Calfrac Announces Second Quarter Results

CALGARY, AB, July 28 2022/CNW/ - Calfrac Well Services Ltd. ("Calfrac" or "the Company") (TSX: CFW) announces its financial and operating results for the three and six months ended June 30, 2022.

HIGHLIGHTS – CONTINUING OPERATIONS

	Three months ended Jun. 30,			Six months ended Jun. 30,		
	2022	2021	Change	**2022**	2021	Change
(C$000s, except per share amounts)	*($)*	*($)*	*(%)*	*($)*	*($)*	*(%)*
(unaudited)		*Revised*			*Revised*	
Revenue	**318,511**	173,769	83	**613,035**	387,723	58
Operating income[1]	**36,550**	756	NM	**57,579**	12,220	NM
Per share – basic	**0.95**	0.02	NM	**1.50**	0.33	NM
Per share – diluted	**0.43**	0.01	NM	**0.68**	0.15	NM
Adjusted EBITDA[1]	**39,252**	(1,080)	NM	**60,083**	9,741	NM
Per share – basic	**1.02**	(0.03)	NM	**1.57**	0.26	NM
Per share – diluted	**0.46**	(0.03)	NM	**0.71**	0.12	NM
Net loss	**(6,776)**	(35,516)	(81)	**(24,806)**	(58,545)	(58)
Per share – basic	**(0.18)**	(0.95)	(81)	**(0.65)**	(1.56)	(58)
Per share – diluted	**(0.18)**	(0.95)	(81)	**(0.65)**	(1.56)	(58)

As at	**June 30, 2022**	December 31, 2021	Change
(C$000s) *(unaudited)*	*($)*	*($)* *Revised*	*(%)*
Working capital, end of period	**144,456**	121,934	18
Total assets, end of period	**863,599**	822,368	5
Long-term debt, end of period	**402,683**	388,479	4
Total consolidated equity, end of period	**292,515**	328,840	(11)

(1) Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.
(2) During the first quarter of 2022, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations. Results from discontinued operations have not been included in the table above, unless otherwise noted.

CEO'S MESSAGE

Calfrac's Chief Executive Officer, Pat Powell commented: "Since I joined the Company, I have had the opportunity to meet with a number of our employees, both in the field and the divisional offices, and I am very impressed with their drive and commitment towards delivering on our revised brand promise of "Do It Safely, Do It Right, Do It Profitably". This quarter, Calfrac was able to demonstrate solid progress on its financial performance while continuing to deliver top tier service to our clients."

During the quarter, Calfrac:

- nearly doubled adjusted EBITDA to $39.3 million or 12 percent of revenue on a sequential basis on revenue growth of eight percent from the first quarter;
- grew its operating scale to nine fracturing fleets in the United States to compliment the Company's four active fleets in Canada; and

- re-constituted its Board of Directors' committees, including appointing the Audit Committee comprised of Charles Pellerin, Anuroop Duggal and Chetan Mehta. Charles Pellerin, who is the Principal Partner and President of one of the largest independent accounting firms in Quebec, will act as chairman of the Audit Committee.

SECOND QUARTER OVERVIEW

In the second quarter of 2022, the Company:

- generated revenue of $318.5 million, an increase of 83 percent from the second quarter in 2021, resulting primarily from improved activity in all of the Company's operating divisions and improved pricing in North America;
- reported adjusted EBITDA of $39.3 million versus negative $1.1 million in the comparable period in 2021, mainly as a result of improved performance in North America;
- repaid and cancelled its $25.0 million secured bridge loan from G2S2 Capital Inc., of which the Company had drawn $15.0 million prior to repayment;
- reduced its Funded Debt and Total Debt leverage to levels that will terminate the covenant relief period under its revolving credit facility agreement upon filing its second quarter compliance certificate, which is anticipated to occur before the end of July 2022;
- filed a short-form base shelf prospectus that allows Calfrac to issue up to $500.0 million of equity or debt securities over a 25-month period commencing May 19, 2022;
- reported a net loss of $6.8 million or $0.18 per share diluted compared to a net loss of $35.5 million or $0.95 per share diluted in the second quarter in 2021;
- reported period-end working capital of $144.5 million; and
- incurred capital expenditures of $15.2 million, focused on maintenance and sustaining activities to primarily support the Company's United States fracturing operations.

In the six months ended June 30, 2022, the Company:

- generated revenue of $613.0 million, an increase of 58 percent from the first six months in 2021, resulting from higher activity in all operating divisions, most notably in the United States;
- reported adjusted EBITDA of $60.1 million versus $9.7 million in the comparable period in 2021, mainly as a result of higher utilization of equipment in all operating divisions;
- reported a net loss of $24.8 million or $0.65 per share diluted, compared to a net loss of $58.5 million or $1.56 per share diluted in the first six months in 2021; and
- incurred capital expenditures of $27.4 million focused on maintenance and sustaining activities to primarily support the Company's United States fracturing operations.

CONSOLIDATED HIGHLIGHTS - CONTINUING OPERATIONS

Three Months Ended	**June 30, 2022**	March 31, 2022	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)* *Revised*	*(%)*
Revenue	**318,511**	294,524	8
Expenses			
Operating	**269,781**	260,871	3
SG&A	**12,180**	12,624	(4)
	281,961	273,495	3
Operating income[1]	**36,550**	21,029	74
Operating income (%)	**11.5**	7.1	62
Adjusted EBITDA[1]	**39,252**	20,831	88
Adjusted EBITDA (%)	**13.9**	7.1	96
Fracturing revenue per job ($)	**42,582**	31,460	35
Number of fracturing jobs	**6,655**	8,222	(19)
Active pumping horsepower, end of period (000s)	**934**	936	—
Idle pumping horsepower, end of period (000s)	**344**	346	(1)
Total pumping horsepower, end of period (000s)	**1,278**	1,282	—
Coiled tubing revenue per job ($)	**30,573**	25,755	19
Number of coiled tubing jobs	**680**	750	(9)
Active coiled tubing units, end of period (#)	**13**	13	—
Idle coiled tubing units, end of period (#)	**6**	6	—
Total coiled tubing units, end of period (#)	**19**	19	—
Cementing revenue per job ($)	**76,363**	81,047	(6)
Number of cementing jobs	**135**	122	11
Active cementing units, end of period (#)	**10**	10	—
Idle cementing units, end of period (#)	**2**	4	(50)
Total cementing units, end of period (#)	**12**	14	(14)

[1] *Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.*

Second-quarter revenue in 2022 of $318.5 million represented an increase of 8 percent from the first quarter of 2022, primarily due to improved pricing in North America and significantly higher fracturing activity in the United States, offset partially by lower activity in Canada due to the onset of spring break-up. Revenue per fracturing job was 35 percent higher than the first quarter of 2022 due to pricing increases in North America combined with job mix in Argentina and Canada.

In Canada, revenue decreased by 34 percent from the first quarter of 2022 to $71.1 million in the second quarter of 2022 due to the normal seasonal slowdown in activity stemming from spring break-up conditions. Operating income as a percentage of revenue was 5 percent compared to 13 percent in the first quarter of 2022, and included a $3.0 million litigation accrual related to product purchase commitments made in a prior year.

In the United States, revenue in the second quarter of 2022 was $193.8 million, a 46 percent increase from the first quarter of 2022 due to improved utilization and a larger average number of fleets operating during the quarter. The second quarter included some weather-related disruptions in North Dakota and Wyoming in April resulting in 24 lost operating days. However, the Company achieved strong utilization for its eight operating fleets during the quarter outside of these disruptions and added a ninth fleet in May. Comparatively, the first quarter in 2022 started with four fleets operating and exited with eight operating fleets. The Company continued to implement pricing increases during the second quarter in order to improve its profitability for all of its operating fleets. Operating income was $35.8 million in the second quarter compared to $7.9 million in the first quarter of 2022.

In Argentina, revenue decreased by 2 percent from the first quarter in 2022 to $53.6 million in the second quarter of 2022. The Company experienced a slight decrease in sequential activity particularly for the Company's fracturing and coiled tubing operations. Operating income decreased from $5.5 million in the first quarter of 2022 to $1.6 million in the second quarter of 2022 due to inflationary salary increases that are paid in pesos that were not immediately offset by the devaluation in the official peso exchange rate.

Adjusted EBITDA from continuing operations of $39.3 million for the second quarter of 2022 increased from $20.8 million in the first quarter of 2022 primarily due to improved crew utilization and pricing in the United States.

BUSINESS UPDATE AND OUTLOOK

During the second quarter of 2022, the Company continued to grow its North American fracturing operating scale as it exited the period with nine fracturing fleets operating in the United States and four large fleets in Canada. Throughout the past few months, Calfrac was able to achieve pricing gains with its clients that have compensated for significant increases in its operating expenses and are now beginning to contribute to an overall improvement in the Company's consolidated financial performance. The Company expects strong utilization of its North American and Argentinean fleets for the remainder of 2022 and 2023 and remains focused on the provision of top tier pressure pumping services, while generating enhanced returns for its shareholders in a market that is more supportive of a profitable services sector on a full cycle basis.

CANADA

The Company's operations in Canada began the second quarter at a slower rate due to spring break-up but exceeded expectations with a strong exit and Calfrac anticipates full utilization in the third quarter for its four large fracturing fleets. Calfrac's Canadian Division expects robust demand for its services throughout the remainder of 2022 and into 2023 as customers have already begun to inquire about equipment availability in the new year. While Calfrac has the ability to increase its operating scale in Canada, the Company is committed to its current fleet capacity for the foreseeable future and will only consider additional fleet reactivations if they are supported by a committed customer agreement.

UNITED STATES

The Company's United States division overcame weather disruptions early in the second quarter in its largest operating district to exit the quarter with fleet profitability not seen since the same period in 2017. Calfrac expects to benefit from consistent utilization for its nine sold out fracturing fleets for the remainder of the year and anticipates that the pressure pumping market will remain tight through 2023 as demand exceeds supply. While the Company has the option to reactivate additional idle equipment, Calfrac remains focused on improving cash flows and returns for its existing fleets rather than market share.

ARGENTINA

Calfrac has a significant presence in Argentina's pressure pumping market. The Company recently signed a multi-year contract with a major client operating in the Vaca Muerta shale play and expects utilization as well as profitability to improve significantly from the first six months of the year. With the strength in commodity prices, Calfrac anticipates that this market will remain tight and support further growth opportunities in the Neuquén region and southern Argentina over the next several years.

RUSSIA

The Company has made progress related to the sale of its Russian subsidiary and is seeking to close this transaction as soon as possible in compliance with applicable laws and sanctions.

CORPORATE

Calfrac's priority is to leverage its geographical scale and superior execution focus in both North America and Argentina to drive profitable growth, margin expansion and strong free cash flow generation, which will be dedicated to strengthening the Company's balance sheet. Calfrac believes that the services industry is entering a multi-year up cycle and the Company is well-positioned to advance its strategy and maximize shareholder returns.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS – THREE MONTHS ENDED JUNE 30, 2022 VERSUS 2021

CANADA

Three Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**71,089**	50,766	40
Expenses			
Operating	**65,068**	47,422	37
SG&A	**2,159**	(951)	NM
	67,227	46,471	45
Operating income[(1)]	**3,862**	4,295	(10)
Operating income (%)	**5.4**	8.5	(36)
Fracturing revenue per job ($)	**28,595**	28,191	1
Number of fracturing jobs	**2,118**	1,621	31
Active pumping horsepower, end of period (000s)	**227**	202	12
Idle pumping horsepower, end of period (000s)	**43**	70	(39)
Total pumping horsepower, end of period (000s)	**270**	272	(1)
Coiled tubing revenue per job ($)	**31,765**	18,231	74
Number of coiled tubing jobs	**326**	278	17
Active coiled tubing units, end of period (#)	**8**	7	14
Idle coiled tubing units, end of period (#)	**4**	6	(33)
Total coiled tubing units, end of period (#)	**12**	13	(8)

(1) Refer to “Non-GAAP Measures” on pages 14 and 15 for further information.

REVENUE

Revenue from Calfrac’s Canadian operations during the second quarter of 2022 was $71.1 million compared to $50.8 million in the same period of 2021 primarily due to higher pricing. The number of fracturing jobs increased by 31 percent from the comparable period in 2021 due to changes in job mix as the Company completed a larger number of smaller jobs during the second quarter in 2022. As expected, activity in April was slow due to spring break-up conditions but increased significantly as the quarter progressed. Revenue per fracturing job was one percent higher than the comparable quarter as pricing increases more than offset the impact of job mix during the quarter. The number of coiled tubing jobs increased by 17 percent versus the second quarter in 2021. The 74 percent increase in the coiled tubing revenue per job as compared to the same quarter in 2021 was due to a combination of higher pricing and the type of work completed during the quarter.

OPERATING INCOME

Operating income in Canada during the second quarter of 2022 was $3.9 million compared to $4.3 million in the same period of 2021. The Canadian division’s operating income as a percentage of revenue was five percent compared to eight percent in the second quarter of 2021. The Company recorded a $3.0 million expense accrual during the quarter to reflect the potential outcome of ongoing litigation associated with product purchase commitments made in a prior year. In addition, the Company did not receive any benefit from the Canadian Emergency Wage Subsidy (“CEWS”) in the second quarter of 2022 while the comparable quarter included a benefit of $2.5 million. The Company introduced price increases during the first quarter that were in effect for the entire second quarter in 2022. SG&A expenses increased as the comparable quarter included a recovery of a litigation settlement while the second quarter in 2022 included the reinstatement of salary and benefit rollbacks and the elimination of the CEWS benefit in 2022.

UNITED STATES

Three Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**193,830**	86,688	124
Expenses			
Operating	**154,971**	86,366	79
SG&A	**3,033**	2,876	5
	158,004	89,242	77
Operating income (loss)(1)	**35,826**	(2,554)	NM
Operating income (loss) (%)	**18.5**	(2.9)	NM
Fracturing revenue per job ($)	**46,986**	27,737	69
Number of fracturing jobs	**4,125**	3,123	32
Active pumping horsepower, end of period (000s)	**568**	550	3
Idle pumping horsepower, end of period (000s)	**301**	323	(7)
Total pumping horsepower, end of period (000s)	**869**	873	—
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 (#)	**1**	3	(67)
Total cementing units, end of period (#)	**1**	3	(67)
US$/C$ average exchange rate(2)	**1.2768**	1.2282	4

(1) *Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.*
(2) *Source: Bank of Canada.*

REVENUE

Revenue from Calfrac's United States operations increased significantly to $193.8 million during the second quarter of 2022 from $86.7 million in the comparable quarter of 2021. The 124 percent increase in revenue can be attributed to a combination of a 69 percent increase in revenue per job period-over-period combined with a 32 percent increase in the number of completed fracturing jobs. The higher revenue per job was due to improved pricing for its services as the Company passed through higher input costs to its customers while also achieving net pricing gains, combined with the impact of job mix. The overall increase in job count was mainly due to the Company operating eight of its nine marketed fleets for the entire quarter while the ninth fleet began work during May. Activity in the Rockies region and North Dakota increased relative to the comparable quarter in 2021, although activity in North Dakota during April was impacted by snow storms that resulted in the loss of 24 operating days. Activity in Pennsylvania was relatively consistent with the comparable quarter in 2021.

OPERATING INCOME (LOSS)

The Company's operations in the United States generated operating income of $35.8 million during the second quarter of 2022 compared to an operating loss of $2.6 million in the same period in 2021. This significant increase in operating income was largely driven by improved fracturing crew utilization and strong net pricing gains, which supported significant margin expansion relative to the comparable quarter in 2021. SG&A expenses increased by five percent primarily due to the reinstatement of previously reduced salaries and benefits near the end of 2021.

ARGENTINA

Three Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**53,592**	36,314	48
Expenses			
Operating	**49,417**	29,612	67
SG&A	**2,572**	1,774	45
	51,989	31,386	66
Operating income [(1)]	**1,603**	4,928	(67)
Operating income (%)	**3.0**	13.6	(78)
Fracturing revenue per job ($)	**70,395**	57,105	23
Number of fracturing jobs	**412**	395	4
Active pumping horsepower, end of period (000s)	**140**	121	16
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**140**	121	16
Coiled tubing revenue per job ($)	**29,475**	23,483	26
Number of coiled tubing jobs	**354**	206	72
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**76,363**	48,095	59
Number of cementing jobs	**135**	116	16
Active cementing units, end of period (#)	**10**	10	—
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**11**	13	(15)
US$/C$ average exchange rate[(2)]	**1.2768**	1.2282	4

(1) Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.
(2) Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of $53.6 million during the second quarter of 2022 compared to $36.3 million in the comparable quarter in 2021 as activity in the Neuquén region improved across all service lines but was offset partially by lower activity in southern Argentina. Overall fracturing activity increased by 4 percent compared to the second quarter in 2021 as the Company did not experience similar disruptions in the current quarter as it did during 2021. Average fracturing revenue per job increased by 23 percent primarily due to higher pricing generated by inflation. The number of coiled tubing jobs increased by 72 percent due to higher customer activity in Neuquén and southern Argentina while revenue per job also improved by 26 percent primarily due to job mix. Activity in the Company's cementing operations increased by 16 percent and revenue per job increased by 59 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed in the second quarter of 2022.

OPERATING INCOME

The Company's operations in Argentina generated operating income of $1.6 million during the second quarter of 2022 compared to operating income of $4.9 million in the comparable quarter of 2021. Utilization of the Company's equipment improved across all service lines versus the same period in 2021. However, the Company's operating margins as a percentage of revenue decreased from 13.6 percent to 3.0 percent due to inflationary salary increases that are paid in pesos but were not offset by the devaluation in the official peso exchange rate. The Company also incurred $0.3 million of severance costs during the second quarter in 2022.

CORPORATE

Three Months Ended June 30,	**2022**	2021	Change
(C$000s) *(unaudited)*	***($)***	*($)*	*(%)*
Expenses			
Operating	**324**	353	(8)
SG&A	**4,417**	5,560	(21)
	4,741	5,913	(20)
Operating loss[(1)]	**(4,741)**	(5,913)	(20)
% of Revenue from Continuing Operations	**1.5**	3.4	(56)

[(1)] *Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.*

OPERATING LOSS

Corporate expenses for the second quarter of 2022 were $4.7 million compared to $5.9 million in the second quarter of 2021. The lower SG&A expense was due to a $1.3 million reduction in legal fees incurred during the second quarter in 2022 offset partially by higher stock-based compensation expense.

DEPRECIATION

For the three months ended June 30, 2022, depreciation expense of $30.4 million was relatively consistent with the corresponding quarter in 2021. The slight decrease in second-quarter depreciation expense was primarily due to the mix and timing of capital expenditures related to major components.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain from continuing operations of $3.4 million during the second quarter of 2022 versus a loss of $2.8 million in the comparative three-month period of 2021. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada and net monetary assets or liabilities that were held in pesos in Argentina. The foreign exchange gain during the second quarter was mainly due to the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar, offset partially by net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period.

INTEREST

The Company's net interest expense of $10.9 million for the second quarter of 2022 was $1.6 million higher than the comparable period in 2021. The increase in interest expense was primarily due to higher borrowings and interest rates under the Company's revolving credit facilities combined with interest on outstanding draws made under the secured bridge loan from G2S2 Capital Inc. during the second quarter in 2022.

INCOME TAXES

The Company recorded an income tax expense of $1.7 million during the second quarter of 2022 compared to a tax recovery of $7.9 million in the comparable period of 2021. The Company had a current tax expense of $0.9 million and a deferred tax expense of $0.8 million both of which were related to its United States operations. All other divisions are in a net deferred tax asset position and the deferred tax assets continue to not be recognized for accounting purposes.

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the first quarter, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented as discontinued operations. In conjunction with the ongoing sale process and in light of the additional Canadian sanctions and restrictions that were issued in relation to the Russian oil and gas industry during the second quarter, the Company has recorded an impairment of $42.8 million to write down the Russian division's current and long-term assets to their expected recoverable amount. Results from operations held for sale have not been included in the preceding tables.

Revenue from Calfrac's discontinued Russian operations decreased by 2 percent during the second quarter of 2022 to $33.0 million from $33.5 million in the corresponding period of 2021. Fracturing revenue was consistent with the comparable quarter while coiled tubing revenue decreased slightly due to lower activity.

The Company's Russian division had an operating income of $4.9 million during the second quarter of 2022 compared to operating income of $5.3 million in the comparable quarter in 2021. The slightly lower operating performance was primarily due to higher overhead costs as the rouble appreciated during the second quarter in 2022 compared to the same period in 2021.

FINANCIAL OVERVIEW – CONTINUING OPERATIONS – SIX MONTHS ENDED JUNE 30, 2022 VERSUS 2021

CANADA

Six Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**178,723**	136,349	31
Expenses			
Operating	**157,021**	116,165	35
SG&A	**4,320**	710	NM
	161,341	116,875	38
Operating income[(1)]	**17,382**	19,474	(11)
Operating income (%)	**9.7**	14.3	(32)
Fracturing revenue per job ($)	**22,968**	19,886	15
Number of fracturing jobs	**6,821**	6,190	10
Active pumping horsepower, end of period (000s)	**227**	202	12
Idle pumping horsepower, end of period (000s)	**43**	70	(39)
Total pumping horsepower, end of period (000s)	**270**	272	(1)
Coiled tubing revenue per job ($)	**30,535**	20,940	46
Number of coiled tubing jobs	**683**	633	8
Active coiled tubing units, end of period (#)	**8**	7	14
Idle coiled tubing units, end of period (#)	**4**	6	(33)
Total coiled tubing units, end of period (#)	**12**	13	(8)

(1) Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the first six months in 2022 was $178.7 million, an increase from $136.3 million in the comparable period in 2021, primarily due to improved pricing and increased activity. Revenue per fracturing job was 15 percent higher than the comparable period in 2021 as price increases were implemented during the period to recover significant inflation in operating costs. The number of fracturing jobs increased by 10 percent as the Company's four fracturing fleets were highly utilized in the first quarter prior to the onset of spring break-up conditions and improved significantly in the month of June. The number of coiled tubing jobs increased by 8 percent from the comparable period in 2021 due to higher activity while revenue per job increased by 46 percent due to improved pricing and changes in job mix.

OPERATING INCOME

The Company's Canadian division generated operating income of $17.4 million compared to $19.5 million in the comparable period in 2021. The Company recorded a $3.0 million expense accrual during the quarter to reflect the potential outcome of ongoing litigation associated with product purchase commitments made in a prior year. In addition, the Company did not receive any CEWS benefits in the first six months of 2022 while the comparable period included a benefit of $3.9 million. Excluding these items, operating income improved relative to the comparable period in 2021 primarily due to improved pricing. The Company introduced price increases during the first quarter that were in effect for the entire second quarter. SG&A expenses increased as the comparable six month period included a recovery of a litigation settlement while the first six months in 2022 included the reinstatement of salary and benefit rollbacks and the elimination of the CEWS benefit in 2022.

UNITED STATES

Six Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**326,141**	179,601	82
Expenses			
Operating	**276,479**	179,520	54
SG&A	**5,941**	5,647	5
	282,420	185,167	53
Operating income (loss)[1]	**43,721**	(5,566)	NM
Operating income (loss) (%)	**13.4**	(3.1)	NM
Fracturing revenue per job ($)	**45,852**	26,941	70
Number of fracturing jobs	**7,112**	6,664	7
Active pumping horsepower, end of period (000s)	**568**	550	3
Idle pumping horsepower, end of period (000s)	**301**	323	(7)
Total pumping horsepower, end of period (000s)	**869**	873	—
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 (#)	**1**	3	(67)
Total cementing units, end of period (#)	**1**	3	(67)
US$/C$ average exchange rate[2]	**1.2714**	1.2471	2

[1] Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.
[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased to $326.1 million in the first six months in 2022 from $179.6 million in the same period in 2021 primarily due to higher pricing and a 7 percent increase in the number of completed fracturing jobs. A total of four active fleets were operating in the United States at the beginning of the year but increased to eight fleets exiting the first quarter with a ninth fracturing crew commencing operations in May. The higher fracturing revenue per job was reflective of improved pricing as the Company passed on higher input costs to its clients and was able to attain net pricing increases during the second quarter.

OPERATING INCOME (LOSS)

The Company's United States division generated operating income of $43.7 million in the first half of 2022 compared to an operating loss of $5.6 million in the same period of 2021 primarily due to a larger number of operating fleets, a higher number of operating days per fleet and improved pricing, offset partially by a slow start to the year and adverse weather in April 2022. SG&A expenses increased by 5 percent primarily due to the reinstatement of previously reduced salaries and benefits during the fourth quarter in 2021.

ARGENTINA

Six Months Ended June 30,	**2022**	2021	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**108,171**	71,772	51
Expenses			
Operating	**96,483**	59,342	63
SG&A	**4,616**	3,588	29
	101,099	62,930	61
Operating income[(1)]	**7,072**	8,842	(20)
Operating income (%)	**6.5**	12.3	(47)
Fracturing revenue per job ($)	**62,794**	55,682	13
Number of fracturing jobs	**944**	798	18
Active pumping horsepower, end of period (000s)	**139**	121	15
Idle pumping horsepower, end of period (000s)	**—**	—	—
Total pumping horsepower, end of period (000s)	**139**	121	15
Coiled tubing revenue per job ($)	**25,770**	20,973	23
Number of coiled tubing jobs	**747**	442	69
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**78,587**	49,239	60
Number of cementing jobs	**257**	209	23
Active cementing units, end of period (#)	**10**	10	—
Idle cementing units, end of period (#)	**1**	3	(67)
Total cementing units, end of period (#)	**11**	13	(15)
US$/C$ average exchange rate[(2)]	**1.2714**	1.2471	2

(1) Refer to “Non-GAAP Measures” on pages 14 and 15 for further information.
(2) Source: Bank of Canada.

REVENUE

Calfrac’s Argentinean operations generated revenue of $108.2 million during the first six months of 2022 compared to $71.8 million in the comparable period in 2021. Activity in the first half of 2022 improved from the comparable period in 2021 across all service lines with the vast majority of the improvement occurring in the Neuquén region. Activity in the Vaca Muerta shale play continued to increase while activity in southern Argentina remained relatively consistent with the comparable period in 2021. Overall fracturing activity increased by 18 percent compared to the first six months in 2021 along with 13 percent higher revenue per job. Revenue from the Company’s coiled tubing and cementing service lines continued to improve relative to the comparable period in 2021. The number of coiled tubing jobs increased by 69 percent as activity increased in Neuquén and southern Argentina while revenue per job improved by 23 percent primarily due to job mix. Activity in the Company’s cementing operations increased by 23 percent and revenue per job increased by 60 percent due to changes in job mix as a greater number of pre-fracturing projects, which are typically larger job sizes, were completed in the first half of 2022.

OPERATING INCOME

The Company’s operations in Argentina generated operating income of $7.1 million during the first six months of 2022 compared to operating income of $8.8 million in the comparable period of 2021. Utilization of the Company’s equipment improved across all service lines compared to the same period in 2021. However, the Company’s operating margins as a percentage of revenue decreased from 12 percent to 7 percent due to inflationary salary increases that are paid in pesos that were not offset by the devaluation in the official peso exchange rate. The Company also incurred $0.6 million of severance costs during the first half of 2022.

CORPORATE

Six Months Ended June 30,	**2022**	2021	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**668**	708	(6)
SG&A	**9,928**	9,822	1
	10,596	10,530	1
Operating loss[1]	**(10,596)**	(10,530)	1
% of Revenue from Continuing Operations	**1.7**	2.7	(37)

[1] *Refer to "Non-GAAP Measures" on pages 14 and 15 for further information.*

OPERATING LOSS

Corporate expenses during the first six months of 2022 were $10.6 million versus $10.5 million in the comparable period in 2021 due to higher stock-based compensation expenses combined with no benefit from Canadian COVID-19 government subsidy programs which were $0.8 million in the same period of 2021. These items were mainly offset by lower professional fees in 2022.

DEPRECIATION

Depreciation expense decreased by $2.6 million from $62.9 million in the first six months in 2021 to $60.3 million in the first half of 2022 primarily due to the mix and timing of major component capital expenditures.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of $0.4 million in the first six months in 2022 versus a loss of $5.4 million in the comparable period in 2021. 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. The Company's foreign exchange loss in the first six months in 2022 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, offset partially by the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar weakened relative to the U.S. dollar.

INTEREST

The Company's interest expense of $20.7 million in the first six months in 2022 was $2.3 million higher than the comparable period in 2021. The increase in interest expense was primarily due to higher borrowings and interest rates under the Company's revolving credit facilities combined with interest related to draws made under the secured bridge loan that was entered into with G2S2 Capital Inc. during the first quarter of 2022 and repaid in the second quarter.

INCOME TAXES

The Company recorded an income tax recovery of $3.9 million in the first six months in 2022 compared to a $16.3 million tax recovery in the comparable period in 2021. The Company had current tax expense of $0.9 million in the United States while the deferred tax recovery of $4.9 million was recorded due to the liability position in the United States. All other divisions are in a net deferred tax asset position which are not recognized for accounting purposes.

DISCONTINUED OPERATIONS

Revenue from Calfrac's discontinued Russian operations decreased by 10 percent during the first six months of 2022 to $55.1 million from $61.2 million in the corresponding six-month period of 2021. Fracturing revenue decreased due to changes in job mix while coiled tubing revenue decreased slightly due to lower activity.

The Company's Russian division had an operating income of $4.3 million during the first six months of 2022 versus operating income of $6.8 million in the comparable period in 2021. The lower operating performance was primarily due to lower fracturing equipment utilization as operations were impacted by the start of the conflict in Ukraine. In addition, the Company halted plans to reactivate an additional fracturing and coiled tubing fleet in the first quarter. Coiled tubing activity was comprised of lower margin work during the first six months in 2022, which had a negative impact on overall margins as a percentage of revenue. The Company incurred $0.2 million of severance costs during the first six months in 2022.

LIQUIDITY AND CAPITAL RESOURCES – CONSOLIDATED

	Three Months Ended Jun. 30,		Six Months Ended Jun. 30,	
	2022	2021	**2022**	2021
(C$000s) *(unaudited)*	*($)*	*($)*	*($)*	*($)*
Cash provided by (used in):				
Operating activities	**9,188**	18,828	**24,941**	(1,034)
Financing activities	**(18,091)**	1,704	**3,961**	17,685
Investing activities	**(9,926)**	(13,545)	**(25,423)**	(24,051)
Effect of exchange rate changes on cash and cash equivalents	**27,443**	(287)	**20,423**	(1,765)
Increase (decrease) in cash and cash equivalents	**8,614**	6,700	**23,902**	(9,165)

OPERATING ACTIVITIES

The Company's cash provided by operating activities for the three months ended June 30, 2022 was $9.2 million versus $18.8 million during the same period in 2021. The decrease in cash provided by operations was primarily due to improved operating results in all divisions, offset by $28.9 million used to fund the Company's working capital requirements during the second quarter as compared to working capital providing $15.8 million of cash during the same period in 2021. At June 30, 2022, Calfrac's working capital was $144.5 million, compared to $121.9 million at December 31, 2021.

FINANCING ACTIVITIES

Net cash used in financing activities for the three months ended June 30, 2022 was $18.1 million compared to net cash provided of $1.7 million in the second quarter in 2021. During the quarter, the Company repaid $15.0 million of bridge loan financing, paid lease principal payments of $2.2 million, and received proceeds of $0.6 million from the exercise of a portion of the Company's outstanding warrants and stock options.

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

At June 30, 2022, the Company had used $0.9 million of its credit facilities for letters of credit and had $200.0 million of borrowings under its credit facilities, leaving $49.1 million in available liquidity. As described above, the Company's credit facilities are subject to a monthly borrowing base, which at June 30, 2022 was above the maximum availability of $250.0 million under its credit facilities. At June 30, 2022, the Company was required to have minimum available liquidity of $15.0 million.

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 is 3.00x for the quarter ended June 30, 2022 and 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 June 30, 2022. Upon filing its second quarter compliance certificate, the Company will no longer be subject to the covenant relief terms within its revolving credit facility agreement, as described in further detail in the Company's first quarter MD&A.

	Covenant	**Actual**
As at June 30,	2022	**2022**
Working capital ratio not to fall below	1.15x	**1.98x**
Funded Debt to Adjusted EBITDA not to exceed[(1)(2)]	3.00x	**1.83x**
Funded Debt to Capitalization not to exceed[(1)(3)]	0.30x	**0.27x**

(1) Funded Debt is defined as Total Debt excluding all outstanding 10.875% second lien secured notes ("Second Lien Notes"), 1.5 Lien Notes, 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.

INVESTING ACTIVITIES

Calfrac's consolidated net cash used in investing activities was $9.9 million for the three months ended June 30, 2022 versus $13.5 million in the comparable period in 2021. Cash outflows relating to capital expenditures were $11.0 million for the quarter ended June 30, 2022 compared to $14.6 million in the second quarter in 2021. 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 three months ended June 30, 2022 was a gain of $27.4 million versus a loss of $0.3 million in the second quarter in 2021. The significant gain was primarily related to the nearly 70 percent appreciation in the Russian rouble since the end of the first quarter and the impact this movement had on cash, working capital and monetary liabilities held by the Company's foreign subsidiary during the period.

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

At June 30, 2022, the Company had a cash position of $17.4 million, which excludes cash held in Russia.

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 Jun. 30,		**Six Months Ended Jun. 30,**	
	2022	2021	**2022**	2021
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)		*Revised*		*Revised*
Net loss	**(6,776)**	(35,516)	**(24,806)**	(58,545)
Add back (deduct):				
Depreciation	**30,385**	31,324	**60,339**	62,893
Foreign exchange losses (gains)	**(3,435)**	2,780	**402**	5,370
Loss on disposal of property, plant and equipment	**3,750**	741	**4,788**	354
Interest	**10,917**	9,297	**20,733**	18,400
Income taxes	**1,709**	(7,870)	**(3,877)**	(16,252)
Operating income from continuing operations	**36,550**	756	**57,579**	12,220

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 Jun. 30,		Six Months Ended Jun. 30,	
	2022	2021	**2022**	2021
(C$000s)			***($)***	*($)*
(unaudited)		*Revised*		*Revised*
Net loss	**(6,776)**	(35,516)	**(24,806)**	(58,545)
Add back (deduct):				
Depreciation	**30,385**	31,324	**60,339**	62,893
Unrealized foreign exchange (gains) losses	**(4,917)**	1,149	**(3,013)**	2,841
Loss on disposal of property, plant and equipment	**3,750**	741	**4,788**	354
Litigation expense (income)	**3,000**	(700)	**3,000**	(700)
Restructuring charges	**265**	218	**966**	473
Stock-based compensation	**919**	277	**1,953**	277
Interest	**10,917**	9,297	**20,733**	18,400
Income taxes	**1,709**	(7,870)	**(3,877)**	(16,252)
Adjusted EBITDA[(1)]	**39,252**	(1,080)	**60,083**	9,741

[(1)] For bank covenant purposes, EBITDA includes $5.5 million income from discontinued operations for the six months ended June 30, 2022 (six months ended June 30, 2021 – $6.6 million) and the deduction of an additional $4.9 million of lease payments for the six months ended June 30, 2022 (six months ended June 30, 2021 – $4.1 million) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

CONSOLIDATED BALANCE SHEETS

	June 30, 2022	December 31, 2021
(C$000s) (unaudited)	*($)*	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**17,436**	—
Accounts receivable	**203,918**	189,835
Income taxes recoverable	**1,278**	2,859
Inventories	**79,575**	101,840
Prepaid expenses and deposits	**10,667**	12,999
	312,874	307,533
Assets classified as held for sale	**59,704**	—
	372,578	307,533
Non-current assets		
Property, plant and equipment	**530,262**	563,423
Right-of-use assets	**20,463**	22,005
	550,725	585,428
Total assets	**923,303**	892,961
LIABILITIES AND EQUITY		
Current liabilities		
Bank overdraft	—	1,351
Accounts payable and accrued liabilities	**160,451**	127,441
Current portion of lease obligations	**7,967**	8,004
	168,418	136,796
Liabilities directly associated with assets classified as held for sale	**27,489**	—
	195,907	136,796
Non-current liabilities		
Long-term debt	**402,683**	388,479
Lease obligations	**10,474**	12,560
Deferred income tax liabilities	**21,724**	26,286
	434,881	427,325
Total liabilities	**630,788**	564,121
Capital stock	**806,023**	801,178
Conversion rights on convertible notes	**4,665**	4,764
Contributed surplus	**69,893**	68,258
Warrants	**38,281**	40,282
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(649,951)**	(592,221)
Accumulated other comprehensive income	**26,104**	9,079
Total equity	**292,515**	328,840
Total liabilities and equity	**923,303**	892,961

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
(C$000s, except per share data) (unaudited)	***($)***	*($)*	***($)***	*($)*
		Revised		*Revised*
Revenue	**318,511**	173,769	**613,035**	387,723
Cost of sales	**300,166**	195,078	**590,990**	418,629
Gross profit (loss)	**18,345**	(21,309)	**22,045**	(30,906)
Expenses				
Selling, general and administrative	**12,180**	9,259	**24,805**	19,767
Foreign exchange (gains) losses	**(3,435)**	2,780	**402**	5,370
Loss on disposal of property, plant and equipment	**3,750**	741	**4,788**	354
Interest	**10,917**	9,297	**20,733**	18,400
	23,412	22,077	**50,728**	43,891
Loss before income tax	**(5,067)**	(43,386)	**(28,683)**	(74,797)
Income tax expense (recovery)				
Current	**942**	142	**986**	170
Deferred	**767**	(8,012)	**(4,863)**	(16,422)
	1,709	(7,870)	**(3,877)**	(16,252)
Net loss from continuing operations	**(6,776)**	(35,516)	**(24,806)**	(58,545)
Net (loss) income from discontinued operations	**(29,416)**	4,981	**(32,924)**	5,592
Net loss for the period	**(36,192)**	(30,535)	**(57,730)**	(52,953)
(Loss) earnings per share – basic				
Continuing operations	**(0.18)**	(0.95)	**(0.65)**	(1.56)
Discontinued operations	**(0.76)**	0.13	**(0.86)**	0.15
	(0.94)	(0.82)	**(1.51)**	(1.41)
(Loss) earnings per share – diluted				
Continuing operations	**(0.18)**	(0.95)	**(0.65)**	(1.56)
Discontinued operations	**(0.76)**	0.06	**(0.86)**	0.07
	(0.94)	(0.82)	**(1.51)**	(1.41)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
Net loss for the period	**(36,192)**	(30,535)	**(57,730)**	(52,953)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	**24,416**	(3,693)	**17,025**	(6,931)
Comprehensive income (loss)	**(11,776)**	(34,228)	**(40,705)**	(59,884)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share Capital	Conversion Rights on Convertible Notes	Contributed Surplus	Warrants	Loan Receivable for Purchase of Common Shares	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	**Total Equity**
(C$000s) (unaudited)	*($)*		*($)*	*($)*	*($)*	*($)*	*($)*	*($)*
Balance – January 1, 2022	**801,178**	**4,764**	**68,258**	**40,282**	**(2,500)**	**9,079**	**(592,221)**	**328,840**
Net loss	—		—	—	—	—	(57,730)	**(57,730)**
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	17,025	—	**17,025**
Comprehensive income (loss)	—	—	—	—	—	17,025	(57,730)	**(40,705)**
Stock options:								
Stock-based compensation recognized	—	—	1,953	—	—	—	—	**1,953**
Proceeds from issuance of shares	867	—	(318)	—	—	—	—	**549**
Conversion of 1.5 Lien Notes into shares	1,263	(99)	—	—	—	—	—	**1,164**
Warrants:								
Proceeds from issuance of shares	2,715	—	—	(2,001)	—	—	—	**714**
Balance – June 30, 2022	**806,023**	**4,665**	**69,893**	**38,281**	**(2,500)**	**26,104**	**(649,951)**	**292,515**
Balance – January 1, 2021	800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss	—	—	—	—	—	—	(52,953)	(52,953)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(6,931)	—	(6,931)
Comprehensive loss	—	—	—	—	—	(6,931)	(52,953)	(59,884)
Stock options:								
Stock-based compensation recognized	—	—	277	—	—	—	—	277
Rescission of equity portion of 1.5 Lien Notes	—	(85)	—	—	—	—	—	(85)
Warrants:								
Proceeds from issuance of shares	338	—	—	(249)	—	—	—	89
Balance – June 30, 2021	**800,522**	**4,788**	**66,263**	**40,548**	**(2,500)**	**3,372**	**(562,362)**	**350,631**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	**2022**	2021
(C$000s) (unaudited)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss for the period	**(36,192)**	(30,535)	**(57,730)**	(52,953)
Adjusted for the following:				
Depreciation	**30,385**	31,415	**60,538**	63,039
Stock-based compensation	**919**	277	**1,953**	277
Unrealized foreign exchange (gains) losses	**(13,241)**	901	**(9,068)**	2,987
Loss on disposal of property, plant and equipment	**3,750**	741	**4,787**	354
Impairment of property, plant and equipment	**5,634**	—	**5,634**	—
Impairment of inventory	**27,548**	—	**27,548**	—
Impairment of other assets	**9,648**	—	**9,648**	—
Interest	**10,917**	9,297	**20,733**	18,398
Interest paid	**(2,001)**	(1,038)	**(14,464)**	(11,674)
Deferred income taxes	**767**	(8,012)	**(4,863)**	(16,422)
Changes in items of working capital	**(28,946)**	15,782	**(19,775)**	(5,040)
Cash flows provided by (used in) operating activities	**9,188**	18,828	**24,941**	(1,034)
FINANCING ACTIVITIES				
Bridge loan proceeds	**—**	—	**15,000**	—
Issuance of long-term debt, net of debt issuance costs	**(1,474)**	3,421	**6,957**	22,191
Bridge loan repayments	**(15,000)**	—	**(15,000)**	—
Long-term debt repayments	**—**	—	**—**	(1,050)
Lease obligation principal repayments	**(2,176)**	(1,738)	**(4,259)**	(3,545)
Proceeds on issuance of common shares from the exercise of warrants and stock options	**559**	21	**1,263**	89
Cash flows (used in) provided by financing activities	**(18,091)**	1,704	**3,961**	17,685
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(11,005)**	(14,584)	**(27,109)**	(25,458)
Proceeds on disposal of property, plant and equipment	**472**	461	**775**	648
Proceeds on disposal of right-of-use assets	**607**	578	**911**	759
Cash flows used in investing activities	**(9,926)**	(13,545)	**(25,423)**	(24,051)
Effect of exchange rate changes on cash and cash equivalents	**27,443**	(287)	**20,423**	(1,765)
Increase (decrease) in cash and cash equivalents	**8,614**	6,700	**23,902**	(9,165)
Cash and cash equivalents (bank overdraft), beginning of period	**13,937**	13,965	**(1,351)**	29,830
Cash and cash equivalents, end of period	**22,551**	20,665	**22,551**	20,665

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 press release, 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 press release include, but are not limited to, statements with respect to the outlook for the Company’s operating divisions in 2022 and beyond, the supply and demand fundamentals of the pressure pumping industry, expected operating strategies and targets, anticipated pricing for the Company’s services, projections of market prices and costs, anticipated equipment demand and utilization levels, commodity prices, the planned sale of the Company’s Russia division and its accounting treatment, capital expenditure programs, the Company’s debt, liquidity and financial position, future financial resources and performance, future oil and natural gas well activity in the Company’s operating jurisdictions, future costs or potential liabilities, the Company’s competitive position, expectations regarding the Company’s financing activities and restrictions, including with regard to its revolving credit facility agreement and the Indentures, treatment under government regulatory regimes, anticipated outcomes of specific events (including exposure and positioning under existing legal proceedings), expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry and, accounting policies, practices and standards of the Company and the impact of any changes on the Company and its financial statements. 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 effect of the military conflict in the Ukraine and related Canadian, U.S. and international sanctions involving Russia and counter-sanctions by Russia on the Company’s ownership and planned sale of the Russian division and the broader markets for the Company’s services, the Company’s expectations for its current and prospective customers’ capital budgets and geographical areas of focus, the effect of environmental, social and governance factors on customer and investor preferences and capital deployment, the Company’s existing contracts and the status of current negotiations with key customers and suppliers, the continued effectiveness of cost reduction measures instituted by the Company and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company’s expectations. Such risk factors include: volatility of industry conditions including the level of exploration, development and production for oil and natural gas in Canada, the US and Argentina and market prices for oil and natural gas impacting the demand for oilfield services; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; oilfield equipment utilization levels; 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 and counter-actions taken by Russia in response thereto; the impacts of the Russia-Ukraine conflict on the supply and demand for oil and gas produced in Russia and globally; failure to manage growth related risks; the Company’s ability to continue to manage the effects of the COVID-19 pandemic on its operations; 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 and the Indentures; 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; direct and indirect exposure to volatile credit markets, including credit rating risk; 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 technology 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; 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; liabilities and risks associated with prior operations; ability to maintain 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; and unfavorable tax assessments or changes in administrative tax practices. Further information about these and other risks and uncertainties may be found under “Business Risks” below.

Consequently, all of the forward-looking statements made in this press release 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 press release 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.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which is specifically incorporated by reference herein. The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

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, the risk and uncertainty surrounding banking restrictions and the ability to repatriate funds to Canada from Russia, the Company's ownership and control over its Russian subsidiary, the physical security of property, plant and equipment, collectability of accounts receivable, and overall business and operational risks are being monitored.

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.

SECOND QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2022 second-quarter results at 10:00 a.m. (Mountain Time) on Thursday, July 28, 2022. The conference call dial-in number is 1-800-458-4148 or 647-484-0477. The seven-day replay numbers are 1-888-203-1112 or 647-436-0148 (once connected, enter (2366060). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

For further information, please contact:

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