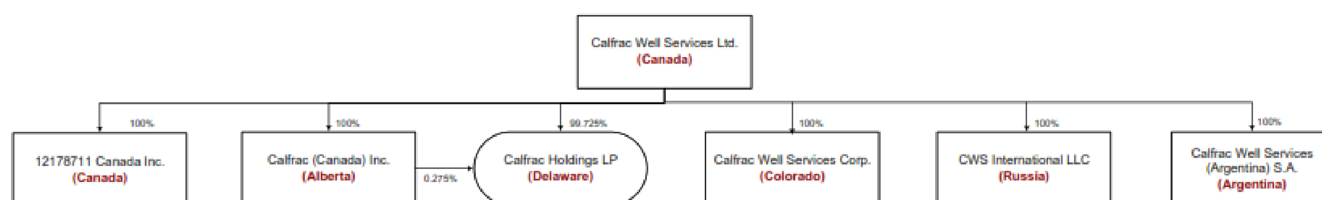
On December 18, 2020, and in connection with the Recapitalization Transaction, the Company adopted a shareholder rights plan as approved at the October 16, 2020 special meeting of shareholders. The shareholders' rights plan was terminated on May 4, 2022, pursuant to a duly passed resolution of shareholders of the Company at the annual and special meeting held May 3, 2022.

The head office of the Company is located at 500, 407 - 8th Avenue S.W., Calgary, Alberta T2P 1E5 and the registered office of the Company is located at 4500, 855 - 2nd Street S.W., Calgary, Alberta T2P 4K7.

Capitalized terms not defined in this annual information form shall have the meaning ascribed to them in the Plan of Arrangement.

## INTERCORPORATE RELATIONSHIPS

The following is an organizational chart of the Company and certain of its subsidiaries as at March 16, 2023, showing each entity's jurisdiction of incorporation, continuation or formation, as applicable, and the Company's ownership interest therein. Unless the context requires otherwise, references to the Company include its subsidiary entities set forth below, other than CWS International, LLC ("CWS International"). See *"Discontinued Operations"* for additional information on CWS International.



# GENERAL DEVELOPMENT OF THE BUSINESS

## OVERVIEW

The Company is a leading independent global provider of specialized oilfield services, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services, which are designed to increase the production of hydrocarbons from wells. The Company's continuing operations are focused on Canada, the United States, and Argentina. In the first quarter of 2022, the Company committed to a plan to sell its Russian division, which resulted in such associated assets and liabilities being classified as assets held for sale and presented as discontinued operations in the Company's financial statements and related management's discussion and analysis. Except where noted, references to the Company and the discussion of the Company's business in this annual information form is with respect to its continuing operations in Canada, the United States and Argentina. See "*Discontinued Operations*" and "*Risk Factors*".

The Company has established itself as a key energy services provider in the markets where it operates and has a reputation for high quality, safe operations and expert execution. With a diverse geographic network and an active operating fleet sized to service the markets where it operates, the Company's goal is to provide the highest degree of expertise and service safely, efficiently and profitably to its customers. The Company's success thus far in achieving this goal is evidenced by a broad customer base and strong relationships with several of the world's leading oil and natural gas exploration and production companies. Based on horsepower ("HP"), the Company is one of the largest hydraulic fracturing companies in the world with a combined fleet for its continuing operations at December 31, 2022 of approximately 1,229,000 HP. In addition, the Company's continuing operations had 17 coiled tubing units and 11 cementing units at December 31, 2022.

## THREE YEAR HISTORY

The Company focused its efforts in 2020 and 2021 on addressing its balance sheet, including the completion of the Recapitalization Transaction as further discussed below, and adapting its cost structure and operating footprint to keep pace with the challenging and evolving oilfield services market that resulted from the COVID-19 pandemic and commodity price war initiated by several OPEC+ countries. Within the improved market conditions of 2022, the Company continued to focus on reducing its total long-term debt and optimizing internal processes and structures to further enhance efficiencies to remain competitive and increase the sustainability of its business. The Company believes these ongoing efforts will enable Calfrac to capitalize on the strong oilfield services market that is anticipated for 2023 and position it to execute on its fleet modernization strategy moving forward.

### 2020

The Company entered 2020 with 20 fracturing fleets operating in North America and 5 fracturing fleets operating in Argentina, including 1 large fleet servicing the Vaca Muerta and 4 fracturing fleets operating in the conventional oil and gas basins of southern Argentina.

In early 2020, the Company engaged its legal and financial advisors to assist the Company in reviewing and evaluating potential options to improve the Company's capital structure, reduce its annual interest expenses and increase its working capital and liquidity.

On February 24, 2020, Calfrac Holdings LP ("Calfrac Holdings") closed a private offering (the "Exchange Offer") pursuant to which it exchanged newly issued 10.875% second lien secured notes due 2026 (the "Second Lien Notes") for Calfrac Holdings' 8.50% senior unsecured notes due 2026 (the "Senior Unsecured Notes Indenture") issued pursuant to an indenture dated May 30, 2018 in an aggregate principal amount of US$650.0 million ("Senior Unsecured Notes"). The Exchange Offer resulted in approximately US$120.0 million aggregate principal amount of Second Lien Notes being issued in exchange for approximately US$218.2 million aggregate principal amount of Senior Unsecured Notes, leaving US$431.8 million of Senior Unsecured Notes then outstanding. Additional information regarding the Exchange Offer can be found in the Company's press release dated February 25, 2020, which can be found on SEDAR under Calfrac's profile. See also "*Description of Capital Structure – Second Lien Secured Note*s" herein for additional information regarding the Second Lien Notes.

In response to a historic reduction in oilfield services activity in North America and Argentina that resulted from the impacts of the COVID-19 pandemic and the OPEC+ oil price war late in the first quarter of 2020, the Company reduced its North American workforce by 40% personnel from the beginning of 2020 and decreased the Company's capital budget from $100.5 million to $55.0 million in light of these unprecedented and volatile market conditions.

*RECAPITALIZATION TRANSACTION AND PLAN OF ARRANGEMENT*

Following the Company's election to defer the June 15, 2020 cash interest payment under the Senior Unsecured Notes Indenture, the Company and certain of its subsidiaries made an application to the Court of King's Bench of Alberta (the "Alberta Court") on July 13, 2020 commencing proceedings under Section 192 of the CBCA to complete the Plan of Arrangement (the "CBCA Proceedings") with the support of certain Senior Unsecured Noteholders. The Company also instituted proceedings on July 14, 2020 before the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "U.S. Bankruptcy Court") under Chapter 15 of the United States Bankruptcy Code ("Chapter 15") to secure provisional relief in the United States to restructure and effect the Recapitalization Transaction through the CBCA Proceedings.

The Plan of Arrangement was approved by a final order of the Alberta Court by on October 30, 2020 (the "CBCA Final Order"), and on December 1, 2020 the U.S. Bankruptcy Court entered an order under Chapter 15 recognizing and granting enforcement of the CBCA Final Order in the United States ("Chapter 15 Enforcement Order"). Additional information concerning the CBCA Proceedings and the Chapter 15 proceedings, including the opposition, appeals and litigation in respect thereof, can be found below under the heading *"Legal and Regulatory Proceedings – United States Appeals of Chapter 15 Enforcement Order*", in the Special Meeting Materials and under the heading *"Court Appeals and Regulatory Application"* in Note 5 to the Company' comparative financial statements for the year ended December 31, 2021, which can be found on SEDAR under Calfrac's profile and is incorporated herein by reference.

On December 18, 2020, the Company completed the Recapitalization Transaction pursuant to the Plan of Arrangement, which included, among other things, the following key elements:

(a) the Company's total outstanding debt was reduced by approximately $576.0 million (converted using the exchange rate as of September 30, 2020);

(b) the Company's outstanding common shares were consolidated on a 50:1 basis immediately after giving effect to share redemptions under a cash election that was offered to existing shareholders (the "Share Consolidation");

(c) an aggregate of 5,824,433 Warrants were issued to shareholders of record as of the close of business on December 17, 2020;

(d) Senior Unsecured Notes in the aggregate principal amount of approximately US $431.8 million, plus all accrued and unpaid interest, were surrendered and cancelled in exchange for an aggregate of 31,307,618 common shares of the Company (the "Senior Unsecured Notes Exchange"); and

(e) the Company issued $60.0 million in principal value of 10.00% 1.5 lien senior secured convertible payment-in-kind notes due 2023 (the "1.5 Lien Notes") to certain investors pursuant to a private placement.

Additional information regarding the particulars of the Recapitalization Transaction and Plan of Arrangement can be found in the Special Meeting Materials and the Company's material change report dated December 24, 2020, which is incorporated herein by reference herein and are available on SEDAR under Calfrac's profile.

On December 18, 2020, immediately following the completion of the Recapitalization Transaction, Messrs. James S. Blair and Kevin R. Baker resigned as directors of the Company and Messrs. George S. Armoyan and Anuroop Duggal were appointed.

On December 18, 2020, in connection with the completion of the Recapitalization Transaction, the Company and certain investors in the 1.5 Lien Notes entered into a registration rights agreement pursuant to which the Company granted certain customary demand and "piggy-back" registration rights in respect of the Company's common shares held by such investors (the "Registration Rights Agreement"). Additionally, the Company and the same group of investors concurrently entered into an investor rights agreement pursuant to which the Company agreed to grant board nomination rights and anti-dilution rights to such investors (the "Investor Rights Agreement").

On December 18, 2020, the Company also amended and restated the credit agreement with its lenders (specifically the "2020 Credit Agreement" and together with its predecessor and successor agreements the "Credit Agreement") governing its available revolving credit facilities ("Credit Facilities") to among other things: (i) permit the Recapitalization Transaction; (ii) decrease the total aggregate Credit Facilities from $375.0 million to $290.0 million; and (iii) provide relief from the Funded Debt to EBITDA covenant for a prescribed covenant relief period in exchange for the Company abiding by certain additional restrictions during such relief period. Additional information regarding these amendments can be found in the

Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2020, which is available on SEDAR under Calfrac's profile.

The Company exited 2020 with 11 fracturing fleets operating in North America and 5 fracturing fleets operating in Argentina, including one large fleet servicing the Vaca Muerta.

## 2021

In May 2021, the Company made the strategic decision to cease fracturing operations in Artesia, New Mexico and transferred one fracturing fleet to Colorado and another fleet into North Dakota to bolster the Company's operating scale in those regions, and at the same time, rationalize its cost structure.

On June 30, 2021, the Company entered into an agreement with its lenders which amended and extended the 2020 Credit Agreement. The principal amendments to the 2020 Credit Agreement included (i) an extension of the maturity date from June 1, 2022 to July 1, 2023; (ii) a voluntary reduction in the Credit Facilities from $290.0 million to $225.0 million; and (iii) the addition of a $25.0 million accordion feature.

In September 2021, the Company established a satellite operating facility in Gillette, Wyoming to efficiently support the growing demand in that region from a major customer.

On November 25, 2021, the Company executed an agreement with its lenders which further amended and increased its Credit Facilities. The principal amendments to the Credit Facilities included (i) the exercise of the accordion feature to increase the capacity of the Credit Facilities to $250.0 million; and (ii) the addition of a new lender to the lending syndicate.

On December 17, 2021, George Armoyan was appointed as the Company's interim Chief Executive Officer and Ronald P. Mathison stepped down as Executive Chairman and was appointed as the Chairman of the Company.

The Company exited 2021 with 13 fracturing fleets operating in North America and 5 fracturing fleets operating in Argentina, including one large fleet servicing the Vaca Muerta.

## 2022

On March 4, 2022 and March 15, 2022, the Company negotiated additional waivers and amendments to the 2020 Credit Agreement including, among others, the following: (i) the Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and increased to 3.75x for the quarter ended March 31, 2022; (ii) the minimum $15.0 million liquidity requirement was temporarily waived through March 15, 2022, and reinstated through the term of an extended covenant relief period expiring June 30, 2022; and (iii) the execution of a secured bridge loan of up to $25.0 million from G2S2 Capital Inc., a company controlled by Mr. Armoyan (“G2S2”) in order to fund the Company’s short-term working capital requirements (the “Bridge Loan”) was permitted. Additional information regarding the Credit Facilities and these amendments can be found in the Company’s comparative financial statements and management’s discussion and analysis for the year ended December 31, 2021, which can be found on SEDAR under Calfrac's profile. See “*Interest of Management and Others in Material Transactions*” for additional information on the Bridge Loan.

On May 3, 2022, Messrs. Gregory S. Fletcher and Lorne A. Gartner term of office as directors ceased and Messrs. Pat Powell, Charles Pellerin and Chetan Mehta joined the board of directors upon their election at the annual and special meeting of shareholders.

On May 19, 2022, the Company filed a short-form base shelf prospectus with the securities commissions in each province of Canada. The base shelf prospectus allows Calfrac and certain of its securityholders to qualify the distribution by way of prospectus in Canada of up to $500 million of common shares, subscription receipts, warrants, debt securities, units or any combination thereof, during the 25-month period that the base shelf prospectus is effective. The base shelf prospectus is intended to provide Calfrac with financing flexibility and additional options for quicker access to equity and/or debt markets as it continues to pursue its strategic plan. A copy of the final short-form base shelf prospectus is available on SEDAR under Calfrac's profile.

On June 3, 2022, the Company announced the appointment of Pat Powell as Chief Executive Officer of the Company. Mr. Powell took over executive leadership of the Company from George Armoyan who had been serving as Interim Chief Executive Officer since December 17, 2021. Mr. Powell promptly changed the Company’s brand promise to “Do It Safely, Do It Right, Do It Profitably”, which is emblematic of the Company’s shift in strategic direction and priority on improved profitability since his appointment.

On September 29, 2022, the Company entered into an amended and restated credit agreement with its syndicate of Canadian financial institutions (specifically, the "2022 Credit Agreement" and together with its predecessor and successor agreements the "Credit Agreement"), which included an extension of the maturity date of the Company's $250.0 million Credit Facilities by one year to July 1, 2024. A copy of the 2022 Credit Agreement is available on SEDAR under Calfrac's profile.

In October 2022, the Company established a satellite operating facility in Vernal, Utah to efficiently support growing customer demand in that region.

In the fourth quarter of 2022, the Company activated a fifth fracturing fleet in Canada at a low-cost and temporarily relocated this equipment to its United States operations in October to satisfy expanding client demand while the Company reactivated a 10th fleet in the United States. Upon deployment of the 10th fleet in early 2023 the Company reallocated the fracturing equipment and crew back to Canada for operations commencing in February 2023.

On December 15, 2022, the Company completed a conversion incentive program (the "Conversion Incentive Program Program") designed to encourage the early conversion of up to all of the $47,440,000 principal amount of the then outstanding 1.5 Lien Notes. Under the Conversion Incentive Program, approximately $44.8 million principal amount of 1.5 Lien Notes were converted and as a result the Company: (i) issued approximately 33.6 million common shares upon conversion of the participating 1.5 Lien Notes; (ii) reduced its outstanding indebtedness by approximately $44.8 million, leaving approximately $2.7 million principal amount of 1.5 Lien Notes then outstanding; and (iii) realized savings of $2.3 million of interest otherwise payable on the 1.5 Lien Notes to the maturity date. For additional information on the Conversion Incentive Program see the Company's Material Change Report dated December 22, 2022, which is incorporated by reference herein and available on SEDAR under Calfrac's profile.

On December 22, 2022, the Company announced it was initiating a multi-year fracturing fleet modernization plan for its Canadian and Unites States operations (the "Fleet Modernization Plan"), commencing with the conversion of 50 Tier II pumping units into Tier IV dual-fuel capable dynamic gas blending ("DGB") pumping units. A Tier IV DGB engine displaces diesel in fracturing operations by increasing the use of natural gas. The Fleet Modernization Plan serves to ensure that significant investments in next generation equipment appropriately consider ESG factors such as emissions performance in addition to reliability and cost. The initial phase of this plan supplements the delivery of nine Tier IV DGB pumping units which were previously committed to and are anticipated to be deployed by the end of the second quarter of 2023.

Over the course of 2022 and early 2023, there were significant changes to the Company's leadership team due to retirements and the elimination of certain officer positions. Lindsay Link, President and Chief Operating Officer; Mike Brown, Vice President, Technical Services; Fred Toney, Vice President, Executive Sales (formerly President, United States Division); and Gary Rokosh, Vice President, Business Development, Canadian Division, all retired from the Company and their roles were not replaced. In addition, the positions of Vice President, Global Supply Chain and President, Russian Division were eliminated. Following these leadership changes, the Company has a streamlined management and leadership team that is focused on its continuing operations in North America and Argentina.

The Company exited 2022 with 14 fracturing fleets operating in North America (which has been increased to 15 as of the date hereof) and 7 fracturing fleets operating in Argentina, including one large fleet servicing the Vaca Muerta.

### SUBSEQUENT EVENTS

Mr. Lindsay Link, President, Chief Operating Officer and a director, retired from the Company and the board of directors on January 4, 2023.

At the beginning of 2023, the Company decided to combine the United States and Canadian operating divisions into a single North American Division as part of its strategy to streamline and unify operational, technical and administrative systems and processes in order to enhance the Company's financial efficiency, accountability and operational performance. This change will result in a modification to the Company's presentation of its financial and operating results commencing with the interim financial statements and management's discussion and analysis for the three months ending March 31, 2023.

## DESCRIPTION OF THE BUSINESS - CONTINUING OPERATIONS

The following discussion is focused on the Company's continuing operations in Canada, the United States and Argentina, which is comprised of fracturing, coiled tubing and cementing service lines.

## FRACTURING SERVICES

The principal focus of the Company's business is the provision of hydraulic fracturing services to oil and natural gas exploration and production companies. The objective of hydraulic fracturing is to increase the conductivity of an oil or natural gas zone within a reservoir to the wellbore, thus increasing the flow of hydrocarbons, allowing a greater proportion of hydrocarbons to be extracted or produced from that zone. The completion of "unconventional reservoirs", including oil and gas shales, siltstones, mudstones and other traditionally bypassed reservoirs is a technically and operationally challenging segment of the hydraulic fracturing market that is characterized by increasing numbers of horizontal wells, multi-stage fracture treatments and elevated proppant and pumping pressure demands. The Company has become a leading service provider in the deeper, more technically challenging plays in Alberta, northeast British Columbia, Colorado, North Dakota, Montana, Wyoming, Utah, Ohio, Pennsylvania, and West Virginia. As of December 31, 2022, the Company's HP fleet consisted of:

| Segment | Active | Idle | Total |
|---|---|---|---|
| | *(000's hhp)* | *(000's hhp)* | *(000's hhp)* |
| United States | 746 | 117 | 863 |
| Canada | 227 | — | 227 |
| Argentina | 139 | — | 139 |
| Total | 1,112 | 117 | 1,229 |

For each of the years ended December 31, 2022 and 2021, fracturing services accounted for 91% of the Company's revenue from continuing operations.

The Company provides hydraulic fracturing by pumping a viscous fluid with suspended proppant through the wellbore and into the reservoir zone being stimulated. The pumping pressure causes the zone to fracture and accept the fluid and proppant. The fluid is designed to subsequently break, or lose viscosity, and be driven out by reservoir pressure, leaving the proppant suspended in the fracture.

A considerable amount of technology is incorporated into the design of the fracturing fluid, which normally consists of proprietary chemicals that are combined with a base fluid. The final fluid can be gelled, emulsified or foamed and may be preceded by acid. In addition to the complex chemical technology used for making the fracturing fluid, fracturing involves considerable engineering knowledge and experience to design the fracturing process to maximize the performance of the well. Each fracture is individually designed to take account of the specific temperatures, pressures, formation permeability and reservoir fluids within the producing zone which is fractured. The Company's engineering and asset enhancement teams provide technical evaluation and job design recommendations as an integral component of its fracturing service to the customer.

Hydraulic fracturing services involve the use of sophisticated equipment specifically designed and constructed for hydraulic fracturing. A complement or "spread" of equipment required to perform a hydraulic fracturing job normally consists of the following:

- a blender to combine chemicals, base fluid and proppant into specific mixtures of fracturing fluids;
- high horsepower fracturing pumpers, with the number of such pumpers dependent upon the pumping pressure and rate required for the fracture;
- a chemical additive unit to transport and inject each chemical in controlled quantities to create the fracturing fluid. The Company sometimes incorporates this unit into its blenders to increase efficiency and reduce the "footprint" of the spread at a particular well location;
- an iron truck or trailer used for transporting and rigging up the high-pressure lines or "iron" that connect the various components of the fracture spread and wellhead;
- a computer van equipped with monitoring, data recording, satellite communication and remote pumper controls to monitor and control the treatment and record the data related to each phase of the fracture; and
- various equipment to transport, store and deliver the proppant and energizer.

The traditional or stage fracture procedure for stimulating a multi-zone well involves numerous mobilizations of a fracturing fleet to the well location, with each trip stimulating only one or two of the zones. In recent years, procedures have been developed so that all of the zones for a particular well can be fractured in just one mobilization of the fleet to the well location. The ability to complete the fracturing services for a multi-zone well with a single fleet mobilization to the well location has become increasingly attractive to customers, as it reduces the traffic to the well location and the resulting disturbance to the landowners and allows the well to be brought into production more quickly. In addition to a reduction in environmental footprint, this procedure simplifies the coordination of the logistics of the fracturing completion and reduces overall costs.

Today, many fracturing companies utilize "zipper fracturing" techniques whereby two or more parallel wells are drilled and then perforated at alternate intervals along the wellbores and fractured at the perforations to create a high-density network of fractures between the wells. This technique is found to increase production in both wells through added pressure this stress pattern creates. A similar technique of simultaneous fracturing (also known as “SimulFrac” or “Double-Barrell” fracturing) has appeared more frequently as a trend. This is essentially a doubling of fracturing horsepower on a single location to allow for multi-well pads to be completed faster and for wells to come online sooner. There has also been an increase in the consolidation of iron through the use of a monoline technology, which reduces surface iron requirements. Using a monoline system increases operational efficiency and reduces the hazards related to rigging in and out of the well. As customers continue to seek cost savings, safety improvements and production uplift, demand for innovative fracturing solutions will continue.

## COILED TUBING SERVICES

The Company provides coiled tubing services by running tubing into wells to perform various well servicing operations. Coiled tubing units are often used together with the appropriate support equipment to pump nitrogen, acid or other fluids into wells in order to remove unwanted corrosive acids, solids, gels and fluids from the wellbore and producing zone. Coiled tubing units can also be used to set and remove tools, perform well abandonments and set siphon or velocity strings, which promote the production of oil and natural gas without the accumulation of fluid in the wellbore. Coiled tubing remains the preferred completion tool for drilling out composite plugs and ball seats in horizontal wells after multi-stage fracturing jobs. Since 1999, the Company has successfully developed innovative equipment and treating procedures required to effectively complete coiled tubing assignments, from relatively simple shallow oil and natural gas operations to deeper, more technically challenging horizontal wells. As of December 31, 2022, the Company had:

- 10 coiled tubing units in Canada, of which 6 are active and 4 have been idled; and
- 6 coiled tubing units in Argentina, of which 5 are active and 1 has been idled.

For each of the years ended December 31, 2022 and 2021, coiled tubing services accounted for 6% of the Company's revenue from continuing operations.

## CEMENTING SERVICES

Drilling for oil and natural gas involves penetrating numerous geological layers, many of which may be saturated with fresh or salt water, oil, natural gas or combinations of all three. To protect groundwater from contamination emanating from the wellbore, surface casing is run to a depth below the level of groundwater and freshwater aquifers and cemented in place. In many wells, intermediate and production casing is also run below the level of surface casing and cemented in place. Once the cement has hardened, all of the geological formations that have been penetrated are isolated from each other and the completion of the well can proceed. Historically, the Company has grown this service line through acquisitions and capital investment but due to declining financial returns and increased competition, the Company has ceased offering cementing services in all of its operating areas except for Argentina, where it remains a market leader.

As of December 31, 2022, the Company had 12 cementing units in Argentina, of which 11 are active and 1 has been idled. For each of the years ended December 31, 2022 and 2021, cementing services accounted for 3% of the Company’s revenue.

## INDUSTRY

In 2020, the global economy slowed significantly in response to the COVID-19 pandemic, while the oil industry was also impacted by the oil supply war between the Organization of the Petroleum Exporting Countries and Russia (“OPEC+”). In early March 2020, an oil supply war between Saudi Arabia and Russia erupted due to the inability of OPEC+ to agree on proposed oil production output quotas. In the midst of this supply war, the COVID-19 outbreak developed rapidly in 2020 and significant measures were put in place by governments around the world to prevent the transmission of the virus. The low oil price environment persisted into summer months, causing many E&P operators to reduce capital expenditures for

drilling and completion activity while also shutting-in existing production to remove supply from the market. West Texas Intermediate ("WTI") prices averaged US$39 per barrel in 2020, down ~30% from the 2019 annual average of US$57.

In 2021, the global economy rebounded from the COVID-19 pandemic, with global GDP growing by 5.8%. Oil prices rose throughout 2021, with WTI averaging US$68 per barrel for the year, bolstered by receding market concerns over the COVID-19 variants. Global oil inventories saw consistent drawdowns in 2021 as demand exceeded supply levels. Global oil consumption rose ~6% over 2020 levels as travel restrictions eased and demand rebounded, while supply increased just 2% as some OPEC+ countries faced operational difficulties ramping up production. Most parts of the globe began to relax travel restrictions and Covid-19 prevention policies, such as occupancy limits, facilitating economic recovery while subsequent waves of infection continued, the notable exception to economic reopening was China who advanced a Covid-zero narrative until late 2022.

On February 24, 2022, Russia invaded Ukraine causing a sudden spike in oil prices to levels not seen since 2011, reflecting potential effects of the extensive sanctions levied by the United States, European Union, and others on Russian entities, as well as the risk of potential disruptions to crude oil and energy production and infrastructure related to the conflict. A number of Western energy companies announced ending operations in Russia as a significant volume of Russian crude oil and petroleum products remained unsold as shippers and refiners refused to take cargoes from Russia. China and India have emerged as partners with Russia and benefiting from lower prices as sellers are selling Russian crudes at larger discounts as they absorb higher shipping costs. WTI prices averaged US$94.90 per barrel in 2022, up ~39% from the 2021 annual average of US$68.13.

According to the Energy Information Administration ("EIA"), U.S. crude oil production averaged an estimated 11.9 MMBpd in 2022, up slightly from 11.2 MMBpd in 2021. U.S. dry natural gas production averaged 98.1 billion cubic feet per day in 2022, up ~5% from 2021 levels. Henry Hub spot prices averaged US$6.67 per million British thermal units ("MMBtu") in 2022, up from US$4.06 per MMBtu in 2021.

At the beginning of 2000, according to the Baker Hughes' rig count, 1,190 drilling rigs were operating in North America with a large majority of these rigs drilling vertical wells. As horizontal drilling techniques improved and unconventional opportunities became more economic, the North American horizontal rig count increased to a peak of 1,753 in November 2014, representing 74% of total rigs. Further advancements in the technologies used to extract hydrocarbons have caused more efficient production with less drilling rigs necessary. In 2020, the impact of the oil supply war and the COVID-19 pandemic led the North American horizontal rig count to decline to 370 rigs at year-end, a 53% drop from year-end 2019 levels. Since 2019, drilling activity has rebounded with commodity prices, exiting 2022 at 786 horizontal rigs, up ~20% from 2021.

The S&P oilfield service index (the "OSX") has outperformed the S&P 500 for the second consecutive year. From January 1, 2020 through December 31, 2022, the S&P 500 has increased by 2% while the OSX has increased by 89% with a majority of the outperformance occurring in 2022, where the OSX was up 59%.

According to Spears & Associates, global spending for oilfield equipment and services rose 29% to US$269 billion in 2022 as the world continued its recovery from COVID-19 and supply was restored to meet demand. The global oilfield equipment and service market has continued to recover from its low point in the second half of 2020 as rising oil prices and improved operator cash flow have spurred a pick-up in drilling, completion and production activity. Spears & Associates projects the oilfield equipment and services industry to grow 20% in 2023 as producers continue to grow production modestly.

The pressure pumping industry provides hydraulic fracturing and other well stimulation services to exploration and production companies. Over the last two decades, the pressure pumping market has evolved from an industry dominated by three major players to an industry where smaller, independent operators have made significant strides with technological advances. As many shale plays are in tight, high pressure reservoirs, drilling these plays requires an increasing number of fracturing stages and more pounds of proppant per fracturing stage. Additionally, many operators have utilized pad drilling techniques, which is the practice of drilling multiple wellbores from a single surface location. Spears & Associates estimates the hydraulic fracturing market grew in 2021 by 20% to US$16 billion and by 62% in 2022 to US$27 billion. In 2023, hydraulic fracturing is forecasted to grow a further 26% to US$33.0 billion.

Coiled tubing remains the preferred completion tool for drilling out composite plugs and ball seats in horizontal wells after multi-stage fracturing jobs. According to Spears & Associates, revenue declined in 2021 by 7% to US$3.1 billion and grew in 2022 by 31% to US$4.0 billion. In 2023, coiled tubing is forecasted to grow a further 24% to US$5.0 billion.

Cementing is a principal component of pressure pumping services and remains a critical step in the overall well completion process. In 2021, the cementing market grew 11% to US$6.0B and grew another 27% to $7.7 billion in 2022. In 2023, cementing is forecasted to grow a further 19% to $9.1 billion.

The EIA has revised price forecasts made in the beginning of the year due to increased volatility in the markets following Russia's invasion of Ukraine. In February, the EIA was forecasting WTI crude prices to average US$77.84 and $71.57 per barrel in 2023 and 2024, respectively. Henry Hub natural gas spot prices have remained in-line with previous forecasts, with the EIA projecting an average of US$3.40 per MMBtu in 2023 and US$4.04 per MMBtu in 2024. However regional gas supply in the European Union and other global markets have seen recent spikes as Russian supply has been curtailed due to sanctions. Uncertainty surrounding European gas supply has been substantially reduced over the past year through the construction of several LNG regasification facilities including three in Germany with more planned.

## OPERATING BASES AND OFFICES

The Company provides its services for its continuing operations from operating bases located in Red Deer and Grande Prairie, Alberta; Grand Junction, Colorado; Williston, North Dakota; Smithfield, Pennsylvania; Artesia, New Mexico; Gillette, Wyoming; and Vernal, Utah; and Añelo, Neuquén, Las Heras and Comodoro Rivadavia, Argentina. The Company's corporate head office is in Calgary, Alberta and its regional corporate offices are in Denver, Colorado; Houston, Texas; and Buenos Aires, Argentina.

## COMPETITION

The markets in which the Company operates are highly competitive. The principal competitive factors in the markets in which the Company operates are (i) price, product and service quality and availability, (ii) technical knowledge and experience, (iii) reputation for safety, and (iv) fleet age and technology. In each of the geographic jurisdictions the Company operates, it competes against many companies that offer services that overlap with the Company's services and products. The Company's competition includes large multinational oilfield service companies as well as regional competitors as further described in the table below:

| Location | Key Competitors |
| --- | --- |
| Globally | Halliburton Company |
| | SLB (formerly Schlumberger Limited) |
| North America | Liberty Energy Inc. |
| | BJ Services Inc. |
| | STEP Energy Services Ltd. |
| | Element Technical Services Inc. |
| Canada | Trican Well Service Ltd. |
| | Ironhorse Oilfield Services Ltd. |
| United States | NexTier Oilfield Solutions |
| | ProFrac Services Inc. |
| | Rev Energy Services Ltd. |
| | ProPetro Holding Company |
| | Mammoth Energy Services Inc. |
| | TOPS Well Services |
| | Catalyst Energy, Inc. |
| | RPC, Inc. |
| Argentina | Tenaris S.A. |
| | Weatherford, S.A. |
| | San Antonio International Oil & Gas LLC |
| | Superior Energy Services S.A. |
| | Latitud 45 Petroleo Y Gas S.A. |

## COMPETITIVE POSITION

To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The Company's competitive position is based on several factors.

*Strategic position in fracturing markets with significant scale.* The Company believes that it is well-positioned in the markets where it operates. The Company is one of the leading companies in the Canadian market in providing innovative hydraulic fracturing services throughout the unconventional oil and natural gas markets, and specifically, the deeper, more technical areas of the WCSB. With 270,000 HP active in Canada and 646,000 HP active in the United States as of the date hereof, the Company has established itself as the largest Canadian-headquartered pressure pumping company and the eighth largest fracturing company in North America. In the United States, the Company services the Piceance basin in western Colorado, the Uinta Basin in Utah, the Powder River Basin in eastern Wyoming, the Marcellus and Utica shale plays in Pennsylvania, West Virginia and Ohio, the Bakken shale play in North Dakota and Montana and Permian Basin. The Company also operates in Argentina where the Company has a significant market presence in the Vaca Muerta shale play as well as in the southern regions of the country. Further development of the unconventional Vaca Muerta shale play is expected in the coming years which would drive significant demand growth and profitability for the Company's established fracturing, coiled tubing and cementing services in that country.

*Strong, long-term relationships with a high quality, diversified customer base.* The Company recognizes that the success of its business is based on high levels of customer satisfaction and strong business relationships. The Company has experienced field operations staff supported by highly qualified technical personnel, which enable it to develop an understanding of each customer's specific needs, and then tailor innovative, practical and cost-effective solutions to meet those needs. The Company has strong, long-term relationships with many of its customers, comprised of a diverse and balanced mix of large, intermediate and small oil and natural gas exploration and production companies, and counts among its client base many of the most active exploration and production companies in the countries in which it operates. Most of the Company's significant customers in North America are major operators with very strong credit metrics.

*Sophisticated supply chain and logistical capabilities.* The Company believes it has created a competitive advantage through the continued development of its in-house supply chain and logistical planning expertise. The Company has strategically optimized logistical networks in Canada and the United States to provide the timely supply of goods and materials at a competitive cost so that non-productive time and wellsite completion expenditures are minimized for the Company's customers. However, like its competitors, the Company faces structural challenges with respect to the availability of products and raw materials. See "*Risk Factors – Financial Risk – Price escalation and availability of raw materials, diesel fuel and component parts*" for additional information.

*Commitment to health, safety and environment.* The Company is committed to providing high quality pressure pumping services that will satisfy and safeguard the health, safety and environment needs of its employees, clients and other key stakeholders with respect to its operations in Canada, the United States and Argentina through the adherence and continued development of a best-in-class management system designed specifically for the energy services industry. This internal management system fosters a culture of continuous improvement designed to ensure safe, consistent and high-quality job execution by targeting a zero Total Recordable Incidence Frequency (“TRIF”) rate and zero environmental spills as well as industry-leading non-productive time while on a wellsite.

*A skilled, dedicated workforce.* The Company has secured a reliable, skilled, and dedicated workforce and it has processes in place to temporarily mobilize its workforce between operating districts. These temporary assignments enhance utilization during periods in which the demand for services decreases in a particular operating area, such as Canada's spring break-up, and facilitate knowledge transfer. In addition, the Company has facilities and comprehensive programs in place which provide an environment for continuous learning and skill development that strengthen its workforce. The Company has training facilities in Alberta, North Dakota and Colorado which are focused on providing regulatory, skills and leadership training for all employees.

## INTELLECTUAL PROPERTY AND SPECIALIZED SKILLS AND KNOWLEDGE

A considerable amount of technology and engineering expertise is incorporated into the fluid chemistry and the design of fracturing programs, which has been an integral part of the successes in the exploration and development of unconventional oil and natural gas plays. The Company develops and maintains the specialized skills and knowledge to support the complex challenges of the industry through its operating practices and standards and through research and development.

The Company's research and development efforts focus on providing specific solutions to the challenges experienced by oil and natural gas exploration and production companies when fracturing and stimulating wells. The Company conducts research and development activities in two high-tech laboratories located at the Technology Centre in Calgary, Alberta and Houston, Texas. Additionally, the district laboratories in Grande Prairie, Alberta; Grand Junction, Colorado; Williston, North Dakota; and Añelo, Neuquén, Las Heras and Comodoro Rivadavia, Argentina, provide additional localized support in regions where the Company operates.

As a result of its research and development efforts, the Company has developed a unique intellectual property portfolio, including patents, trademarks, copyrights, trade secrets and know-how to leverage when responding to the technical and complex challenges faced by its customers.

The specialized intellectual property of the Company includes proprietary, cost -effective chemistries that aim to optimize proppant placement to maximize production from the wellbeore, as well as innovative and specially designed field equipment and equipment configurations that allow it to combine functions, resulting in less equipment being required at a particular well location, thereby reducing the "footprint" of the equipment.

The operational success of the Company has been facilitated by its ability to provide proprietary blends of chemicals and completions designs that, together with the Company's technical expertise and innovative equipment, result in customers' wells being more productive.

The Company remains focused on the ongoing development of environmentally responsible fluid systems and systems that can be used with the high saline produced and recycled waters, thereby reducing freshwater demand.

## CUSTOMERS

The Company's customer base consists of 95 oil and natural gas exploration and production companies, ranging from large multi-national public companies and national oil and gas companies to small private companies. The Company enjoys strong relationships with its customers, comprised of a diverse and balanced mix of large, intermediate and small oil and natural gas exploration and production companies, and counts amongst its client base many of the most active exploration and production companies in the countries in which it operates. For the year ended December 31, 2022, the Company's ten largest customers collectively represented approximately 71.6% of its revenue and the Company's four largest customers collectively represented approximately 51% of its revenue, with its largest customer accounting for approximately 25.8% of its revenue.

## CONTRACTS

### *Customers*

Oil and gas operators in North America have become increasingly reluctant to sign long-term, minimum commitment contracts given the volatility of commodity prices and the historical excess HP capacity in North America. However, the Company has a few "right of first call" contracts, wherein certain clients have committed to providing the Company with the first right to perform fracturing and/or coiled tubing services required in certain operating areas, as well as various pricing agreements.

In Argentina, the Company is currently operating under contracts with several of the major operators in that market as well as several smaller customers. Based on the Company's strong operational performance, it has been able to secure a few minimum commitment contracts with major operators that provide a solid contractual foundation for the division.

### *Suppliers*

The Company sources its raw materials, such as proppant, chemicals, nitrogen, and diesel fuel, and component parts from a variety of suppliers in North America and Argentina. Most of these arrangements do not contain guaranteed minimum commitments of materials, although the Company has contracts with four different sand suppliers based in the United States that include minimum purchase and supply commitments.

## EMPLOYEES

As at December 31, 2022, the Company had approximately 2,270 employees in its continuing operations. Except for a portion of the employees in Argentina, none of the Company's employees are unionized

## SEASONALITY

The Company's business is affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada and North Dakota. See "*Risk Factors – Business Operations Risk – The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions*" for additional information.

## REGULATION

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of employees and the environment, including laws and regulations governing occupational safety standards, air emissions, chemical usage, water discharges and waste management. See "*Risk Factors – Legal and Regulatory Risks – Federal, provincial and state legislative and regulatory initiatives relating to hydraulic fracturing*" and "*The Company is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabili*ties" for additional information.

## FOREIGN OPERATIONS

The Company has a reportable segment of its continuing operations in Argentina, which conducts operations solely in that country. As of December 31, 2022, the Argentina operating segment accounted for 17% of revenue, 22% of employees and 11% of HP from the Company's continuing operations.

## ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

The Company is committed to proactively managing its ESG performance as evidenced by the following:

- The Company is committed to meeting its responsibilities to protect the environment and has taken the required steps to comply with environmental legislation wherever it operates.
- The Company's team of engineers, chemists, geoscientists, and technical specialists develop and test technologies and fluid systems that improve efficiency, reduce water consumption, improve water recycling, minimize risk to the environment and ultimately help wells produce more efficiently and safely.
- The Company provides its customers with a list of additives used in fracturing fluids and encourages the use of public disclosure mechanisms in the interest of transparency.
- The Company collaborates with its customers in a proactive manner to minimize negative environmental impacts from its operations.
- The Company is developing a baseline inventory of its Scope 1 and 2 greenhouse gas (“GHG”) emissions in accordance with the GHG Protocol to satisfy pending requirements for climate-related disclosures as well as to manage energy transition risks and opportunities and ongoing decision-making around equipment selection and fleet modernization.
- The Fleet Modernization Plan initiated by Calfrac in December 2022 serves to ensure that significant investments in next generation equipment appropriately considers ESG factors such as emissions performance in addition to reliability and cost. This plan supplements the delivery of nine Tier IV DGB pumping units which were committed to in 2022 and are anticipated to be deployed by the end of the second quarter of 2023.
- The Company has developed innovative and specially designed field equipment and equipment configurations which reduce transport traffic, job site footprint, noise and dust associated with its operations.
- The Company believes in being an integral part of the communities where it operates, and it supports a variety of giving activities through volunteer efforts and financial donations.
- The Company utilizes health and safety performance measures in connection with the calculation of award entitlements under its Short-Term Incentive Plan. Historically, the Company used TRIF and going forward it will use TRIF and LTIF as the health and safety measure. Total Recordable Injury Frequency or "TRIF" is a lagging indicator that determines the injury rate based on the number of recordable injuries and the total number of hours worked in a year. Lost Time Incident Frequency or "LTIF" is a lagging indicator that determines the injury rate based on the number of lost time injuries and the total number of hours worked in a year. The foundation of the formula for calculating TRIF and LTIF is defined by the Occupational Health & Safety Administration, a federal agency of the United States that regulates workplace safety and health. TRIF is calculated by multiplying the number of recordable injuries and illnesses

incurred during the year by 200,000 and dividing that product by the total number of hours that were worked by employees. LTIF is calculated by multiplying the number of lost time injuries and illnesses incurred during the year by 200,000 and dividing that product by the total number of hours that were worked by employees. The "200,000" used in these calculations is the equivalent number of hours for 100 employees working 40 hours per week for 50 weeks. The overall annual TRIF and LTIF, which is determined at December 31st of the relevant year, is based on the total number of recordable injuries and illnesses or lost time injuries and illnesses, as applicable, for the applicable divisions and the total hours worked for the applicable divisions for the year. For the period ending December 31, 2022, the Company's continuing operations in Canada, the United States and Argentina achieved a TRIF of 1.19 and LTIF of 0.14.

- The use of TRIF and LTIF promotes the Company's commitment to protect the health and safety of its employees, contractors, clients, and other third-party personnel in the communities in which the Company operates. The use of TRIF and LTIF also reinforces that health and safety management are core to the Company's culture. The TRIF and LTIF goals which are communicated to the Company's employees, third-party service providers and clients, is "Goal Zero".
- As at December 31, 2022, the Company had a Health, Safety, Environment and Quality Committee responsible for monitoring the health, safety, environment and quality practices, procedures and performance of the Company and its subsidiaries and for monitoring compliance with applicable legislation and conformity with industry standards. The Committee was also responsible for reviewing management reports and, when appropriate, making recommendations to the board of directors on the Company's policies and procedures related to health, safety, the environment, and quality. Effective January 1, 2023, the Health, Safety, Environment and Quality Committee changed its name to the Health, Safety and Environment Committee and is responsible for empowering a healthy, safe and environmentally conscious organization. In conjunction with the Committee’s realignment, oversight of Quality Management has been reassigned to the Chief Executive Officer who be responsible for reporting to board on quality matters. The Health, Safety and Environment Committee consists of three board members, two of whom are independent. All board committees and the board of directors as a whole are focused on the importance of considering environmental, social and governance issues as part of the Company's license to operate and in 2021 such matters were incorporated into the board mandate, committee charters and board/committee work plans to ensure that the board is monitoring and discussing any relevant developments in those areas as required.
- Starting in 2023, the Company will develop a comprehensive ESG Program and Strategy. As part of its ESG Program and Strategy, the Company expects to publish its inaugural ESG Report in 2024.

## DISCONTINUED OPERATIONS

The Company’s Russian division is carried on by CWS International, a wholly-owned Russian limited liability company. As of December 31, 2022, CWS International had approximately 77,000 HP and 7 coiled tubing units, and approximately 620 employees.

On March 29, 2022, the Company announced the suspension of any investments in the Russian Federation as CWS International continued to fulfill its contractual commitments in strict compliance with applicable sanctions. During the first quarter of 2022, the Company committed to a plan to sell CWS International, which resulted in such associated assets and liabilities being classified as assets held for sale and presented as discontinued operations in the Company’s financial statements. Since that time the Company has been focused on concluding a sale of CWS International while maintaining compliance with all applicable laws and sanctions, which continue to evolve.

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 CWS International 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 CWS International must be approved by the President of the Russian Federation in accordance with the requirements of Decree of the President of the Russian Federation No. 520, dated August 5, 2022, and Resolution of the President of the Russian Federation No. 372-рп, dated November 9, 2022 and rules setting out additional requirements for exits of foreign investors from Russia (which are updated on a periodic basis).

As a result of these evolving circumstances, the risks, restrictions, and uncertainties surrounding, among other things, banking, the Company’s ownership and control over its Russian subsidiary, the physical security of property, plant and equipment in Russia, the regulatory approvals to complete a sale transaction and overall business and operational risks are being monitored and addressed as the situation evolves. 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.

# RISK FACTORS

## INDUSTRY RISKS

***The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American and Argentinean oil and natural gas, which is volatile.***

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.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of OPEC+ to set and maintain production levels for oil; oil and gas production by non- OPEC+ countries; the decline rates for current production; global and domestic economic conditions, including currency fluctuations; political and economic uncertainty and sociopolitical unrest; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; weather conditions; the effect of worldwide energy conservation and greenhouse gas reduction measures; the continued impact of the COVID-19 pandemic; manufacturing demand and the availability of products and raw materials; and government regulations. In addition, historic supply routes of oil and gas have been disrupted as a direct and an indirect result of Russia's invasion of Ukraine. International sanctions have also impacted the availability and pricing of Russian oil and gas on the international market. Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for the Company's services.

The cost of transporting Canadian oil and natural gas to markets is impacted by constraints imposed by limited egress capacity including pipelines and rail. Egress options can be impacted by unexpected disruptions in services caused by a variety of factors such as pipeline faults, public protests or regulatory actions. The price differential may make production of oil and natural gas uneconomic in Canada or could require further price reductions for the Company's services. If the Company cannot offset such costs or differentials by its North American business, such matters could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

In addition to current and expected future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Company has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the expected rates of current production; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability of pipeline and other oil and gas transportation capacity; natural gas storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American or Argentinean activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company's industry may be affected by excess equipment levels.***

Because of the long life of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Additionally, ESG factors have spurred increased investment in electric and Tier 4 emissions-rated fracturing pumps that could outstrip customer demand and/or exacerbate demand dynamics for conventional pressure pumping equipment. Such supply fundamentals could cause the Company or its competitors to lower pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Conservation measures and technological advances could reduce demand for oil and natural gas.***

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and

other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***The Company's operations are subject to hazards inherent in the oil and natural gas industry.***

The Company's operations are subject to hazards inherent in the oil and natural gas industry, such as equipment defects, malfunction and failures, operator error, and natural disasters which can result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, loss of oil and natural gas production, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance coverage that it believes to be adequate, such insurance may not be adequate to cover all potential liabilities and may not be available in the future at rates and terms that the Company considers commercially reasonable and justifiable. In 2022, oil and gas industry continued to experience increased insurance premiums and costs, which coupled with an occurrence of a significant event that the Company is not insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The actions of activist shareholders and the reluctance of institutional investors to invest in the industry in which the Company operates.***

In recent years, publicly traded companies have increasingly been subject to demands from activist shareholders publicly advocating for changes to corporate governance practices, including executive compensation and ESG policies, as well as to divest from operations in Russia due to the conflict in Ukraine. Responding to challenges from activist shareholders, such as proxy contests, media campaigns or other activities, could be costly and time-consuming, could have a negative impact on the Company's reputation and could divert the attention and resources of management and the board of directors, all of which could have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

In addition to risks associated with activist shareholders, some institutional investors are placing an increased emphasis on ESG factors when allocating their capital. These investors may implement policies that discourage investment in companies that operate in the oil and natural gas industry or in Russia. To the extent certain institutional investors implement policies that discourage investment in the oil and gas industry, it could have an adverse effect on the Company's financing costs and access to capital. Additionally, if the Company's reputation is diminished due to negative perceptions about the oil and natural gas industry, it could result in increased operational or regulatory compliance costs, lower shareholder confidence or loss of public support for the Company's business.

***The Company's industry is intensely competitive.***

Each of the markets in which the Company participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Company operates are (i) price, product and service quality and availability, (ii) technical knowledge and experience, (iii) reputation for safety, and (iv) fleet age and technology. The Company competes with large national and multi-national oilfield service companies that have extensive financial and other resources and offer a wide range of well stimulation services and technologies in all geographic regions in which the Company operates. In addition, the Company competes with several regional competitors. As a result of competition, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

***The ongoing impacts of the COVID-19 pandemic.***

The on-set of the COVID-19 pandemic caused a significant and swift reduction in global economic activity, which significantly weakened demand for oil and gas, and in turn, for the Company's products and services. However, there has been a rebound in global economic activity including increased demand for oil and gas, and in turn for the Company’s products and services, since the commencement of the COVID-19 pandemic. The lingering effects of the pandemic continue to impact the Company, and the extent to which Company's operating and financial results will continue to be affected will depend on various factors beyond the Company's control, such as the ultimate duration, severity and sustained geographic resurgence of the virus; the emergence, severity and transmission rates of new variants and strains of the virus; and the global response plans and protocols in response to the virus. COVID-19, and the volatile regional and global economic conditions and response plans stemming from the pandemic may have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

## BUSINESS OPERATIONS RISKS

***Fleet reinvestment risk.***

The average age of the Company's operating fleet combined with demand for more pumping hours per day by customers and higher pressures and temperatures results in increased deterioration and wear and tear on the Company's equipment. This in turn raises the risk of equipment failure and non-productive time, accelerates the maintenance cycle and increases repairs and expenses for the Company's equipment fleet. Additionally, although Tier II engines (which power a significant portion of the Company's fleet) are grandfathered from an emissions regulations perspective, oil and gas operators are increasingly demanding newer engine technologies of their service providers to meet their operational and ESG priorities. As a result, the Company is required to make new investments to modernize its equipment, update its emissions technology and meet growing customer preferences. The failure of the Company to reinvest and modernize its equipment fleet, or to invest in the engine technologies preferred by its customers, could have a material adverse effect on the Company's business, financial condition, results of operations, and cash flows as well as the Company's reputation, competitiveness, access to capital and market for its securities.

***Difficulty in retaining, replacing or adding personnel.***

The Company requires skilled labour to meet its needs, and this could limit growth. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services and as new HP is brought into service. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

The nature of the Company's work requires skilled employees who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt employees to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Company's. The Company's success depends on its ability to continue to attract and retain skilled technical personnel and qualified oilfield personnel. If the Company is unable to do so, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Failure to continuously improve operating equipment, proprietary fluid chemistries and other products and services.***

The ability of the Company to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary fluid chemistries and the Company's ability to design, develop and produce other commercially competitive products and services in response to changes in the market, customer requirements and competitive pressures. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet these continuing needs. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.***

The Company's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry, particularly in portions of western Canada and North Dakota. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada and North Dakota. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Company's Canadian operating areas and its operating areas in North Dakota such that many rigs are unable to be moved due to road weight restrictions. This period, commonly referred to as "spring break-up", occurs earlier in the year in North Dakota and southeast Alberta than it does in northern Alberta and northeast British Columbia. Consequently, this is typically the Company's weakest three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Company might not be able to access wellsites and its operating results and financial condition could therefore be adversely affected. The demand for fracturing and well stimulation services may also be affected by severe winter weather in North America. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment.***

The Company's ability to meet service requirements in part, depends upon access, timely delivery and pricing of new equipment, and component parts. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology, supply chain challenges, shortage of transportation

and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment and component parts at reasonable or competitive pricing may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company's customer base is concentrated.***

The Company's customer base consists of 95 oil and natural gas exploration and production companies ranging from small private companies to large multi-national public companies, with one customer comprising approximately 25.8% of its revenue, as at December 31, 2022. There can be no assurance that the Company's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company's technology may become obsolete***

The Company remains competitive, in part, through its unique intellectual property. The Company and its competitors continue to invest in new technologies that are lower in cost, improve performance or are preferable in the market for environmental or other reasons. While the Company continues to make efforts to keep current and invest in new technology. There are no assurances that these investments and research and development initiatives will be successful, produce profitable intellectual property or ensure the Company remains competitive in this industry.

***Climate Change may impact weather conditions.***

Physical risks due to climate change such as more extreme and frequent weather conditions may have financial implications for the Company’s business. In addition to increased safety risks for employees, these extreme weather events may adversely impact the Company’s business operations and its ability to meet project timelines, materially impacting revenues. Extreme weather events may also adversely affect the financial condition of the Company in the event of increased repair costs resulting from damage to equipment, which may not be insured.

An essential component of the fracturing process is access to local water supply.  In the event of local droughts, there may be increased competition for water in certain areas and government restrictions on the use of water. The Company’s inability, or its customer’s inability to obtain water to use in the Company's operations from local sources or to effectively utilize flowback water could have an adverse effect on the Company’s business, financial conditions, results of operations and cash flows.

***Failure to maintain the Company's safety standards and record.***

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. To ensure compliance the Company has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Company's safety performance could result in a decline in the demand for the Company's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement.***

The success and ability of the Company to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technology. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licenses and patents to protect its proprietary technology. The Company also relies on third parties from whom licenses have been received to protect their proprietary technology. The Company may have to engage in litigation to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technology that is similar or superior to the technology of the Company or such third parties or design technology in such a way as to bypass the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties. The development of similar or superior technology and/or the invalidation, circumvention, misappropriation, challenges, infringement, or alleged infringement, of or to the proprietary technology of the Company may adversely affect the Company's business, financial condition, results of operations and cash flows.

***Improper access to confidential information.***

The Company's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data due to a natural disaster, data breach, cybersecurity threats or other factors. If any of these events occur, confidential information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage the Company's reputation and diminish its competitive position. In addition, any affected customers could initiate legal or regulatory action against the Company in connection with such incidents, which could cause the Company to incur significant expense and impact the Company's strong relationships with its customers. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company is subject to cybersecurity risks.***

Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. Cybersecurity attacks could include, but are not limited to, malicious software, attempts to gain unauthorized access to data and the unauthorized release, corruption or loss of data and personal information, account takeovers, and other electronic security breaches that could lead to disruptions in the Company's critical systems. Risks associated with these attacks include, among other things, loss of intellectual property, disruption of the Company's and the Company's customers' business operations and safety procedures, loss or damage to the Company's data delivery systems, unauthorized disclosure of personal information and increased costs to prevent, respond to or mitigate cybersecurity events. Although the Company uses various procedures and controls to mitigate its exposure to such risk, cybersecurity attacks are evolving. At a global level, 2022 saw a global increase in malware attacks, including ransomware which continues to be one of the most popular types of cybercrime. The scale and scope of malware attacks represents both security and economic risks that could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Activism may impact the Company.***

The evolving role of activists and the impact on public opinion and government policy on oil and gas development projects may have a material adverse impact on the Company. Activists may target oil and gas facilities and other infrastructure such as roads and highways, which may result in damage or destruction to customer work sites, as well as prevent the Company's ability to perform its services or mobilize equipment or receive raw materials to support the operations. Further, the effect of the Emergencies Act in Canada, and other legislation action to address such activism is unknown. Activism including protests, blockades and environmental terrorism occurring in North America may adversely affect the Company's business, financial conditions, results of operations and cash flows.

***Loss of one or more of the Company's key employees.***

The Company's success depends in large measure on certain key personnel. Many critical responsibilities within the Company's business have been assigned to a small number of employees. The loss of their services could disrupt the Company's operations. In addition, the Company does not maintain "key person" life insurance policies on any of its employees, so the Company is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that the Company will be able to continue to attract and retain key personnel necessary for the development and operation of its business. If the Company proves unable to attract and retain key personnel, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Failure to realize anticipated benefits of acquisitions and dispositions.***

Separate to its planned divestiture of its discontinued Russian operations, the Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include unanticipated costs and liabilities; difficulty integrating the operations and

assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and customers of the acquired company; and increased expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to the Company's shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Growth-related risks on the Company’s internal systems and employee base.***
The Company's ability to manage growth effectively will require it to continue to implement and/or improve its operational and financial systems and to expand, train, and maintain its employee base. If the Company proves unable to deal with this growth, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows

***Merger and acquisition activity among oil and natural gas exploration and production companies may constrain demand for the Company's services.***
Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for the Company's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Company. Merger and acquisition activity in the oil and gas market could have an adverse effect on the Company's business, financial condition, results of operations and cash flows.

## FINANCIAL RISKS

***Price escalation and availability of raw materials, diesel fuel and component parts.***
The Company and the industry worldwide continue to experience shortage of supply and an increase in inflationary pricing of raw materials such as proppant, chemicals, diesel fuel and component parts due to the aftermath of COVID-19 pandemic and other factors making it difficult to meet the demands of and provide fixed pricing for customers. The effects of the pandemic, including supply chain issues such as availability of raw materials from China continue. Availability of and increased costs of raw materials, diesel fuel and component parts will continue to be a challenge faced by the Company and cannot be easily countered by price increases to customers in a highly competitive environment. Price escalation and availability of raw materials, diesel fuel and component parts could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***The Company's access to capital may become restricted or repayment could be required.***
The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available or may not be available on favourable terms. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to the Company or at all, particularly if the Company's debt levels remain above industry standards. The Company's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of the Company.

The Company is required to comply with covenants under the Credit Agreement, the 1.5 Lien Notes Indenture (as defined below) and the Second Lien Notes Indenture. If the Company does not comply with such covenants, the Company's access to capital could be restricted or repayment could be required. Such non-compliance could result from an impairment charge to the Company's capital assets, which is determined based on management's estimates and assumptions when certain internal and external factors indicate the need for the Company to assess its capital assets balance for impairment. If realized, these risks could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to continue to pay amounts owing under the Credit Agreement, the 1.5 Lien Notes Indenture or the Second Lien Notes Indenture when due, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, operating and financial restrictions exist under the Credit Agreement, the 1.5 Lien Notes Indenture and the Second Lien Notes Indenture which include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurrence of indebtedness, provision of guarantees, making of capital expenditures and entering into of certain transactions, among others.

***The Company's direct and indirect exposure to volatile credit markets.***
The ability to make scheduled debt repayments, refinance debt obligations and access financing depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. In addition, the Company's ability to refinance debt obligations and access financing is affected by credit ratings assigned to the Company and its debt. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Company, or third parties it seeks to do business with, to access those markets. In addition, as noted above, the Company’s discontinued operations in Russia may impact its ability to refinance debt obligations and access funding at similar costs or at all.

In addition, access to further financing for the Company or its customers remains uncertain. This condition could have an adverse effect on the industry in which the Company operates and its business, including future operating results. The Company's customers may curtail their drilling and completion programs, which could decrease demand for the Company's services and could increase downward pricing pressures. Further, certain customers could become unable to pay suppliers, including the Company, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Fluctuations in currency exchange rates.***
The Company's financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign continuing operations are directly affected by fluctuations in the exchange rates for United States dollars and Argentinean pesos, the results of the discontinued operations are affected by the exchange rates for the Russian ruble, as well as the availability of foreign currency in Russia, the Company's ability to repatriate such foreign currency and the convertibility of the Russian ruble. For example, financial results from the Company's United States operations are denominated in United States dollars, so a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. In addition, a portion of the Company's debt is denominated in United States dollars, so a decline in the value of the Canadian dollar would increase the amount of reported debt in the Company's consolidated financial statements. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Company does not have any hedging positions

In relation to the Russian ruble, if the Company is unable or limited in its ability to convert Russian ruble amounts into foreign currency and repatriate such foreign currency, any amounts the Company receives in Russian rubles in respect of the Company’s discontinued Russian operations may be worthless in Canadian dollar terms, which could adversely affect the Company's financial condition, results of operations and cash flows.

***Actual results may differ materially from management estimates and assumptions.***
In preparing the Company's consolidated financial statements in accordance with International Financial Reporting Standards, estimates and assumptions are used by management to determine the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted accounting. In some cases, where estimates are particularly difficult to determine, the Company must exercise significant judgement. Estimates may be used in management's assessment of items such as business combinations, allowance for doubtful accounts, impairment or reversal of impairment of assets, net realizable value of inventory, depreciation, functional currency of foreign subsidiaries, fair value of financial instruments, determination of cash-generating units (CGUs), income taxes, share-based payments and litigation. Actual results for all estimates could

differ materially from the estimates and assumptions used by the Company, which could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

***The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting.***

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. The Company undertakes procedures, including those imposed by applicable securities laws, to help ensure the reliability of its financial reports. However, challenges with implementation of such measures or lack of new or improved controls may have an adverse impact on the Company's operations or reporting obligations. Further, if the Company's auditors or the Company discovers a material weakness, even when remedied, this may impact the Company's reputation, business, or financial condition.

***Two directors of the Company control a significant number of common shares of the Company and could limit the Company's ability to access public equity markets at desired prices or at all.***

Armco Alberta Inc., a wholly-owned subsidiary of G2S2 and a company controlled by George Armoyan, and MATCO Investments Ltd. ("MATCO"), a company controlled by Ron Mathison, each of whom is a director of the Company, hold a significant number of common shares of the Company. Mr. Armoyan, through his companies controls approximately 35% of the common shares of the Company and Mr. Mathison personally and through MATCO controls approximately 12% of the common shares of the Company. G2S2 and MATCO are parties to the Registration Rights Agreement which provides for the right to cause the Company to register a prospectus qualifying the sale of common shares held by those companies. If G2S2 or MATCO exercise their rights under the Registration Rights Agreement or otherwise sell substantial amounts of the Company's common shares in the public equity market, the market price of common shares could decrease and limit the Company's access to capital through public equity markets. The perception in the public market that G2S2, MATCO or their affiliates may sell the Company's common shares could also create a perceived overhang and depress the market price of the common shares and further limit the Company's access to capital through public equity markets.

***The Company's outstanding convertible securities or any additional equity or debt securities issued by the Company could be dilutive to the Company's shareholders.***

The Company has outstanding convertible securities, including the 1.5 Lien Notes, Warrants and stock options. In the future the Company may issue additional securities to raise capital or additional securities convertible into common shares. The Company may also acquire interests in other companies by using a combination of cash and common shares or just common shares. The Company may also attempt to increase its capital resources by making additional offerings of debt, including senior or subordinated notes. The Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond its control, as a consequence the Company cannot predict or estimate the amount, timing or nature of future offerings. Thus, holders of common shares bear the dilution risk of the Company's existing convertible securities or future offerings reducing the market value of common shares.

***The Company is exposed to third-party credit risk.***

The Company's accounts receivable are with oil and natural gas exploration and production companies, whose revenues may be impacted by fluctuations in commodity prices. In the event such entities fail to meet their contractual payment obligations to the Company, such failures could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***Changes in tax rates and reassessment risk by tax authorities of the Company's income (loss) calculations.***

The Company is subject to tax rates in the jurisdictions where it operates which may be subject to material change. Additionally, the Company files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation om the jurisdictions where it operates. However, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income (loss) for tax purposes or could change administrative practices to the Company's detriment. A material change in tax rates or a successful reassessment of the Company's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Company's financial condition and cash flows.

## GEOPOLITICAL RISKS

***The Company's foreign operations expose it to risks from abroad.***

The Company has continuing operations and related assets in Argentina, which may be considered politically and/or economically unstable. Activities in Argentina may require protracted negotiations with host governments, national oil and gas companies and third parties and can be subject to economic and political considerations, such as taxation,

nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, restrictions on the repatriation of income or capital, governmental regulation, and the risk of actions by terrorist, criminal or insurgent groups. Any such activities or actions could adversely affect the economics of exploration or development projects for the Company or its customers in Argentina and/or the demand for the Company's well stimulation services in Argentina which, in turn, could have a material adverse effect on its assets, business, financial condition, results of operations and cash flows.

***The sale of Company's discontinued operations in Russia may not occur or may be delayed.***
The Company has operations and related assets in Russia that are carried on independently by CWS International and are classified as discontinued operations for financial purposes.

The conflict in Ukraine has had an immediate and on-going impact on the international capital markets, investor sentiment and commodity prices (including oil and gas, which has contributed to rising global energy prices, and arable crops, which has contributed to rising global food prices). The sanctions announced to date by Canada, the United States, the European Union and the United Kingdom, among others, include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia, severing Russia's largest banks from the U.S. financial system, barring certain Russian enterprises from raising money in western markets and blocking the access of Russian banks to financial markets. There remains a risk of further escalation and an ongoing impact on geopolitical conditions, and western and allied countries could impose wider sanctions and take other actions should the conflict further escalate. These risks that began to materialize in February 2022 are in addition to the other economic and political risks faced by companies, such as the Company, with operations in Russia, due to the prevailing financial, legal and social conditions in Russia.

The Company's discontinued operations in Russia could expose the Company to trade and economic sanctions or other restrictions imposed by the Canadian government or other western and allied governments and organizations, such as those set out above or further new and more restrictive measures, in particular in the event that the conflict intensifies. Such measures and the ongoing conflict in Ukraine have added a level of risk and uncertainty around the Company's discontinued operations in Russia and the Company's efforts to divest of CWS International. As a result of these changes in circumstances, there is risk and uncertainty surrounding the Company's discontinued operations in Russia, including uncertainty surrounding banking restrictions and the ability to repatriate funds to Canada from Russia, the Company's ownership and control over its Russian subsidiary, potential for further impairment of current and long-term assets, the physical security of property, plant and equipment, the conditions of and ability to obtain the regulatory approvals to complete a sale transaction and overall business and operational risks. It is also possible that the Russian government could block the Company's efforts to divest of CWS International or impose onerous conditions on any such divestiture, including with respect to amounts to be received by the Company in respect thereof. The conflict and sanctions or restrictions imposed against or by Russia could have a material adverse effect on the Company's reputation and its ability to complete the sale of CWS International and divest of its discontinued operations in Russia at a fair price or at all. If the Company is not able to complete the divestiture of CWS International at a fair price or at all, the Company could face a number of negative consequences, each of which could either singly or in combination result in a material adverse effect on the Company, such as, damage to the Company's reputation, the unwillingness of counterparties (including, without limitation, lenders suppliers and customers) to continue to work with the Company on the same terms or at all and the inability of certain investors to continue to invest in the Company due to internal or external policies and regulations. These consequences, should they occur, could have a material adverse effect on the Company's assets, business, financial condition, results of operations and cash flows. The occurrence of any of these events could also have a negative impact on the Company's stock price, whether or not any of these events have a material economic impact on the Company.

Until the divestiture of CWS International is complete, the Company's discontinued operations in Russia could also result in a number of risks described elsewhere in these Risk Factors being exacerbated, such as: the Company's access to capital, the availability and price escalation of raw materials and component parts, activist shareholder and ESG risks and cybersecurity threats. The Company cannot presently quantify the potential extent of such exacerbated risks, but, should such risks materialize, they could have a material adverse effect on the Company's assets, business, financial condition, results of operations and cash flows.

***The Company is subject to several legal actions in Greece relating to the operations Denison Energy Inc. ("Denison") and is unable to predict the consequences of these actions.***
From time to time, there may be legal proceedings underway, pending or threatened against the Company relating to the business of Denison prior to its March 8, 2004 reorganization pursuant to a plan of arrangement and subsequent acquisition of the Company on March 24, 2004. Pursuant to the plan of arrangement, the Canadian petroleum and natural gas assets and the mining leases, mining environmental services and related assets and liabilities of Denison were transferred to two new corporations that provided indemnities to Denison for all claims or losses relating to Denison's prior business, except for matters related to specific liabilities retained by Denison. Despite these indemnities, it is possible that the Company could be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that claims,

or losses may not be within the scope of either of the indemnities or may not be recoverable by the Company. Due to the nature of Denison's former operations (oil and natural gas exploration and production, mining and environmental services), these claims and losses could include substantial environmental claims. The Company cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against Denison or affecting the Company's business or any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

See "*Legal and Regulatory Proceedings*" for particulars of the legal actions in Greece relating to the operations of Denison. The direction and financial consequence of the potential decisions in these actions cannot be determined at this time. If these actions were to be determined in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***The Company must comply with applicable law.***

Although management has implemented internal controls, procedures and policies that it believes to be adequate and customary in the industry and the countries where the Company operates, a finding or charge of a material breach of applicable securities laws, anti-corruption, anti-bribery and anti-money laundering laws, sanctions, export control laws or other applicable provisions, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## LEGAL AND REGULATORY RISKS

***Federal, provincial and state legislative and regulatory initiatives and laws relating to oil and gas exploration and development and/or hydraulic fracturing processes.***

The Canadian federal government, the United States Congress, the United States Environmental Protection Agency and other regulatory agencies in the United States continue to conduct investigations regarding the use and lifecycle of stimulation water and chemicals in the hydraulic fracturing process and the potential impacts on human health and the environment. In addition, most provincial, state and local governments with jurisdiction over oil and gas development have undertaken similar investigations and have implemented various conditions, rules, regulations and restrictions on hydraulic fracturing operations rather than waiting for federal implementation. Petitions and bills that assert that the fracturing process could adversely affect surface and/or ground water supplies, air quality and seismic events have been introduced in Congress and state legislatures. The proposed statutes have historically aimed to repeal the exemption for hydraulic fracturing under the Safe Drinking Water Act or enact moratoriums and/or bans on the use of hydraulic fracturing in the hydrocarbon extraction process. Legislative and regulatory requirements currently in place or scheduled to become effective in certain provinces and/or states in 2022 continue to include requirements regarding local government consultation, wellhead and pad setbacks, public and landowner notification and involvement, withdrawal of water for use in hydraulic fracturing of horizontal wells, baseline testing of nearby water wells, restrictions on which additives may be used, reporting with respect to spills, mandatory visual and noise mitigation measures as well as temporary or permanent bans on hydraulic fracturing. These types of requirements could subject the Company to increased costs, delays, limits on the productivity of certain wells and, possibly, limits on its ability to deploy its technology.

The adoption of federal, provincial, state or local laws and regulations that flow from court decisions in any of the jurisdictions in which the Company or its customers operate may also limit oil and gas exploration, and by extension demand for the Company's services. For example, the British Columbia Supreme Court's decision in *Yahey v. British Columbia* regarding the cumulative effects and infringement of Blueberry River First Nation Treaty 8 rights has impacted the activity and future development projects in the Montney area by changes to approval of future permits and the requirements for development and planning, including reporting. The implementation of new regulations restricting approvals or placing limitations on oil and gas development could have a material adverse effect on the Company, its business, financial conditions, results of operations and cash flows.

***The Company is subject to health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.***

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of employees and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. The Company incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Company's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company uses and generates hazardous substances and wastes in its operations. The Company has endeavoured to reduce the use of hazardous substances and the generation of wastes in its operations, but to date has been unable to eliminate them completely. The Company takes great care to prevent the release of hazardous substances into the environment at the wellsite or during transportation, storage or handling. The Company's customers protect groundwater from contamination by substances pumped downhole by installing and cementing layers of steel piping, called casing, in wells serviced by the Company. Since the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. In addition, some of the Company's current properties are, or have been, used for industrial purposes. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Company could become subject to material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

***The Company is subject to legal and administrative proceedings.***

From time to time, the Company is involved in legal and administrative proceedings which are usually related to operational or labour issues. Due to the conflict in Ukraine, the Company also faces increased legal risk in respect of its discontinued operations in Russia. The results of such proceedings, or any new proceedings that may be commenced with respect to the Company or its business cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on advice from external legal advisors, which is based on their judgment of various factors including the applicable legal or administrative framework, precedents, relevant financial and operational information and other evidence and facts specific to the matter as known at the time of the assessment. If these matters, or any matters which the Company may be subject to in the future, were to be determined in a manner adverse to the Company or if the Company elects to settle one or more of such matters, it could have a material adverse effect on the Company, its business, financial condition, results of operations and cash flows.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

***Failure to effectively and timely address the energy transition.***

There is an increasing focus by governments, customers, investors and other stakeholders on climate change, sustainability, ESG performance and energy transition matters. Negative attitudes or perceptions towards the oil and gas industry and fossil fuel products, as well as their relationship to the environment have led governments, non-governmental organizations and companies to implement initiatives to conserve energy and promote the use of lower carbon energy sources. The Company's long-term success depends on its ability to effectively address the energy transition from fossil-based systems of energy production and consumption to lower carbon energy sources. The Company's success will require adapting its equipment and technologies to comply with evolving government regulations and customer requirements and preferences, as well as collaborating with customers to develop solutions to reduce the GHG emissions from pressure pumping operations. If the energy transition landscape changes faster than anticipated or in a manner that the Company does not anticipate, the demand for the Company's products and services could be adversely affected, as well as their operating costs and asset valuation. Furthermore, if the Company fails or is perceived to not effectively manage energy transition risks and opportunities, or if investors or financial institutions shift funding away from companies in fossil fuel-related industries, the Company's access to capital or the market for its securities could be negatively impacted.

***Federal, provincial and state legislative and regulatory laws, regulations, court orders or other initiatives to limit greenhouse gas emissions and/or relating to climate change.***

In January 2021, President Biden took office and under his administration initiated the curtailment of energy operations on federal lands and pursued other regulatory initiatives, executive actions and legislation in support of a broader climate change agenda. Continuing political and social attention to the issue of climate change has resulted in both existing and proposed international agreements and national, regional and local legislation and regulatory measures to limit GHG emissions, including emissions of carbon dioxide and methane from production and use of crude oil and liquids and other natural gas. The implementation of these agreements, including the Paris Agreement, the Europe Climate Law, and other existing or future regulatory mandates, may adversely affect the demand for the Company's products and services, impose taxes on the Company or the Company's customers, require the Company or the Company's customers to reduce GHG emissions from its technologies or operations, or accelerate the obsolescence of the Company's products or services.

This trend presents a risk to the Company if it is unable to provide its customers with acceptable GHG emissions performance information for its existing or new equipment fleet. Failure of the Company to maintain an equipment fleet that satisfies the GHG emission requirements of its customers could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

There is also increased focus by governments and the Company's customers, investors and other stakeholders on climate change, sustainability and energy transition matters. Negative attitudes toward or perceptions of the oil and gas industry or fossil fuel products and their relationship to the environment have led governments, non-governmental organizations, and companies to implement initiatives to conserve energy and promote the use of alternative energy sources, which may reduce the demand for and production of oil and gas in areas of the world where the Company's customers operate, and thus reduce future demand for the Company's products and services. In addition, initiatives by investors and financial institutions to limit funding to companies in fossil fuel-related industries may adversely affect the Company's liquidity or access to capital. Any of these initiatives may, in turn, adversely affect the Company's financial condition, results of operations and cash flows. The Company will also be required to comply with incoming climate-related disclosure requirements. These reporting requirements are anticipated to contain extensive GHG emissions reporting which will require improved internal controls, tools and processes. The Company is currently developing a GHG emissions inventory and ESG Program and Strategy to prepare for climate-related disclosure requirements. However, there are no assurances as to the scope of reporting nor the resources required to ensure compliant reporting. Further, a failure to fully comply with the incoming reporting requirements may result in regulatory or administrative fines or penalties against the Company and may impact its future ability to access capital markets which may, in turn, adversely affect the Company's business, financial condition, results of operations and cash flows.

***Failure to effectively and timely address the need to operate more sustainably and with a lower carbon footprint.***
The Company's long-term success may depend on its ability to effectively lower the carbon impact of how it delivers products and services to customers. If the Company fails or is perceived to not be effectively lowering its carbon impact, then it could potentially lose engagement with customers, investors and/or certain financial institutions.

***The direct and indirect costs of various climate change regulations, existing and proposed.***
Future federal legislation in Canada and the United States including potential international or bilateral requirements enacted under Canadian or American law may materially and adversely affect the Company's business, financial condition, results of operations and cash flows. For example, in Canada, mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan-Canadian Framework on Clean Growth and Climate Change and in effect at the federal level under the Greenhouse Gas Pollution Pricing Act, and in Alberta pursuant to the Emissions Management and Climate Resilience Act. Potential further federal or provincial requirements may impose additional costs on the Company's operations and require the reduction of emissions or emissions intensity from the Company's operations and facilities. Taxes on GHG emissions and mandatory emissions reduction requirements may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Company's services. The federal carbon levy, mandatory emissions reduction programs and the industry emissions cap in Alberta may also impair the Company's ability to provide its services economically and reduce the demand for the Company's services. In the United States, the U.S. Environmental Protection Agency (EPA) has proposed further expansion, updating and strengthening of the Clean Air Act with the intent of reducing methane emissions from hundreds of thousands of existing sources nationwide and encouraging the use of innovative methane detection technologies. In Canada, amendments to regulations under the Canadian Environmental Protection Act are also proposed to achieve significant reductions in methane emissions from the oil and gas sector by 2030. The Company is undertaking an assessment of the impact of current and pending climate change and emissions reduction legislation and is unable at this time to determine the complete scope and impact that such initiatives will have on the Company. A failure by the Company to comply with and/or adapt to such legislation may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

***ESG commitments and disclosures may expose the Company to reputational risk and legal liability.***
Increasing focus on ESG factors has led to enhanced interest in, and review of performance by investors and other stakeholders and the potential for litigation and reputational risk. The increased focus on ESG matters has resulted in the development and implementation of legal and regulatory requirements to mitigate the effects of climate change. If new laws or regulations are more stringent, the Company may experience increased compliance burdens and costs to meet these obligations. In addition, any failure, or perceived failure, to achieve or accurately report ESG performance could harm the Company's reputation and adversely effect client relationships or recruitment and retention efforts in addition to potential legal liability exposure.

As a result of the widespread usage, speed and global reach of social media and other internet resources used to generate, publish and discuss user-generated content, companies today face additional reputation risk over how they are perceived in the marketplace. Damage to the Company's reputation may result from the actual or perceived occurrence of any number of events related to the Company's operational or ESG performance, as well as its discontinued Russian operations and plans to divest itself of such operations and could include negative publicity with respect to the Company's handling of ESG and geopolitical issues. While the Company is committed to protecting its image and reputation, it does not have direct control over how others perceive it. Reputation loss may lead to decreased shareholder confidence and impediments to the Company's ability to conduct its operations, with the potential to adversely affect the Company's business, financial condition, results of operations and cash flows.

## MARKET FOR SECURITIES

The Company's common shares are listed on the TSX under the symbol "CFW". The following table sets forth the monthly price ranges and volumes of trading of the common shares on the TSX for the period starting January 1, 2022 and ending December 31, 2022.

| | High | Low | Volume |
|---|---|---|---|
| | *(C$)* | *(C$)* | |
| January | **5.94** | **4.21** | 1,045,442 |
| February | **5.99** | **4.82** | 593,947 |
| March | **5.24** | **4.35** | 1,499,993 |
| April | **5.66** | **4.49** | 720,737 |
| May | **5.28** | **4.26** | 662,999 |
| June | **5.16** | **4.45** | 1,778,642 |
| July | **5.20** | **4.08** | 401,357 |
| August | **5.69** | **4.26** | 991,356 |
| September | **5.85** | **4.89** | 4,468,197 |
| October | **7.70** | **5.20** | 6,467,336 |
| November | **7.90** | **6.57** | 1,276,903 |
| December | **7.05** | **5.79** | 1,276,903 |

The Company's Warrants are listed on the TSX under the symbol "CFW.WT". The following table sets forth the monthly price ranges and volumes of trading of the Warrants on the TSX for the period starting January 1, 2022 and ending December 31, 2022.

| | High | Low | Volume |
|---|---|---|---|
| | *(C$)* | *(C$)* | |
| January | **3.41** | **2.00** | 138,698 |
| February | **3.43** | **2.37** | 91,254 |
| March | **2.68** | **1.96** | 277,072 |
| April | **3.25** | **2.18** | 87,042 |
| May | **2.90** | **2.23** | 106,840 |
| June | **2.90** | **2.36** | 107,629 |
| July | **2.70** | **2.05** | 52,620 |
| August | **3.25** | **2.10** | 50,109 |
| September | **3.28** | **2.45** | 52,676 |
| October | **5.15** | **2.69** | 155,745 |
| November | **5.27** | **4.03** | 31,527 |
| December | **4.30** | **3.30** | 16,183 |

# PRIOR SALES

The following table summarizes issuances during the financial year ended December 31, 2022 of the Company's outstanding securities that are not listed or quoted on a marketplace.

| Date Issued | Type of Security [1] | Number Issued | Issue Price |
|---|---|---|---|
| August 8, 2022 | stock options | 20,000 | $4.64 [2] |
| September 27, 2022 | deferred share units | 127,000 | N/A [3] |
| December 2, 2022 | stock options | 500,000 | $6.78 [2] |
| December 2, 2022 | stock options | 500,000 | $10.00 [2] |

*[1] For additional information on the Company's outstanding stock options and deferred share units see the Share-Based Compensation note to the Company's 2022 audited consolidated financial statements, which is incorporated by reference herein and is available on SEDAR under Calfrac's profile.*
*[2]Represents the exercise price per stock option.*
*[3 Each deferred share unit represents the right to receive a gross payment equal to the Fair Market Value at the date of exercise, which date will be determined by the holder, subject to certain conditions. For the purposes of the deferred share unit plan, "Fair Market Value" means, on any date, the weighted average trading price of a common share of the Company on the TSX during the last five trading days prior to that date.*

# DESCRIPTION OF CAPITAL STRUCTURE

## COMMON SHARES

The holders of common shares are entitled to receive notice of, and to one vote per share at, every meeting of shareholders of the Company, to receive such dividends as the board of directors declares, and to share equally in the assets of the Company remaining upon the liquidation of the Company after the creditors of the Company have been satisfied.

## WARRANTS

The Company has, as of March 16, 2023, 5,173,511 Warrants outstanding. The holders of Warrants are entitled, at the option of the holder, to exercise each Warrant for one common share of the Company at an exercise price of $2.50 per common share at any time on or prior to December 18, 2023, subject to certain restrictions and customary adjustments.

Holders of Warrants are not entitled to receive notice of or to attend meetings of the Company's shareholders or to vote on any matter at meetings of holders of common shares. The holders of Warrants are also not entitled to receive dividends or to receive any portion of the remaining property and assets of the Company upon its dissolution or winding up.

## REVOLVING CREDIT FACILITIES

As at December 31, 2022, the Company had Credit Facilities with a syndicate of lenders pursuant to the 2022 Credit Agreement comprised of a $205.0 million syndicated facility and a $45.0 million operating facility. The maturity date of the Credit Facilities is July 1, 2024. The Company's obligations under the 2022 Credit Agreement are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by Calfrac Holdings and Calfrac Well Services Corp. ("Calfrac Corp.") (together with the Company, the "Obligors"). In addition, the obligations under the 2022 Credit Agreement are secured by a first priority senior security interest in all assets and properties of the Obligors (the "First Priority Lien"). See "*General Development of the Business – Three Year History*" for a description of the 2022 Credit Agreement and its predecessor agreement (the 2020 Credit Agreement and amendments), the Company's 2022 management's discussion and analysis under the heading "*Liquidity and Capital Resources*" for a discussion of the 2022 Credit Agreement's material terms and Note 7 to the Company's 2022 audited consolidated financial statements for the amounts drawn thereunder as at December 31, 2022, each of which is available on SEDAR under Calfrac's profile.

## 1.5 LIEN CONVERTIBLE SECURED NOTES

The Company entered 2022 with an aggregate principal amount of 1.5 Lien Notes outstanding of $58.7 million. As of December 31, 2022 and the date hereof, the Company has $2.6 million aggregate principal amount of 1.5 Lien Notes outstanding. The 1.5 Lien Notes were issued in connection with the Recapitalization Transaction and Plan of Arrangement pursuant to an indenture among the Company, Calfrac Holdings, Calfrac Corp. and Computershare Trust Company of Canada, as trustee and collateral agent, dated as of December 18, 2020 (the "1.5 Lien Notes Indenture"). See "*General Development of the Business – Three Year History – 2020 – Recapitalization Transaction and Plan of Arrangement*" and the discussion on the Conversion Incentive Program under the heading "*General Development of the Business*" for additional information.

Fixed interest of 10% per annum is payable on the 1.5 Lien Notes on March 15 and September 15 of each year, and the 1.5 Lien Notes mature on December 18, 2023. The Company may elect to defer and pay in kind any interest accrued as of an

interest payment date by increasing the unpaid principal amount of the 1.5 Lien Notes as at such date, and the 1.5 Lien Notes will bear interest on such increased principal amount from and after the date of each such payment in kind election.

The 1.5 Lien Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by the Obligors. In addition, the 1.5 Lien Notes are secured by a senior priority security interest in all assets and properties of the Obligors (the "1.5 Priority Lien"). The 1.5 Priority Lien ranks second in priority only to the First Priority Lien and ranks ahead of the liens securing any obligations of the Obligors pursuant to the Second Lien Notes (the "Second Priority Lien"), as set forth in and subject to the terms of the Intercreditor Agreements. The 1.5 Lien Note obligations secured by the 1.5 Priority Lien shall not otherwise be subordinated or postponed to the obligations of the Obligors under the First Priority Lien collateral documents or to any other obligations secured by the First Priority Lien. Subject to the applicable Intercreditor Agreement(s), the 1.5 Priority Lien forms part of the Obligors' senior secured obligations and ranks: (a) senior to all of the Obligors' future obligations, unsecured obligations and the obligations of the Obligors in respect of the Second Lien Notes; and (b) junior to the obligations under the Credit Agreement.

The Company's remaining 1.5 Lien Notes are convertible at the holder's option into common shares in the capital of the Company at any time prior to the maturity date at a conversion price of $1.3325 per common share. The Company has no right of redemption with respect to the 1.5 Lien Notes.

For additional information on the 1.5 Lien Notes, see Appendix "I" of the Special Meeting Materials, which is available on SEDAR under Calfrac's profile and is incorporated herein by reference.

### SECOND LIEN SECURED NOTES

Calfrac Holdings has US$120,000,100 aggregate principal amount of 10.875% second lien secured notes due 2026 outstanding. The Second Lien Notes were issued in connection with the Exchange Offer described under the heading "*General Development of the Business – Three-Year History – 2020*". The Second Lien Notes were issued pursuant to an indenture among Calfrac Holdings, the Company, Calfrac Corp. and Wilmington Trust, National Association, as trustee and collateral agent, dated as of February 14, 2020 (the "Second Lien Notes Indenture"). Fixed interest on the Second Lien Notes is payable on March 15 and September 15 of each year, and the Second Lien Notes will mature on March 15, 2026.

The Second Lien Notes are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by Calfrac Holdings and Calfrac Corp. In addition, the Second Lien Notes are secured by the Second Priority Lien. The Second Priority Lien ranks second in priority only to the First Priority Lien and the 1.5 Priority Lien, as set forth in and subject to the terms of the Second Lien Intercreditor Agreement. The Second Lien Note obligations secured by the Second Priority Lien shall not otherwise be subordinated or postponed to the obligations of the Obligors under the Second Lien Notes collateral documents or to any other obligations secured by the First Priority Lien or the 1.5 Priority Lien. Subject to the Second Lien Intercreditor Agreement, the Second Priority Lien forms part of the Obligors senior secured obligations and ranks: (a) senior to all of the Obligor's future obligations and unsecured obligations; and (b) junior to the obligations under the Credit Agreement and 1.5 Lien Notes Indenture.

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. In addition, Calfrac Holdings may be required to make an offer to purchase the Second Lien Notes upon the sale of certain assets and upon certain change of control transactions.

## DIVIDENDS

The payment of any dividend is at the discretion of the board of directors and depends on the financial condition of the Company and other factors. The Company has not paid any dividends on its common shares in any of the three most recently completed financial years, nor does the Company currently pay a dividend as it is focused on reducing its long-term debt and modernizing its equipment fleet.

The 2022 Credit Agreement provides that the Company must not pay dividends or other distributions if its net total debt-to-EBITDA ratio exceeds 5:1 and provided further that, for the period ending July 1, 2024, the Company shall not pay any dividends or other distributions exceeding $20.0 million per calendar year. In addition, the 1.5 Lien Notes Indenture and Second Lien Notes Indenture contain restrictions on the Company's ability to make certain payments, including dividends, in circumstances where: (i) the Company is in default under the indenture or the making of such payment would result in a default; (ii) the Company is not meeting the fixed charge coverage ratio under the indenture of at least 2:1 for the most

recent four fiscal quarters; or (iii) there is insufficient room for such payment within the builder basket in the applicable indenture. These limitations on restricted payments are tempered by the existence of various exceptions to the general prohibition, including a basket allowing for restricted payments to be made in an aggregate amount of up to US$20.0 million. As at December 31, 2022, such baskets were not utilized.

# DIRECTORS AND EXECUTIVE OFFICERS

## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information with respect to the current directors and executive officers of the Company as at March 16, 2023.

| Name and Residence | Position with the Company | Director Since | Principal Occupation During the Last Five Years |
|---|---|---|---|
| Ronald P. Mathison<br>Alberta, Canada | Chairman of the Board and a Director | March 8, 2004[(1)] | Chairman, MATCO Investments Ltd. (a private investment company). Also, Executive Chairman of the Company from June 2019 to December 2021. |
| Douglas R. Ramsay[(2)(3)]<br>Alberta, Canada | Vice Chairman and a Director | March 24, 2004 | Vice Chairman since January 2014. Prior to, Chief Executive Officer from November 2010 to January 2014. |
| George Armoyan[(3)]<br>Nova Scotia, Canada | Director | December 18, 2020 | President and CEO of Clarke Inc. Also, Executive Chairman and Secretary of G2S2 Capital Inc. (a private investment company) and President of Armco Capital Inc. (a development company). Interim Chief Executive Officer of the Company from December 2021 to June, 2022. |
| Anuroop Duggal[(3)(4)]<br>Ontario, Canada | Director | December 18, 2020 | Private investor since 2018. Prior to, Partner of 3G Capital, an asset management firm. |
| Charles Pellerin[(3)(4)]<br>Quebec, Canada | Director | May 3, 2022 | Principal Partner and President of Pellerin Potvin Gagnon S.E.N.C.R.L. |
| Pat Powell[(2)]<br>Alberta, Canada | Director and Chief Executive Officer | May 3, 2022 | Chief Executive Officer of the Company since June 2022. Prior to, Chief Executive Office of Command Fishing + Pipe Recovery from October 2014 to June 2022. |
| Chetan Mehta[(2)(4)]<br>New York, NY, United States | Director | May 3, 2022 | Private investor. |
| Michael D. Olinek<br>Alberta, Canada | Chief Financial Officer | N/A | Chief Financial Officer since February 2017. Prior to, Vice President, Finance and Interim Chief Financial Officer from March 2016 to February 2017; Vice President, Finance from April 2011 to March 2016. |
| Jeffrey I. Ellis<br>Alberta, Canada | General Counsel and Corporate Secretary | N/A | General Counsel and Corporate Secretary since September 2021. Prior to, General Counsel from August 2020 to September 2021; Senior Legal Counsel from March 2017 to August 2020; and Legal Counsel from April 2012 to March 2017. |

*(1) Service prior to March 24, 2004 was as a director of Denison.*
*(2) Member of the Health, Safety and Environment Committee.*
*(3) Member of the Compensation, Governance and Nominating Committee.*
*(4) Member of the Audit Committee.*
*(5) Each director holds office until the close of the annual meeting to be held on May 9, 2023.*

As at March 16, 2023, the directors and executive officers of the Company beneficially owned, or controlled and directed, directly or indirectly, an aggregate of 38,294,568 common shares, representing approximately 47.41% of the 80,779,143 issued and outstanding common shares.

## CEASE TRADE ORDERS OR BANKRUPTCIES

To the knowledge of the Company, none of the current directors or executive officers of the Company is, as at the date of this annual information form, or has been, within 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") and that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such an Order, and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, other than as described below, none of the directors or executive officers of the Company:

(a) is, at the date of this annual information form, or has been within 10 years before the date of this annual information form, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

Mr. Mathison was a director of Tesla Exploration Ltd. ("Tesla"). On July 25, 2016, Mr. Mathison resigned as a director of Tesla and Tesla was placed into receivership by its Canadian credit facility lender.

Mr. Powell was a director of ATK Oilfield Transportation Inc., a private company that was placed into receivership by its lender and filed for creditor protection under Chapter 15 of the United States Bankruptcy Code in April 2016.

## PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## CONFLICTS OF INTERESTS

To the knowledge of the Company, other than as set forth below, there are no known existing or potential material conflicts of interest between the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company.

Affiliated entities of Mr. Armoyan are creditors of the Company through investments in the Second Lien Notes. It is therefore possible that situations may arise where there is an actual or potential conflict between Mr. Armoyan's duties as a director of the Company and his debt investments in the Company.

These and any other existing or potential conflicts of interest that arise are subject to and governed by the Company's Code of Business Conduct and the law applicable to directors' and officers' conflicts of interest. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In addition, a director shall not vote on any resolution of the board of directors if an existing or potential conflict of interest is identified with respect to a director and the relevant subject matter of the resolution, except in limited circumstances.

# LEGAL AND REGULATORY PROCEEDINGS

## GREEK LEGAL PROCEEDINGS

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations relating to Denison's Greek operations. In 1998, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Company), terminated employees in Greece as a result of the cessation of its oil and natural gas operations in that country. Several groups of former employees filed claims against NAPC and the consortium alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid, and that compensation was due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010.

As a result of Denison's participation in the consortium that was named in the lawsuit, the Company has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of these orders on the basis they were improperly issued and are barred from a statute of limitations perspective. Hearings in respect of each of the orders have been held, and in each case, decisions were rendered accepting the Company's position. All of these decisions were appealed, but the favorable judgments have all been confirmed in the Company's favor. The plaintiffs have filed petitions for cassation (a form of appeal in Greece) against three of the appeal judgments, and will have 30 days to file a petition for cassation following the service of the remaining judgment in respect of the enforcement order once it has been certified. No hearings have been scheduled for the three pending cassation petitions.

NAPC is also the subject of a claim by the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision, and penalties and interest payable on such amounts.

## UNITED STATES APPEALS OF CHAPTER 15 ENFORCEMENT ORDER

On December 11, 2020, Wilks Brothers, LLC and its affiliated funds (collectively "Wilks Brothers") filed a notice of appeal (the "District Court Appeal") to the United States District Court for the Southern District of Texas ("U.S. District Court") appealing the Chapter 15 Enforcement Order. At a hearing held on April 23, 2021, the U.S. District Court affirmed the Chapter 15 Enforcement Order and effectively denied the District Court Appeal (the "District Court Decision"). On June 1, 2021, Wilks Brothers filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit in respect of the District Court Decision (the "Fifth Circuit Appeal"). On January 27, 2022, following the parties' January 25, 2022 Joint Motion to Stay Further Appellate Proceedings Pending Settlement Discussions, the United States Court of Appeals for the Fifth Circuit entered an order dismissing the Fifth Circuit Appeal without prejudice to either party seeking to reinstate the appeal within 180 days. On August 2, 2022, the Fifth Circuit reinstated the proceedings upon application of Wilks Brothers. On February 7, 2023, Wilks Brothers filed a motion unopposed to dismiss the Fifth Circuit Appeal. The Court issued an order granting Wilks Brothers' motion and the appeal was dismissed on February 16, 2023.

# INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this annual information form, none of the Company's directors or executive officers, nor any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding common shares, nor any known associate or affiliate of such persons, had a material interest, direct or indirect, in any transaction within the last three fiscal years nor in any proposed transaction that has materially affected or is reasonably expected to materially affect the Company.

## COMMITMENT LETTER

In connection with the Recapitalization Transaction, the Company entered into a commitment letter dated as of July 13, 2020, among the Company, MATCO, G2S2, and certain Senior Unsecured Noteholders (the "Commitment Letter"). Pursuant

to the Commitment Letter, each Commitment Party: (a) agreed to purchase 1.5 Lien Notes representing its respective Commitment Pro Rata Share of the initial commitment amount of $45.0 million; and (b) each Commitment Party (other than MATCO) agreed to backstop any shortfall of the $15.0 million pro rata offering of 1.5 Lien Notes to all holders Senior Unsecured Notes that was not taken up, according to its respective Shortfall Commitment. On December 18, 2020, pursuant to the Commitment Letter MATCO subscribed for $11,243,000 1.5 Lien Notes and G2S2 and Clarke Inc. Master Trust ("Clarke Trust"), Additional Commitment Parties controlled by George Armoyan, subscribed for $23,302,000 and $2,781,000 1.5 Lien Notes, respectively. In consideration for backstopping the pro rata offering of 1.5 Lien Notes, each Commitment Party (other than MATCO) was entitled to its share of the 1,125,703 common shares of the Company that were issued as a backstop fee (the "Commitment Consideration Shares"). On December 29, 2020, G2S2 and Clarke Trust received 696,390 and 38,023 Commitment Consideration Shares, respectively. Clarke Trust subsequently sold all of its common shares, including the common shares it received pursuant to the Senior Unsecured Notes Exchange. G2S2 subsequently transferred all of its common shares (including the common shares it received pursuant to the Senior Unsecured Notes Exchange) and 1.5 Lien Notes to an affiliated entity, Armco Alberta Inc. A summary of the Commitment Letter is available in the Special Meeting Materials.

## NOTEHOLDER SUPPORT AGREEMENTS

In connection with the Recapitalization Transaction, the Company entered into support agreements dated July 13, 2020, with certain holders of the outstanding Senior Unsecured Notes (the "Noteholder Support Agreements"). Pursuant to the Noteholder Support Agreements, the Consenting Noteholders each agreed, among other things: (i) to vote all of its Senior Unsecured Notes and common shares, as applicable, in favour of the Plan of Arrangement; (ii) not to take any action, directly or indirectly, that was inconsistent with its obligations under the Noteholder Support Agreement or that would frustrate, hinder or delay the consummation of the Recapitalization Transaction; (iii) to forbear from enforcing any right, taking any action or initiating any proceeding in respect of any non-payment by the Company of interest in respect of the Senior Unsecured Notes during the term of the Noteholder Support Agreements; and (iv) to forbear from exercising any remedies, powers or privileges, or from instituting any enforcement actions or collection actions with respect to any obligations under the Senior Unsecured Notes in connection with the Recapitalization Transaction. On December 18, 2020, as early consenting Senior Unsecured Noteholders and pursuant to the Senior Unsecured Notes Exchange, G2S2 and Clarke Trust were issued 10,820,108 and 2,607,720 common shares of the Company, respectively.

## REGISTRATION RIGHTS AGREEMENT

Under the Registration Rights Agreement, G2S2 and MATCO were granted demand registration rights pursuant to which such parties (and certain other 1.5 Lien Note investors) may require the Company to file a prospectus with the Canadian securities administrators qualifying the common shares owned by such parties for sale in Canada. The agreement also grants piggyback registration rights to the investor parties if the Company proposes to distribute common shares by way of a prospectus, which rights allow G2S2 and MATCO to require the Company in certain circumstances to include common shares owned by G2S2 and MATCO in such prospectus distribution. The Registration Rights Agreement terminates (i) as to each investor party at such time as the investor (together with its affiliates) ceases to beneficially own, or exercise control or direction over, at least 2% of the outstanding common shares of the Company on an as-converted basis; or (ii) as to all parties at which time the investors cease to collectively hold at least 5% of the outstanding common shares of the Company on an as-converted basis.

## INVESTOR RIGHTS AGREEMENT

Pursuant to the Investor Rights Agreement, so long as each of G2S2 and MATCO (together with their respective affiliates) continue to own at least 50% of their respective initial 1.5 Lien Notes, each of G2S2 and MATCO are entitled to nominate one director to the board of directors, among other things. Immediately subsequent to the closing of the Recapitalization Transaction, Mr. Armoyan was appointed to the board of directors as G2S2's director nominee and Mr. Mathison was designated as the director nominee of MATCO. MATCO and G2S2’s nomination right expired upon the conversion of their respective 1.5 Lien Notes pursuant to the Conversion Incentive Program. The Investor Rights Agreement also provides the investor parties thereto, including G2S2 and MATCO, with anti-dilution rights for the opportunity to subscribe for their pro rata portion, on an as-converted common share basis, of any proposed issuance, sale or exchange of equity or debt securities (or securities convertible or exchangeable into equity or debt securities, excluding employee compensation securities under board of directors approved compensation plans), subject to certain conditions. The anti-dilution rights under the Investors Rights Agreement terminates as to each investor at such time as the investor (together with its affiliates) ceases to beneficially own, or exercise control or direction over, at least 5% of the outstanding common shares of the Company on an as-converted basis.

### BRIDGE LOAN

The Company and G2S2 executed the Bridge Loan to fund the Company's short-term working capital requirements. The Bridge Loan provided for total draws of up to $25.0 million at an interest rate of 8.00%. The loan had an original maturity date of April 29, 2022, which was extended by 60 days by mutual consent. On June 27, 2022, the Company repaid the $15.0 million drawn under the loan plus accrued interest and terminated the Bridge Loan. See the third amending agreement to the 2022 Credit Agreement and the Company's management's discussion and analysis for the period ending March 31, 2022 for additional information on the Bridge Loan, each of which is available on SEDAR under Calfrac's profile.

### 1.5 LIEN NOTES CONVERSION INCENTIVE PROGRAM

Messrs. Armoyan and Mathison participated in the Conversion Incentive Program. Armco Alberta Inc., a company controlled by Mr. Armoyan, converted $23,302,000 principal amount of 1.5 Lien Notes, and Mr. Mathison, converted $11,243,000 principal amount of 1.5 Lien Notes. Immediately following completion of the Conversion Incentive Program Messrs. Armoyan and Mathison had beneficial ownership or control of approximately 35% and 12% of the outstanding common shares of the Company. For additional information on the Conversion Incentive Program see the Company's Material Change Report dated December 22, 2022, which is incorporated by reference herein and available on SEDAR under Calfrac's profile.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Company's common shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta, and Toronto, Ontario.

The transfer agent and registrar for the Company's Warrants is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

The transfer agent, paying agent and registrar for the Company's 1.5 Lien Notes is Computershare Trust Company of Canada at its principal office in Calgary, Alberta.

The transfer agent, paying agent and registrar for Calfrac Holdings' Second Lien Notes is Wilmington Trust, National Association at its principal office in Minneapolis, Minnesota.

## MATERIAL CONTRACTS

The Company and/or its subsidiaries, as applicable, have entered into the following material contracts since the beginning of the Company's most recently completed financial year or before the Company's most recently completed financial year if any such contract is still in effect, and which are outside of the ordinary course of the Company's business. A description and summary of each material contract listed below has been cross-referenced in this annual information form, where applicable:

1. **2022 Credit Agreement** – see *"General Development of the Business – Three Year History – 2022"* for a discussion on the 2022 Credit Agreement and its predecessor agreement (the 2020 Credit Agreement and amendments) as well as "*Description of Capital Structure – Revolving Credit Facilities*".

2. **1.5 Lien Notes Indenture** – see *"General Development of Business – Three Year History – 2020 – Recapitalization Transaction and Plan of Arrangement"* and *"Description of Capital Structure – 1.5 Lien Convertible Secured Notes"*. Also, in addition to the restrictions under the 1.5 Lien Notes Indenture with respect to the Company's ability to make certain payments, as described under the heading "Dividends", the 1.5 Lien Notes Indenture also contains restrictions on the Company's ability to incur indebtedness if the fixed charge coverage ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including permitting the incurrence of debt (i) under a credit facilities basket of up to the greater of $375.0 million or 30% of the Company's consolidated tangible assets; and (ii) under a general debt basket up to the greater of US$60.0 million or 4% of the Company's consolidated tangible assets.

3. **Second Lien Notes Indenture** – see *"Description of Capital Structure – Second Lien Secured Notes".* Additionally, the Second Lien Notes Indenture has similar restrictions with respect to the incurrence of indebtedness as the restrictions under the 1.5 Lien Notes Indenture described above.

4. **Registration Rights Agreement made effective December 18, 2020, among the Company, G2S2, MATCO, Glendon Capital Management LP, and certain other investors in the 1.5 Lien Notes** – see *"General Development of Business – Three Year History – 2020 – Recapitalization Transaction and Plan of Arrangement"* and *"Interest of Management and Others in Material Transactions"*.

5. **Investor Rights Agreement made effective December 18, 2020, among the Company, G2S2, MATCO, Glendon Capital Management LP, and certain other investors in the 1.5 Lien Notes, as amended effective July 19, 2022** – see *"General Development of Business – Three Year History – 2022"* and *"Interests of Management and Others in Material Transactions"*.

6. **Intercreditor and priority agreement dated February 14, 2020, among the Company, Calfrac Holdings and Calfrac Corp., as debtors, Wilmington Trust, National Association, as trustee and collateral agent for the holders of the Second Lien Notes and HSBC Bank Canada, as agent under the Credit Agreement, as supplemented by the intercreditor agreement joinder no. 1 dated as of December 18, 2020 delivered by Computershare Trust Company of Canada, as trustee and collateral agent for the holders of 1.5 Lien Notes (the "Second Lien Intercreditor Agreement")** – the Second Lien Intercreditor Agreement governs the rights and priorities in respect of the collateral securing the obligations under the Second Lien Notes and the First Lien Obligations (which includes the obligations under the Credit Agreement and Permitted Additional First Lien Obligations (as defined therein, and which includes the obligations under the 1.5 Lien Notes). The Second Lien Intercreditor Agreement is substantially similar to the First Lien Intercreditor Agreement (as defined below) and provides that, among other things: (a) the First Priority Lien, the 1.5 Priority Lien and any other liens securing Permitted Additional First Lien Obligations (collectively "First Lien Obligations") rank senior to the Second Priority Lien; (b) subject to certain standstill provisions, if any obligations remain outstanding under the First Lien Obligations, the First Lien Obligations agents will have the sole power to exercise remedies against the collateral.

7. **Intercreditor and priority agreement dated December 18, 2020, among the Company, Calfrac Holdings and Calfrac Corp., as debtors, Computershare Trust Company of Canada, as trustee and collateral agent for the holders of 1.5 Lien Notes and HSBC Bank Canada, as agent under the Credit Agreement (the "First Lien Intercreditor Agreement" and together with the Second Lien Intercreditor Agreement, the "Intercreditor Agreements")** – the First Lien Intercreditor Agreement governs the rights and priorities in respect of the collateral securing the obligations under the 1.5 Lien Notes and the obligations under the Credit Agreement. The First Lien Intercreditor Agreement is substantially similar to the Second Lien Intercreditor Agreement and provides that, among other things: (a) the First Priority Lien ranks senior to the 1.5 Priority Lien; and (b) subject to certain standstill provisions, if any obligations remain outstanding under the Credit Agreement, the first lien agent will have the sole power to exercise remedies against the collateral.

The summaries of the terms of the material contracts set forth above and elsewhere in this annual information form do not purport to be complete and are qualified in their entirety by the express terms of the applicable contract. Copies of the above-listed material contracts are available on SEDAR under Calfrac's profile.

# INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report on the Company's consolidated financial statements for the year ended December 31, 2022. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

# AUDIT COMMITTEE INFORMATION

## AUDIT COMMITTEE CHARTER

The Company's Audit Committee charter sets out the committee's purpose, organization, duties and responsibilities. A copy of the charter is attached hereto as Appendix "A".

## COMPOSITION OF AUDIT COMMITTEE

The Company's Audit Committee is comprised of Charles Pellerin (Chair), Anuroop Duggal and Chetan Mehta, all of whom are financially literate and independent, as such terms are defined in National Instrument 52-110 – Audit Committees.

## RELEVANT EDUCATION AND EXPERIENCE

***Charles Pellerin***

Mr. Pellerin is a Chartered Public Accountant and is the Principal Partner and President of one of the largest independent accounting firms in Quebec, Pellerin Potvin Gagnon S.E.N.C.R.L., which he joined in 1998, became a partner in 2003 and was promoted to President in 2006. Mr. Pellerin specializes in many areas including mandates of assurance, counseling, management, financing, acquisition and sale of businesses and audit engagements for several manufacturing companies and distributors. Mr. Pellerin is also the owner of several privately owned manufacturing businesses and owns residential, commercial and industrial properties throughout Quebec. Mr. Pellerin holds a Bachelor’s degree in accounting from Ottawa University and a post graduate diploma in accounting from the University of Trois-Rivieres, Quebec, and has been a member of the Quebec Order of the Chartered Accountants since 2000.

***Anuroop Duggal***

Mr. Duggal is a private investor with significant institutional investing experience within the global energy sector. He was a partner at 3G Capital, a global multi-billion dollar asset manager, where he helped launch, manage, and grow a natural resource focused equity and credit fund. Prior to that, he was an investor with Goldman Sachs Investment Partners. Mr. Duggal is also an Adjunct Professor for the MBA program at Columbia Business School, where he teaches value investing courses through the Heilbrunn Center for Graham & Dodd Investing.

***Chetan Mehta***

Mr. Mehta is a private investor with over fifteen years of institutional investing experience in the global oil and gas industry. He remains an active investor in the North American energy sector through his multi-strategy investment firm, KD Energy Holdings. Mr. Mehta previously held senior energy research positions at several large investment firms, including Samlyn Capital, MSD Capital and TPG-Axon Capital. Mr. Mehta began his investing career in private equity at the Texas Pacific Group in London. Mr. Mehta graduated Magna Cum Laude from the Wharton School at the University of Pennsylvania with a Bachelor of Science in Economics.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Company's Audit Committee mandate requires the Audit Committee to pre-approve all non-audit services to be provided to the Company or any of its subsidiary entities by the Company's external auditor or the external auditor of the Company's subsidiary entities, provided that the Audit Committee may satisfy the pre-approval requirement by either delegating to one or more members of the Audit Committee the authority to pre-approve non-audit services or adopting specific policies and procedures for the engagement of non-audit services.

## EXTERNAL AUDIT FEES BY CATEGORY

PricewaterhouseCoopers LLP has served as the Company's external auditor since its formation in 1999. The following table lists the fees paid to PricewaterhouseCoopers LLP, by category, for the last two fiscal years.

| | **Years Ended December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| *(C$000s)* | ***($)*** | *($)* |
| Audit fees | **578,935** | 445,160 |
| Audit-related fees | **94,500** | 97,775 |
| Tax-related fees | **63,334** | 65,743 |
| All other fees | **44,000** | 3,465 |
| | **780,769** | 612,143 |

***Audit Fees***

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements.

***Audit-related Fees***

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above.

***Tax-related Fees***

Tax-related fees were paid for professional services relating to tax compliance, tax advice and tax planning.

***All Other Fees***

All other fees relate to fees payable for products or services other than the audit fees, audit-related fees and tax fees described above, including fees paid for services in connection with the Company’s short-form base shelf prospectus and the Spanish translation of the Company's consolidated financial statements.

# ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issue under equity compensation plans, is contained in the Company's management information circular for the annual and special meeting of shareholders held on May 3, 2022.

Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2022.

Additional information relating to the Company may be found on SEDAR at www.sedar.com under Calfrac's profile.

**APPENDIX "A"**

**CALFRAC WELL SERVICES LTD.**

**AUDIT COMMITTEE**

**CHARTER**

1. **Calfrac Audit Committee:** The board of directors (the "Board") of Calfrac Well Services Ltd. ("Calfrac") shall appoint an audit committee (the "Committee") that shall have the mandate and responsibilities set out in this charter.

2. **Membership:** The Committee shall be constituted as follows.

   (a) The Committee shall be composed of not less than three members.

   (b) All members of the Committee shall be independent within the meaning set forth in National Instrument 52-110 – Audit Committees ("NI 52-110").

   (c) Each member of the Committee shall be financially literate, as defined in NI 52-110. At the date of adoption of this charter, a member is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Calfrac's financial statements.

   (d) Members shall be appointed annually from among members of the Board. A member of the Committee shall cease to be a member of the Committee upon ceasing to be a director of Calfrac.

3. **Mandate:** The mandate of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to

   (a) Calfrac's financial statements and other financial information disclosed by Calfrac to the public,

   (b) Calfrac's compliance with legal and regulatory requirements, and

   (c) the performance of Calfrac's external auditor.

The external auditor shall report directly to the Committee but is ultimately accountable to the Board, which has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditor (or to nominate the external auditor to be appointed by the shareholders of Calfrac).

4. **Oversight Responsibility:** Subject to the powers and duties of the Board and in addition to any other duties and responsibilities assigned to the Committee from time to time by the Board, the Committee shall have responsibility for overseeing

   (a) the accounting and financial reporting processes of Calfrac, and

   (b) audits of the financial statements of Calfrac.

5. **Specific Duties and Responsibilities:** The Committee shall meet with the external auditor and the senior management of Calfrac to review all financial statements of Calfrac that require approval by the Board and shall have authority and responsibility for the following matters.

   (a) Review Calfrac's financial statements, management's discussion and analysis of financial condition and results of operations ("MD&A") and annual and interim earnings press releases before Calfrac publicly discloses this information.

(b) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Calfrac, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(c) Review annually and recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Calfrac, as well as the compensation of such external auditor.

(d) Discuss with the external auditor

(i) the scope of the audit, in particular the external auditor's view of Calfrac's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of Calfrac's financial disclosure and reporting, degree of conservatism or aggressiveness of Calfrac's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial statements reviewed by the external auditor,

(ii) significant changes in Calfrac's accounting principles, practices or policies, and

(iii) new developments in accounting principles, reporting matters or industry practices that may materially affect Calfrac.

(e) Review with the external auditor and Calfrac's senior management the results of the annual audit regarding

(i) the financial statements,

(ii) MD&A and related financial disclosure contained in continuous disclosure documents,

(iii) significant changes, if any, to the initial audit plan,

(iv) accounting and reporting decisions relating to significant current year events and transactions,

(v) the management letter, if any, outlining the external auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures, and

(vi) any other matters relating to the conduct of the audit, including such other matters as should be communicated to the Committee under generally accepted auditing standards.

(f) Subject to the Board assuming such responsibility from time to time, review, discuss with Calfrac's senior management and, if requested by the Board, the external auditor, and approve

(i) the interim financial statements and interim MD&A of Calfrac, and

(ii) any other matters, including all press releases, relating to the interim financial statements and interim MD&A, including any significant adjustments, management judgements or estimates and new or amended accounting policies.

(g) Receive from the external auditor a formal written statement delineating all relationships between the external auditor and Calfrac, consider whether the advisory services performed by the external auditor during the course of the year have affected its independence, and ensure that no relationship or service between the external auditor and Calfrac is in existence that may affect the objectivity and independence of the external auditor or recommend appropriate action to ensure the independence of the external auditor.

(h) Pre-approve all non-audit services to be provided to Calfrac or its subsidiaries by the external auditor or the external auditor of Calfrac's subsidiaries, provided that the Committee may satisfy the pre-approval requirement either by delegating to one or more members of the Committee the authority to pre-

approve non-audit services or by adopting specific policies and procedures for the engagement of non-audit services.

(i) Satisfy itself that adequate procedures are in place for the review of Calfrac's public disclosure of financial information extracted or derived from Calfrac's financial statements, other than the public disclosure referred to in subsection (a) above, and periodically assess the adequacy of those procedures.

(j) Review with the internal and external auditors the adequacy of management's internal control over financial reporting and management information systems, discuss with management and the internal and external auditors any significant risks and exposures to Calfrac that may have a material adverse effect on Calfrac's financial statements, and review with the internal and external auditors the efforts of management to mitigate such risks and exposures.

(k) Review the updates provided by management on the Company's significant tax matters.

(l) Review all complaints, confidential, anonymous and otherwise, received by Calfrac regarding the manner in which Calfrac conducts its business, including violations of law, rules, regulations or Calfrac's Code of Business Conduct, and concerns regarding accounting, internal accounting controls or auditing matters, as required under NI 52-110. Review management's investigation and resolution of said complaints.

(m) Present a report to the Board regarding Calfrac's audited financial statements for each fiscal year and indicate in that report whether

  (i) management has reviewed Calfrac's audited financial statements with the Committee, including a discussion of the quality of the accounting principles applied and significant judgments affecting the financial statements,

  (ii) the external auditor and the Committee have discussed the external auditor's judgments of the quality of the accounting principles applied and the judgments made with respect to Calfrac's financial statements,

  (iii) the Committee has, without the presence of management or the external auditor, considered and discussed all the information disclosed to the Committee by Calfrac's management and the external auditor, and

  (iv) in reliance on review and discussions conducted with senior management and the external auditor, the Committee believes that Calfrac's financial statements are fairly presented in conformity with generally accepted accounting principles in all material respects and that the financial statements fairly reflect the financial condition of Calfrac.

(n) Establish procedures for

  (i) the receipt, retention and treatment of complaints received by Calfrac regarding accounting, internal accounting controls, or auditing matters, and

  (ii) the confidential, anonymous submission by employees of Calfrac of concerns regarding the manner in which Calfrac conducts its business, including violations of law, rules, regulations or Calfrac's Code of Business Conduct, and concerns regarding accounting, internal accounting controls or auditing matters, as required under NI 52-110.

(o) Consider opportunities to reflect Calfrac's ESG priorities and initiatives in fulfilling the Committee's mandate and responsibilities hereunder.

(p) Review and approve Calfrac's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

(q) Review annually and report to the Board on the adequacy of the Committee's charter.

6. Administrative Matters: The following provisions shall apply to the Committee.

   (a) The quorum for meetings of the Committee shall be two members thereof. Business may be transacted by the Committee at a meeting of its members at which a quorum is present or by a resolution in writing signed by all the members of the Committee.

   (b) Any member of the Committee may be removed or replaced at any time by the Board. If a vacancy exists on the Committee, the remaining members may exercise all of the powers of the Committee so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold office until the close of the next annual meeting of shareholders following the date of appointment as a member or until a successor is duly appointed.

   (c) The Committee may invite such officers, directors and employees of Calfrac and other persons as it may see fit from time to time to attend at meetings of the Committee and to assist thereat in the discussion of matters being considered by the Committee. The external auditor is to appear before the Committee when requested to do so by the Committee.

   (d) The Committee shall determine the time and place at which the Committee meetings shall be held and the procedure for calling and conducting business at such meetings, having regard to the by-laws of Calfrac.

   (e) The chair of the Committee shall preside at all meetings of the Committee. In the absence of the chair, the members of the Committee present at a meeting shall appoint one of those members to act as chair for that particular meeting.

   (f) Notice of meetings of the Committee may be given to the external auditor and shall be given in respect of meetings relating to the annual financial statements. Upon the request of the external auditor, the chair of the Committee shall convene a meeting of the Committee to consider any matters that the external auditor indicates should be brought to the attention of the directors of Calfrac.

   (g) The Committee shall report to the Board on such matters and questions relating to the financial position of Calfrac or any subsidiaries of Calfrac as the Board may from time to time refer to the Committee.

   (h) The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of Calfrac and its subsidiaries, and to discuss such books and records as are in any way related to the financial position of Calfrac with the officers, employees and external auditor of Calfrac and its subsidiaries.

   (i) Minutes of Committee meetings shall be recorded and maintained. The chair of the Committee shall report to the Board on the activities of the Committee and the minutes of Committee meetings will be circulated to the directors who are not members of the Committee on a timely basis.

   (j) The Committee shall have the authority

      (i) to engage independent counsel and other advisers that it determines to be necessary to permit it to carry out its duties,

      (ii) to set and pay the compensation for any advisers engaged by the Committee, and

      (iii) to communicate directly with the internal (if any) and external auditors.

Reviewed by the Committee on March 15, 2023 and approved by the Board on March 15, 2023.