

MANAGEMENT'S LETTER

To the Shareholders of Calfrac Well Services Ltd.

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies set out in the accompanying notes to the consolidated financial statements. When necessary, management has made informed judgments and estimates in accounting for transactions that were not complete at the balance sheet date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards (IFRS) appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has prepared the Management's Discussion and Analysis (MD&A). The MD&A is based on the Company's financial results prepared in accordance with IFRS. The MD&A compares the audited financial results for the years ended December 31, 2021 and December 31, 2020.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, was engaged, as approved by a vote of shareholders at the Company's most recent annual meeting, to audit the consolidated financial statements in accordance with IFRS and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of four independent directors who are not employees of the Company, has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Lindsay R. Link
President and Chief Operating Officer



Michael D. Olinek
Chief Financial Officer

March 15, 2022
Calgary, Alberta, Canada

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Calfrac Well Services Ltd.

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Calfrac Well Services Ltd. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What We Have Audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2021 and 2020;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>Assessment of impairment indicators on property, plant and equipment (PP&E)</p> <p><i>Refer to 'Note 2 – Summary of Significant Accounting Policies' and 'Note 4 – Property, Plant and Equipment' to the consolidated financial statements.</i></p> <p>The Company's total PP&E as at December 31, 2021 amounted to \$563.4 million. At each reporting period management assesses whether there are indicators of impairment or impairment reversals. If indicators of impairment exist, the recoverable amount of the assets or CGU is estimated and an impairment loss is recognized for the amount by which the carrying value of the assets or CGU exceeds its recoverable amount. If indicators of impairment reversal exist, the Company estimates the recoverable amount of the assets or CGU to determine if the impairment loss previously recognized should be reversed. Management applies significant judgment in assessing whether indicators of impairment or impairment reversal exist. Internal and external factors, such as (i) a significant change in the market capitalization of the Company's share price; (ii) changes in conditions of PP&E, (iii) changes in oil and gas prices (iv) changes in forecasted earnings of the CGUs and (v) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment or impairment reversal.</p> <p>We determined that this is a key audit matter due to (i) the significance of the PP&E balance and (ii) significant management judgment and (iii) the significant audit effort and subjectivity in applying audit procedures to evaluate management's assessment as to whether there are indicators of impairment or impairment reversal.</p>	<p>Our approach to addressing the matter involved the following procedures, among others:</p> <ul style="list-style-type: none"> • Evaluated reasonableness of management's assessment of indicators of impairment or impairment reversal, which included the following procedures: <ul style="list-style-type: none"> ◦ Assessed the reasonableness of internal and external factors such as: <ul style="list-style-type: none"> ▪ significant changes in the market capitalization of the Company's share price, which may indicate a change in value of the Company's PP&E ▪ significant changes in the conditions of the PP&E, which may indicate a change in value of the PP&E ▪ changes in oil and gas prices, forecasted earnings of the CGUs and changes in interest rates by considering the current and past performance of the CGUs, external market data and evidence obtained in other areas of the audit, as applicable • Assessed the completeness of external or internal factors that could be considered as indicators of impairment or impairment reversal of the Company's PP&E, by considering evidence obtained in other areas of the audit.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Reynold Tetzlaff.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 15, 2022

CONSOLIDATED BALANCE SHEETS

		As at December 31,	
	Note	2021	2020
<i>(C\$000s)</i>		<i>(\$)</i>	<i>(\$)</i>
ASSETS			
Current assets			
Cash and cash equivalents		—	29,830
Accounts receivable		189,835	139,486
Income taxes recoverable		2,859	1,530
Inventories	3	101,840	83,294
Prepaid expenses and deposits		12,999	17,050
		307,533	271,190
Non-current assets			
Property, plant and equipment	4	563,423	618,488
Right-of-use assets	11	22,005	22,785
Total assets		892,961	912,463
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft		1,351	—
Accounts payable and accrued liabilities		127,441	101,784
Current portion of lease obligations	11	8,004	7,958
		136,796	109,742
Non-current liabilities			
Long-term debt	6	388,479	324,633
Lease obligations	11	12,560	14,013
Deferred income tax liabilities	9	26,286	53,841
Total liabilities		564,121	502,229
Capital stock	7	801,178	800,184
Conversion rights on convertible notes	6	4,764	4,873
Contributed surplus		68,258	65,986
Warrants	5, 8	40,282	40,797
Loan receivable for purchase of common shares		(2,500)	(2,500)
Accumulated deficit		(592,221)	(509,409)
Accumulated other comprehensive income		9,079	10,303
Total equity		328,840	410,234
Total liabilities and equity		892,961	912,463

Commitments (note 10); Contingencies (note 20)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors,



Ronald P. Mathison, Director



Gregory S. Fletcher, Director

CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Years Ended December 31,	
		2021	2020
<i>(C\$000s, except per share data)</i>			
		<i>(\$)</i>	<i>(\$)</i>
Revenue	16	1,002,395	705,436
Cost of sales	17	1,021,018	806,577
Gross loss		(18,623)	(101,141)
Expenses			
Selling, general and administrative		45,598	48,883
Foreign exchange losses		5,288	15,477
Loss on disposal of property, plant and equipment		403	24
Impairment of property, plant and equipment	4	—	227,208
Impairment of inventory	3	—	27,868
Impairment of other assets		705	507
Gain on settlement of debt	5	—	(226,319)
Gain on exchange of debt	6	—	(130,444)
Interest		37,737	91,267
		89,731	54,471
Loss before income tax		(108,354)	(155,612)
Income tax expense (recovery)			
Current		1,491	855
Deferred		(27,033)	167,768
		(25,542)	168,623
Net loss		(82,812)	(324,235)
Loss per share	7		
Basic		(2.21)	(76.78)
Diluted		(2.21)	(76.78)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Years Ended December 31,	
	2021	2020
(C\$000s)	(\$)	(\$)
Net loss	(82,812)	(324,235)
Other comprehensive income (loss)		
Items that may be subsequently reclassified to profit or loss:		
Change in foreign currency translation adjustment	(1,224)	7,557
Comprehensive loss	(84,036)	(316,678)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital (\$)	Conversion Rights on Convertible Notes	Contributed Surplus (\$)	Warrants (\$)	Loan Receivable for Purchase of Common Shares (\$)	Accumulated Other Comprehensive Income (Loss) (\$)	Accumulated Deficit (\$)	Total Equity (\$)
<i>(C\$000s)</i>									
Balance – January 1, 2021		800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss		—	—	—	—	—	—	(82,812)	(82,812)
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	(1,224)	—	(1,224)
Comprehensive loss		—	—	—	—	—	(1,224)	(82,812)	(84,036)
Stock options:									
Stock-based compensation recognized		—	—	2,272	—	—	—	—	2,272
Conversion of 1.5 Lien Notes into shares	6	296	(24)	—	—	—	—	—	272
Rescission of equity portion of 1.5 Lien Notes	6	—	(85)	—	—	—	—	—	(85)
Warrants:									
Proceeds from issuance of shares	8	698	—	—	(515)	—	—	—	183
Balance – December 31, 2021		801,178	4,764	68,258	40,282	(2,500)	9,079	(592,221)	328,840
Balance – January 1, 2020		509,235	—	44,316	—	(2,500)	2,746	(185,174)	368,623
Net loss		—	—	—	—	—	—	(324,235)	(324,235)
Other comprehensive income (loss):									
Cumulative translation adjustment		—	—	—	—	—	7,557	—	7,557
Comprehensive income (loss)		—	—	—	—	—	7,557	(324,235)	(316,678)
Stock options:									
Stock-based compensation recognized		—	—	1,747	—	—	—	—	1,747
Performance share units:									0
Stock-based compensation recognized		—	—	856	—	—	—	—	856
Shares issued	7	1,275	—	(1,275)	—	—	—	—	—
Shares issued for settlement of debt	5	301,427	—	—	—	—	—	—	301,427
Equity portion of 1.5 Lien Notes, net of share issue costs		(616)	4,873	—	—	—	—	—	4,257
Shares issued for commitment fee on 1.5 Lien Notes		10,131	—	—	—	—	—	—	10,131
Fair value of warrants issued		—	—	—	40,797	—	—	—	40,797
Shares repurchased		(21,268)	—	20,342	—	—	—	—	(926)
Balance – December 31, 2020		800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31,	
		2021	2020
<i>(C\$000s)</i>		<i>(\$)</i>	<i>(\$)</i>
CASH FLOWS PROVIDED BY (USED IN)			
OPERATING ACTIVITIES			
Net loss		(82,812)	(324,235)
Adjusted for the following:			
Depreciation		127,925	172,021
Stock-based compensation		2,272	1,511
Unrealized foreign exchange losses		718	8,319
Loss on disposal of property, plant and equipment		403	24
Impairment of property, plant and equipment	4	—	227,208
Impairment of inventory		—	27,868
Impairment of other assets		705	507
Non-cash gain on settlement of debt	5	—	(198,847)
Non-cash gain on exchange of debt	6	—	(130,444)
Interest		37,737	91,267
Interest paid		(25,127)	(23,004)
Deferred income taxes		(27,033)	167,768
Changes in items of working capital	13	(50,125)	4,557
Cash flows (used in) provided by operating activities		(15,337)	24,520
FINANCING ACTIVITIES			
Issuance of long-term debt, net of debt issuance costs	6	59,555	142,319
Long-term debt repayments	6	(6,050)	(118,727)
Lease obligation principal repayments		(7,836)	(14,064)
Shares repurchased		—	(926)
Proceeds on issuance of common shares from the exercising of warrants		183	—
Cash flows provided by financing activities		45,852	8,602
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(63,434)	(46,189)
Proceeds on disposal of property, plant and equipment		938	1,701
Proceeds on disposal of right-of-use assets		1,202	1,970
Cash flows used in 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)
Cash and cash equivalents, beginning of year		29,830	42,562
(Bank overdraft) cash and cash equivalents, end of year		(1,351)	29,830

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2021 and 2020

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

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements were approved by the Board of Directors for issuance on March 15, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The policies set out below were consistently applied to the periods presented.

(a) Basis of Measurement

The consolidated financial statements were prepared under the historical cost convention, except for the revaluation of certain financial assets and liabilities to fair value.

(b) Principles of Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries in Canada, the United States, Russia and Argentina. All inter-company transactions, balances and resulting unrealized gains and losses are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern their financial and operating policies. The existence and effect of voting rights that are exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated upon the Company obtaining control and are deconsolidated upon control ceasing.

(c) Changes in Accounting Standards and Disclosures

There were no new IFRS or IFRIC interpretations that became effective on or after January 1, 2021 that had a material impact on the Company.

(d) Critical Accounting Estimates and Judgments

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 acquired or the environment in which the Company operates changes. The accounting policies and practices that involve the use of estimates that have a significant impact on the Company’s financial results include the allowance for doubtful accounts, depreciation, the fair value of financial instruments, income taxes, and stock-based compensation.

Judgment is also used in the determination of cash-generating units (CGUs), impairment or reversal of impairment of non-financial assets, the functional currency of each subsidiary and whether there are material uncertainties about the Company’s ability to continue as a going concern.

i) Expected Credit Loss

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, the customer's financial condition and anticipated industry conditions. Customer payments are regularly monitored and a provision for expected credit loss is established based on expected and incurred losses and overall industry conditions. See note 12 for further information.

ii) Depreciation

Depreciation of the Company's property 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 and equipment.

iii) Fair Value of Financial Instruments

The Company's financial instruments included in the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, deposits, bank overdrafts, accounts payable and accrued liabilities, bank loan, long-term debt and lease obligations.

The fair values of these financial instruments, except long-term debt, approximate their carrying amounts due to their short-term maturity. The fair value of the Second Lien Notes is based on the closing market price at the reporting period's end-date, as described in note 6. The fair values of the remaining long-term debt and lease obligations approximate their carrying values.

iv) 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 were 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.

See note 9 for further information on income taxes.

v) Share-Based Payments

The fair value of stock options and warrants 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.

See note 8 for further information on share-based payments.

vi) Functional Currency

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

vii) Cash-Generating Units

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

viii) Impairment or Reversal of Impairment of Property, Plant and Equipment

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount of cash-generating units is determined based on

the higher of fair value less costs of disposal and value in use calculations. These calculations require the use of judgment applied by management regarding forecasted activity levels, expected future results, and discount rates. See note 4 for further information on impairment of property, plant and equipment.

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

Management applies significant judgment in assessing whether indicators of impairment or impairment reversal exist that would necessitate either impairment testing or impairment reversal calculations. Internal and external factors such as (i) a significant change in the market capitalization of the Company's share price; (ii) changes in conditions of equipment, (iii) changes in oil and gas prices in the market, (iv) changes in forecasted earnings, and (v) changes in interest rates or other market rates of return, are evaluated by management in determining whether there are any indicators of impairment or impairment reversal.

ix) Going Concern

Management is required to assess the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management evaluates all available information about the future, considering the possible outcomes of events and changes in conditions and the realistically possible responses that are available to such events and conditions. Reaching the conclusion to continue as a going concern requires significant judgment.

During the first, second and third quarter of 2020, the Company disclosed the potential risks surrounding the entity's ability to continue as a going concern. During the fourth quarter of 2020, management concluded that the disclosure was no longer required following the successful completion of the Company's Recapitalization Transaction. See note 5 for further information.

(e) Foreign Currency Translation

i) Functional and Presentation Currency

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The financial statements of the subsidiaries that have a different functional currency are translated into Canadian dollars whereby assets and liabilities are translated at the rate of exchange at the balance sheet date, revenue and expenses are translated at average monthly exchange rates (as this is considered a reasonable approximation of actual rates), and gains and losses in translation are recognized in shareholders' equity as accumulated other comprehensive income.

The following foreign entities have a functional currency other than the Canadian dollar:

Entity	Functional Currency
United States	U.S. dollar
Russia	Russian rouble
Argentina	U.S. dollar

In the event the Company disposed of its entire interest in a foreign operation, or lost control, joint control, or significant influence over a foreign operation, the related foreign currency gains or losses accumulated in other comprehensive income would be recognized in profit or loss. If the Company disposed of part of an interest in a foreign operation which remained a subsidiary, a proportionate amount of the related foreign currency gains or losses accumulated in other comprehensive income would be reallocated between controlling and non-controlling interests.

ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations.

(f) Financial Instruments

The impairment model under IFRS 9 *Financial Instruments* 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.

i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

The Company does not have any hedging arrangements.

ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its financial assets:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains or losses and impairment expenses are presented as separate line item in profit or loss.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains or losses in the period in which it arises.

See note 12 for further information on financial instruments.

iii) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. When a financial asset classified as amortized cost is derecognized, any gain or loss arising on derecognition is recognized directly in profit or loss and is presented together with foreign exchange gains and losses. Impairment losses are

presented as a separate line item in profit or loss. When a financial asset classified as fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains and losses.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized directly in profit or loss.

When the Company uses equity instruments to extinguish a financial liability, the equity instruments are considered as consideration paid. The equity instruments are measured at the fair value, unless fair value is not reliably determinable, in which case the equity instruments issued are measured at the fair value of the liability extinguished. If the consideration paid exceeds the carrying value of the financial liability extinguished a gain is recognized in profit or loss.

iv) Compound Financial Instruments

The Company's compound financial instruments comprise of convertible notes, which can be converted into common shares at the sole discretion of the holder. The terms of the convertible notes enable the Company to defer, and pay in kind, any interest accrued on the notes at each interest payment date by increasing the unpaid principal amount. Each increase in the principal amount will correspondingly increase the amount of shares to be issued upon conversion.

The initial fair value of the liability component of the convertible notes is determined using a market interest rate for a comparable debt instrument without an equity conversion feature. The equity component is recognized in shareholders' equity as the difference between the initial principal amount and the fair value of the liability component, and is not subsequently remeasured. Directly attributable transaction costs are allocated on a proportional basis to the initial carrying amount of the separate components.

The liability component of the convertible notes is subsequently measured at amortized cost using the effective interest rate method, until extinguished on conversion or maturity of the notes. Derecognition of the liability component of the convertible notes is treated in the same manner as detailed above.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with original maturities of three months or less.

(h) Inventory

Inventory consists of chemicals, sand and proppant, coiled tubing, cement, nitrogen and carbon dioxide used to stimulate oil and natural gas wells, as well as spare equipment parts. Inventory is stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(i) Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of operations during the period in which they are incurred.

Property, plant and equipment are depreciated over their estimated useful economic lives using the straight-line method over the following periods:

Field equipment	1 – 30 years
Buildings	20 years
Shop, office and other equipment	5 years
Computers and computer software	3 years
Leasehold improvements	Term of the lease

Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction are not depreciated until they are available for use.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates each component separately. Residual values, method of amortization and useful lives are reviewed annually and adjusted, if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the assets and are included in the consolidated statements of operations.

(j) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are defined as assets which take a substantial period to construct (generally greater than one year). All other borrowing costs are recognized as interest expense in the consolidated statements of operations in the period in which they are incurred. The Company does not currently have any qualifying assets.

(k) Leases

Under IFRS 16 *Leases*, leases are recognized as a right-of-use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability (principal) and interest. The interest is charged to the statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company recognizes a ROU asset at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of any restoration costs and any initial direct costs incurred by the lessee. The provision for any restoration costs is recognized as a separate liability as set out in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The Company recognizes a lease liability equal to the present value of the lease payments during the lease term that are not yet paid. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. The Company initially estimates and recognizes amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at the commencement of the lease is equal to or higher than the guaranteed amount, and the Company does not expect to pay anything under the guarantees.

Payments associated with variable lease payments, short-term leases and leases of low value assets are recognized as an expense in the statement of operations. Short-term leases are leases with a lease term of twelve months or less. Low value assets comprise I.T. equipment and small items of office equipment.

(l) Impairment or Reversal of Impairment of Non-Financial Assets

Property, plant and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Long-lived assets that are not amortized are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped in CGUs, the lowest level with

separately identifiable cash inflows that are largely independent of the cash inflows of other assets. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (defined as the present value of the future cash flows to be derived from an asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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 other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset to determine if the reversal of impairment loss is supported.

(m) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of operations except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except, in the case of subsidiaries, when the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are presented as non-current.

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

(n) Revenue Recognition

Under IFRS 15 *Revenue from Contracts with Customers*, the Company recognizes revenue for services rendered when the performance obligations have been completed, as control of the services transfer to the customer, when the services performed have been accepted by the customer, and collectability is reasonably assured. The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. The standalone selling prices are determined based on the agreed upon list prices at which the Company sells its services in separate transactions. Payment terms with customers vary by country and contract. Standard payment terms are 30 days from invoice date.

Revenue for the sale of product is recognized when control or ownership of the product is transferred to the customer and collectability is reasonably assured.

Revenue is measured net of returns, trade discounts and volume discounts.

The Company does not expect to have any revenue contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

See note 16 for further information on revenue.

(o) Stock-Based Compensation Plans

The Company recognizes compensation cost for the fair value of stock options granted. Under this method, the Company records the fair value of stock option grants based on the number of options expected to vest over their vesting period as a charge to compensation expense and a credit to contributed surplus. The fair value of each tranche within an award is considered a separate award with its own vesting period and grant date. The fair value of each tranche within an award is measured at the date of grant using the Black-Scholes option pricing model.

The number of awards expected to vest is reviewed on an ongoing basis, with any impact being recognized immediately.

The Company recognizes compensation cost for the fair value of deferred share units granted to its outside directors. The fair value of the deferred share units is recognized based on the market value of the Company's shares underlying these compensation programs.

(p) Business Combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition is the fair value of the assets transferred and the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of operations as a gain on acquisition.

(q) Recently Issued Accounting Standards Not Yet Applied

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.

3. INVENTORIES

As at December 31, (C\$000s)	2021 (\$)	2020 (\$)
Spare equipment parts	59,573	53,473
Chemicals	26,577	14,751
Sand and proppant	9,414	7,302
Coiled tubing	5,481	5,972
Other	795	1,796
	101,840	83,294

For the year ended December 31, 2021, the cost of inventories recognized as an expense and included in cost of sales was approximately \$396,000 (year ended December 31, 2020 – \$267,000).

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 – \$27,868). The majority of the inventory impairment in 2020 was attributed to spare equipment parts.

	Years Ended December 31,	
(C\$000s)	2021 (\$)	2020 (\$)
Canada	—	6,200
United States	—	10,668
Argentina	—	11,000
	—	27,868

4. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2021 (C\$000s)	Opening Net Book Value (\$)	Additions (\$)	Disposals (\$)	Depreciation (\$)	Foreign Exchange Adjustments (\$)	Closing Net Book Value (\$)
Assets under construction ⁽¹⁾	15,179	7,879	—	—	(113)	22,945
Field equipment	506,290	62,394	(3,258)	(110,244)	4,575	459,757
Buildings	46,903	144	—	(4,220)	(3,877)	38,950
Land	35,103	29	770	—	(2,478)	33,424
Shop, office and other equipment	2,388	—	—	(918)	(108)	1,362
Computers and computer software	12,133	253	—	(5,341)	(35)	7,010
Leasehold improvements	492	—	—	(45)	(472)	(25)
	618,488	70,699	(2,488)	(120,768)	(2,508)	563,423

⁽¹⁾ Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

As at December 31, 2021	Cost	Accumulated Depreciation	Net Book Value
(C\$000s)	(\$)	(\$)	(\$)
Assets under construction	22,945	—	22,945
Field equipment	2,336,369	(1,876,612)	459,757
Buildings	90,211	(51,261)	38,950
Land	33,424	—	33,424
Shop, office and other equipment	27,832	(26,470)	1,362
Computers and computer software	44,900	(37,890)	7,010
Leasehold improvements	8,713	(8,738)	(25)
	2,564,394	(2,000,971)	563,423

Year Ended December 31, 2020	Opening Net Book Value	Additions	Disposals	Impairment	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Assets under construction ⁽¹⁾	38,172	(17,767)	—	(4,486)	—	(740)	15,179
Field equipment	836,117	50,020	(3,830)	(221,292)	(149,728)	(4,997)	506,290
Buildings	48,238	51	(54)	(1,165)	(4,585)	4,418	46,903
Land	39,355	—	—	—	—	(4,252)	35,103
Shop, office and other equipment	3,565	114	(10)	(241)	(1,161)	121	2,388
Computers and computer software	4,042	12,212	—	(24)	(4,118)	21	12,133
Leasehold improvements	455	—	—	—	(183)	220	492
	969,944	44,630	(3,894)	(227,208)	(159,775)	(5,209)	618,488

⁽¹⁾ Additions for assets under construction are net of transfers into the other categories of property, plant and equipment, when they become available for use.

As at December 31, 2020	Cost	Accumulated Depreciation	Net Book Value
(C\$000s)	(\$)	(\$)	(\$)
Assets under construction	15,179	—	15,179
Field equipment	2,277,233	(1,770,943)	506,290
Buildings	90,067	(43,164)	46,903
Land	35,103	—	35,103
Shop, office and other equipment	27,832	(25,444)	2,388
Computers and computer software	44,647	(32,514)	12,133
Leasehold improvements	8,713	(8,221)	492
	2,498,774	(1,880,286)	618,488

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. Management 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 cash-generating unit (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.

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.

Assumptions that are valid at the time of preparing the impairment test at December 31, 2021 may change significantly when new information becomes available. Management will continue to monitor and update its assumptions and estimates with respect to property, plant and equipment impairment on an ongoing basis.

The impairment losses by CGU are as follows:

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

5. RECAPITALIZATION TRANSACTION

On December 18, 2020, the Company completed its Recapitalization Transaction, which was implemented pursuant to a Plan of Arrangement under the Canada Business Corporations Act. The Recapitalization Transaction involved the surrender and cancellation of the Company's US\$431,818 Unsecured Notes, including all accrued and unpaid interest, in exchange for common shares of the Company. In addition, the Company issued new \$60,000 1.5 lien senior secured 10% payment-in-kind convertible notes ("1.5 Lien Notes") due December 18, 2023 on a private placement basis. The proceeds from the issuance of the 1.5 Lien Notes were used to reduce the amounts owing under its revolving credit facility. All common share figures and share prices below are disclosed on a post-share consolidation basis of 50:1.

The composition of the gain on settlement of debt as reported in the statement of operations during the fourth quarter of 2020 was as follows:

	Unsecured Notes	Warrants	1.5 Lien Notes	Total
(C\$000s)				(\$)
Settlement of Unsecured Notes against shares issued to noteholders (note 5a)	(250,867)	—	—	(250,867)
Forgiveness of accrued interest on Unsecured Notes (note 5a)	(47,272)	—	—	(47,272)
Issuance of warrants (note 5b)	—	40,797	—	40,797
Transaction and associated costs ⁽¹⁾ (notes 5h and 8)	20,815	—	—	20,815
Issuance of shares in respect of the commitment fee related to the 1.5 Lien Notes (note 5g)	—	—	10,131	10,131
Withholding taxes on shares issued in respect of commitment fee on 1.5 Lien Notes (note 5g)	—	—	77	77
Total (gain) loss on settlement of debt⁽²⁾	(277,324)	40,797	10,208	(226,319)

⁽¹⁾ Includes \$1,266 of other associated costs related to the Plan of Arrangement, of which \$1,092 were non-cash expenses.

⁽²⁾ \$198,847 of the total gain on settlement of debt was non-cash in nature.

(a) Unsecured Notes Settlement

The Company's US\$431,818 8.50% unsecured notes due June 15, 2026 ("Unsecured Notes"), plus all accrued and unpaid interest, were surrendered and cancelled in exchange for 33,491,870 common shares. The common shares were valued for accounting purposes at a price of \$9.00 per share, which represents the share price on December 21, 2020, the first trading day immediately following the announcement of the closing of this transaction, and resulted in an accounting gain on the settlement of debt of \$277,324. The settlement of the Unsecured Notes also resulted in the write-off of the remaining unamortized deferred finance costs that pertained to these notes which totaled \$7,387.

(b) Warrants

Under the Recapitalization Transaction, shareholders were entitled to receive two warrants for each common share held. Pursuant to the Plan of Arrangement, the Company issued 5,824,433 warrants to shareholders of record (i.e. registered shareholders) as of market close on December 17, 2020. Each warrant is exercisable for a period of three years into one common share at a price of \$2.50 per common share subject to customary adjustments and restrictions. The fair value of the warrants of \$40,797 was estimated using a Black-Scholes pricing model, and was accounted for as a reduction of the gain on settlement of debt. See note 8 for further information on the warrants.

(c) Shareholder Cash Election

Under the Recapitalization Transaction, shareholders were provided the opportunity to elect for the Company to purchase all or any portion of their common shares for \$7.50 per share up to an aggregate maximum of \$10,000 in consideration available for shareholder cash elections. On December 18, 2020, 121,231 common shares were purchased for an aggregate cash election amount of \$926 including transaction costs. See note 7 for further information on the shareholder cash election.

(d) Common Share Consolidation

Immediately prior to the Unsecured Notes settlement, and after the issuance of warrants and settlement of shareholder cash elections noted above, the Company initiated a 50:1 share consolidation. See note 7 for further information on the share consolidation.

(e) Share-Based Compensation

Pursuant to the Plan of Arrangement, all of the Company's outstanding stock options and cash-based performance share units were terminated and cancelled for no consideration. All of the Company's outstanding equity-based performance shares units vested immediately prior to the effective time of the Plan of Arrangement and aggregate consideration of \$174 was paid to the holders thereof on a pro rata basis.

The cancellation of the stock options was accounted for as an acceleration of vesting and the remaining fair value of the options of \$780 was recorded as a reduction of the gain on settlement of debt during the fourth quarter of 2020.

The immediate vesting of the equity-based performance share units was accounted for as an acceleration of vesting and the remaining fair value of the share units of \$312 along with the cash consideration of \$174 was recognized during the fourth quarter of 2020 as a reduction of the gain on settlement of debt.

In connection with the approval of the Recapitalization Transaction, shareholders approved an omnibus incentive plan which permits the granting of various types of equity awards, including stock options, share appreciation rights, restricted shares, restricted share units, deferred share units and other share-based awards as determined by the Board of Directors. The number of shares reserved under the omnibus incentive plan is equal to 10 percent of the Company's issued and outstanding common shares. See note 8 for further information.

(f) 1.5 Lien Notes

In conjunction with the Recapitalization Transaction, the Company issued \$60,000 of 1.5 Lien Notes on a private placement basis. The gross proceeds of the 1.5 Lien Notes were used to reduce the Company's revolving credit facility, providing additional liquidity. During the first quarter of 2021, the Company recorded the rescission of \$1,050 of its 1.5 Lien Notes. See note 6 for further information.

(g) Commitment Fee on the 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. These common shares were valued for accounting purposes at a price of \$9.00 per share which represents the share price on December 21, 2020, the first trading day immediately following the announcement of the closing of this transaction, and were accounted for as an increase to share capital of \$10,131 with a corresponding reduction of the gain on the settlement of debt.

(h) Transaction Costs

The Company incurred transaction costs totaling \$27,145 in connection with the Recapitalization Transaction. Of that amount, \$19,549 was related to the settlement of the Unsecured Notes and was recorded as a reduction of the gain of settlement of debt. The remaining \$7,596 was allocated to the issuance of the 1.5 Lien Notes as debt issuance costs or share issue costs, see note 6 for further information.

(i) Court Appeals and Regulatory Application*Appeals of Chapter 15 Enforcement Order*

On December 11, 2020, Wilks Brothers, LLC and its affiliated funds (collectively “Wilks Brothers”) filed a notice of appeal (the “District Court Appeal”) to the United States District Court for the Southern District of Texas (“U.S. District Court”) appealing an order by the United States Bankruptcy Court for the Southern District of Texas under Chapter 15 of the United States Bankruptcy Code entered effective December 1, 2020 (“Chapter 15 Enforcement Order”), granting enforcement of the October 30, 2020 order of the Court of Queen’s Bench of Alberta approving the Plan of Arrangement pursuant to the Canada Business Corporations Act (the “CBCA Final Order”). At a hearing held on April 23, 2021, the U.S. District Court affirmed the Chapter 15 Enforcement Order and effectively denied the District Court Appeal (the “District Court Decision”). On June 1, 2021, Wilks Brothers filed a notice of appeal to the United States Court of Appeals for the Fifth Circuit (the “Fifth Circuit Appeal”). On January 27, 2022, following the parties’ January 25, 2022 Joint Motion to Stay Further Appellate Proceedings Pending Settlement Discussions, the United States Court of Appeals for the Fifth Circuit entered an order dismissing the Fifth Circuit Appeal without prejudice to either party seeking to reinstate the appeal within 180 days. The Company believes it is well-positioned to prevail on the merits of the appeal should it be reinstated.

Appeal of CBCA Final Order

On January 29, 2021, Wilks Brothers filed an application to the Supreme Court of Canada seeking leave to appeal the December 1, 2020 decision of the Court of Appeal of Alberta upholding the CBCA Final Order. On May 27, 2021, the Supreme Court of Canada dismissed the leave to appeal application with costs. The Supreme Court of Canada’s dismissal of the leave to appeal application means that the CBCA Final Order, pursuant to which the Company implemented its Recapitalization Transaction, is no longer subject to any further Canadian appeal rights, and remains in full force and effect.

Review of Toronto Stock Exchange Decision

On April 22, 2021, the Wilks Brothers filed an application to the Ontario Securities Commission (the “OSC”), requesting a hearing and review by the OSC of the decision of the Toronto Stock Exchange (the “TSX”) in March 2021 granting exemptive relief (the “TSX Decision”) in respect of the rescission of the purchase of 1.5 Lien Notes acquired by an institutional shareholder (the “Subject Notes”).

The TSX Decision confirmed that the conditional listing approval of the TSX in respect of the common shares issuable upon conversion of the remaining \$58,950 of 1.5 Lien Notes had been satisfied. Such confirmation was subject to, among other conditions, the completion of the rescission and cancellation of the Subject Notes, which was completed on April 15, 2021, as disclosed in note 6.

Following a hearing before the OSC on July 12, 2021, on July 13, 2021, the OSC issued an order dismissing Wilks Brothers’ application to set aside the TSX Decision. The OSC’s reasons for decision were issued to the parties on October 6, 2021. Wilks Brothers did not exercise its right of appeal from the OSC decision in the prescribed time, and as a result the OSC’s decision is final.

6. LONG-TERM DEBT

As at December 31, (C\$000s)	2021 (\$)	2020 (\$)
\$250,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	190,000	130,000
\$58,658 1.5 Lien Notes due December 18, 2023, bearing interest at 10.00% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis ahead of the Second Lien Notes	55,385	55,171
US\$120,000 Second Lien Notes due March 15, 2026, bearing interest at 10.875% payable semi-annually, secured by the Canadian and U.S. assets of the Company on a second priority basis	152,136	152,784
Less: unamortized debt issuance costs	(9,042)	(13,322)
	388,479	324,633

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at December 31, 2021 was \$139,640 (December 31, 2020 – \$106,706). 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.

(a) 1.5 Lien Notes

On December 18, 2020, the Company issued \$60,000 of 1.5 Lien Notes due December 18, 2023 on a private placement basis. The terms of the 1.5 Lien Notes enable the holders to convert each \$1,000 principal amount into approximately 750 common shares at their discretion. Interest is payable in cash semi-annually on March 15 and September 15 of each year. On each interest payment date, the Company may elect to defer and pay in-kind any interest accrued as of such interest payment date by increasing the unpaid principal amount of the 1.5 Lien Notes as at such date (each, a "PIK Interest Payment"). Following each such increase in the principal amount of the 1.5 Lien Notes as a result of any PIK Interest Payment, the 1.5 Lien Notes will bear interest on such increased principal amount from and after the date of each such PIK Interest Payment. Upon repayment of the 1.5 Lien Notes, any interest which has accrued thereon but has not been capitalized as set forth above shall be paid in cash.

The liability portion of the 1.5 Lien Notes was recorded at an initial fair value of \$55,127 using a discount rate of 13.4 percent, representing the discount rate of a comparable debt instrument without a conversion feature. The remaining \$4,873 is the difference between the initial principal amount and the fair value of the liability component and was recorded as the equity portion of the conversion feature in shareholders' equity. The Company incurred transaction costs of \$7,596 associated with the issuance of the 1.5 Lien Notes which was allocated to debt issuance costs and share issuance costs on a proportional basis to the initial fair value of the liability and equity components.

During the first quarter of 2021, the Company recorded the rescission of \$1,050 of its 1.5 Lien Notes. For accounting purposes, the \$1,050 principal amount was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes for \$965 and \$85, respectively. During the year ended December 31, 2021, \$292 principal amount of the 1.5 Lien Notes was converted into 219,136 common shares. For accounting purposes, the conversion was recorded on a proportional basis as a reduction of the liability and equity portion of the 1.5 Lien Notes for \$272 and \$24, respectively, with a corresponding increase to share capital.

The Company also opted to pay its March 15 and September 15, 2021 interest payment on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option.

(b) Second Lien Notes

On February 24, 2020, the Company completed an exchange offer of US\$120,000 of new 10.875% second lien secured notes ("Second Lien Notes") due March 15, 2026 to holders of its existing Unsecured Notes. The exchange was completed at an average exchange price of US\$550 per each US\$1,000 of Unsecured Notes resulting in US\$218,182 being exchanged for US\$120,000 of Second Lien Notes, resulting in a non-cash gain on exchange of debt of \$130,444. The early settlement of the Unsecured Notes resulted in the write-off of \$4,449 of unamortized deferred finance costs.

(c) Revolving Credit Facility

On June 30, 2021, the Company amended its revolving credit facility agreement to reduce its total facility capacity from \$290,000 to \$225,000 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 \$250,000.

Subsequent to the end of 2021, the Company negotiated additional waivers and amendments to its revolving credit facilities. 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 \$15,000 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 \$150,000.

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 \$15,000 on the loan and can request further draws up to an additional \$10,000, for maximum proceeds of \$25,000, 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 \$45,000 and a syndicated facility of \$205,000. 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: (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 \$5,000. 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 Covenant Relief Period restrictions.

Debt issuance costs related to this facility are amortized over its term.

Interest on long-term debt (including the amortization of debt issuance costs and debt discount) for the year ended December 31, 2021 was \$37,833 (year ended December 31, 2020 – \$90,332). Included in interest expense during the year ended December 31, 2020 is \$47,272 of accrued interest that was forgiven as part of the Recapitalization Transaction (see note 5).

The following table sets out an analysis of long-term debt and the movements in long-term debt:

<i>(C\$000s)</i>	2021 <i>(\$)</i>
Balance, January 1	324,633
Issuance of long-term debt, net of debt issuance costs	59,555
Long-term debt repayments	(5,965)
Conversion of 1.5 Lien Notes into shares	(272)
Amortization of compound financial instrument discount	1,451
Amortization of debt issuance costs and debt discount	9,699
Foreign exchange adjustments	(622)
Balance, December 31	388,479

The aggregate scheduled principal repayments required in each of the next five years are as follows:

As at December 31, 2021 <i>(C\$000s)</i>	Amount <i>(\$)</i>
2022	—
2023	190,000
2024	—
2025	—
2026	152,136
Thereafter	—
	342,136

At December 31, 2021, the Company had utilized \$927 of its loan facility for letters of credit, had \$190,000 outstanding under its revolving term loan facility, and \$1,351 of bank overdraft. The Company's credit facilities are subject to a monthly borrowing base, which at December 31, 2021 was \$217,065 prior to the amendment increasing the eligible PP&E percentage to 35 percent. Under the terms of the amended credit facility agreement, the Company must maintain a minimum liquidity amount of \$15,000 during the Covenant Relief Period.

See note 14 for further details on the covenants in respect of the Company's long-term debt.

7. CAPITAL STOCK

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

Years Ended December 31,	2021		2020	
Continuity of Common Shares	Shares <i>(#)</i>	Amount <i>(\$000s)</i>	Shares <i>(#)</i>	Amount <i>(\$000s)</i>
Balance, beginning of year	37,408,490	800,184	2,897,778	506,735
Issued upon exercise of warrants	73,460	698	—	—
Conversion of 1.5 Lien Notes into shares (note 6)	219,136	296	—	—
Issued upon vesting of performance share units	—	—	5,646	1,275
Issued on acquisition	—	—	8,913	2,500
Issued upon settlement of Unsecured Notes (note 5)	—	—	33,491,870	301,427
Issued for commitment fee on 1.5 Lien Notes (note 5)	—	—	1,125,703	10,131
Shares repurchased by shareholder cash election (note 5)	—	—	(121,231)	(21,268)
Cancellation of fractional shares upon 50:1 share consolidation	(114)	—	(189)	—
Share issue costs on 1.5 Lien Notes	—	—	—	(616)
Balance, end of year	37,700,972	801,178	37,408,490	800,184

On December 18, 2020, the Company consolidated its common shares on a basis of 50:1. All common share figures in the financial statements and comparatives have been adjusted to reflect the 50:1 effect, without a corresponding change in dollar amounts. Earnings per share have been adjusted to reflect the impact of the share consolidation.

	Years Ended December 31,	
	2021	2020
	(#)	(#)
Weighted average number of common shares outstanding		
Basic	37,543,761	4,223,061
Diluted	83,687,093	54,234,401

The difference between basic and diluted shares is attributable to: warrants issued as part of the Recapitalization Transaction as disclosed in note 5, the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 6, and the dilutive effect of stock options issued by the Company as disclosed in note 8.

As disclosed in note 5, in conjunction with the Recapitalization Transaction, the Company purchased 121,231 common shares at a cost of \$926 and, of the amount paid, \$21,268 was charged to capital stock and \$20,342 to contributed surplus. These common shares were cancelled prior to December 31, 2020.

8. SHARE-BASED PAYMENTS

(a) Stock Options

Years Ended December 31,	2021		2020	
	Options	Average Exercise Price	Options	Average Exercise Price
	(#)	(\$)	(#)	(\$)
Continuity of Stock Options				
Balance, January 1	—	—	244,060	158.00
Granted	3,600,000	3.54	1,098	31.00
Forfeited	(300,000)	3.54	(57,280)	192.00
Terminated and cancelled	—	—	(184,536)	143.00
Expired	—	—	(3,342)	366.50
Balance, December 31	3,300,000	3.54	—	—

Stock options vest equally over three years and expire five years from the date of grant. The exercise price of outstanding options range from \$3.41 to \$3.54 with a weighted average remaining life of 4.44 years. When stock options are exercised, the proceeds together with the compensation expense previously recorded in contributed surplus, are added to capital stock.

The weighted average fair value of options granted during 2021, determined using the Black-Scholes valuation method, was \$2.15 per option (year ended December 31, 2020 – \$13.50 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

	Years Ended December 31,	
	2021	2020
Expected life (years)	3.00	3.00
Expected volatility (%)	99.99	71.18
Risk-free interest rate (%)	1.00	0.87
Expected dividends (\$)	—	—

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

(b) Share Units

Years Ended December 31,	2021		2020
Continuity of Stock Units	Deferred Share Units	Deferred Share Units	Performance Share Units
	(#)	(#)	(#)
Balance, January 1	2,400	2,900	25,891
Granted	105,000	2,100	19,968
Exercised	—	(1,600)	(5,646)
Forfeited	—	(1,000)	(8,027)
Settled	—	—	(17,014)
Terminated and cancelled	—	—	(15,172)
Balance, December 31	107,400	2,400	—

	Years Ended December 31,	
	2021	2020
	(\$)	(\$)
Expense (recovery) from:		
Stock options	2,272	1,747
Deferred share units	279	(157)
Performance share units	—	1,030
Total stock-based compensation expense	2,551	2,620

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

The Company grants deferred share units to its outside directors. These units vest on the first anniversary of the date of grant and are settled either in cash (equal to the market value of the underlying shares at the time of exercise) or in Company shares purchased on the open market. The fair value of the deferred share units is recognized equally over the vesting period, based on the current market price of the Company's shares. At December 31, 2021, the liability pertaining to deferred share units was \$269 (December 31, 2020 – \$9).

Changes in the Company's obligations under the deferred share unit plans, which arise from fluctuations in the market value of the Company's shares underlying these compensation programs, are recorded as the share value changes.

(c) Warrants

In conjunction with the Recapitalization Transaction (note 5), the Company issued 5,824,433 warrants to shareholders of record (i.e. registered shareholders) as of market close on December 17, 2020. Each warrant is exercisable for a period of three years into one common share at a price of \$2.50 per common share, subject to customary adjustments and restrictions. The fair value of the warrants at issuance was estimated using a Black-Scholes pricing model, in the amount of \$40,797, and accounted for as a reduction of the gain on settlement of debt during the fourth quarter of 2020. The Company applied the following Black-Scholes model inputs:

Expected life (years)	3.00
Share price at grant date (\$)	9.00
Exercise price (\$)	2.50
Expected volatility (%)	73.90
Risk-free interest rate (%)	1.27
Expected dividends (\$)	—

As at December 31, 2021, 73,460 warrants were exercised for total proceeds of \$183.

9. INCOME TAXES

The components of income tax expense (recovery) are:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Current income tax expense	1,491	855
Deferred income tax expense (recovery)	(27,033)	167,768
	(25,542)	168,623

During the first quarter of 2020, the Company derecognized its net deferred tax asset totaling \$113,830 after assessing the utilization of available tax losses based on estimates of the Company's future taxable income.

The provision for income taxes in the consolidated statements of operations varies from the amount that would be computed by applying the expected 2021 tax rate of 23.0 percent (year ended December 31, 2020 – 24.0 percent) to income before income taxes.

The main reasons for differences between the expected income tax expense (recovery) and the amount recorded are:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s except percentages)</i>	<i>(\$)</i>	<i>(\$)</i>
Loss before income tax	(108,354)	(155,612)
Income tax rate (%)	23.0	24.0
Computed expected income tax recovery	(24,922)	(37,347)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses/non-taxable income	6,425	430
Foreign tax rate and other foreign differences	(3,174)	(1,858)
Translation of foreign subsidiaries	1,285	(478)
Deferred income tax adjustment from tax rate changes	—	—
Other non-income taxes	110	494
Derecognition of tax losses	(6,605)	122,405
Recapitalization Transaction	—	86,804
Other	1,339	(1,827)
	(25,542)	168,623

The following table summarizes the income tax effect of temporary differences that give rise to the deferred income tax asset (liability) at December 31:

As at December 31,	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Property, plant and equipment	(84,890)	(95,939)
Losses carried forward	46,547	37,012
Canadian exploration expenses	—	—
Deferred compensation payable	—	—
Deferred financing and share issuance costs	—	—
Other	12,057	5,086
	(26,286)	(53,841)

Loss carry-forwards expire at various dates ranging from December 31, 2022 to December 31, 2041.

The movement in deferred income tax assets and liabilities during the current and prior year is as follows:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Balance, beginning of year	(53,841)	113,830
Charged (credited) to the consolidated statements of operations or accumulated other comprehensive income:		
Property, plant and equipment	11,049	42,606
Losses carried forward	9,535	(181,122)
Canadian exploration expenses	—	(5,156)
Deferred compensation payable	—	(304)
Deferred financing and share issuance costs	—	(2,260)
Other	6,971	(21,435)
Balance, end of year	(26,286)	(53,841)

The Company has tax losses and attributes for which no deferred tax asset is recognized:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Tax losses (capital)	41,851	41,037
Tax losses (income)	58,734	73,837
Property, plant and equipment	22,405	17,211
Canadian exploration expenses	5,128	5,156
Deferred compensation payable	64	2
Deferred financing and share issuance costs	4,020	5,307
Other	11,185	16,388

Deferred tax assets are only recognized to the extent that it is probable that the assets can be utilized. The Company expects to have sufficient taxable income in succeeding years to fully utilize its deferred tax assets before they expire.

10. COMMITMENTS

The Company has lease commitments for premises, equipment, vehicles and storage facilities under agreements requiring aggregate minimum payments over the five years following December 31, 2021, as follows:

	Right-of-Use Asset Recognized	No Right-of- Use Asset Recognized	Total
	<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
2022	7,957	9,260	17,217
2023	6,527	7,278	13,805
2024	4,809	5,491	10,300
2025	1,397	5,113	6,510
2026	1,187	—	1,187
Thereafter	1,658	—	1,658
	23,535	27,142	50,677

The Company recognizes right-of-use assets for its leases, except for short-term leases, low value leases, leases with variable payments, or service contracts that are out of scope of IFRS 16.

The Company has obligations for the purchase of products, services and property, plant and equipment over the next five years following December 31, 2021, as follows:

<i>(C\$000s)</i>	<i>(\$)</i>
2022	11,235
2023	550
2024	—
2025	—
2026	—
	11,785

11. LEASES

The Company's leasing activities comprise of buildings and various field equipment including railcars and motor vehicle leases. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

The following table sets out the movement in the right-of-use assets by class of underlying asset:

Year Ended December 31, 2021	Opening Net Book Value	Additions	Disposals	Depreciation	Foreign Exchange Adjustments	Closing Net Book Value
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Field equipment	13,688	7,456	(2,556)	(4,959)	(30)	13,599
Buildings	9,097	8,591	(7,092)	(2,197)	7	8,406
	22,785	16,047	(9,648)	(7,156)	(23)	22,005

The following additional disclosures regarding the Company's leases are:

<i>(C\$000s)</i>	2021 <i>(\$)</i>
Interest expense on lease obligations	1,132
Expense relating to short-term leases (included in operating and selling, general and administrative expense)	20,944
Expense relating to low value leases (included in operating and selling, general and administrative expense)	1,640
Expense relating to variable lease payments (included in operating and selling, general and administrative expense)	2,523
Income from subleasing of right-of-use assets	(126)
Total cash outflow for lease obligations	8,968

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

<i>(C\$000s)</i>	2021 <i>(\$)</i>
Balance, January 1	21,971
Additions	16,047
Disposals/retirements	(9,593)
Principal portion of payments	(7,836)
Foreign exchange adjustments	(25)
Balance, December 31	20,564

12. FINANCIAL INSTRUMENTS

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

(a) Fair Values of Financial Assets and Liabilities

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value and carrying value of the Second Lien Notes, as measured based on the closing market price at December 31, 2021 was \$139,640 and \$152,136, respectively (December 31, 2020 – \$106,706 and \$152,784).

The fair values of the remaining long-term debt approximate their carrying values, as described in note 6.

(b) Credit Risk

Substantial amounts of the Company's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The Company mitigates this risk through its credit policies and practices including the use of credit limits and approvals, and by monitoring the financial condition of its customers. At December 31, 2021, the Company had a loss allowance provision for accounts receivable of \$569 (December 31, 2020 – \$1,726).

IFRS 9 *Financial Instruments* requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Company's assessment, a loan loss recovery of \$1,163 was recorded during the year ended December 31, 2021, using the lifetime expected credit loss model (year ended December 31, 2020 – \$1,390). The expected credit loss rates for each operating segment are based on actual credit losses experienced in the past.

The loss allowance provision for trade accounts receivable as at December 31, 2020 reconciles to the opening loss allowance provision as follows:

	2021
(C\$000s)	(\$)
At January 1, 2021	1,726
Increase (decrease) in loan loss allowance recognized in statement of operations	(1,163)
Foreign exchange adjustments	6
At December 31, 2021	569

Payment terms with customers vary by country and contract. Standard payment terms 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)	(\$)	(\$)
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

(c) 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 interest rates on floating-rate debt at December 31, 2021 amounts to \$1,900 (December 31, 2020 – \$1,300).

The Company's effective interest rate for the year ended December 31, 2021 was 8.4 percent (year ended December 31, 2020 – 7.5 percent).

(d) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities, new secured or unsecured debt, and new share equity. The Company monitors its liquidity to ensure it has sufficient funds to complete planned capital and other expenditures. The Company mitigates liquidity risk by maintaining adequate banking and credit facilities and monitoring its forecast and actual cash flows. The Company may also adjust its capital spending to maintain liquidity. See note 14 for further details on the Company's capital structure.

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
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
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	—	—

⁽¹⁾ Principal and interest

At December 31, 2020	Total	<1 Year	1 – 3 Years	4 – 6 Years	7 – 9 Years	Thereafter
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
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

(e) 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 US\$/Cdn\$ exchange rate. The risk is mitigated, however, by the Company's U.S. operations and related revenue streams. A change in the value of foreign currencies in the Company's 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
<i>(C\$000s)</i>	<i>(\$)</i>
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
<i>(C\$000s)</i>	<i>(\$)</i>
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	—

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Accounts receivable	(50,349)	77,161
Inventory	(18,724)	16,458
Prepaid expenses and deposits	3,346	(68)
Accounts payable and accrued liabilities	16,931	(89,072)
Income taxes recoverable	(1,329)	78
	(50,125)	4,557
Income taxes paid	2,820	777

Purchase of property, plant and equipment is comprised of:

	Years Ended December 31,	
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Property, plant and equipment additions	(70,699)	(44,630)
Change in liabilities related to the purchase of property, plant and equipment	7,265	(1,559)
	(63,434)	(46,189)

14. CAPITAL STRUCTURE

The Company's capital structure is comprised of shareholders' equity and debt. The Company's objectives in managing capital are (i) to maintain flexibility so as to preserve its access to capital markets and its ability to meet its financial obligations, and (ii) to finance growth, including potential acquisitions.

The Company manages its capital structure and makes adjustments in light of changing market conditions and new opportunities, while remaining cognizant of the cyclical nature of the oilfield services sector. To maintain or adjust its capital structure, the Company may revise its capital spending, issue new shares or new debt or repay existing debt. The Company recently completed its Recapitalization Transaction aimed at addressing its capital structure, see note 5 for further information.

The Company monitors its capital structure and financing requirements using, amongst other parameters, the ratio of net debt to operating income. Operating income for this purpose is calculated on a 12-month trailing basis and is defined as follows:

For the Twelve Months Ended December 31,	2021	2020
(C\$000s)	(\$)	(\$)
Net loss	(82,812)	(324,235)
Adjusted for the following:		
Depreciation	127,925	172,021
Foreign exchange losses	5,288	15,477
Loss on disposal of property, plant and equipment	403	24
Impairment of property, plant and equipment	—	227,208
Impairment of inventory	—	27,868
Impairment of other assets	705	507
Gain on settlement of debt	—	(226,319)
Gain on exchange of debt	—	(130,444)
Interest	37,737	91,267
Income taxes	(25,542)	168,623
Operating income	63,704	21,997

Net debt for this purpose is calculated as follows:

As at December 31,	2021	2020
(C\$000s)	(\$)	(\$)
Long-term debt, net of debt issuance costs and debt discount	388,479	324,633
Lease obligations	20,564	21,971
Add (deduct): bank overdraft (cash and cash equivalents)	1,351	(29,830)
Net debt	410,394	316,774

The ratio of net debt to operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

At December 31, 2021, the net debt to operating income ratio was 6.44:1 (December 31, 2020 – 14.40:1) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended December 31,	2021	2020
(C\$000s, except ratio)	(\$)	(\$)
Net debt	410,394	316,774
Operating income	63,704	21,997
Net debt to operating income ratio	6.44	14.40

The Company is subject to certain financial covenants relating to working capital, leverage and the generation of cash flow in respect of its operating and revolving credit facilities. These covenants are monitored on a monthly basis. As per the amended credit facility agreement as disclosed in note 6, the Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, 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.

As at December 31,	Covenant	Actual
	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.

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:

	Years Ended December 31,	
	2021	2020
(C\$000s)	(\$)	(\$)
Net loss	(82,812)	(324,235)
Add back (deduct):		
Depreciation	127,925	172,021
Unrealized foreign exchange losses	718	8,319
Loss on disposal of property, plant and equipment	403	24
Impairment of property, plant and equipment	—	227,208
Impairment of inventory	—	27,868
Impairment of other assets	705	507
Gain on settlement of debt	—	(226,319)
Gain on exchange of debt	—	(130,444)
Litigation settlements	(700)	—
Non-cash purchase commitment termination settlement	—	2,082
Restructuring charges	673	5,377
Stock-based compensation	2,272	1,511
Interest	37,737	91,267
Income taxes	(25,542)	168,623
Adjusted EBITDA ⁽¹⁾	61,379	23,809

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$8,968 of lease payments for the year ended December 31, 2021 (year ended December 31, 2020 – \$15,646) that would have been recorded as operating expenses prior to the adoption of IFRS 16.

Advances under the credit facilities are limited by a borrowing base. The borrowing base, including the amendments discussed in note 6, is calculated based on 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 limited to \$150,000.

The indentures governing the Second Lien Notes and 1.5 Lien Notes (the “Indentures”) 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\$20,000 in the Indentures. As at December 31, 2021, these baskets were 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 under credit facilities up to the greater of \$375,000 or 30 percent of the Company’s consolidated tangible assets as well as a general basket equal to the greater of 4 percent of consolidated tangible assets and US\$60,000. The 1.5 Lien Notes indenture includes additional restrictions on certain investments including certain investments in subsidiary entities, however the Indentures include several exceptions to this prohibition, including a general basket of US\$10,000 and baskets related to prepayments and certain capital build commitments which aggregate over US\$12,000. This 1.5 Lien Notes indenture also contains a restriction that any indebtedness incurred in excess of \$290,000 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 paragraphs provide sufficient flexibility, subject to the additional restrictions during the Covenant Relief Period discussed above, for the Company to incur additional indebtedness and make anticipated restricted payments which may be required to conduct its operations.

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 rolling four-quarter basis and \$25,000; 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 \$20,000 in a calendar year (\$10,000 during the Covenant Relief Period), subject to certain exceptions. There are no restrictions pertaining to dispositions of property or assets outside of Canada and the United States, except that to the extent that if advances under the credit facilities exceed \$50,000 at the time of

any such dispositions, the Company must use the resulting proceeds to reduce the advances to less than \$50,000 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 \$10,000, subject to certain exceptions.

15. RELATED-PARTY TRANSACTIONS

Entities controlled by George S. Armoian, interim Chief Executive Officer and a member of the Board of Directors, 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. Armoian 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. Armoian hold US\$16,371 of the Company's Second Lien Notes (December 31, 2020 – US\$2,430).

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 \$957 (year ended December 31, 2020 – \$1,511), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made and is under the normal course of business.

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company derives revenue from the provision of goods and services for the following major service lines and geographical regions:

	Canada	United States	Russia	Argentina	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)
Year Ended December 31, 2021					
Fracturing	254,517	428,570	113,244	103,415	899,746
Coiled tubing	25,401	—	8,902	23,237	57,540
Cementing	—	—	—	26,503	26,503
Product sales	340	(49)	—	—	291
Subcontractor	—	—	—	18,315	18,315
	280,258	428,521	122,146	171,470	1,002,395
Year Ended December 31, 2020					
Fracturing	208,523	306,084	90,340	39,856	644,803
Coiled tubing	21,363	—	10,067	12,231	43,661
Cementing	—	—	—	12,847	12,847
Product sales	562	6	—	—	568
Subcontractor	—	—	—	3,557	3,557
	230,448	306,090	100,407	68,491	705,436

The Company recognizes all its revenue from contracts with customers and no other sources (such as lease rental income).

The Company does not incur material costs to obtain contracts with customers and consequently, does not recognize any contract assets. The Company does not have any contract liabilities associated with its customer contracts.

The Company's customer base consists of approximately 76 oil and natural gas exploration and production companies, ranging from large multi-national publicly traded companies to small private companies. Notwithstanding the Company's broad customer base, Calfrac had four significant customers that collectively accounted for approximately 54 percent of the Company's revenue for the year ended December 31, 2021 (year ended December 31, 2020 – four significant customers for

approximately 38 percent) and, of such customers, one customer accounted for approximately 22 percent of the Company's revenue for the year ended December 31, 2021 (year ended December 31, 2020 – 14 percent).

17. PRESENTATION OF EXPENSES

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

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

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

	Years Ended December 31,	
	2021	2020
(C\$000s)	(\$)	(\$)
Product costs	327,257	213,262
Personnel costs	238,949	201,318
Depreciation on property, plant and equipment	120,768	159,775
Depreciation on right-of-use assets (note 11)	7,156	12,246
Other operating costs	326,888	219,976
	1,021,018	806,577

During the year ended December 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized \$7,735 as a reduction of salaries and wages expense (year ended December 31, 2020 – \$12,339), and \$465 as a reduction in rent expense (year ended December 31, 2020 – \$142), respectively.

18. EMPLOYEE BENEFITS EXPENSE

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

	Years Ended December 31,	
	2021	2020
(C\$000s)	(\$)	(\$)
Salaries and short-term employee benefits	249,765	208,763
Post-employment benefits (group retirement savings plan)	1,533	2,495
Share-based payments	2,551	2,620
Termination benefits	1,787	6,107
	255,636	219,985

19. COMPENSATION OF KEY MANAGEMENT

Key management is defined as the Company's Board of Directors, interim Chief Executive Officer, Chairman, President and Chief Operating Officer, and Chief Financial Officer. Compensation awarded to key management comprised:

	Years Ended December 31,	
	2021	2020
(C\$000s)	(\$)	(\$)
Salaries, fees and short-term benefits	1,930	2,443
Post-employment benefits (group retirement savings plan)	6	18
Share-based payments	974	842
Termination benefits	—	—
	2,910	3,303

In the event of termination, the President and Chief Operating Officer, and Chief Financial Officer are entitled to one year of annual compensation, and two years of annual compensation in the event of termination resulting from a change of control.

20. CONTINGENCIES

GREEK LITIGATION

As a result of the acquisition and amalgamation with Denison in 2004, the Company assumed certain legal obligations relating to Denison's Greek operations.

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that salaries in arrears amounting to approximately \$9,852 (6,846 euros) plus interest were due to the former employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010. As a result of Denison's participation in the consortium that was named in the lawsuit, the Company was served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Company was also served with an enforcement order on November 23, 2015.

Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of these orders on the basis they were improperly issued and are barred from a statute of limitations perspective. Hearings in respect of each of the orders have been held, and in each case, decisions were rendered accepting the Company's position. All of these decisions were appealed, but the favorable judgments have all been confirmed in the Company's favor. The plaintiffs have filed petitions for cassation against three of the appeal judgments, and will have 30 days to file a petition for cassation following the service of the remaining judgment once it has been certified. No hearings have been scheduled for the three pending cassation petitions.

NAPC is also the subject of a claim for approximately \$3,168 (2,201 euros) plus associated penalties and interest from the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject of the above-mentioned decision.

The maximum aggregate interest and penalties payable under the claims noted above, as well as three other immaterial claims against NAPC totaling \$832 (578 euros), amounted to \$29,345 (20,391 euros) as at December 31, 2021.

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 has been recorded in these 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.

21. SEGMENTED INFORMATION

The Company's activities are conducted in four geographical segments: Canada, the United States, Russia and Argentina. All activities are related to hydraulic fracturing, coiled tubing, cementing and other well completion services for the oil and natural gas industry.

The business segments presented reflect the Company's management structure and the way its management reviews business performance. The Company evaluates the performance of its operating segments primarily based on operating income, as defined below.

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Years Ended December 31, 2021						
Revenue	280,258	428,521	122,146	171,470	—	1,002,395
Operating income (loss) ⁽¹⁾	39,314	10,268	14,373	22,131	(22,382)	63,704
Segmented assets	224,274	494,268	65,830	108,589	—	892,961
Capital expenditures	12,189	42,033	4,124	12,353	—	70,699
Years Ended December 31, 2020						
Revenue	230,448	306,090	100,407	68,491	—	705,436
Operating income (loss) ⁽¹⁾	33,868	4,029	10,933	(6,477)	(20,356)	21,997
Segmented assets	213,418	555,494	62,336	81,215	—	912,463
Capital expenditures	10,067	31,435	1,206	1,922	—	44,630

⁽¹⁾ 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, impairment of inventory, impairment of property, plant and equipment, interest, and income taxes.

	Years Ended December 31,	
(C\$000s)	2021	2020
	(\$)	(\$)
Net loss	(82,812)	(324,235)
Add back (deduct):		
Depreciation	127,925	172,021
Foreign exchange losses	5,288	15,477
Loss on disposal of property, plant and equipment	403	24
Impairment of property, plant and equipment	—	227,208
Impairment of inventory	—	27,868
Impairment of other assets	705	507
Gain on settlement of debt	—	(226,319)
Gain on exchange of debt	—	(130,444)
Interest	37,737	91,267
Income taxes	(25,542)	168,623
Operating income	63,704	21,997

Operating income does not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies.

22. SUBSEQUENT EVENT

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, potential impairment indicators of current and long-term assets, the physical security of property, plant and equipment, and overall business and operational risks are currently being assessed and will be addressed in the interim financial statements for the three months ended March 31, 2022.

The situation in Russia remains dynamic and additional sanctions or restrictions may be issued against or by Russia as the conflict evolves. Additional sanctions or restrictions could have a material impact on the Company's assets, business, financial condition and cash flows in Russia and the Company continues to carefully evaluate its options for its Russian operations.