CALFRAC

# 2021
## Q4 MANAGEMENT'S DISCUSSION & ANALYSIS
CALFRAC WELL SERVICES

**Three and Twelve Months Ended December 31, 2021**

# MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of March 15, 2022 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).*

*The focus of this MD&A is a comparison of the financial performance for the years ended December 31, 2021 and 2020. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2020.*

*Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 26 and 27.*

# CALFRAC'S BUSINESS

Calfrac is an independent provider of specialized oilfield services in the United States, Canada, Argentina and Russia, including hydraulic fracturing, coiled tubing, cementing and other well stimulation services.

The Company's reportable business segments during the three months ended December 31, 2021, were as follows:

| Segment | Active | Idle | Total | Crewed Fleets |
|---|---|---|---|---|
| | *(000's hhp)* | *(000's hhp)* | *(000's hhp)* | *(#)* |
| United States | 579 | 294 | 873 | 9 |
| Canada | 227 | 43 | 270 | 4 |
| Argentina | 137 | — | 137 | 6 |
| Russia | 77 | — | 77 | 6 |
| Total | 1,020 | 337 | 1,357 | 25 |

- The Company's United States segment provides fracturing services to energy companies operating in the Bakken shale play in North Dakota; in the Rockies area, including the Uinta Basin in Utah and the Powder River Basin in Wyoming. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At December 31, 2021, Calfrac's United States operations had combined active horsepower of approximately 579,000 and no active cementing or coiled tubing units. At the end of the fourth quarter, the United States segment had temporarily idled approximately 294,000 horsepower, two cementing units and one coiled tubing unit.

- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At December 31, 2021, Calfrac's Canadian operations had active horsepower of approximately 227,000 and eight active coiled tubing units. At the end of the fourth quarter, the Canadian segment had temporarily idled approximately 43,000 horsepower and five coiled tubing units.

- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras, Comodoro and Añelo regions. The Company had approximately six fracturing spreads with 137,000 active horsepower, 10 active and three idle cementing units and five active and one idle coiled tubing unit in its Argentinean segment at December 31, 2021.

- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the fourth quarter of 2021, the Company operated under multi-year agreements to provide services to Russia's largest oil producer. At December 31, 2021, the Russian segment had seven deep coiled tubing units, of which four were active, and six fracturing spreads with approximately 77,000 active horsepower, all of which were active.

# FINANCIAL OVERVIEW – YEARS ENDED DECEMBER 31, 2021 VERSUS 2020

## CONSOLIDATED HIGHLIGHTS

| Years Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except per share amounts)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **1,002,395** | 705,436 | 42 |
| Operating income(1) | **63,704** | 21,997 | 190 |
| Per share – basic(2) | **1.70** | 5.21 | (67) |
| Per share – diluted(2) | **0.76** | 0.41 | 85 |
| Adjusted EBITDA(1) | **61,379** | 23,809 | 158 |
| Per share – basic(2) | **1.63** | 5.64 | (71) |
| Per share – diluted(2) | **0.73** | 0.44 | 66 |
| Net loss | **(82,812)** | (324,235) | (74) |
| Per share – basic(2) | **(2.21)** | (76.78) | (97) |
| Per share – diluted(2) | **(2.21)** | (76.78) | (97) |
| Working capital, end of year | **170,737** | 161,448 | 6 |
| Total assets, end of year | **892,961** | 912,463 | (2) |
| Long-term debt, end of year | **388,479** | 324,633 | 20 |
| Total equity, end of year | **328,840** | 410,234 | (20) |

*(1) Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*(2) Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidation that occurred on December 18, 2020.*

## 2021 OVERVIEW

In 2021, the Company:

- generated revenue of $1.0 billion, an increase of 42 percent from 2020, resulting primarily from higher activity in North America due to an improved commodity price environment and significantly higher activity in Argentina as 2021 did not include the impact of a lengthy government mandated shutdown in Argentina due to the COVID-19 pandemic;
- amended its revolving credit facility, resulting in a reduction in capacity from $290.0 million to $250.0 million;
- activated two additional fleets in the United States for a total of nine active crews at year-end;
- reported adjusted EBITDA of $61.4 million versus $23.8 million in 2020;
- reported a net loss of $82.8 million or $2.21 per share diluted compared to a net loss of $324.2 million or $76.78 per share diluted in 2020;
- reported period-end working capital of $170.7 million versus $161.4 million at December 31, 2020; and
- incurred capital expenditures of $70.7 million primarily to support the Company's North American fracturing operations, compared to $44.6 million in 2020.

Subsequent to the end of 2021, the Company negotiated additional waivers and amendments to its revolving credit facilities in order to fund expected future working capital requirements in North America. The waivers and amendments included the following:

i. The Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and has been increased to 3.75x for the quarter ended March 31, 2022;

ii. The minimum $15.0 million liquidity requirement was temporarily waived until March 15, 2022 and reinstated through to June 30, 2022;

iii. G2S2 Capital Inc. (G2S2) was added as a lender to permit the incurrence of a secured bridge loan from G2S2 under the credit agreement, with such debt being excluded from the definitions of Funded Debt, Total Debt and Current Liabilities for the purposes of financial covenant calculations; and

iv. The eligible portion of the net book value of property, plant and equipment (PP&E) for the purposes of the borrowing base calculation was increased from 25 percent to 35 percent, subject to a maximum contribution of $150.0 million.

Additionally, the Company executed a secured bridge loan with G2S2, a company controlled by George Armoyan, in order to fund its short-term working capital requirements. As of March 15, 2022, the Company had drawn $15.0 million on the loan and can request further draws up to an additional $10.0 million, for maximum proceeds of $25.0 million, at an interest rate of 8.0 percent. The loan is repayable on April 29, 2022, with the option to extend the loan for a period of 60 days upon the consent of G2S2.

# FINANCIAL OVERVIEW – YEARS ENDED DECEMBER 31, 2021 VERSUS 2020

## CANADA

| Years Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **280,258** | 230,448 | 22 |
| Expenses | | | |
| Operating | **238,261** | 188,656 | 26 |
| SG&A | **2,683** | 7,924 | (66) |
| | **240,944** | 196,580 | 23 |
| Operating income[(1)] | **39,314** | 33,868 | 16 |
| Operating income (%) | **14.0** | 14.7 | (5) |
| Fracturing revenue per job ($) | **21,626** | 19,844 | 9 |
| Number of fracturing jobs | **11,769** | 10,508 | 12 |
| Active pumping horsepower, end of period (000s) | **227** | 202 | 12 |
| Idle pumping horsepower, end of period (000s) | **43** | 73 | (41) |
| Total pumping horsepower, end of period (000s) | **270** | 275 | (2) |
| Coiled tubing revenue per job ($) | **18,970** | 19,563 | (3) |
| Number of coiled tubing jobs | **1,339** | 1,092 | 23 |
| Active coiled tubing units, end of period (#) | **8** | 8 | — |
| Idle coiled tubing units, end of period (#) | **5** | 5 | — |
| Total coiled tubing units, end of period (#) | **13** | 13 | — |

*(1) Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*

### REVENUE

Revenue from Calfrac's Canadian operations during 2021 was $280.3 million versus $230.4 million in 2020 primarily due to increased activity and a larger average number of fleets operating during the year. Work during 2021 shifted from smaller jobs in the Viking to larger jobs in the Cardium, Deep Basin and Montney areas resulting in a 9 percent increase in revenue per job from the comparable period in 2020. The number of coiled tubing jobs increased by 23 percent from the comparable period in 2020 due to higher activity while revenue per job decreased by 3 percent due to changes in job mix.

### OPERATING INCOME

The Company's Canadian division generated operating income of $39.3 million compared to $33.9 million in 2020. The increase in operating income was primarily due to higher fracturing activity. The Company recognized CEWS benefits of $7.0 million in 2021 compared to $10.9 million in 2020. SG&A expenses in 2021 included the reversal of a bad debt expense of $1.4 million. In addition, SG&A expenses in 2021 included a recovery from a litigation settlement offset partially by higher operating expenses stemming from an arbitral order, which increased operating income by $0.7 million. The comparable period in 2020 included $1.6 million of severance costs, a non-cash termination charge of $2.1 million in order to exit a contractual take-or-pay product purchase commitment and a $0.7 million bad debt provision. Excluding these items, operating income for 2021 would have been $31.1 million or 11.1 percent compared to $28.1 million or 12 percent in 2020. The improvement in operating income is due to the 12 percent increase in fracturing activity offset partially by lower margins for its coiled tubing operations as more pump-down work was completed in 2021 as compared to 2020, which included a greater proportion of higher margin coiled tubing related milling work.

## UNITED STATES

| Years Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **428,521** | 306,090 | 40 |
| Expenses | | | |
| Operating | **406,366** | 289,243 | 40 |
| SG&A | **11,887** | 12,818 | (7) |
| | **418,253** | 302,061 | 38 |
| Operating income(1) | **10,268** | 4,029 | 155 |
| Operating income (%) | **2.4** | 1.3 | 85 |
| Fracturing revenue per job ($) | **30,982** | 29,282 | 6 |
| Number of fracturing jobs | **13,833** | 10,453 | 32 |
| Active pumping horsepower, end of period (000s) | **579** | 516 | 12 |
| Idle pumping horsepower, end of period (000s) | **294** | 354 | (17) |
| Total pumping horsepower, end of period (000s) | **873** | 870 | — |
| Active coiled tubing units, end of period (#) | **—** | — | — |
| Idle coiled tubing units, end of period (#) | **1** | 1 | — |
| Total coiled tubing units, end of period (#) | **1** | 1 | — |
| Active cementing units, end of period (#) | **—** | — | — |
| Idle cementing units, end of period (#) | **2** | 3 | (33) |
| Total cementing units, end of period (#) | **2** | 3 | (33) |
| US$/C$ average exchange rate(2) | **1.2535** | 1.3415 | (7) |

*(1) Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*(2) Source: Bank of Canada.*

## REVENUE

Revenue from Calfrac's United States operations increased to $428.5 million in 2021 from $306.1 million in 2020, primarily due to a 32 percent increase in the number of fracturing jobs completed. Overall activity in 2021 was impacted by extreme cold weather during the first quarter which temporarily shutdown operations and some short notice schedule delays late in the second quarter. Activity increased significantly in the third quarter for the seven existing crews plus the two additional fleets that were reactivated late in the second quarter. The fourth quarter started strong before key customer activity slowed significantly during the second half of the quarter. The higher fracturing revenue per job was mainly due to job mix and to a lesser extent pricing, offset partially by the 7 percent depreciation of the U.S dollar.

## OPERATING INCOME

The Company's United States division generated operating income of $10.3 million in 2021 compared to operating income of $4.0 million in 2020. In 2021 the Company reactivated two fracturing fleets and relocated a third fleet. These actions resulted in $5.0 million of increased operating expenses during the year. Pricing during the first half of 2021 remained challenged but the Company was able to obtain some modest net pricing increases during the third and fourth quarters. Utilization of the Company's fracturing fleets was stronger at times than the comparable period in 2020, however, the results were negatively impacted by weather delays in certain operating areas in the first quarter, while customer delays by key customers and the relocation of equipment also impacted utilization during the second quarter. Activity levels in the third quarter were strong and contributed the majority of the U.S. division's operating income for the year. An early slowdown of operating activity with key customers resulted in a sequential reduction in utilization in that quarter. SG&A expenses decreased by 7 percent as the comparable period in 2020 included $2.4 million of restructuring costs. Excluding restructuring costs, SG&A increased due to the reinstatement of previously reduced salaries and benefits during the fourth quarter in 2021.

## RUSSIA

| Years Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **122,146** | 100,407 | 22 |
| Expenses | | | |
| Operating | **104,938** | 86,441 | 21 |
| SG&A | **2,835** | 3,033 | (7) |
| | **107,773** | 89,474 | 20 |
| Operating income[(1)] | **14,373** | 10,933 | 31 |
| Operating income (%) | **11.8** | 10.9 | 8 |
| Fracturing revenue per job ($) | **61,313** | 80,733 | (24) |
| Number of fracturing jobs | **1,847** | 1,119 | 65 |
| Active pumping horsepower, end of period (000s) | **77** | 65 | 18 |
| Idle pumping horsepower, end of period (000s) | **—** | 12 | (100) |
| Total pumping horsepower, end of period (000s) | **77** | 77 | — |
| Coiled tubing revenue per job ($) | **37,091** | 46,824 | (21) |
| Number of coiled tubing jobs | **240** | 215 | 12 |
| Active coiled tubing units, end of period (#) | **4** | 4 | — |
| Idle coiled tubing units, end of period (#) | **3** | 3 | — |
| Total coiled tubing units, end of period (#) | **7** | 7 | — |
| Rouble/C$ average exchange rate[(2)] | **0.0170** | 0.0186 | (9) |

*[(1)] Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*[(2)] Source: Bank of Canada.*

## REVENUE

Revenue from Calfrac's Russian operations in 2021 of $122.1 million was 22 percent higher than in 2020. The increase in revenue was attributable to a 65 percent increase in fracturing activity due to a larger percentage of multi-stage projects completed in 2021, which resulted in a higher number of stages completed at a lower average job size. In addition, the Company did not encounter the same degree of weather-related disruptions during 2021, although fracturing operations were halted for 11 days in December due to the inability of the customer to supply proppant during that time period. Revenue per fracturing job was 24 percent lower than in 2020 due to changes in job mix combined with the 9 percent depreciation of the Russian rouble. Coiled tubing activity increased by 12 percent as the Company operated one additional coiled tubing unit, however, the mix of jobs resulted in a lower revenue per job.

## OPERATING INCOME

The Company's Russian division generated operating income of $14.4 million in 2021 compared to operating income of $10.9 million in 2020. Utilization in 2021 improved significantly and the Company increased its operating footprint from five fracturing fleets in 2020 to six fleets in 2021. In addition, the completion of more multi-stage projects also had a positive impact on profitability during the period. Operating results in 2020 included $0.4 million in severance costs while 2021 did not include any severance costs.

## ARGENTINA

| Years Ended December 31, | 2021 | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | *($)* | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **171,470** | 68,491 | 150 |
| Expenses | | | |
| Operating | **142,271** | 68,050 | 109 |
| SG&A | **7,068** | 6,918 | 2 |
| | **149,339** | 74,968 | 99 |
| Operating income (loss)[(1)] | **22,131** | (6,477) | NM |
| Operating income (loss) (%) | **12.9** | (9.5) | NM |
| Fracturing revenue per job ($) | **57,453** | 58,612 | (2) |
| Number of fracturing jobs | **1,800** | 680 | 165 |
| Active pumping horsepower, end of period (000s) | **137** | 118 | 16 |
| Idle pumping horsepower, end of period (000s) | **—** | 5 | NM |
| Total pumping horsepower, end of period (000s) | **137** | 123 | 11 |
| Coiled tubing revenue per job ($) | **21,860** | 75,499 | (71) |
| Number of coiled tubing jobs | **1,063** | 162 | NM |
| Active coiled tubing units, end of period (#) | **5** | 5 | — |
| Idle coiled tubing units, end of period (#) | **1** | 1 | — |
| Total coiled tubing units, end of period (#) | **6** | 6 | — |
| Cementing revenue per job ($) | **59,558** | 53,529 | 11 |
| Number of cementing jobs | **445** | 240 | 85 |
| Active cementing units, end of period (#) | **10** | 12 | (17) |
| Idle cementing units, end of period (#) | **3** | 1 | 200 |
| Total cementing units, end of period (#) | **13** | 13 | — |
| US$/C$ average exchange rate[(2)] | **1.2535** | 1.3415 | (7) |

*[(1)] Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*[(2)] Source: Bank of Canada.*

## REVENUE

Calfrac's Argentinean operations generated revenue of $171.5 million in 2021 versus $68.5 million in 2020 primarily due to a significant increase in activity as the oilfield industry in Argentina experienced a complete shutdown of field activity in mid-March 2020 due to the COVID-19 pandemic, which affected all of the Company's operating regions and service lines. Beginning in the second quarter of 2021, Argentina returned to normal operations for all service lines. However, utilization in 2021 was negatively impacted by operational delays in Neuquén due to roadblocks in April as union strikes caused the shutdown of all oilfield activity for 18 days along with lower activity with a customer due to wellbore issues. This lower activity was partially mitigated by a contractual arrangement that provided a minimum revenue guarantee. Revenue per job across all service lines was negatively impacted by the 7 percent depreciation of the U.S. dollar.

## OPERATING INCOME (LOSS)

In 2021, the Company's operations in Argentina generated operating income of $22.1 million, compared to an operating loss of $6.5 million in the comparable period in 2020. The increase in operating income was due to improved equipment utilization as the comparable period in 2020 had an unprecedented revenue disruption caused by the government mandated shutdown of all oilfield activity in response to the COVID-19 pandemic. The Company recorded $0.7 million of severance expense during 2021.

## CORPORATE

| Years Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s)* *(unaudited)* | ***($)*** | *($)* | *(%)* |
| Expenses | | | |
| Operating | **1,258** | 2,167 | (42) |
| SG&A | **21,124** | 18,189 | 16 |
| | **22,382** | 20,356 | 10 |
| Operating loss(1) | **(22,382)** | (20,356) | 10 |
| % of Revenue | **2.2** | 2.9 | (24) |

(1) *Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*

## OPERATING LOSS

Corporate expenses in 2021 were $22.4 million compared to $20.4 million in the comparable period in 2020. The increase in corporate operating expense was primarily due to higher professional fees and stock-based compensation expense in 2021. The impact of the Canada Emergency Wage Subsidy and Emergency Rent programs was $0.7 million in 2021 compared to $1.6 million in 2020.

## DEPRECIATION

Depreciation expense decreased by $44.1 million from $172.0 million in 2020 to $127.9 million in 2021 primarily due to the impact of the $227.2 million of property, plant and equipment (PP&E) impairment charges that were recorded during the first half of 2020.

## FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $5.3 million in 2021 versus a loss of $15.5 million in the comparable period in 2020. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss in 2021 was largely attributable to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, combined with the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

## INTEREST

The Company's interest expense of $37.7 million in 2021 was $53.5 million lower than 2020. The decrease in interest expense was primarily due to the significant reduction in long-term debt resulting from the Recapitalization Transaction that closed on December 18, 2020, combined with the debt exchange that was completed during the first quarter in 2020. These transactions combined to eliminate US$650.0 million of the Company's 8.50 percent Unsecured Notes and replaced it with US$120.0 million of Second Lien Notes bearing interest at 10.875 percent and $59.0 million of 1.5 Lien Notes bearing interest at 10.0 percent. Interest expense in 2020 also included the write-off of $4.4 million of deferred finance costs related to the portion of Unsecured Notes that were exchanged during the period.

## INCOME TAXES

The Company recorded an income tax recovery of $25.5 million in 2021 compared to a $168.6 million tax expense in 2020. A deferred tax recovery of $27.0 million was recorded primarily due to losses incurred in the United States and a current income tax expense of $1.5 million resulted primarily from current tax obligations in Russia. The expense position in 2020 was the result of the derecognition of the Company's deferred tax asset, which resulted in a deferred tax expense of $115.6 million, and the recording of a deferred tax liability of $54.2 million as a result of the Recapitalization Transaction.

## IMPAIRMENT

As at December 31, 2021, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment since the last impairment test that was carried out as at December 31, 2020. Therefore, no further assessment on impairment was performed as there have been no changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeded its recoverable amount as at December 31, 2021.

The impairment losses by CGU are shown in the table below:

| | Years Ended Dec. 31, | |
|---|---|---|
| | **2021** | 2020 |
| *(C$000s)* | ***($)*** | *($)* |
| Canada | — | 132,483 |
| United States | — | 15,380 |
| Argentina | — | 52,466 |
| Russia | — | 26,879 |
| | — | 227,208 |

In addition, the Company reviewed the carrying value of its inventories across all operating segments and determined there was no impairment to write-off obsolete inventory and write inventory down to its net realizable amount. The inventory write-down by CGU was as follows:

| | Years Ended Dec. 31, | |
|---|---|---|
| | **2021** | 2020 |
| *(C$000s)* | ***($)*** | *($)* |
| Canada | — | 6,200 |
| United States | — | 10,668 |
| Argentina | — | 11,000 |
| | — | 27,868 |

# LIQUIDITY AND CAPITAL RESOURCES

| | Years Ended Dec. 31, | |
|---|---|---|
| | **2021** | 2020 |
| *(C$000s)*<br>*(unaudited)* | ***($)*** | *($)* |
| Cash provided by (used in): | | |
| Operating activities | **(15,337)** | 24,520 |
| Financing activities | **45,852** | 8,602 |
| Investing activities | **(61,294)** | (42,518) |
| Effect of exchange rate changes on cash and cash equivalents | **(402)** | (3,336) |
| Decrease in cash and cash equivalents | **(31,181)** | (12,732) |

## OPERATING ACTIVITIES

The Company's cash used in operating activities for the year ended December 31, 2021 was $15.3 million versus cash provided of $24.5 million in 2020. The decrease in cash from operations was primarily due to a larger outflow of cash from working capital during the period. In 2021, $50.1 million of cash was used to fund the Company's working capital requirements versus providing $4.6 million of cash in 2020. At December 31, 2021, Calfrac's working capital was $170.7 million compared to $161.4 million at December 31, 2020.

## FINANCING ACTIVITIES

Net cash provided by financing activities for the year ended December 31, 2021 was $45.9 million compared to net cash provided of $8.6 million in 2020. During 2021, the Company borrowed $53.5 million on a net basis under its credit facilities, paid lease principal payments of $7.8 million and received proceeds of $0.2 million from the exercise of a portion of the Company's outstanding warrants.

On February 24, 2020, Calfrac executed an exchange offer of US$120.0 million of new 10.875 percent second lien secured notes ("Second Lien Notes") due March 15, 2026 to holders of its existing 8.50 percent senior unsecured notes ("Unsecured Notes") due June 15, 2026. The Second Lien Notes are secured by a second lien on the same assets that secure the obligations under the Company's credit facility and 1.5 Lien Notes. The exchange was completed at an exchange price of US$550 for each US$1,000 of Unsecured Notes, resulting in US$218.2 million of Unsecured Notes being exchanged for

US$120.0 million of Second Lien Notes. The exchange resulted in reduced debt of approximately $130.0 million and a reduction in annual debt service costs of approximately $7.3 million.

On December 18, 2020, Calfrac completed the Recapitalization Transaction and the new financing of $60.0 million 1.5 Lien Notes. The completion of the Recapitalization Transaction significantly reduced the Company's total debt and interest expense, and provided additional liquidity to fund ongoing operations.

During the first quarter of 2021, the Company recorded the rescission of $1.0 million of its 1.5 Lien Notes. For accounting purposes, the $1.0 million principal amount was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes. The Company also opted to pay its March 15 and September 15, 2021 interest payments on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option.

On June 30, 2021, the Company amended its revolving credit facility agreement, which is available on SEDAR, to reduce its total facility capacity from $290.0 million to $225.0 million and extended the maturity date to July 1, 2023. On November 25, 2021, the Company further amended its revolving credit facility agreement to increase its total facility capacity to $250.0 million.

Subsequent to the end of 2021, the Company negotiated additional waivers and amendments to its revolving credit facilities in order to fund expected future working capital requirements in North America. The waivers and amendments included the following:

i. The Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and has been 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. The extended Covenant Relief Period terminates on June 30, 2022 to the extent Calfrac has provided a compliance certificate to its lenders certifying compliance with all applicable financial covenants at such quarter end;

iii. G2S2 Capital Inc. (G2S2) was added as a lender to permit the incurrence of a secured bridge loan from G2S2 under the credit agreement, with such debt being excluded from the definitions of Funded Debt, Total Debt and Current Liabilities for the purposes of financial covenant calculations; and

iv. The eligible portion of the net book value of property, plant and equipment (PP&E) for the purposes of the borrowing base calculation was increased from 25 percent to 35 percent, subject to a maximum contribution of $150.0 million.

Additionally, the Company executed a secured bridge loan with G2S2 (the G2S2 Loan), a company controlled by George Armoyan, in order to fund its short-term working capital requirements. As of March 15, 2022, the Company had drawn $15.0 million on the loan and can request further draws up to an additional $10.0 million, for maximum proceeds of $25.0 million, at an interest rate of 8.00 percent. The loan is repayable on April 29, 2022, with the option to extend the loan for a period of 60 days upon the consent of G2S2. The G2S2 Loan is secured by the existing security interests securing the obligations under the credit agreement, provided that G2S2's right to any realization proceeds is subordinate to the prior repayment in full of all of the other lenders. G2S2 has no voting rights as a lender under the credit agreement for any purpose.

The facilities consist of an operating facility of $45.0 million and a syndicated facility of $205.0 million. The Company's credit facilities mature on July 1, 2023, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following, among others: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company's equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to $5.0 million, subject to certain exceptions. As at December 31, 2021, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold and the Company was also subject to the additional Covenant Relief Period restrictions described herein.

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

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

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

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

At December 31, 2021, the Company had used $0.9 million of its credit facilities for letters of credit and had $190.0 million of borrowings under its credit facilities, and $1.4 million of bank overdraft. As described above, the Company's credit facilities are subject to a monthly borrowing base, which at December 31, 2021 was $217.1 million prior to the amendment increasing the eligible PP&E percentage to 35 percent. Under the terms of the Company's amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of $15.0 million during the Covenant Relief Period.

The Company's credit facilities contain certain financial covenants. As per the amended credit facility agreement, the Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and is 3.75x for the quarter ended March 31, 2022 and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in compliance with its financial covenants associated with its credit facilities as at December 31, 2021.

| | Covenant | **Actual** |
|---|---|---|
| As at December 31, | 2021 | **2021** |
| Working capital ratio not to fall below | 1.15x | **2.40x** |
| Funded Debt to Adjusted EBITDA not to exceed(1)(2) | N/A | **3.83x** |
| Funded Debt to Capitalization not to exceed(1)(3) | 0.30x | **0.27x** |

*(1) Funded Debt is defined as Total Debt excluding all outstanding Second Lien Notes, 1.5 Lien Notes, the G2S2 Loan and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).*
*(2) Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.*
*(3) Capitalization is Total Debt plus equity.*

The credit facility agreement provides that proceeds from equity offerings may be applied, as an equity cure, in the calculation of Adjusted EBITDA towards the Funded Debt to Adjusted EBITDA covenant for any of the quarters ending prior to and including June 30, 2023, subject to certain conditions including:

i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;

ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;

iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a trailing four-quarter basis and $25.0 million; and

iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to

June 30, 2023 will increase Adjusted EBITDA over the relevant twelve-month rolling period and may also serve to reduce Funded Debt unless used for other purposes.

The Company's credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds $20.0 million in a calendar year, subject to certain exceptions. There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that if advances under the credit facilities exceed $50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than $50.0 million before using the balance for other purposes. Also, during the Covenant Relief Period, there is an obligation to reduce advances under the credit facilities using proceeds of any disposition of property or assets that exceed $10.0 million.

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

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

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US$20.0 million in the Indentures. As at December 31, 2021, the US$20.0 million basket was not utilized. The Indentures also restrict the ability to incur indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including debt incurred under credit facilities up to the greater of $375.0 million or 30 percent of the Company's consolidated tangible assets as well as a general permitted debt basket equal to the greater of 4 percent of consolidated tangible assets and US$60.0 million. The 1.5 Lien Notes indenture includes additional restrictions on certain investments, including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US$10.0 million and baskets related to prepayments and certain capital commitments which aggregate over US$12.0 million. The 1.5 Lien Notes indenture also contains a restriction that any indebtedness incurred in excess of $290.0 million under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at December 31, 2021, the Company's Fixed Charge Coverage Ratio of 1.63:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the Indentures, and the baskets highlighted in the preceding paragraph provide sufficient flexibility, subject to the additional restrictions under the credit facility agreement, for the Company to incur anticipated additional indebtedness and make anticipated restricted payments which are expected to be required to conduct its operations.

## INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $61.3 million for the year ended December 31, 2021 versus $42.5 million in 2020. Cash outflows relating to capital expenditures were $63.4 million for the year ended December 31, 2021 compared to $46.2 million in 2020. Calfrac's Board of Directors have approved a 2022 capital budget of approximately $97.0 million, which is comprised primarily of maintenance capital, and is subject to fluctuations based on operating activity.

## EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2021 was a loss of $0.4 million versus a loss of $3.3 million in 2020. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities, remaining availability under the G2S2 Loan, access to capital markets and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2022 and beyond.

At December 31, 2021, the Company had a bank overdraft position of $1.4 million.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved omnibus incentive plan. The number of shares reserved for issuance under the plan is equal to 10 percent of the Company's issued and outstanding common shares. As at March 15, 2022, the Company had issued and outstanding 38,297,813 common shares, 5,587,029 common share purchase warrants and 3,300,000 options to purchase common shares.

# SUMMARY OF QUARTERLY RESULTS

| Three Months Ended | Mar. 31, 2020 | Jun. 30, 2020 | Sep. 30, 2020 | Dec. 31, 2020 | Mar. 31, 2021 | Jun. 30, 2021 | Sep. 30, 2021 | **Dec. 31, 2021** |
|---|---|---|---|---|---|---|---|---|
| *(C$000s, except per share and operating data) (unaudited)* | *($)* | *($)* | *($)* | *($)* | *($)* | ***($)*** | ***($)*** | ***($)*** |
| **Financial** | | | | | | | | |
| Revenue | 305,515 | 91,423 | 127,776 | 180,722 | 241,575 | 207,311 | 295,754 | **257,755** |
| Operating income (loss)[1] | 5,698 | (7,307) | 8,009 | 15,597 | 12,940 | 6,043 | 35,623 | **9,098** |
| Per share – basic[2] | 1.97 | (2.52) | 2.76 | 1.91 | 0.35 | 0.16 | 0.95 | **0.24** |
| Per share – diluted[2] | 1.96 | (2.52) | 2.75 | 0.27 | 0.15 | 0.07 | 0.43 | **0.11** |
| Adjusted EBITDA[1] | 6,812 | (5,185) | 8,467 | 13,715 | 11,936 | 4,393 | 35,581 | **9,469** |
| Per share – basic[2] | 2.35 | (1.79) | 2.91 | 1.68 | 0.31 | 0.12 | 0.95 | **0.25** |
| Per share – diluted[2] | 2.34 | (1.79) | 2.91 | 0.24 | 0.14 | 0.05 | 0.43 | **0.11** |
| Net income (loss) | (122,857) | (277,275) | (50,000) | 125,897 | (22,418) | (30,535) | (1,541) | **(28,318)** |
| Per share – basic[2] | (42.38) | (95.61) | (17.20) | 15.43 | (0.60) | (0.82) | (0.04) | **(0.75)** |
| Per share – diluted[2] | (42.38) | (95.61) | (17.20) | 2.19 | (0.60) | (0.82) | (0.04) | **(0.75)** |
| Capital expenditures | 29,283 | 6,068 | 2,792 | 6,487 | 11,586 | 18,065 | 25,234 | **15,814** |
| Working capital (end of period) | 233,125 | 157,165 | 127,989 | 161,448 | 170,088 | 152,176 | 179,511 | **170,737** |
| Total equity (end of period) | 239,099 | (34,195) | (81,033) | 410,234 | 384,561 | 350,631 | 357,830 | **328,840** |

| **Operating (end of period)** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Active pumping horsepower (000s) | 1,242 | 780 | 840 | 901 | 934 | 950 | 976 | **1,020** |
| Idle pumping horsepower (000s) | 174 | 572 | 505 | 444 | 411 | 393 | 383 | **337** |
| Total pumping horsepower (000s) | 1,416 | 1,352 | 1,345 | 1,345 | 1,345 | 1,343 | 1,359 | **1,357** |
| Active coiled tubing units (#) | 20 | 16 | 15 | 17 | 16 | 16 | 16 | **17** |
| Idle coiled tubing units (#) | 7 | 11 | 12 | 10 | 11 | 11 | 11 | **10** |
| Total coiled tubing units (#) | 27 | 27 | 27 | 27 | 27 | 27 | 27 | **27** |
| Active cementing units (#) | 13 | 13 | 12 | 12 | 10 | 10 | 10 | **10** |
| Idle cementing units (#) | 3 | 3 | 4 | 4 | 6 | 6 | 6 | **5** |
| Total cementing units (#) | 16 | 16 | 16 | 16 | 16 | 16 | 16 | **15** |

*(1) Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*(2) Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidation that occurred on December 18, 2020.*

## SEASONALITY OF OPERATIONS

The Company's North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to "Business Risks - Seasonality").

## FOREIGN EXCHANGE FLUCTUATIONS

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency (refer to "Business Risks - Fluctuations in Foreign Exchange Rates").

# FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2021 VERSUS 2020

## CONSOLIDATED HIGHLIGHTS

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except per share amounts)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **257,755** | 180,722 | 43 |
| Operating income[1] | **9,098** | 15,597 | (42) |
| Per share – basic | **0.24** | 1.91 | (87) |
| Per share – diluted[2] | **0.11** | 0.27 | (59) |
| Adjusted EBITDA[1] | **9,469** | 13,715 | (31) |
| Per share – basic | **0.25** | 1.68 | (85) |
| Per share – diluted[2] | **0.11** | 0.24 | (54) |
| Net income (loss) | **(28,318)** | 125,897 | NM |
| Per share – basic | **(0.75)** | 15.43 | NM |
| Per share – diluted | **(0.75)** | 2.19 | NM |
| Working capital, end of period | **170,737** | 161,448 | 6 |
| Total assets, end of period | **892,961** | 912,463 | (2) |
| Long-term debt, end of period | **388,479** | 324,633 | 20 |
| Total equity, end of period | **328,840** | 410,234 | (20) |

*[1] Refer to "Non-GAAP Measures" on pages pages 26 and 27 for further information.*
*[2] Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidation that occurred on December 18, 2020.*

## FOURTH QUARTER 2021 OVERVIEW

In the fourth quarter of 2021, the Company:

- generated revenue of $257.8 million, an increase of 43 percent from the fourth quarter in 2020 resulting primarily from improved activity in North America and Argentina;
- increased the Company's total revolving credit facility capacity from $225.0 million to $250.0 million;
- reported adjusted EBITDA of $9.5 million versus $13.7 million in the fourth quarter of 2020;
- reported a net loss of $28.3 million or $0.75 per share diluted, compared to a net income of $125.9 million or $2.19 per share diluted in 2020, which included a gain on the settlement of debt of $226.3 million and a deferred income tax expense of $54.2 million;
- reported period-end working capital of $170.7 million versus $161.4 million at December 31, 2020; and
- incurred capital expenditures of $15.8 million primarily to support the Company's United States fracturing operations.

## CANADA

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **67,334** | 53,347 | 26 |
| Expenses | | | |
| Operating | **60,755** | 42,403 | 43 |
| SG&A | **1,809** | 1,870 | (3) |
| | **62,564** | 44,273 | 41 |
| Operating income(1) | **4,770** | 9,074 | (47) |
| Operating income (%) | **7.1** | 17.0 | (58) |
| Fracturing revenue per job ($) | **23,259** | 28,525 | (18) |
| Number of fracturing jobs | **2,630** | 1,697 | 55 |
| Active pumping horsepower, end of period (000s) | **227** | 202 | 12 |
| Idle pumping horsepower, end of period (000s) | **43** | 73 | (41) |
| Total pumping horsepower, end of period (000s) | **270** | 275 | (2) |
| Coiled tubing revenue per job ($) | **16,009** | 19,894 | (20) |
| Number of coiled tubing jobs | **382** | 242 | 58 |
| Active coiled tubing units, end of period (#) | **8** | 8 | — |
| Idle coiled tubing units, end of period (#) | **5** | 5 | — |
| Total coiled tubing units, end of period (#) | **13** | 13 | — |

*(1) Refer to “Non-GAAP Measures” on pages 26 and 27 for further information.*

## REVENUE

Revenue from Calfrac’s Canadian operations during the fourth quarter of 2021 was $67.3 million compared to $53.3 million in the same period of 2020 primarily due to higher activity in the Montney basin. The number of fracturing jobs increased by 55 percent from the comparable period in 2020 as a significantly improved commodity price environment resulted in an increase in drilling and completions activity in western Canada. Revenue per fracturing job was 18 percent lower than the comparable quarter due to job mix. The number of coiled tubing jobs increased by 58 percent from the fourth quarter in 2020 as more pump-down and annular work was performed. The change in job type also contributed to the 20 percent decrease in revenue per job, as the comparable quarter included a greater proportion of milling work, which generate higher margins.

## OPERATING INCOME

Operating income in Canada during the fourth quarter of 2021 was $4.8 million compared to $9.1 million in the same period of 2020. The Canadian division’s operating income as a percentage of revenue was 7 percent compared to 17 percent in the fourth quarter of 2020 as the Company incurred additional costs to prepare for an active first quarter in 2022. This included approximately $0.8 million of reactivation costs to increase its fracturing footprint to four large fleets and five coiled tubing units beginning in 2022. The Company also incurred additional hiring and personnel costs in advance of these additional units generating revenue. The benefit from the Canadian Emergency Wage Subsidy (CEWS) of $0.7 million was $2.1 million lower as compared to the fourth quarter of 2020 as the Company’s revenue continued to improve. SG&A expense in the fourth quarter of 2021 included a $0.1 million bad debt expense while the same period in 2020 included a $0.7 million bad debt provision. Excluding these items, operating income for the fourth quarter of 2021 would have been $4.9 million or 7.3 percent versus $7.0 million or 13.1 percent in the comparable period in 2020. The decrease in operating income for the quarter, both on a total basis and as a percentage of revenue, was mainly due to higher fuel costs associated with extremely cold weather in December and higher product costs due to job mix during the quarter, combined with increased personnel costs resulting from the reinstatement of previously reduced employee salaries and benefits.

## UNITED STATES

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **110,581** | 67,283 | 64 |
| Expenses | | | |
| Operating | **105,395** | 63,689 | 65 |
| SG&A | **3,127** | 2,590 | 21 |
| | **108,522** | 66,279 | 64 |
| Operating income[(1)] | **2,059** | 1,004 | 105 |
| Operating income (%) | **1.9** | 1.5 | 27 |
| Fracturing revenue per job ($) | **36,709** | 26,838 | 37 |
| Number of fracturing jobs | **3,013** | 2,507 | 20 |
| Active pumping horsepower, end of period (000s) | **579** | 516 | 12 |
| Idle pumping horsepower, end of period (000s) | **294** | 354 | (17) |
| Total pumping horsepower, end of period (000s) | **873** | 870 | — |
| Active coiled tubing units, end of period (#) | **—** | — | — |
| Idle coiled tubing units, end of period (#) | **1** | 1 | — |
| Total coiled tubing units, end of period (#) | **1** | 1 | — |
| Active cementing units, end of period (#) | **—** | — | — |
| Idle cementing units, end of period (#) | **2** | 3 | (33) |
| Total cementing units, end of period (#) | **2** | 3 | (33) |
| US$/C$ average exchange rate[(2)] | **1.2603** | 1.3030 | (3) |

*(1) Refer to “Non-GAAP Measures” on pages 26 and 27 for further information.*
*(2) Source: Bank of Canada.*

## REVENUE

Revenue from Calfrac’s United States operations increased to $110.6 million during the fourth quarter of 2021 from $67.3 million in the comparable quarter of 2020. The 64 percent increase in revenue can be attributed to a combination of a 37 percent increase in revenue per job period-over-period and a 20 percent increase in the number of fracturing jobs completed. The higher revenue per job was the result of pricing increases, mainly to pass through higher input costs to its customers, and job mix. Activity increased in all of the remaining areas where the Company operates with no activity in Texas and New Mexico as the Company exited those markets earlier in 2021.

## OPERATING INCOME

The Company’s United States operations generated operating income of $2.1 million during the fourth quarter of 2021 compared to $1.0 million in the same period in 2020. The slight improvement in operating income on a dollar basis was largely driven by better utilization in Colorado, offset partially by lower utilization in North Dakota as most of its customers reduced operations in December due to capital budget exhaustion. During the quarter, there were inflationary pressures experienced across most operating cost drivers that were effectively offset by pricing increases. SG&A expenses increased by 21 percent primarily due to the reinstatement of previously reduced salaries and benefits during the quarter.

## RUSSIA

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **28,094** | 26,949 | 4 |
| Expenses | | | |
| Operating | **25,821** | 21,843 | 18 |
| SG&A | **640** | 660 | (3) |
| | **26,461** | 22,503 | 18 |
| Operating income [(1)] | **1,633** | 4,446 | (63) |
| Operating income (%) | **5.8** | 16.5 | (65) |
| Fracturing revenue per job ($) | **60,778** | 74,317 | (18) |
| Number of fracturing jobs | **437** | 324 | 35 |
| Active pumping horsepower, end of period (000s) | **77** | 65 | 18 |
| Idle pumping horsepower, end of period (000s) | **—** | 12 | (100) |
| Total pumping horsepower, end of period (000s) | **77** | 77 | — |
| Coiled tubing revenue per job ($) | **29,509** | 47,838 | (38) |
| Number of coiled tubing jobs | **52** | 60 | (13) |
| Active coiled tubing units, end of period (#) | **4** | 4 | — |
| Idle coiled tubing units, end of period (#) | **3** | 3 | — |
| Total coiled tubing units, end of period (#) | **7** | 7 | — |
| Rouble/C$ average exchange rate[(2)] | **0.0173** | 0.0171 | 1 |

*(1) Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*(2) Source: Bank of Canada.*

## REVENUE

Revenue from Calfrac's Russian operations increased by 4 percent during the fourth quarter of 2021 to $28.1 million from $26.9 million in the corresponding period of 2020. The increase in revenue was attributable to a 35 percent increase in fracturing activity as the Company increased its operating footprint from four fleets in 2020 to six fleets in 2021, combined with changes in job mix as a higher percentage of multi-stage work was completed resulting in a higher number of stages completed at a lower average job size. Revenue per fracturing job decreased by 18 percent primarily due to the impact of job mix. Coiled tubing activity decreased by 13 percent as activity was concentrated on port openings rather than cleanouts during the quarter, which also resulted in a lower revenue per job.

## OPERATING INCOME

The Company's Russian division generated operating income of $1.6 million during the fourth quarter of 2021 or 6 percent of revenue versus $4.4 million or 16 percent of revenue in the comparable quarter in 2020. The lower operating margin performance was primarily due to lower than expected fracturing equipment utilization as operations were suspended for 11 days in December due to the inability of the customer to supply proppant during that time period. Coiled tubing activity was comprised of lower margin work during the quarter, which had a negative impact on overall margins as a percentage of revenue.

## ARGENTINA

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s, except operational and exchange rate information)* | ***($)*** | *($)* | *(%)* |
| *(unaudited)* | | | |
| Revenue | **51,746** | 33,143 | 56 |
| Expenses | | | |
| Operating | **42,964** | 26,344 | 63 |
| SG&A | **1,884** | 1,323 | 42 |
| | **44,848** | 27,667 | 62 |
| Operating income (loss)[1] | **6,898** | 5,476 | 26 |
| Operating income (loss) (%) | **13.3** | 16.5 | (19) |
| Fracturing revenue per job ($) | **63,476** | 60,188 | 5 |
| Number of fracturing jobs | **468** | 359 | 30 |
| Active pumping horsepower, end of period (000s) | **137** | 118 | 16 |
| Idle pumping horsepower, end of period (000s) | **—** | 5 | NM |
| Total pumping horsepower, end of period (000s) | **137** | 123 | 11 |
| Coiled tubing revenue per job ($) | **18,999** | 82,005 | (77) |
| Number of coiled tubing jobs | **348** | 52 | 569 |
| Active coiled tubing units, end of period (#) | **5** | 5 | — |
| Idle coiled tubing units, end of period (#) | **1** | 1 | — |
| Total coiled tubing units, end of period (#) | **6** | 6 | — |
| Cementing revenue per job ($) | **83,848** | 43,697 | 92 |
| Number of cementing jobs | **123** | 85 | 45 |
| Active cementing units, end of period (#) | **10** | 12 | (17) |
| Idle cementing units, end of period (#) | **3** | 1 | 200 |
| Total cementing units, end of period (#) | **13** | 13 | — |
| US$/C$ average exchange rate[2] | **1.2603** | 1.3030 | (3) |

*[1] Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*
*[2] Source: Bank of Canada.*

## REVENUE

Calfrac's Argentinean operations generated revenue of $51.7 million during the fourth quarter of 2021 compared to $33.1 million in the comparable quarter in 2020. Activity in the fourth quarter of 2021 improved year-over-year across all service lines and operating regions. Activity in the Vaca Muerta shale play continued to increase along with activity in southern Argentina. Fracturing revenue per job increased by 5 percent compared to the comparable quarter despite the impact of a 3 percent depreciation in the U.S. dollar, primarily due to job mix. The largest revenue improvement was achieved in the Company's cementing operations as activity increased by 45 percent and revenue per job increased by 92 percent due to changes in job mix as a greater number of pre-fracturing projects were completed in the fourth quarter of 2021. Coiled tubing revenue was comprised of contracted work with a different customer than the same period in 2020, which resulted in a larger number of jobs completed at a significantly lower revenue per job.

## OPERATING INCOME

The Company's operations in Argentina generated an operating income of $6.9 million during the fourth quarter of 2021 compared to operating income of $5.5 million in the comparable quarter of 2020. Utilization of the Company's equipment improved compared to the same period in 2020 as the prior year included a government mandated shutdown of oilfield activity in response to the COVID-19 pandemic. The Company's operating margins as a percentage of revenue decreased from 16.5 percent to 13.3 percent as its fixed cost structure increased to scale up for additional activity. Operating income was also negatively affected by inflationary salary increases in December that were not immediately offset by local currency devaluation and higher equipment repair costs related to the start-up of equipment purchased from a third party earlier in the year.

## CORPORATE

| Three Months Ended December 31, | **2021** | 2020 | Change |
|---|---|---|---|
| *(C$000s)* | *($)* | *($)* | *(%)* |
| *(unaudited)* | | | |
| Expenses | | | |
| Operating | **297** | 303 | (2) |
| SG&A | **5,965** | 4,100 | 45 |
| | **6,262** | 4,403 | 42 |
| Operating loss[1] | **(6,262)** | (4,403) | 42 |
| % of Revenue | **2.4** | 2.4 | — |

[1] *Refer to "Non-GAAP Measures" on pages 26 and 27 for further information.*

## OPERATING LOSS

Corporate expenses for the fourth quarter of 2021 were $6.3 million compared to $4.4 million in the fourth quarter of 2020. The increase was due in part to an increase in stock-based compensation expense of $0.7 million in the fourth quarter in 2021 compared to the same period in 2020, primarily due to the issuance of new equity-based awards under the omnibus incentive plan during the second quarter in 2021, combined with a higher share price. In addition, higher professional fees and personnel costs also contributed to the increase in SG&A expense during the quarter.

## DEPRECIATION

For the three months ended December 31, 2021, depreciation expense increased by $0.8 million to $31.6 million from $30.8 million in the corresponding quarter in 2020. The slight increase in fourth-quarter depreciation expense was primarily due to the year-over-year increase in capital expenditures relating to major component purchases which have a shorter useful life and a corresponding higher rate of depreciation.

## FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange loss of $1.9 million during the fourth quarter of 2021 versus a loss of $5.7 million in the comparative three-month period of 2020. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The foreign exchange loss during the fourth quarter was mainly due to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, combined with the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

## INTEREST

The Company's net interest expense of $9.7 million for the fourth quarter of 2021 was $15.2 million lower than the comparable period in 2020. The decrease in interest expense was primarily due to the significant reduction in long-term debt resulting from the Recapitalization Transaction that closed on December 18, 2020, combined with the debt exchange that was completed during the first quarter in 2020. These transactions combined to eliminate US$650.0 million of the Company's 8.50 percent Unsecured Notes and replaced it with US$120.0 million of Second Lien Notes bearing interest at 10.875 percent and $59.0 million of 1.5 Lien Notes bearing interest at 10.0 percent. In addition, the USD/CAD exchange rate was 3 percent lower than the comparable quarter in 2020, which resulted in a reduction of reported interest expense on the Company's Second Lien Notes.

## INCOME TAXES

The Company recorded an income tax recovery of $6.4 million during the fourth quarter of 2021 compared to a tax expense of $54.8 million in the comparable period of 2020. A deferred tax recovery of $6.3 million was recorded due to losses incurred in the United States.

# BUSINESS UPDATE AND OUTLOOK

A prolonged period of underinvestment in the upstream sector, in combination with a rebound in demand as COVID-19 related restrictions have been reduced, has resulted in a significant increase in crude oil and natural gas prices. This stronger commodity price environment provides the foundation for higher demand for Calfrac's services moving forward. The Company's positive momentum from the third quarter continued into the fourth quarter of 2021 but paused towards year-end due to normal seasonality, combined with customer budget exhaustion. Calfrac expects to utilize its industry expertise to drive improved financial results on a sequential basis while positioning the Company to capitalize on a tightening oilfield services market and meaningfully increase its overall financial performance in 2022.

## CANADA

Calfrac's Canadian division anticipates a strong first quarter for its four large fracturing fleets. The high level of activity is expected to continue into the second half of the year, after the seasonal break-up, leading to improved year-over-year financial performance. This strength in demand highlights the need for E&P companies to align with quality service providers that can safely and efficiently execute on their capital programs. In recent years, the pricing for the pressure pumping sector has been unsustainably low and did not generate a sufficient return on capital employed. Calfrac anticipates that a tightening services market in Canada will provide the opportunity to significantly increase its prices in order to reflect the appropriate value of its services. The Company achieved modest price improvements during 2021, but upward pricing pressures for trucking, fuel, chemicals, and sand were significant and continue to persist. Calfrac believes that the pressure pumping sector in 2022 will increase service prices that outpace cost inflation and enable the industry to begin delivering acceptable returns on investment.

## UNITED STATES

As expected, the Company's United States operations experienced a delayed start to 2022 in one of its operating districts, but still expects to deliver improved sequential performance during the first quarter. As momentum continues to build, Calfrac anticipates a significant increase in financial performance during 2022 driven by high utilization for its nine operating fracturing fleets combined with the continuation of service price appreciation that commenced in the second half of 2021. While the Company continues to pass along inflationary cost increases, Calfrac has been successful in improving utilization as well as net service pricing during the past few months. Calfrac is committed to partnering with customers to combine safe and efficient operations with optimal scheduling management in order to produce sustainable full cycle returns to the benefit of its customers and Calfrac's stakeholders.

## RUSSIA

The ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty around the Company's operations in Russia. As a result of this dynamic situation, Calfrac is monitoring developments in real time and is evaluating its options for its Russian operations.

## ARGENTINA

Calfrac's operations in Argentina delivered a significant year-over-year increase in profitability mainly due to strong equipment utilization in the Vaca Muerta shale play. The Company expects the operating cadence that was achieved in the second half of 2021 to continue throughout 2022 and drive strong levels of financial performance.

## CORPORATE

Given the expected growth in activity in North America during 2022, the Company amended its credit facility agreement with its lending syndicate in order to provide the necessary liquidity to fund increasing working capital requirements for its operations. Calfrac's continued focus is to optimize capital allocation and operating efficiencies in order to maximize its operating cash flow, and dedicate any excess free cash flow to debt repayment. The Company will not consider any additional fleet reactivation or growth investments until financial returns exceed internal benchmarks that properly account for macroeconomic, industry and operation-specific risk factors.

# NON-GAAP MEASURES

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

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, gains or losses on exchange or settlement of debt, impairment of property, plant and equipment, impairment of other assets, interest, and income taxes. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. Operating income for the period was calculated as follows:

| | **Three Months Ended Dec. 31,** | | **Years Ended Dec. 31,** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *(C$000s)* *(unaudited)* | ***($)*** | *($)* | ***($)*** | *($)* |
| Net loss | **(28,318)** | 125,897 | **(82,812)** | (324,235) |
| Add back (deduct): | | | | |
| Depreciation | **31,638** | 30,843 | **127,925** | 172,021 |
| Foreign exchange losses (gains) | **1,885** | 5,733 | **5,288** | 15,477 |
| Loss (gain) on disposal of property, plant and equipment | **(110)** | (260) | **403** | 24 |
| Impairment of property, plant and equipment | **—** | — | **—** | 227,208 |
| Impairment of inventory | **—** | — | **—** | 27,868 |
| Impairment of other assets | **705** | — | **705** | 507 |
| Gain on exchange of debt | — | — | **—** | (130,444) |
| Interest | **9,662** | 24,913 | **37,737** | 91,267 |
| Income taxes | **(6,364)** | 54,790 | **(25,542)** | 168,623 |
| Operating income | **9,098** | 15,597 | **63,704** | 21,997 |

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

| | Three Months Ended Dec. 31, | | Years Ended Dec. 31, | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| *(C$000s)* | | | ***($)*** | *($)* |
| *(unaudited)* | | | | |
| Net loss | **(28,318)** | 125,897 | **(82,812)** | (324,235) |
| Add back (deduct): | | | | |
| Depreciation | **31,638** | 30,843 | **127,925** | 172,021 |
| Unrealized foreign exchange (gains) losses | **1,338** | 3,435 | **718** | 8,319 |
| Loss (gain) on disposal of property, plant and equipment | **(110)** | (260) | **403** | 24 |
| Impairment of property, plant and equipment | **—** | — | **—** | 227,208 |
| Impairment of inventory | **—** | — | **—** | 27,868 |
| Impairment of other assets | **705** | — | **705** | 507 |
| Gain on exchange of debt | **—** | — | **—** | (130,444) |
| Litigation settlements | **—** | — | **(700)** | — |
| Non-cash purchase commitment termination settlement | **—** | — | **—** | 2,082 |
| Restructuring charges | **2** | 4 | **673** | 5,377 |
| Stock-based compensation | **916** | 412 | **2,272** | 1,511 |
| Interest | **9,662** | 24,913 | **37,737** | 91,267 |
| Income taxes | **(6,364)** | 54,790 | **(25,542)** | 168,623 |
| Adjusted EBITDA[1] | **9,469** | 13,715 | **61,379** | 23,809 |

*[1] For bank covenant purposes, EBITDA includes the deduction of an additional $9.0 million for the year ended December 31, 2021 (year ended December 31, 2020 - $15.6 million) of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16.*

# CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2021 annual consolidated financial statements.

## GREEK LITIGATION

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

## VENDOR CONTRACT DISPUTE

A complaint for money damages was filed against the Company by a vendor in the United States District Court for the District of Delaware in July 2021. The complaint, which was amended in February 2022, alleges the Company failed to satisfy certain volume commitments and associated shortfall payment obligations under a sand supply agreement and the vendor is seeking at least US$10.2 million in damages together with interest and unspecified other relief. The Company has filed an answer to the original complaint and a counter-claim, and its answer to the amended complaint is due March 18, 2022. The case is still in the early stages, but the Company intends to pursue its counter-claim and vigorously defend against the vendor's allegations.

Given the stage of the proceedings and the existence of available defenses, the direction and financial consequences of the claims in the complaint cannot be determined at this time. While management does not believe that this claim will have a material adverse effect on the business or financial condition of the Company, no assurance can be given as to the outcome of the proceedings.

# CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the year ended December 31, 2021 which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the annual consolidated financial statements.

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

Judgment is also used in the determination of the functional currency of each subsidiary and in the determination of CGUs, and the assessment of the Company's ability to continue as a going concern.

## LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was $0.6 million at December 31, 2021, is adequate.

## DEPRECIATION

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

## FINANCIAL INSTRUMENTS

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

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at December 31, 2021 was $139.6 million (December 31, 2020 – $106.7 million). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

## CREDIT RISK

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices, including the use of credit limits and approvals, and by monitoring its customers' financial condition. At December 31, 2021, the Company had a loss allowance provision for accounts receivable of $0.6 million (December 31, 2020 – $1.7 million).

Payment terms with customers vary by country and contract. Standard payment terms, however, are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at December 31, 2021 and 2020, excluding any impaired accounts, are as follows:

| As at December 31, | **2021** | 2020 |
|---|---|---|
| *(C$000s)* | ***($)*** | *($)* |
| *(unaudited)* | | |
| Current | **135,043** | 97,000 |
| 31 - 60 days | **26,405** | 20,303 |
| 61 - 90 days | **13,716** | 10,111 |
| 91+ days | **8,310** | 5,045 |
| Total | **183,474** | 132,459 |

## INTEREST RATE RISK

The Company is exposed to cash flow risk due to fluctuating interest payments required to service any floating-rate debt. The increase or decrease in annual interest expense for each 1 percentage point change in the interest rate on floating-rate debt at December 31, 2020 amounts to $1.3 million (December 31, 2019 – $1.5 million).

The Company's effective interest rate for the year ended December 31, 2020 was 7.5 percent (December 31, 2019 – 8.5 percent).

## LIQUIDITY RISK

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

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

| At December 31, 2021 | **Total** | **< 1 Year** | **1 - 3 Years** | **4 - 6 Years** | **7 - 9 Years** | **Thereafter** |
|---|---|---|---|---|---|---|
| *(C$000s)* | ***($)*** | *($)* | *($)* | *($)* | *($)* | *($)* |
| *(unaudited)* | | | | | | |
| Accounts payable and accrued liabilities | **127,441** | 127,441 | — | — | — | — |
| Lease obligations[(1)] | **23,534** | 7,957 | 12,732 | 2,845 | — | — |
| Long-term debt[(1)] | **441,248** | 33,793 | 251,183 | 156,272 | — | — |

| At December 31, 2020 | Total | < 1 Year | 1 - 3 Years | 4 - 6 Years | 7 - 9 Years | Thereafter |
|---|---|---|---|---|---|---|
| *(C$000s)* | *($)* | *($)* | *($)* | *($)* | *($)* | *($)* |
| *(unaudited)* | | | | | | |
| Accounts payable and accrued liabilities | 101,784 | 101,784 | — | — | — | — |
| Lease obligations[(1)] | 24,835 | 8,543 | 12,053 | 3,512 | 727 | |
| Long-term debt[(1)] | 441,845 | 23,078 | 246,885 | 171,882 | — | — |

*[(1)] Principal and interest*

## FOREIGN EXCHANGE RISK

The Company is exposed to foreign exchange risk associated with foreign operations where assets, liabilities, revenue and costs are denominated in currencies other than Canadian dollars. These currencies include the U.S. dollar, Russian rouble, and Argentinean peso. The Company is also exposed to the impact of foreign currency fluctuations in its Canadian operations on purchases of products and property, plant and equipment from vendors in the United States. In addition, the Company's Second Lien Notes and related interest expense are denominated in U.S. dollars. The amount of this debt and related interest expressed in Canadian dollars varies with fluctuations in the U.S. dollar to Canadian dollar exchange rate. This risk is mitigated, however, by the Company's U.S. operations and accompanying revenue streams.

A change in the value of foreign currencies in the Company's consolidated financial instruments (cash, accounts receivable, accounts payable and debt) would have had the following impact on net income:

| At December 31, 2021 | Impact to Net Income |
|---|---|
| *(C$000s)* | *($)* |
| 1% change in value of U.S. dollar | **1,407** |
| 1% change in value of Argentinean peso | **90** |
| 1% change in value of Russian rouble | **—** |

| At December 31, 2020 | Impact to Net Income |
|---|---|
| *(C$000s)* | *($)* |
| 1% change in value of U.S. dollar | 1,638 |
| 1% change in value of Argentinean peso | 18 |
| 1% change in value of Russian rouble | — |

## IMPAIRMENT

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

As described in note 4 to the consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

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

The Company did not identify any changes in the indicators of impairment or any new indicators of impairment since the last impairment test that was carried out as at December 31, 2020. For the year ended December 31, 2021, no impairment charge was recorded (year ended December 31, 2020 – impairment of $227.2 million).

The Company reviews the carrying value of its inventory on an ongoing basis for obsolescence and to verify that the carrying value exceeds the net realizable amount. During the year ended December 31, 2021, the Company reviewed the carrying value of its inventories across all operating segments and determined there was no impairment to write-off obsolete inventory and write inventory down to its net realizable amount (year ended December 31, 2020 – $27.9 million).

## INCOME TAXES

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

## STOCK-BASED COMPENSATION

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

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

### FUNCTIONAL CURRENCY

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

### CASH-GENERATING UNITS

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

## RELATED-PARTY TRANSACTIONS

Entities controlled by George S. Armoyan, a member of the Board of Directors and Interim CEO, and Ronald P. Mathison, the Chairman of the Company, hold 44 percent and 19 percent, respectively, of the Company's 1.5 Lien Notes.

In connection with the 1.5 Lien Notes offering, the Company issued 1,125,703 common shares to certain investors that backstopped the issuance of the 1.5 Lien Notes. Certain entities controlled by George S. Armoyan received 734,413 shares for their participation in backstopping the 1.5 Lien Notes, of which 38,023 shares were sold during the first quarter of 2021.

Certain entities controlled by George S. Armoyan hold US$16.4 million of the Company's Second Lien Notes (December 31, 2020 – US$2.4 million).

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the year ended December 31, 2021 was $1.0 million (year ended December 31, 2020 – $1.5 million), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made.

## CHANGES IN ACCOUNTING POLICIES

No new IFRS or interpretations from the International Financial Reporting Interpretations Committee came into effect for the year beginning on or after January 1, 2021 that had a material impact on the Company.

## RECENT ACCOUNTING PRONOUNCEMENTS

IAS 1 *Presentation of Financial Statements* has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment is effective for the years beginning on or after January 1, 2023.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* has been amended to clarify what costs an entity considers in assessing whether a contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises of the incremental or allocated costs that relate directly to the fulfillment of the contract. Adoption of the amendment is in effect for annual periods beginning on or after January 1, 2022.

IAS 16 *Property, Plant and Equipment* has been amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures. These amendments are effective for periods beginning on or after January 1, 2022.

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

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

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

In accordance with the requirements of National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings,” an evaluation of the effectiveness of DC&P and ICFR was carried out under the supervision of the Interim CEO and CFO at December 31, 2021. Based on this evaluation, the Interim CEO and CFO have concluded that the Company’s DC&P and ICFR are effectively designed and operating as intended.

No change to the Company’s ICFR occurring during the most recent interim period materially affected, or is reasonably likely to materially affect, the Company’s ICFR, other than noted below.

# BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth below as well as in the Company’s most recently filed Annual Information Form, which are available at www.sedar.com.

## VOLATILITY OF INDUSTRY CONDITIONS

The demand, pricing and terms for the Company's services largely depend upon the level of expenditures made by oil and gas companies on exploration, development and production activities in North America, Argentina and Russia. 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 socio-political 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 impact of the COVID-19 pandemic; and government regulations. 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.

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; and the impact of the COVID-19 pandemic thereon; 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, Argentinean and Russian 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.

## ACCESS TO CAPITAL

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 and the Second Lien Notes Indenture. In the event that 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 repay amounts owing under the Credit Agreement, the 1.5 Lien Notes Indenture or the Second Lien Notes Indenture 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.

## SOURCES, PRICING AND AVAILABILITY OF RAW MATERIALS, COMPONENTS AND PARTS

In 2021, the Company and the industry worldwide experienced shortage of supply and an increase in inflationary pricing of raw materials such as proppant, chemicals, nitrogen, and diesel fuel and component parts as a result of the COVID-19 pandemic making it difficult to provide fixed pricing for customers. Volatility and increased costs of component parts and raw materials, including as a result of the Russia-Ukraine conflict, may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows have been may also have a material adverse effect on the Company's business, financial condition, results of operations and cash flow, which cannot be easily countered by price increases to customers in a highly competitive environment.

## EMPLOYEES

The Company requires skilled and/or unskilled 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.

Other factors, including the COVID-19 pandemic, can also affect the Company's ability to find sufficiently qualified employees to meet its needs. 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 employ 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.

## FOREIGN OPERATIONS

Some of the Company's operations and related assets are located in Argentina and Russia, which may be considered politically and/or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil and gas companies and third parties and are frequently 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 Company's customers and the demand for the Company's well stimulation services which, in turn, could have a material adverse effect on its assets, business, financial condition, results of operations and cash flows.

Additionally, operations outside of North America could also expose the Company to trade and economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations. In response to Russia's invasion of Ukraine, a number of countries, including Canada, the U.S. and European Union member states, have taken actions against Russia, such as: imposition of sanctions targeting certain Russian leadership and other individuals; restrictions on certain sectors of the Russian economy; expulsion of some Russian banks from the SWIFT global banking payment system; and other measures, with further restrictions and counter-sanctions or actions by Russia itself possible as the conflict continues. Such measures and the ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty around the Company’s operations in Russia. As a result of these changes in circumstances, there is risk and uncertainty surrounding the Company’s Russian operations, 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 impairment of current and long-term assets, the physical security of property, plant and equipment, and overall business and operational risks. The conflict and sanctions or restrictions imposed against or by Russia could have a material adverse effect on the Russian Division's assets, business, financial condition, results of operations and cash flows. Additionally, the conflict and sanctions or restrictions imposed against or by Russia could exacerbate a number of risks described elsewhere in these Risk Factors, 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.

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, federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against the Company or its representatives for violations of securities laws, foreign corrupt practices laws or other federal statutes, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## 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.

## COVID-19 PANDEMIC

The COVID-19 pandemic caused a significant and swift reduction in global economic activity during 2020, which significantly weakened demand for oil and gas, and in turn, for the Company's products and services. The Company implemented a COVID-19 Pandemic Response Plan to provide direction to partially mitigate the impacts of the COVID-19 pandemic. The Company also experienced an increase in operating costs due to the implementation of various controls to comply and manage the spread of COVID-19.

Other effects of the pandemic included, and may continue to include, significant volatility and disruption of the global financial markets; adverse revenue and net income effects; disruptions to the Company's operations, including suspension or deferral of drilling activities; customer shutdowns of oil and gas exploration and production; downward revisions to customer budgets; limitations on access to sources of liquidity; supply chain disruptions; limitations on access to raw materials; employee impacts from illness, school closures and other community response measures; ability to recruit and maintain a viable and healthy workforce; temporary closures of Company's facilities or the facilities of Company's customers and suppliers. The pandemic is continuously evolving, 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 effectiveness of containment actions of the virus and its variants, or treatment of its impact, such as the availability and acceptance of vaccines. COVID-19, and the volatile regional and global economic conditions stemming from the pandemic may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## VOLATILITY IN 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, 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.

## ENERGY TRANSITION

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 renewable energy sources. The Company's success will require adapting its equipment and technologies to potentially changing government requirements and customer requirements and preferences, as well as engaging with customers to develop solutions to reduce the carbon 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 implement a carbon reduction strategy, 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.

## COMMON SHARE DILUTION

The 1.5 Lien Notes are convertible at the holder's option into common shares of the Company at any time prior to the maturity date at a conversion price of $1.3325 per common share, being a ratio of approximately 750.469 common shares per $1,000 principal amount of 1.5 Lien Notes.

In the future the Company may issue additional securities to raise capital. 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 issue additional securities convertible into common shares.

The Company may also attempt to increase its capital resources by making additional offerings of debt, including senior or subordinated notes. Because the Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings.

Thus, holders of common shares bear the risk of the conversion of the 1.5 Lien Notes and future offerings reducing the market value of common shares.

## COMPETITION

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 price, product and service quality and availability, technical knowledge, environmentally friendly equipment (such as electric or low emission pumps), experience and reputation for safety. The Company competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies 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.

## FEDERAL, STATE AND PROVINCIAL LEGISLATIVE AND REGULATORY INITIATIVES

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 2021 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 future federal, provincial, state or local laws or implementing regulations in any of the jurisdictions in which the Company operates which impose additional permitting, disclosure or regulatory obligations related to, or otherwise limiting, oil and gas exploration or the hydraulic fracturing process could result in additional operating restrictions or delays. On June 29, 2021, the British Columbia Supreme Court released its decision in Yahey v. British Columbia regarding cumulative effects and the infringement of Blueberry River First Nation ("BRFN") Treaty 8 rights. The Court found that the effect of B.C.'s industrial development policies are no longer sufficient, and the Court directed that the province could no longer authorize development projects that infringe BRFN's Treaty 8 rights. On October 7, 2021, BRFN and the Province of British Columbia reached an initial agreement in response to the Supreme Court's decision confirming that 195 forestry, oil and gas projects that were authorized before the Yahey decision will proceed. Uncertainty remains for future development within Blueberry's territory and future regulatory processes. Currently, the Province and BRFN are moving to finalize an interim approach to review new applications for resource development and activities to balance the BRFN Treaty rights, the economy and the environment. The affected area covers a large portion of Montney play in Northeastern British Columbia, which has become significant source of activity for oil and gas development in Canada. The uncertainty around future development projects in the Montney area may impact the demand for the Company's services in Canada and could have a material adverse effect on the Company, its business, financial conditions, results of operations and cash flows.

## GREEN HOUSE GAS INITIATIVES

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 emissions of greenhouse gases ("GHG"), 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 our 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 our technologies or operations, or accelerate the obsolescence of our products or services.

This trend presents a risk to the Company if it is unable to position itself as a GHG friendly services provider through education of its customer on the Company's current GHG footprint and/or through additional carbon reduction initiatives on its existing equipment fleet or investments in new lower carbon intensive equipment. Failure of the Company to maintain an equipment fleet that satisfies the GHG priorities 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 our 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 our 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.

## FLUCTUATIONS IN FOREIGN EXCHANGE RATES

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the exchange rates for United States, Argentinean and Russian currencies. 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.

## CONCENTRATION OF CUSTOMER BASE

The Company's customer base consists of over 75 oil and natural gas exploration and production companies, ranging from large multi-national public companies to small private companies as at December 31, 2021. 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.

## 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.

## OPERATIONAL RISKS

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 that the Company considers reasonable and commercially justifiable. In 2021, oil and gas industry experienced increase insurance premiums and costs, which coupled with an occurrence of a significant event that the Company is not fully 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.

## SEASONALITY

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 well sites 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 and Russia. 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.

## CAPITAL-INTENSIVE INDUSTRY

The Company's ability to meet service requirements in part, depends upon access, timely delivery and pricing of new equipment, 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 may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## 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. In addition, the Company is subject to ongoing legal proceedings relating to the Plan of Arrangement that implemented the Recapitalization Transaction, which was completed on December 18, 2020. The results of such proceedings, or any new proceedings that may be commenced with respect to the Company, its business, the Plan of Arrangement or related matters, 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 a number of 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.

## ENVIRONMENT LAWS AND REGULATIONS

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 well site 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 every well 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.

## SAFETY STANDARDS

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. In order 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.

## ACTIVIST SHAREHOLDER AND CORPORATE GOVERNANCE CHANGES

In recent years, publicly traded companies have increasingly been subject to demands from activist shareholders advocating for changes to corporate governance practices, including executive compensation and ESG policies. There can be no assurance that activist shareholders will not publicly advocate for the Company to make changes to its approach to corporate governance. 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. 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 as a result of 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.

## PLAN OF ARRANGEMENT

The Plan of Arrangement completed on December 18, 2020 included certain releases that became effective upon the implementation of the Recapitalization Transaction in favour of certain released parties, as set out in the Plan of Arrangement. Furthermore, the Plan of Arrangement also provides that, from and after the effective time of the Plan of Arrangement, all persons shall be deemed to have consented and agreed to all of the provisions of the Plan of Arrangement in its entirety. Without limiting the foregoing, pursuant to the Plan of Arrangement, the released parties shall be released and discharged from all released claims in accordance with the Plan of Arrangement, the transactions contemplated thereunder, and any other actions or matters related directly or indirectly to the foregoing, subject to applicable exceptions. Notwithstanding the foregoing, the Company may still be subject to legal actions with regards to such released claims and related matters.

Ongoing legal actions relating to the Plan of Arrangement, including the United States appeal as discussed below under the heading "Legal and Regulatory Proceedings", may be costly and could require the Company to defend such potential claims without recourse for legal costs incurred, even if the Company is successful. In addition, the outcomes of such litigation could have a material adverse effect on the Company, its business, financial condition, results of operations and cash flows.

## LIABILITIES OF PRIOR OPERATIONS

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.

## NEW TECHNOLOGIES AND CUSTOMER EXPECTATIONS

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. 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 this continuing demand. 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.

## INTELLECTUAL PROPERTY

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 in order 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 actually 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.

## 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 as a result of 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.

## 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 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.

## CYBERSECURITY

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, 2021 involved a series of high-profile ransomware attacks. Although ransomware is not a new problem, in recent years it has become one of the most popular types of cybercrime that is highly coordinated and more advanced. The scale and scope of ransomware operators as well as any potential cyber security attack represents both security and economic risks that could have a material adverse effect on the Company's business, financial condition and results of operations.

## CLIMATE CHANGE INITIATIVES

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 greenhouse gas 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, on November 2, 2021 the U.S. Environmental Protection Agency (EPA) proposed the Clean Air Act rules that could require all states to reduce methane emissions from hundreds of thousands of existing sources nationwide and encourage the use of innovative methane detection technologies. The EPA extended the public comment on the proposal to January 31, 2022. The Company is unable to predict the impact of current and pending climate change and emissions reduction legislation on the Company and it is possible that such legislation would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## LOSS OF REPUTATION

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 are at risk of losing control 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 and could include negative publicity with respect to the Company's handling of environmental matters and social 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.

## MERGER AND ACQUISITION ACTIVITY

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.

## 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 all personnel necessary for the development and operation of its business.

## BENEFITS OF ACQUISITIONS AND DISPOSITIONS

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.

## TAX ASSESSMENTS

The Company files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. 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 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.

### GROWTH-RELATED RISKS

The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company proved 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.

### RECAPITALIZATION TRANSACTION

The Certain risk factors relating to the Recapitalization Transaction, including risks specific to the 1.5 Lien Notes, are contained in the Special Meeting Circular dated August 17, 2020 under the heading "Risk Factors". The "Risk Factors" of the Special Meeting Circular are incorporated by reference into this annual information form. The Special Meeting Circular was filed on SEDAR on August 21, 2020. A copy of the Special Meeting Circular is available on SEDAR.

## ADVISORIES

### FORWARD-LOOKING STATEMENTS

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this MD&A, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements with respect to the Recapitalization Transaction, including its expected benefits to the Company and impacts on its debt, liquidity and financial position, the U.S. and the Company's expectations and intentions with respect to the foregoing, expected operating strategies and targets, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, impact of economic reforms and sanctions on the Company's business including the impacts of the Russian-Ukraine conflict and possible impacts of sanctions and restrictions imposed against or by Russia and the Company's expectations and intentions with respect to the foregoing, results of acquisitions, the impact of environmental regulations, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the indentures pursuant to which its 1.5 Lien Notes and Second Lien Notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events (including exposure and positioning under existing and potential legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, accounting policies and practices of the Company, normal industry credit, interest rate, liquidity, and foreign exchange risk on cash flow, indicators of impairment, future taxable income and utilization of available tax losses, functional currency, related-party transactions, the impact of changes in accounting policies and standards on the Company and its financial statements, evaluation of disclosure controls and procedures and internal controls over financial reporting. These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effectiveness of cost reduction measures instituted by the Company and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: volatility of industry conditions including the level of exploration, development and production for oil and natural gas in Canada, the United States, Argentina and Russia and market prices for oil and natural gas impacting the demand for oilfield services generally; the availability of capital on satisfactory terms and managing restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, G2S2 Loan, 1.5 Lien Notes indenture and/or Second Lien Notes indenture; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; the Company's ability to continue to manage the effect of the COVID-19 pandemic on its operations; excess oilfield equipment levels;  direct and indirect exposure to volatile credit markets, including credit rating risk; risks associated with foreign operations including but not limited to the sanctions and restrictive measures against Russia by Canada, US and other governments in response to Russia's invasion of Ukraine; counter-actions taken by Russia in response to the sanctions and other restrictive measures taken by Canada, US and European governments; the impacts of the Russia-Ukraine conflict on the supply and demand for oil and gas produced in Russia and globally; ability to employ and retain skilled and unskilled labour to meet the Company's needs; the Company's ability to address the energy transition and adapting equipment and technical based on government and customer requirements and preferences; dilution risks associated with the conversion of outstanding convertible securities and additional equity or debt financings; regional competition; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; greenhouse gas regulation risks; fluctuations in foreign  exchange rates; dependence on, and concentration of, major customers; the demand for fracturing and other stimulation services for the completion of oil and natural gas wells; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; the Company's ability to expand operations; liabilities relating to legal and/or administrative proceedings including the decisions by securities regulators and/or the courts; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; activist shareholder risks; risk relating to the Plan of Arrangement; liabilities and risks associated with prior operations; continuous improvements in operating equipment and proprietary fluid chemistries; intellectual property risk; unauthorized access or breach of confidential information; third party credit risk; cybersecurity risks; loss of reputation in the marketplace; merger and acquisition activity amongst oil and natural gas exploration and production companies; retaining key employees; failure to realize anticipated benefits of acquisitions and dispositions; unfavorable tax assessments or changes in administrative tax practices; and failure to manage growth related risks. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

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

## ADDITIONAL INFORMATION

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