



Third Quarter Interim Report

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

DO IT BETTER • DO IT ON TIME • DO IT SAFELY

HIGHLIGHTS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Change	2021	2020	Change
<i>(C\$000s, except per share and unit data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Revenue	295,754	127,776	131	744,640	524,714	42
Operating income ⁽¹⁾	35,623	8,009	345	54,606	6,400	753
Per share – basic ⁽²⁾	0.95	2.76	(66)	1.46	2.21	(34)
Per share – diluted ⁽²⁾	0.43	2.75	(84)	0.66	2.20	(70)
Adjusted EBITDA ⁽¹⁾	35,581	8,467	320	51,910	10,094	414
Per share – basic ⁽²⁾	0.95	2.91	(67)	1.38	3.48	(60)
Per share – diluted ⁽²⁾	0.43	2.91	(85)	0.62	3.47	(82)
Net loss	(1,541)	(50,000)	(97)	(54,494)	(450,132)	(88)
Per share – basic ⁽²⁾	(0.04)	(17.20)	(100)	(1.45)	(155.13)	(99)
Per share – diluted ⁽²⁾	(0.04)	(17.20)	(100)	(1.45)	(155.13)	(99)
Working capital (end of period)				179,511	127,989	40
Total equity (end of period)				357,830	(81,033)	NM
Weighted average common shares outstanding (000s)						
Basic ⁽²⁾	37,635	2,906	NM	37,498	2,902	NM
Diluted ⁽²⁾	83,241	2,910	NM	83,366	2,905	NM

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 25 and 26 for further information.

⁽²⁾ Comparative amounts were adjusted to reflect the Company’s fifty-to-one common share consolidation that occurred on December 18, 2020.

PRESIDENT’S MESSAGE

Calfrac’s President and Chief Operating Officer, Lindsay Link commented: “The Company’s results in the third quarter exceeded expectations due to strong year-over-year growth in equipment utilization in all of its operating divisions, while at the same time, maintaining industry leading service quality and HS&E performance. Calfrac continued to execute on its data enhancement strategy through its recent investments in equipment analytics technology that is providing actionable preventative maintenance insights in order to reduce unscheduled downtime and lower operating costs.” During the quarter, Calfrac:

- elected to pay interest of \$3.0 million on its 1.5 lien notes in cash;
- acquired fracturing equipment in Argentina for \$2.5 million, which was a significant discount to replacement cost from a competitor exiting that market;
- averaged eight fleets operating in the United States and four fleets in Canada; and
- achieved high rates of utilization for equipment in Russia and Argentina.

CONSOLIDATED HIGHLIGHTS

Three Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	295,754	127,776	131
Expenses			
Operating	249,196	109,708	127
Selling, general and administrative (SG&A)	10,935	10,059	9
	260,131	119,767	117
Operating income ⁽¹⁾	35,623	8,009	345
Operating income (%)	12.0	6.3	90
Adjusted EBITDA ⁽¹⁾	35,581	(5,185)	NM
Adjusted EBITDA (%)	12.0	(4.1)	NM
Fracturing revenue per job (\$)	32,885	33,382	(1)
Number of fracturing jobs	8,174	3,527	132
Active pumping horsepower, end of period (000s)	976	840	16
Idle pumping horsepower, end of period (000s)	383	505	(24)
Total pumping horsepower, end of period (000s)	1,359	1,345	1
Coiled tubing revenue per job (\$)	23,629	22,795	4
Number of coiled tubing jobs	653	364	79
Active coiled tubing units, end of period (#)	16	15	7
Idle coiled tubing units, end of period (#)	11	12	(8)
Total coiled tubing units, end of period (#)	27	27	—
Cementing revenue per job (\$)	52,203	51,000	2
Number of cementing jobs	113	27	NM
Active cementing units, end of period (#)	10	12	(17)
Idle cementing units, end of period (#)	6	4	50
Total cementing units, end of period (#)	16	16	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

Revenue in the third quarter of 2021 was \$295.8 million, an increase of 131 percent from the same period in 2020. The improved revenue was mainly due to the fracturing job count increasing by 132 percent, resulting primarily from higher activity in all operating divisions. Cementing and coiled tubing activity in Argentina returned to more normal levels after being negatively impacted by the mandated shut-down in the comparable quarter, while consolidated coiled tubing activity increased by 79 percent. Fracturing revenue per job was consistent with the comparable quarter in 2020.

Calfrac reported Adjusted EBITDA of \$35.6 million for the third quarter of 2021, an increase from \$8.5 million in the comparable period in 2020, primarily as a result of better utilization for all of its operating fleets.

The net loss was \$1.5 million or \$0.04 per share diluted compared to a net loss of \$50.0 million or \$17.20 per share diluted in the same period last year.

Three Months Ended	September 30, 2021	June 30, 2021	Change
<i>(C\$000s, except operational information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	295,754	207,311	43
Expenses			
Operating	249,196	191,219	30
SG&A	10,935	10,048	9
	260,131	201,267	29
Operating income ⁽¹⁾	35,623	6,044	489
Operating income (%)	12.0	2.9	314
Adjusted EBITDA ⁽¹⁾	35,581	4,393	710
Adjusted EBITDA (%)	12.0	2.1	471
Fracturing revenue per job (\$)	32,885	32,704	1
Number of fracturing jobs	8,174	5,675	44
Active pumping horsepower, end of period (000s)	976	950	3
Idle pumping horsepower, end of period (000s)	383	393	(3)
Total pumping horsepower, end of period (000s)	1,359	1,343	1
Coiled tubing revenue per job (\$)	23,629	22,616	4
Number of coiled tubing jobs	653	563	16
Active coiled tubing units, end of period (#)	16	16	—
Idle coiled tubing units, end of period (#)	11	11	—
Total coiled tubing units, end of period (#)	27	27	—
Cementing revenue per job (\$)	52,203	48,095	9
Number of cementing jobs	113	116	(3)
Active cementing units, end of period (#)	10	10	—
Idle cementing units, end of period (#)	6	6	—
Total cementing units, end of period (#)	16	16	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

Third-quarter revenue in 2021 of \$295.8 million represented an increase of 43 percent from the second quarter of 2021, primarily due to higher fracturing activity in North America and Argentina. Revenue per fracturing job was consistent with the second quarter of 2021.

In Canada, revenue increased by 51 percent from the second quarter to \$76.6 million in the third quarter due to the normal ramp in activity post spring break-up. Calfrac also increased its marketed asset base back up to four fracturing fleets from three fleets in the second quarter. Operating income as a percentage of revenue was 20 percent, compared to 8 percent in the second quarter.

In the United States, revenue in the third quarter of 2021 was \$138.3 million, a 60 percent improvement from the second quarter of 2021. The third quarter had relatively consistent utilization, including the two fleets that were reactivated late in the second quarter. Operating income was \$13.8 million in the third quarter compared to a loss of \$2.6 million in the second quarter of 2021.

In Russia, revenue of \$32.9 million in the third quarter of 2021 was 2 percent lower on a sequential basis due to some wet weather related delays that impacted utilization in September. Operating income increased by \$0.7 million primarily due to the continued increase in the number of multi-stage fracturing jobs.

In Argentina, revenue in the third quarter of 2021 increased to \$48.0 million from \$36.3 million in the second quarter. The ongoing improvement in operating conditions resulted in a sequential improvement in overall activity and fewer customer-

specific disruptions. Operating income increased from \$4.9 million in the second quarter of 2021 to \$6.4 million in the third quarter.

On a consolidated basis, Adjusted EBITDA of \$35.6 million for the third quarter of 2021 increased from \$4.4 million in the second quarter of 2021, primarily due to higher utilization in the United States combined with the return to normal operations following the seasonal slowdown in Canada during the second quarter.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) for Calfrac Well Services Ltd. ("Calfrac" or the "Company") has been prepared by management as of November 1, 2021 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards (IFRS).

The focus of this MD&A is a comparison of the financial performance for the three and nine months ended September 30, 2021 and 2020. It should be read in conjunction with the interim consolidated financial statements for the three and nine months ended September 30, 2021, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2020.

Readers should also refer to the "Forward-Looking Statements" legal advisory at the end of this MD&A. All financial amounts and measures presented are expressed in Canadian dollars unless otherwise indicated. The definitions of certain non-GAAP measures used are included on pages 25 and 26.

CALFRAC'S BUSINESS

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

The Company's reportable business segments during the three months ended September 30, 2021, were as follows:

Segment	Active (000's hhp)	Idle (000's hhp)	Total (000's hhp)	Crewed Fleets (#)
United States	576	297	873	9
Canada	202	70	272	4
Argentina	121	16	137	6
Russia	77	—	77	6
Total	976	383	1,359	25

- The Company's United States segment provides fracturing services to oil companies operating in the Bakken shale play in North Dakota; in the Rockies area, including the Powder River Basin in Wyoming, as well as in Texas and New Mexico, where it services the Eagle Ford and Permian basins. Calfrac also provides fracturing services to natural gas-focused customers operating in the Marcellus and Utica shale plays in Pennsylvania, Ohio and West Virginia. At September 30, 2021, Calfrac's United States operations had combined active horsepower of approximately 576,000 and no active cementing or coiled tubing units. At the end of the third quarter, the United States segment had temporarily idled approximately 297,000 horsepower, three cementing units and one coiled tubing unit.
- The Canadian segment is focused on the provision of fracturing and coiled tubing services to a diverse group of oil and natural gas exploration and production companies operating in Alberta, northeast British Columbia, Saskatchewan and Manitoba. The Company's customer base in Canada ranges from large multinational public companies to small private companies. At September 30, 2021, Calfrac's Canadian operations had active horsepower of approximately 202,000 and seven active coiled tubing units. At the end of the third quarter, the Canadian segment had temporarily idled approximately 70,000 horsepower and six coiled tubing units.
- The Argentinean segment provides pressure pumping services from its operating bases in Argentina. The Company provides fracturing, cementing and coiled tubing services to oil and natural gas companies operating in the Neuquén, Las Heras and Comodoro regions. The Company had approximately 121,000 active horsepower, 10 active and three idle cementing units and five active and one idle coiled tubing unit in its Argentinean segment at September 30, 2021.
- The Company's Russian segment provides fracturing and coiled tubing services in Western Siberia. During the third quarter of 2021, the Company operated under multi-year agreements to provide services to Russia's largest oil producer. At September 30, 2021, the Russian segment had seven deep coiled tubing units, of which four were active, and approximately 77,000 active horsepower forming six fracturing spreads, all of which were active.

CONSOLIDATED HIGHLIGHTS

	Three months ended Sep. 30,			Nine months ended Sep. 30,		
	2021	2020	Change	2021	2020	Change
<i>(C\$000s, except per share amounts)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Revenue	295,754	127,776	131	744,640	524,714	42
Operating income ⁽¹⁾	35,623	8,009	345	54,606	6,400	753
Per share – basic	0.95	2.76	(66)	1.46	2.21	(34)
Per share – diluted	0.43	2.75	(84)	0.66	2.20	(70)
Adjusted EBITDA ⁽¹⁾	35,581	8,467	320	51,910	10,094	414
Per share – basic	0.95	2.91	(67)	1.38	3.48	(60)
Per share – diluted	0.43	2.91	(85)	0.62	3.47	(82)
Net loss	(1,541)	(50,000)	(97)	(54,494)	(450,132)	(88)
Per share – basic	(0.04)	(17.20)	(100)	(1.41)	(155.13)	(99)
Per share – diluted	(0.04)	(17.20)	(100)	(1.41)	(155.13)	(99)
As at				September 30,	December 31,	Change
				2021	2020	
<i>(C\$000s)</i>				<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>						
Working capital, end of period				179,511	161,448	11
Total assets, end of period				947,998	912,463	4
Long-term debt, end of period				377,728	324,633	16
Total equity, end of period				357,830	410,234	(13)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 25 and 26 for further information.

THIRD QUARTER OVERVIEW

In the third quarter of 2021, the Company:

- generated revenue of \$295.8 million, an increase of 131 percent from the third quarter in 2020, resulting primarily from improved activity in all of the Company’s operating divisions;
- reported adjusted EBITDA of \$35.6 million versus \$8.5 million in the comparable period in 2020, mainly as a result of improved performance in North America and Argentina and continuing solid performance in Russia;
- opted to pay its \$3.0 million interest payment on the 1.5 Lien Notes in cash rather than utilizing the payment-in-kind option on September 15, 2021;
- reported a net loss of \$1.5 million or \$0.04 per share diluted compared to a net loss of \$50.0 million or \$17.20 per share diluted in the third quarter in 2020;
- reported period-end working capital of \$179.5 million; and
- incurred capital expenditures of \$25.2 million, focused on maintenance and sustaining activities to primarily support the Company’s United States fracturing operations and expansion capital of \$2.5 million in Argentina to purchase fracturing assets at a significant discount to replacement cost from a competitor that was exiting that market.

In the nine months ended September 30, 2021, the Company:

- generated revenue of \$744.6 million, an increase of 42 percent from the first nine months in 2020, resulting from higher activity in all operating divisions, most notably in Argentina;
- reported adjusted EBITDA of \$51.9 million versus \$10.1 million in the comparable period in 2020, mainly as a result of higher utilization of equipment in all operating divisions;
- reported a net loss of \$54.5 million or \$1.41 per share diluted, compared to a net loss of \$450.1 million or \$155.13 per share diluted in the first nine months in 2020, which included a gain on debt exchange of \$130.4 million, a \$115.6 million deferred tax expense related to the write-off of the Company's deferred tax asset, and an impairment of PP&E and other assets of \$255.1 million; and
- incurred capital expenditures of \$54.9 million focused on maintenance and sustaining activities to primarily support the Company's United States fracturing operations.

FINANCIAL OVERVIEW – THREE MONTHS ENDED SEPTEMBER 30, 2021 VERSUS 2020

CANADA

Three Months Ended September 30, <i>(C\$000s, except operational information)</i> <i>(unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>	Change <i>(%)</i>
Revenue	76,574	44,669	71
Expenses			
Operating	61,341	36,352	69
SG&A	163	1,826	(91)
	61,504	38,178	61
Operating income ⁽¹⁾	15,070	6,491	132
Operating income (%)	19.7	14.5	36
Fracturing revenue per job (\$)	23,823	24,179	(1)
Number of fracturing jobs	2,949	1,647	79
Active pumping horsepower, end of period (000s)	202	174	16
Idle pumping horsepower, end of period (000s)	70	100	(30)
Total pumping horsepower, end of period (000s)	272	274	(1)
Coiled tubing revenue per job (\$)	18,611	14,995	24
Number of coiled tubing jobs	324	294	10
Active coiled tubing units, end of period (#)	7	8	(13)
Idle coiled tubing units, end of period (#)	6	5	20
Total coiled tubing units, end of period (#)	13	13	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the third quarter of 2021 was \$76.6 million compared to \$44.7 million in the same period of 2020, primarily due to higher activity. The number of fracturing jobs increased by 79 percent from the comparable period in 2020 as a significantly improved commodity price environment resulted in an increase in drilling and completions activity in western Canada. Revenue per fracturing job was consistent with the comparable quarter as the impact of job mix and pricing was negligible on a period-over-period basis. The number of coiled tubing jobs increased by 10 percent from the third quarter in 2020 due to an increase in standalone milling work, which also contributed to the 24 percent increase in revenue per job.

OPERATING INCOME

Operating income in Canada during the third quarter of 2021 was \$15.1 million compared to \$6.5 million in the same period of 2020. The Canadian division's operating income as a percentage of revenue was 20 percent compared to 15 percent in the third quarter of 2020 primarily due to the higher revenue base. In addition, the third quarter of 2021 included \$2.4 million of Canadian Emergency Wage Subsidy (CEWS) versus \$4.1 million in the comparable quarter of 2020. SG&A expense in the third quarter of 2021 also included a \$1.4 million recovery of a bad debt expense. The third quarter of 2020 included a non-cash termination charge of \$2.1 million in order to exit a contractual take-or-pay product purchase commitment and a \$0.7 million bad debt provision. Excluding these items, operating income on a normalized basis for the third quarter of 2021 would have been \$12.7 million or 16.6 percent versus \$5.2 million or 11.6 percent in the comparable period in 2020. The increase in operating income for the quarter, both on a total basis and as a percentage of revenue, was mainly due to improved utilization for its fracturing and coiled tubing equipment.

UNITED STATES

Three Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	138,339	46,503	197
Expenses			
Operating	121,451	40,827	197
SG&A	3,113	2,887	8
	124,564	43,714	185
Operating income ⁽¹⁾	13,775	2,789	394
Operating income (%)	10.0	6.0	67
Fracturing revenue per job (\$)	33,308	34,630	(4)
Number of fracturing jobs	4,156	1,345	209
Active pumping horsepower, end of period (000s)	576	483	19
Idle pumping horsepower, end of period (000s)	297	388	(23)
Total pumping horsepower, end of period (000s)	873	871	—
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	1	1	—
Total coiled tubing units, end of period (#)	1	1	—
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	3	2	50
Total cementing units, end of period (#)	3	2	50
US\$/C\$ average exchange rate ⁽²⁾	1.2600	1.3321	(5)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac’s United States operations increased to \$138.3 million during the third quarter of 2021 from \$46.5 million in the comparable quarter of 2020. The improved commodity price backdrop relative to the third quarter in 2020 allowed the Company to operate four more fracturing fleets in 2021 compared to the same quarter in 2020. The significant increase in revenue can be attributed to a combination of a 209 percent increase in the number of fracturing jobs completed, offset partially by a 4 percent decrease in revenue per job period-over-period, primarily due to the decline in the U.S. dollar exchange rate.

OPERATING INCOME

The Company’s United States operations generated operating income of \$13.8 million during the third quarter of 2021 compared to \$2.8 million in the same period in 2020. The improvement in operating income was largely driven by higher utilization of equipment and operating efficiencies. During the quarter, there were inflationary pressures experienced across most operating cost drivers that were effectively offset by pricing increases.

RUSSIA

Three Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	32,889	28,530	15
Expenses			
Operating	26,186	21,880	20
SG&A	726	617	18
	26,912	22,497	20
Operating income ⁽¹⁾	5,977	6,033	(1)
Operating income (%)	18.2	21.1	(14)
Fracturing revenue per job (\$)	57,654	67,303	(14)
Number of fracturing jobs	535	390	37
Active pumping horsepower, end of period (000s)	77	65	18
Idle pumping horsepower, end of period (000s)	—	12	(100)
Total pumping horsepower, end of period (000s)	77	77	—
Coiled tubing revenue per job (\$)	36,498	48,542	(25)
Number of coiled tubing jobs	56	47	19
Active coiled tubing units, end of period (#)	4	3	33
Idle coiled tubing units, end of period (#)	3	4	(25)
Total coiled tubing units, end of period (#)	7	7	—
Rouble/C\$ average exchange rate ⁽²⁾	0.0171	0.0181	(6)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations increased by 15 percent during the third quarter of 2021 to \$32.9 million from \$28.5 million in the corresponding period of 2020. The increase in revenue was attributable to a 37 percent increase in fracturing activity due to better utilization as the Company increased its operating footprint from four fleets in 2020 to six fleets in 2021, combined with changes in job mix as a higher percentage of multi-stage work was completed resulting in a higher number of stages completed at a lower average job size. Revenue per fracturing job decreased by 14 percent primarily due to the impact of job mix, combined with a 6 percent decline in the Russian rouble. Coiled tubing activity increased by 19 percent as the Company operated one additional coiled tubing unit although one fleet was shut-down for one month due to COVID-19. The lower revenue per coiled tubing job was primarily due to job mix, combined with the decline in the Russian rouble.

OPERATING INCOME

The Company's Russian division generated operating income of \$6.0 million during the third quarter of 2021 or 18 percent of revenue versus \$6.0 million or 21 percent of revenue in the comparable quarter in 2020. The lower operating margin performance was primarily due to lower than expected fracturing equipment utilization due to the impact of excessive rainfall in September, which resulted in the closure of river crossings and limited access to oilfield roads. Coiled tubing equipment utilization was also impacted by a COVID-19 shutdown of one fleet for a month during the quarter.

ARGENTINA

Three Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	47,952	8,074	494
Expenses			
Operating	39,965	10,365	286
SG&A	1,596	1,585	1
	41,561	11,950	248
Operating income (loss) ⁽¹⁾	6,391	(3,876)	NM
Operating income (loss) (%)	13.3	(48.0)	NM
Fracturing revenue per job (\$)	54,820	35,105	56
Number of fracturing jobs	534	145	268
Active pumping horsepower, end of period (000s)	121	118	3
Idle pumping horsepower, end of period (000s)	16	5	NM
Total pumping horsepower, end of period (000s)	137	123	11
Coiled tubing revenue per job (\$)	26,944	69,880	(61)
Number of coiled tubing jobs	273	23	NM
Active coiled tubing units, end of period (#)	5	4	25
Idle coiled tubing units, end of period (#)	1	2	(50)
Total coiled tubing units, end of period (#)	6	6	—
Cementing revenue per job (\$)	52,203	51,000	2
Number of cementing jobs	113	27	NM
Active cementing units, end of period (#)	10	12	(17)
Idle cementing units, end of period (#)	3	2	50
Total cementing units, end of period (#)	13	14	(7)
US\$/C\$ average exchange rate ⁽²⁾	1.2600	1.3321	(5)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of \$48.0 million during the third quarter of 2021 compared to \$8.1 million in the comparable quarter in 2020. Activity in the third quarter of 2021 improved sequentially and year-over-year due to strong activity in the Vaca Muerta shale play as well as in southern Argentina. During the third quarter of 2021, activity was not impacted by as many operational delays that were experienced in the previous quarter or the government-mandated COVID-19 shut-downs that impacted activity in the comparable quarter in 2020. Revenue per job for all service lines was negatively impacted by a 5 percent depreciation in the U.S. dollar. Despite this decline, fracturing revenue increased by 56 percent due to job mix and cementing revenue per job increased by 2 percent due to changes in job mix as a greater number of pre-fracturing projects were completed in the third quarter of 2021.

OPERATING INCOME (LOSS)

The Company's operations in Argentina generated an operating income of \$6.4 million during the third quarter of 2021 compared to an operating loss of \$3.9 million in the comparable quarter of 2020. Utilization for the Company's equipment significantly improved compared to the same period in 2020 as the prior year included a government mandated shutdown of oilfield activity in response to the COVID-19 pandemic. The Company's fixed cost structure remained relatively consistent with the comparable quarter in 2020 so the additional revenue resulted in operating income as a percentage of revenue improving to 13.3 percent from negative 48.0 percent in the third quarter in 2020. The Company recorded \$0.2 million of severance expense during the third quarter in 2021.

CORPORATE

Three Months Ended September 30,	2021	2020	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Expenses			
Operating	253	284	(11)
SG&A	5,337	3,144	70
	5,590	3,428	63
Operating loss ⁽¹⁾	(5,590)	(3,428)	63
% of Revenue	1.9	2.7	(30)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

OPERATING LOSS

Corporate expenses for the third quarter of 2021 were \$5.6 million compared to \$3.4 million in the third quarter of 2020. The increase was due in part to the issuance of new equity-based awards under its omnibus incentive plan, which resulted in a stock-based compensation expense of \$1.2 million in the third quarter in 2021 compared to \$0.6 million in the same period in 2020. In addition, \$1.2 million of costs associated with the Company's Recapitalization Transaction were reclassified to prepaid expenses during the third quarter in 2020, which resulted in a reduction to SG&A expense during that quarter.

DEPRECIATION

For the three months ended September 30, 2021, depreciation expense increased by \$1.5 million to \$33.2 million from \$31.7 million in the corresponding quarter in 2020. The increase in third-quarter depreciation expense was primarily due to the year-over-year increase in capital expenditures relating to major component purchases, which have a shorter useful life and a corresponding higher rate of depreciation.

FOREIGN EXCHANGE GAINS AND LOSSES

The Company recorded a foreign exchange gain of \$2.3 million during the third quarter of 2021 versus a loss of \$7.8 million in the comparative three-month period of 2020. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The foreign exchange loss during the third quarter was mainly due to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, combined with the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

INTEREST

The Company's net interest expense of \$9.7 million for the third quarter of 2021 was \$9.9 million lower than the comparable period in 2020. The decrease in interest expense was primarily due to the significant reduction in long-term debt resulting from the Recapitalization Transaction that closed on December 18, 2020, combined with the debt exchange that was completed during the first quarter in 2020. These transactions combined to eliminate US\$650.0 million of the Company's 8.50 percent Unsecured Notes and replaced it with US\$120.0 million of Second Lien Notes bearing interest at 10.875 percent and \$59.0 million of 1.5 Lien Notes bearing interest at 10.0 percent. In addition, the USD/CAD exchange rate was 5 percent lower than the comparable quarter in 2020, which resulted in a reduction of reported interest expense on the Company's Second Lien Notes.

INCOME TAXES

The Company recorded an income tax recovery of \$3.6 million during the third quarter of 2021 compared to a recovery of \$0.2 million in the comparable period of 2020. A deferred tax recovery of \$4.3 million was recorded primarily due to losses incurred in the United States, and a current income tax expense of \$0.7 million resulted from current tax obligations in Russia.

IMPAIRMENT

Since the impairment test that was conducted as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. The impairment charge by cash-generating unit (CGU) is shown in the table below.

Three Months Ended September 30,	2021	2020
(C\$000s)	(\$)	(\$)
Canada	—	16,203
Argentina	—	(16,203)
Russia	—	—
	—	—

During the third quarter of 2020, the Company identified specific assets within its CGUs in Argentina and Canada whose individual carrying amounts differed from their recoverable amounts, resulting in a reclassification of the impairment charge recorded in the second quarter of 2020 between these CGUs.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Dec. 31,	Mar. 31,	Jun. 30,	Sep. 30,	Dec. 31,	Mar. 31,	Jun. 30,	Sep. 30,
	2019	2020	2020	2020	2020	2021	2021	2021
<i>(C\$000s, except per share and operating data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>								
Financial								
Revenue	317,085	305,515	91,423	127,776	180,722	241,575	207,311	295,754
Operating income (loss) ⁽¹⁾	20,997	5,698	(7,307)	8,009	15,597	12,940	6,043	35,623
Per share – basic ⁽²⁾	7.25	1.97	(2.52)	2.76	1.91	0.35	0.16	0.95
Per share – diluted ⁽²⁾	7.22	1.96	(2.52)	2.75	0.27	0.15	0.07	0.43
Adjusted EBITDA ⁽¹⁾	26,882	6,812	(5,185)	8,467	13,715	11,936	4,393	35,581
Per share – basic ⁽²⁾	9.29	2.35	(1.79)	2.91	1.68	0.31	0.12	0.95
Per share – diluted ⁽²⁾	9.25	2.34	(1.79)	2.91	0.24	0.14	0.05	0.43
Net income (loss)	(49,400)	(122,857)	(277,275)	(50,000)	125,897	(22,418)	(30,535)	(1,541)
Per share – basic ⁽²⁾	(17.07)	(42.38)	(95.61)	(17.20)	15.43	(0.60)	(0.82)	(0.04)
Per share – diluted ⁽²⁾	(17.07)	(42.38)	(95.61)	(17.20)	2.19	(0.60)	(0.82)	(0.04)
Capital expenditures	34,418	29,283	6,068	2,792	6,487	11,586	18,065	25,234
Working capital (end of period)	248,772	233,125	157,165	127,989	161,448	170,088	152,176	179,511
Total equity (end of period)	368,623	239,099	(34,195)	(81,033)	410,234	384,561	350,631	357,830

Operating (end of period)

Active pumping horsepower (000s)	1,269	1,242	780	840	901	934	950	976
Idle pumping horsepower (000s)	141	174	572	505	444	411	393	383
Total pumping horsepower (000s)	1,410	1,416	1,352	1,345	1,345	1,345	1,343	1,359
Active coiled tubing units (#)	20	20	16	15	17	16	16	16
Idle coiled tubing units (#)	8	7	11	12	10	11	11	11
Total coiled tubing units (#)	28	27	27	27	27	27	27	27
Active cementing units (#)	13	13	13	12	12	10	10	10
Idle cementing units (#)	6	3	3	4	4	6	6	6
Total cementing units (#)	19	16	16	16	16	16	16	16

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 25 and 26 for further information.

⁽²⁾ Comparative amounts were adjusted to reflect the Company’s fifty-to-one common share consolidation that occurred on December 18, 2020.

SEASONALITY OF OPERATIONS

The Company’s North American business is seasonal. The lowest activity is typically experienced during the second quarter of the year when road weight restrictions are in place due to spring break-up weather conditions and access to well sites in Canada and North Dakota is reduced (refer to “Business Risks - Seasonality” in the 2020 Annual Report).

FOREIGN EXCHANGE FLUCTUATIONS

The Company’s consolidated financial statements are reported in Canadian dollars. Accordingly, the quarterly results are directly affected by fluctuations in the exchange rates for United States, Russian and Argentinean currency (refer to “Business Risks - Fluctuations in Foreign Exchange Rates” in the 2020 Annual Report).

FINANCIAL OVERVIEW – NINE MONTHS ENDED SEPTEMBER 30, 2021 VERSUS 2020

CANADA

Nine Months Ended September 30, <i>(C\$000s, except operational information)</i> <i>(unaudited)</i>	2021 <i>(\$)</i>	2020 <i>(\$)</i>	Change <i>(%)</i>
Revenue	212,924	177,101	20
Expenses			
Operating	177,506	146,253	21
SG&A	874	6,054	(86)
	178,380	152,307	17
Operating income ⁽¹⁾	34,544	24,794	39
Operating income (%)	16.2	14.0	16
Fracturing revenue per job (\$)	21,156	18,172	16
Number of fracturing jobs	9,139	8,811	4
Active pumping horsepower, end of period (000s)	202	174	16
Idle pumping horsepower, end of period (000s)	70	100	(30)
Total pumping horsepower, end of period (000s)	272	274	(1)
Coiled tubing revenue per job (\$)	20,152	19,469	4
Number of coiled tubing jobs	957	850	13
Active coiled tubing units, end of period (#)	7	8	(13)
Idle coiled tubing units, end of period (#)	6	5	20
Total coiled tubing units, end of period (#)	13	13	—

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

REVENUE

Revenue from Calfrac's Canadian operations during the first nine months in 2021 was \$212.9 million versus \$177.1 million in the same period in 2020 primarily due to changes in job mix. Work during 2021 shifted from smaller jobs in the Viking to larger jobs in the Cardium, Deep Basin and Montney areas resulting in a 16 percent increase in revenue per job from the comparable period in 2020. The number of coiled tubing jobs increased by 13 percent from the comparable period in 2020 due to higher activity, while revenue per job increased by 4 percent due to changes in job mix.

OPERATING INCOME

The Company's Canadian division generated operating income of \$34.5 million compared to \$24.8 million in 2020. The Company recognized CEWS benefits of \$6.3 million in the first nine months of 2021 compared to \$8.0 million in 2020. SG&A expenses for the first nine months of 2021 included the reversal of a bad debt expense of \$1.4 million. In addition, SG&A expenses in 2021 included a recovery from a litigation settlement offset partially by higher operating expenses stemming from an arbitral order, which increased operating income by \$0.7 million. The comparable period in 2020 included \$1.6 million of severance costs, a non-cash termination charge of \$2.1 million in order to exit a contractual take-or-pay product purchase commitment and a \$0.7 million bad debt provision. Excluding these items, normalized operating income for the first nine months of 2021 would have been \$27.6 million or 13.0 percent compared to \$21.2 million or 12.0 percent in 2020. The improvement in operating income is due to the 4 percent and 13 percent increases in fracturing and coiled tubing activity, respectively.

UNITED STATES

Nine Months Ended September 30,	2021	2020	Change
(C\$000s, except operational and exchange rate information) (unaudited)	(\$)	(\$)	(%)
Revenue	317,940	238,807	33
Expenses			
Operating	300,971	225,554	33
SG&A	8,760	10,228	(14)
	309,731	235,782	31
Operating income ⁽¹⁾	8,209	3,025	171
Operating income (%)	2.6	1.3	100
Fracturing revenue per job (\$)	29,387	30,053	(2)
Number of fracturing jobs	10,820	7,946	36
Active pumping horsepower, end of period (000s)	576	483	19
Idle pumping horsepower, end of period (000s)	297	388	(23)
Total pumping horsepower, end of period (000s)	873	871	—
Active coiled tubing units, end of period (#)	—	—	—
Idle coiled tubing units, end of period (#)	1	1	—
Total coiled tubing units, end of period (#)	1	1	—
Active cementing units, end of period (#)	—	—	—
Idle cementing units, end of period (#)	3	2	50
Total cementing units, end of period (#)	3	2	50
US\$/C\$ average exchange rate ⁽²⁾	1.2514	1.3541	(8)

⁽¹⁾ Refer to “Non-GAAP Measures” on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac’s United States operations increased to \$317.9 million in the first nine months in 2021 from \$238.8 million in the same period in 2020, primarily due to a 36 percent increase in the number of fracturing jobs completed. Overall activity in 2021 was impacted by extreme cold weather during the first quarter which temporarily shutdown operations and some short notice schedule delays late in the second quarter. Activity increased significantly in the third quarter for existing crews plus the two additional fleets that were reactivated late in the second quarter. The lower fracturing revenue per job was mainly due to the 8 percent depreciation of the U.S dollar, offset partially by the impact of job mix.

OPERATING INCOME

The Company’s United States division generated operating income of \$8.2 million during the first nine months in 2021 compared to operating income of \$3.0 million in the comparable period in 2020. The first nine months of 2021 included the reactivation of two fracturing fleets and the relocation of a third fleet. These actions resulted in \$5.0 million of increased operating expenses during the period. Pricing during the first half of 2021 remained challenged but the Company was able to obtain some modest net pricing increases during the third quarter. Utilization of the Company’s fracturing fleets was stronger at times than the comparable period in 2020, however, the results were negatively impacted by weather delays in certain operating areas in the first quarter, while customer delays by key customers and the relocation of equipment also impacted utilization during the second quarter. Activity levels in the third quarter were strong and contributed the majority of the U.S. division’s operating income for the year-to-date period. SG&A expenses decreased by 14 percent as the comparable period in 2020 included \$2.4 million of restructuring costs.

RUSSIA

Nine Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	94,052	73,458	28
Expenses			
Operating	79,117	64,598	22
SG&A	2,195	2,373	(8)
	81,312	66,971	21
Operating income ⁽¹⁾	12,740	6,487	96
Operating income (%)	13.5	8.8	53
Fracturing revenue per job (\$)	61,479	83,347	(26)
Number of fracturing jobs	1,410	795	77
Active pumping horsepower, end of period (000s)	77	65	18
Idle pumping horsepower, end of period (000s)	—	12	(100)
Total pumping horsepower, end of period (000s)	77	77	—
Coiled tubing revenue per job (\$)	39,188	46,432	(16)
Number of coiled tubing jobs	188	155	21
Active coiled tubing units, end of period (#)	4	3	33
Idle coiled tubing units, end of period (#)	3	4	(25)
Total coiled tubing units, end of period (#)	7	7	—
Rouble/C\$ average exchange rate ⁽²⁾	0.0169	0.0191	(12)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations in the first nine months in 2021 of \$94.1 million was 28 percent higher than in the comparable period in 2020. The increase in revenue was attributable to a 77 percent increase in fracturing activity due to a higher percentage of multi-stage projects completed in 2021, which resulted in a higher number of stages completed at a lower average job size. In addition, the Company did not encounter the same degree of weather-related disruptions during 2021. Revenue per fracturing job was 26 percent lower than in 2020 due to the 12 percent depreciation of the Russian rouble, combined with changes in job mix. Coiled tubing activity increased by 21 percent as the Company operated one additional coiled tubing unit. The 16 percent decline in revenue per job was primarily due to the decline in the Russian rouble versus the Canadian dollar.

OPERATING INCOME

The Company's Russian division generated operating income of \$12.7 million during the first nine months in 2021 compared to operating income of \$6.5 million in the comparable period in 2020. Utilization in the first nine months of 2021 improved significantly as the Company increased its operating footprint from five fracturing fleets in 2020 to six fleets in 2021. In addition, the completion of more multi-stage projects also had a positive impact on profitability during the period. Operating results for the first nine months of 2020 included \$0.4 million in severance costs while the same period in 2021 did not include any severance costs.

ARGENTINA

Nine Months Ended September 30,	2021	2020	Change
<i>(C\$000s, except operational and exchange rate information)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
<i>(unaudited)</i>			
Revenue	119,724	35,348	239
Expenses			
Operating	99,307	41,706	138
SG&A	5,184	5,595	(7)
	104,491	47,301	121
Operating income (loss) ⁽¹⁾	15,233	(11,953)	NM
Operating income (loss) (%)	12.7	(33.8)	NM
Fracturing revenue per job (\$)	55,336	56,850	(3)
Number of fracturing jobs	1,332	321	315
Active pumping horsepower, end of period (000s)	121	118	3
Idle pumping horsepower, end of period (000s)	16	5	NM
Total pumping horsepower, end of period (000s)	137	123	11
Coiled tubing revenue per job (\$)	23,253	72,424	(68)
Number of coiled tubing jobs	715	110	550
Active coiled tubing units, end of period (#)	5	4	25
Idle coiled tubing units, end of period (#)	1	2	(50)
Total coiled tubing units, end of period (#)	6	6	—
Cementing revenue per job (\$)	50,279	58,920	(15)
Number of cementing jobs	322	155	108
Active cementing units, end of period (#)	10	12	(17)
Idle cementing units, end of period (#)	3	2	50
Total cementing units, end of period (#)	13	14	(7)
US\$/C\$ average exchange rate ⁽²⁾	1.2514	1.3541	(8)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

⁽²⁾ Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of \$119.7 million during the first nine months in 2021 versus \$35.3 million in the same period in 2020, primarily due to a significant increase in activity as the oilfield industry in Argentina experienced a complete shutdown of field activity in mid-March 2020 due to the COVID-19 pandemic, which affected all of the Company's operating regions and service lines. In the second and third quarters of 2021, Argentina returned to normal operations for all service lines, including an increase to subcontractor revenue that was not experienced in the first nine months of 2020 due to changes in contracted service mix in Neuquén. However, utilization in 2021 was negatively impacted by some operational delays in Neuquén due to roadblocks in April as union strikes caused the shutdown of all oilfield activity for 18 days along with lower activity with a customer due to wellbore issues. This lower activity was partially mitigated by a contractual arrangement that provided a minimum revenue guarantee. Revenue per job across all service lines was negatively impacted by the depreciation of the U.S. dollar.

OPERATING INCOME (LOSS)

In the first nine months of 2021, the Company's operations in Argentina generated operating income of \$15.2 million, compared to an operating loss of \$12.0 million in the comparable period in 2020. The increase in operating income was due to improved equipment utilization as the comparable period in 2020 had an unprecedented revenue disruption caused by the government mandated shutdown of all oilfield activity in response to the COVID-19 pandemic. The Company recorded \$0.7 million of severance expense during first nine months in 2021 compared to \$0.1 million during the same period in 2020.

CORPORATE

Nine Months Ended September 30,	2021	2020	Change
(C\$000s)	(\$)	(\$)	(%)
(unaudited)			
Expenses			
Operating	961	1,864	(48)
SG&A	15,159	14,089	8
	16,120	15,953	1
Operating loss ⁽¹⁾	(16,120)	(15,953)	1
% of Revenue	2.2	3.0	(27)

⁽¹⁾ Refer to "Non-GAAP Measures" on pages 25 and 26 for further information.

OPERATING LOSS

Corporate expenses during the first nine months in 2021 were \$16.1 million compared to \$16.0 million in the comparable period in 2020. The decrease in corporate operating expense was primarily due to lower personnel costs as the comparable period in 2020 included \$0.8 million of severance costs. This reduction was offset by higher professional fees and stock-based compensation expense during the first nine months of 2021. The impact of the Canada Emergency Wage Subsidy and Emergency Rent programs was consistent with the same period in 2020 with a combined reduction of \$1.2 million in each period.

DEPRECIATION

Depreciation expense during the first nine months in 2021 decreased by \$44.9 million from \$141.2 million to \$96.3 million in the same period in 2020. The decrease was primarily due to the impact of the \$227.2 million of property, plant and equipment (PP&E) impairment charges that were recorded during the first half of 2020, combined with lower sustaining capital expenditures.

FOREIGN EXCHANGE LOSSES

The Company recorded a foreign exchange loss of \$3.4 million during the first nine months in 2021 versus a loss of \$9.7 million in the comparable period in 2020. Foreign exchange gains and losses arise primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars in Canada, net monetary assets or liabilities that were held in pesos in Argentina, and liabilities held in Canadian dollars in Russia. The Company's foreign exchange loss in the first nine months in 2021 was largely attributable to net monetary assets that were held in pesos in Argentina as the peso devalued against the U.S. dollar during this period, combined with the revaluation of net monetary assets that were held in U.S. dollars as the Canadian dollar strengthened relative to the U.S. dollar.

INTEREST

The Company's interest expense of \$28.1 million in the first nine months in 2021 was \$38.3 million lower than the comparable period in 2020. The decrease in interest expense was primarily due to the significant reduction in long-term debt resulting from the Recapitalization Transaction that closed on December 18, 2020, combined with the debt exchange that was completed during the first quarter in 2020. These transactions combined to eliminate US\$650.0 million of the Company's 8.50 percent Unsecured Notes and replaced it with US\$120.0 million of Second Lien Notes bearing interest at 10.875 percent and \$59.0 million of 1.5 Lien Notes bearing interest at 10.0 percent. Interest expense in the first nine months in 2020 also included the write-off of \$4.4 million of deferred finance costs related to the portion of Unsecured Notes that were exchanged during the period.

INCOME TAXES

The Company recorded an income tax recovery of \$19.2 million in the first nine months in 2021 compared to a \$113.8 million tax expense in the comparable period in 2020. A deferred tax recovery of \$20.7 million was recorded primarily due to losses incurred in the United States and a current income tax expense of \$1.5 million resulted from current tax obligations in Russia and certain state taxes in the United States. The expense position in the first nine months in 2020 was the result of the derecognition of the Company's deferred tax asset, which resulted in a deferred tax expense of \$115.6 million.

IMPAIRMENT

Since the impairment test that was conducted as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. The impairment charge by CGU is shown in the table below.

	Nine Months Ended Sep. 30,	
	2021	2020
(C\$000s)	(\$)	(\$)
Canada	—	132,483
United States	—	15,380
Argentina	—	52,466
Russia	—	26,879
	—	227,208

In addition, the Company also carried out a comprehensive review of its inventory in 2020 to identify individual items that were permanently idle or obsolete, with potential for impairment in value. The inventory write-down by CGU was as follows:

	Nine Months Ended Sep. 30,	
	2021	2020
(C\$000s)	(\$)	(\$)
Canada	—	6,200
United States	—	10,668
Argentina	—	11,000
	—	27,868

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended Sep. 30,		Nine Months Ended Sep. 30,	
	2021	2020	2021	2020
(C\$000s)	(\$)	(\$)	(\$)	(\$)
(unaudited)				
Cash provided by (used in):				
Operating activities	(17,935)	(31,151)	(18,969)	39,418
Financing activities	21,588	(9,193)	39,273	(3,160)
Investing activities	(20,989)	(648)	(45,040)	(36,224)
Effect of exchange rate changes on cash and cash equivalents	2,714	(6,796)	949	(2,464)
Decrease in cash and cash equivalents	(14,622)	(47,788)	(23,787)	(2,430)

OPERATING ACTIVITIES

The Company's cash used by operating activities for the three months ended September 30, 2021 was \$17.9 million versus \$31.2 million during the same period in 2020. The decrease in cash used by operations was primarily due to improved operating results in all divisions, offset partially by \$40.3 million used by working capital during the third quarter compared to working capital using \$26.2 million of cash in the same period in 2020. At September 30, 2021, Calfrac's working capital was \$179.5 million, compared to \$161.4 million at December 31, 2020.

FINANCING ACTIVITIES

Net cash provided by financing activities for the three months ended September 30, 2021 was \$21.6 million compared to net cash used of \$9.2 million in the comparable period in 2020. During the three months ended September 30, 2021, the Company had net draws under its credit facilities of \$25.0 million, debt issuance costs of \$1.3 million and lease principal payments of \$2.1 million.

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

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

On June 30, 2021, the Company amended its revolving credit facility agreement, which is available on SEDAR, to reduce its total facility capacity from \$290.0 million to \$225.0 million and extended the maturity date to July 1, 2023. The amended agreement includes a \$25.0 million accordion feature that is available to the Company during the term of the agreement. The Company's Funded Debt to Adjusted EBITDA covenant is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 ("Covenant Relief Period") and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which Calfrac has requested early termination and has provided a compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end.

The facilities consist of an operating facility of \$45.0 million and a syndicated facility of \$180.0 million. The Company's credit facilities mature on July 1, 2023, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following, among others: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company's equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to \$5.0 million, subject to certain exceptions. As at September 30, 2021, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold and the Company was also subject to the additional Covenant Relief Period restrictions described herein.

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

- i. Eligible North American accounts receivable, which is based on 75 percent of accounts receivable owing by companies rated BB+ or lower by Standard & Poor's (or a similar rating agency) and 85 percent of accounts receivable from companies rated BBB- or higher;
- ii. 100 percent of unencumbered cash of the parent company and its U.S. operating subsidiary, excluding any cash held in a segregated account for a specified purpose, including a potential equity cure; and
- iii. 25 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 \$150.0 million.

At September 30, 2021, the Company had used \$0.9 million of its credit facilities for letters of credit and had \$180.0 million of borrowings under its credit facilities, leaving \$44.1 million in available capacity under its credit facilities. As described above, the Company's credit facilities are subject to a monthly borrowing base, which at September 30, 2021 was higher than the available capacity under the credit facilities. Under the terms of the Company's amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of \$15.0 million during the Covenant Relief Period.

The Company's credit facilities contain certain financial covenants. As per the amended credit facility agreement, the Company's Funded Debt to Adjusted EBITDA covenant is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at September 30, 2021.

As at September 30,	Covenant	Actual
	2021	2021
Working capital ratio not to fall below	1.15x	2.19x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	4.50x	3.20x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.24x

⁽¹⁾ Funded Debt is defined as Total Debt excluding all outstanding second lien senior notes, 1.5 lien notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).

⁽²⁾ Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

⁽³⁾ Capitalization is Total Debt plus equity.

On February 24, 2020, Calfrac executed an exchange offer of US\$120.0 million of new 10.875 percent second lien secured notes (“Second Lien Notes”) due March 15, 2026 to holders of its existing 8.50 percent senior unsecured notes (“Unsecured Notes”) due June 15, 2026. The Second Lien Notes are secured by a second lien on the same assets that secure the obligations under the Company’s credit facility and 1.5 Lien Notes. The exchange was completed at an exchange price of US\$550 for each US\$1,000 of Unsecured Notes, resulting in US\$218.2 million of Unsecured Notes being exchanged for US\$120.0 million of Second Lien Notes. The exchange resulted in reduced debt of approximately \$130.0 million and a reduction in annual debt service costs of approximately \$7.3 million.

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

- i. the Company is only permitted to use the proceeds of a common share issuance to increase Adjusted EBITDA a maximum of two times;
- ii. the Company cannot use the proceeds of a common share issuance to increase Adjusted EBITDA in consecutive quarter ends;
- iii. the maximum proceeds of each common share issuance permitted to be attributed to Adjusted EBITDA cannot exceed the greater of 50 percent of Adjusted EBITDA on a trailing four-quarter basis and \$25.0 million; and
- iv. if proceeds are not used immediately as an equity cure they must be held in a segregated bank account pending an election to use them for such purpose, and if they are removed from such account but not used as an equity cure they will no longer be eligible for such use.

To utilize an equity cure, the Company must provide notice of any such election to the lending syndicate at any time prior to the filing of its quarterly financial statements for the applicable quarter on SEDAR. Amounts used as an equity cure prior to June 30, 2023 will increase Adjusted EBITDA over the relevant twelve-month rolling period and may also serve to reduce Funded Debt unless used for other purposes.

The Company’s credit facilities also require majority lender consent for dispositions of property or assets in Canada and the United States if the aggregate market value exceeds \$20.0 million in a calendar year (\$10.0 million 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 \$50.0 million at the time of any such dispositions, Calfrac must use the resulting proceeds to reduce the advances to less than \$50.0 million before using the balance for other purposes. Also, during the Covenant Relief Period, there is an obligation to reduce advances under the credit facilities using proceeds of any disposition of property or assets that exceed \$10.0 million.

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

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

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

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

These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments in an aggregate amount of up to US\$20.0 million in the Indentures. As at September 30, 2021, the US\$20.0 million basket was not utilized. The Indentures also restrict the ability to incur additional 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 additional indebtedness. The 1.5 Lien Notes indenture includes additional restrictions on certain investments, including certain investments in subsidiary entities, however the indenture includes several exceptions to this prohibition, including a general basket of US\$10.0 million and baskets related to prepayments and certain capital build commitments which aggregate over US\$12.0 million. The 1.5 Lien Notes indenture also contains a restriction that any indebtedness incurred in excess of \$290.0 million under the credit facilities basket shall be junior in priority to the 1.5 Lien Notes.

As at September 30, 2021, the Company's Fixed Charge Coverage Ratio of 1.44:1 was below the required 2:1 ratio. Failing to meet the Fixed Charge Coverage Ratio is not an event of default under the Indentures, and the baskets highlighted in the preceding paragraph provide sufficient flexibility, subject to the additional restrictions 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.

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was \$21.0 million for the three months ended September 30, 2021 versus \$0.6 million in the comparable period in 2020. Cash outflows relating to capital expenditures during the quarter were \$21.5 million in 2021 compared to \$2.1 million during the same period in 2020. Calfrac's Board of Directors increased its 2021 Capital Budget by \$5.5 million to approximately \$61.0 million in order to support a pre-existing equipment build commitment in Argentina and acquire fracturing assets in Argentina at a significant discount to replacement cost from a competitor that was exiting that market.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the three months ended September 30, 2021 was a gain of \$2.7 million versus a loss of \$6.8 million in the same period in 2020. These gains and losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

At September 30, 2021, the Company had a cash balance of \$6.0 million.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares. Employees have been granted options to purchase common shares under the Company's shareholder-approved omnibus incentive plan. The number of shares reserved for issuance under the plan is equal to 10 percent of the Company's issued and outstanding common shares. As at October 29, 2021, the Company had issued and outstanding 37,654,207 common shares, 5,786,364 common share purchase warrants and 3,600,000 options to purchase common shares.

BUSINESS UPDATE AND OUTLOOK

Market fundamentals in the pressure pumping sector have significantly improved since the prior year, and Calfrac is well positioned to capitalize on this oilfield recovery. Compared to the third quarter of 2020, the Company's active fleet count in North America increased by over 60 percent which resulted in consolidated revenue and operating income improving by 131 percent and 345 percent, respectively. On a sequential quarter-over-quarter basis, revenue increased by more than 40 percent while operating income improved by approximately 489 percent as strong equipment utilization and a disciplined focus on cost control drove significant growth in the Company's financial performance. In North America, the tight oilfield labour market caused by the changing economy is reducing the pace of fleet activations and is resulting in the gradual tightening of the pressure pumping markets in both Canada and the United States. Although the industry has experienced widespread cost inflation over the last few quarters, Calfrac has been successful for the most part in recovering these increases in operating costs. As strengthening commodity prices translate into the significant improvement in the financial performance of the exploration and production sector, Calfrac is expecting an increase in the demand for its services in 2022 which is anticipated to drive further improvements in operating and financial performance.

CANADA

In Canada, activity during the third quarter improved from the seasonal slowdown in the second quarter despite some wet weather in central and northern Alberta that affected crew utilization during September. Although spot market pricing has experienced some positive momentum, Calfrac remains committed to operating four fracturing fleets in Canada as current economics remain below its minimum internal return on investment thresholds.

While drilling and completions activity in Canada accelerated in the third quarter, as is typical, it is expected to slow down towards year-end as annual capital budgets are exhausted by the Company's customer base. However, the Company expects that the recent strength in commodity prices will result in higher levels of operating activity in the first quarter of 2022 and tighten the fracturing completions market significantly in western Canada.

UNITED STATES

The third quarter showed significant improvement for Calfrac's operations in the United States due primarily to increased utilization across most of its operating districts. The fourth quarter of 2021 is expected to outperform the same period in 2020, but the operating and financial results will be impacted by a slow down of activity in December resulting from the exhaustion of capital by some of the Company's core clients. The Company's United States division will exit the year with nine active fracturing fleets and believes that the fundamentals for the pressuring pumping market will continue to improve in 2022 with the increase in the commodity price environment for its customers.

RUSSIA

Calfrac's Russian division continued to deliver strong financial performance during the third quarter as operating income improved on a sequential basis resulting from more consistent fracturing crew utilization combined with improved cost control. Calfrac anticipates a typical slowdown in activity during the fourth quarter due to the temporary loss of river crossings and access to the oilfield roads until ice bridges are established. However, Calfrac expects full utilization of its active equipment in 2022 and is currently working on the extensions of its fracturing and coiled tubing contracts in the fourth quarter.

ARGENTINA

Argentina's financial performance improved significantly from the second quarter primarily due to more consistent levels of activity in the Vaca Muerta shale play. The Company expects the demand for its services in this market to remain strong for the remainder of the year and into 2022.

CORPORATE

At a corporate level, Calfrac remains committed to prudently allocating capital in order to maximize free cash flow, with debt reduction being a top priority. As well, the Company will not consider any further fleet reactivation or upgrade investments until financial returns exceed internal benchmarks that properly account for macroeconomic, industry and operation-specific risk factors.

Calfrac's Board of Directors has approved a \$5.5 million increase to its 2021 capital budget to approximately \$61.0 million. This increase is to support a pre-existing equipment build commitment in Argentina and facilitate the acquisition of fracturing assets in Argentina at a significant discount to replacement cost from a competitor that was exiting that market.

NON-GAAP MEASURES

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

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

	Three Months Ended Sep.30,		Nine Months Ended Sep. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
<i>(unaudited)</i>				
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Add back (deduct):				
Depreciation	33,248	31,720	96,287	141,178
Foreign exchange losses (gains)	(2,288)	7,822	3,403	9,744
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Gain on exchange of debt	—	—	—	(130,444)
Interest	9,677	19,588	28,075	66,354
Income taxes	(3,632)	151	(19,178)	113,833
Operating income	35,623	8,009	54,606	6,400

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

	Three Months Ended Sep.30,		Nine Months Ended Sep. 30,	
	2021	2020	2021	2020
(C\$000s)			(\$)	(\$)
(unaudited)				
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Add back (deduct):				
Depreciation	33,248	31,720	96,287	141,178
Unrealized foreign exchange (gains) losses	(3,607)	5,202	(620)	4,884
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Gain on exchange of debt	—	—	—	(130,444)
Litigation settlements	—	—	(700)	—
Non-cash purchase commitment termination settlement	—	2,082	—	2,082
Restructuring charges	198	400	671	5,373
Stock-based compensation	1,079	596	1,356	1,099
Interest	9,677	19,588	28,075	66,354
Income taxes	(3,632)	151	(19,178)	113,833
Adjusted EBITDA ⁽¹⁾	35,581	8,467	51,910	10,094

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$6.5 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$13.1 million) of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16.

CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Calfrac has various contractual lease commitments related to vehicles, equipment and facilities as well as purchase obligations for products, services and property, plant and equipment as disclosed in the Company's 2020 annual consolidated financial statements.

GREEK LITIGATION

As described in note 16 to the interim consolidated financial statements, the Company and one of its Greek subsidiaries are involved in a number of legal proceedings in Greece. Management regularly evaluates the likelihood of potential liabilities being incurred and the amounts of such liabilities after careful examination of available information and discussions with its legal advisors. Management is of the view that it is improbable there will be a material financial impact to the Company as a result of these claims. Consequently, no provision was recorded in the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's consolidated financial statements for the three months ended September 30, 2021, which were prepared in accordance with IFRS. Management is required to make assumptions, judgments and estimates in the application of IFRS. Calfrac's significant accounting policies are described in note 2 to the interim consolidated financial statements.

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

Judgment is also used in the determination of the functional currency of each subsidiary and in the determination of cash-generating units.

LOSS ALLOWANCE PROVISION

The Company performs ongoing credit evaluations of its customers and grants credit based on a review of historical collection experience, current aging status, financial condition of the customer and anticipated industry conditions. In situations where the creditworthiness of a customer is uncertain, services are typically provided on receipt of cash in advance or services are declined. Customer payments are regularly monitored and a provision for doubtful accounts has been established based on the new impairment model under IFRS 9, which requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument. Calfrac's management believes that the loss allowance provision for accounts receivable, which was \$0.5 million at September 30, 2021, is adequate.

DEPRECIATION

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments included in the consolidated balance sheets, except long-term debt, approximate their carrying amounts due to the short-term maturity of those instruments. The fair value of the Second Lien Notes, as measured based on the closing market price at September 30, 2021 was \$118.4 million (December 31, 2020 – \$106.7 million). The carrying values of the revolving term loan facility and 1.5 Lien Notes approximate their fair value as the interest rate is not significantly different from current interest rates for similar loans.

IMPAIRMENT

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

As described in note 4 to the 2020 annual consolidated financial statements, the Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. As well, the Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset or CGU other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that CGU to determine if the reversal of impairment loss is supported.

Since the last impairment test that was carried out as at December 31, 2020, the Company did not identify any changes in indicators of impairment or new indicators of impairment. Therefore, no further assessment on impairment was performed as there have been no events or changes in circumstances that indicate that the carrying amount of property, plant and equipment exceeds its recoverable amount as at September 30, 2021. The Company recorded an impairment charge of \$227.2 million during the first nine months in 2020.

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. The realizability of deferred income tax assets is an estimate and requires judgments to be made by management. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The Company's business is complex and the calculation of income taxes involves many factors as well as the Company's interpretation of relevant tax legislation and regulations. During the first quarter of 2020, the Company derecognized its net deferred tax asset totaling \$113.8 million after assessing the utilization of available tax losses based on estimates of the Company's future taxable income.

GOVERNMENT SUBSIDIES

The Company adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy and Canadian Emergency Rent Subsidy programs. Government subsidies are recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that subsidy will be received. Government subsidies related

to period expenses are recorded as a reduction of related expenses. During the nine months ended September 30, 2021, the Company qualified for the Canada Emergency Wage Subsidy and Emergency Rent programs and recognized \$6.3 million as a reduction of salaries and wages expense and \$0.6 million as a reduction of rent expense.

STOCK-BASED COMPENSATION

The fair value of stock options are 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 such compensation program.

FUNCTIONAL CURRENCY

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

CASH-GENERATING UNITS

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

RELATED-PARTY TRANSACTIONS

Entities controlled by George S. Armoian, a member of the Board of Directors, and Ronald P. Mathison, the Executive 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.

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the nine months ended September 30, 2021 was \$0.7 million (nine months ended September 30, 2020 – \$1.3 million), as measured at the exchange amount, which is based on market rates at the time the lease arrangements were made.

CHANGES IN ACCOUNTING POLICIES

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

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations* to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments narrowed and clarified the definition of a business. The amendments include an election to use a concentration test. This is a simplified assessment that results in treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. The amendment makes clear that goodwill can only be recognized as a result of acquiring a business, not as a result of an asset acquisition. Adoption of the amendments are effective for business combinations that have an acquisition date on or after January 1, 2020.

In October 2018, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* 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.

In October 2018, the IASB issued amendments to IAS 16 *Property, Plant and Equipment*. The amendment changed the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Adoption of the amendment is in effect for annual periods beginning on or after January 1, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting that occurred during the interim period ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which are specifically incorporated by reference herein.

The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

ADVISORIES

FORWARD-LOOKING STATEMENTS

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

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

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: the Company's ability to continue to manage the effect of the COVID-19 pandemic on its operations; actions taken by Wilks Brothers, LLC, decisions by securities regulators and/or the courts; restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, 1.5 Lien Notes indenture and/or Second Lien Notes indenture; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure to receive any applicable regulatory, court, third party and other stakeholder approvals or decisions in respect of the Recapitalization Transaction and the court orders granting enforcement thereof; global economic conditions, the level of exploration, development and production for oil and natural gas in Canada, the United States, Argentina and Russia; the demand for fracturing and other stimulation services for

the completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; the availability of capital on satisfactory terms; direct and indirect exposure to volatile credit markets, including credit rating risk; dilution risks associated with the conversion of outstanding convertible securities and additional equity or debt financings; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; excess oilfield equipment levels; regional competition; currency exchange rate risk; risks associated with foreign operations; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; liabilities relating to legal and/or administrative proceedings; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; activist shareholder risks; social media risks; risk relating to the Plan of Arrangement; liabilities and risks associated with prior operations; the ability to integrate technological advances and match advances from competitors; intellectual property risk; third party credit risk; cybersecurity risks; greenhouse gas regulation risks; failure to realize anticipated benefits of acquisitions and dispositions. Further information about these and other risks and uncertainties may be found under "Business Risks" above.

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

ADDITIONAL INFORMATION

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

CONSOLIDATED BALANCE SHEETS

	September 30, 2021	December 31, 2020
<i>(C\$000s) (unaudited)</i>	<i>(5)</i>	<i>(5)</i>
ASSETS		
Current assets		
Cash and cash equivalents	6,043	29,830
Accounts receivable	228,636	139,486
Income taxes recoverable	1,910	1,530
Inventories	93,090	83,294
Prepaid expenses and deposits	15,217	17,050
	344,896	271,190
Non-current assets		
Property, plant and equipment (note 4)	579,960	618,488
Right-of-use assets (note 8)	23,142	22,785
Total assets	947,998	912,463
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	157,763	101,784
Current portion of lease obligations (note 8)	7,622	7,958
	165,385	109,742
Non-current liabilities		
Long-term debt (note 5)	377,728	324,633
Lease obligations (note 8)	14,277	14,013
Deferred income tax liabilities	32,778	53,841
Total liabilities	590,168	502,229
Capital stock (note 6)	800,810	800,184
Conversion rights on convertible notes (note 5)	4,765	4,873
Contributed surplus	67,342	65,986
Warrants (notes 3 and 7)	40,542	40,797
Loan receivable for purchase of common shares	(2,500)	(2,500)
Accumulated deficit	(563,903)	(509,409)
Accumulated other comprehensive income	10,774	10,303
Total equity	357,830	410,234
Total liabilities and equity	947,998	912,463

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s, except per share data) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenue (note 13)	295,754	127,776	744,640	524,714
Cost of sales (note 14)	282,443	141,429	754,149	621,154
Gross profit (loss)	13,311	(13,653)	(9,509)	(96,440)
Expenses				
Selling, general and administrative	10,936	10,058	32,172	38,338
Foreign exchange (gains) losses	(2,288)	7,822	3,403	9,744
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment (note 4)	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Gain on exchange of debt (note 5)	—	—	—	(130,444)
Interest	9,677	19,588	28,075	66,354
	18,484	36,196	64,163	239,859
Loss before income tax	(5,173)	(49,849)	(73,672)	(336,299)
Income tax expense (recovery)				
Current	662	151	1,538	228
Deferred	(4,294)	—	(20,716)	113,605
	(3,632)	151	(19,178)	113,833
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Loss per share (note 6)				
Basic	(0.04)	(17.20)	(1.45)	(155.13)
Diluted	(0.04)	(17.20)	(1.45)	(155.13)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss:				
Change in foreign currency translation adjustment	7,402	2,566	471	(623)
Comprehensive income (loss)	5,861	(47,434)	(54,023)	(450,755)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(C\$000s) (unaudited)</i>	Share Capital <i>(S)</i>	Conversion Rights on Convertible Notes	Contributed Surplus <i>(S)</i>	Warrants <i>(S)</i>	Loan Receivable for Purchase of Common Shares <i>(S)</i>	Accumulated Other Comprehensive Income (Loss) <i>(S)</i>	Accumulated Deficit <i>(S)</i>	Total Equity <i>(S)</i>
Balance – January 1, 2021	800,184	4,873	65,986	40,797	(2,500)	10,303	(509,409)	410,234
Net loss	—		—	—	—	—	(54,494)	(54,494)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	471	—	471
Comprehensive loss	—	—	—	—	—	471	(54,494)	(54,023)
Stock options:								
Stock-based compensation recognized	—	—	1,356	—	—	—	—	1,356
Conversion of 1.5 Lien Notes into shares (note 5)	281	(23)						258
Rescission of equity portion of 1.5 Lien Notes	—	(85)	—	—	—	—	—	(85)
Warrants:								
Proceeds from issuance of shares (note 7)	345	—	—	(255)	—	—	—	90
Balance – Sept. 30, 2021	800,810	4,765	67,342	40,542	(2,500)	10,774	(563,903)	357,830
Balance – January 1, 2020	509,235	—	44,316	—	(2,500)	2,746	(185,174)	368,623
Net loss	—	—	—	—	—	—	(450,132)	(450,132)
Other comprehensive income (loss):								
Cumulative translation adjustment	—	—	—	—	—	(623)	—	(623)
Comprehensive loss	—	—	—	—	—	(623)	(450,132)	(450,755)
Stock options:								
Stock-based compensation recognized	—	—	682	—	—	—	—	682
Performance share units:								
Stock-based compensation recognized	—	—	417	—	—	—	—	417
Shares issued (note 6)	1,275	—	(1,275)	—	—	—	—	—
Balance – Sept. 30, 2020	510,510	—	44,140	—	(2,500)	2,123	(635,306)	(81,033)

See accompanying notes to the interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
CASH FLOWS PROVIDED BY (USED IN)				
OPERATING ACTIVITIES				
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Adjusted for the following:				
Depreciation	33,248	31,720	96,287	141,178
Stock-based compensation	1,079	596	1,356	1,099
Unrealized foreign exchange (gains) losses	(3,607)	5,202	(620)	4,884
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment (note 4)	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Non-cash gain on exchange of debt (note 5)	—	—	—	(130,444)
Interest	9,677	19,588	28,075	66,354
Interest paid	(12,379)	(10,797)	(24,053)	(19,877)
Deferred income taxes	(4,294)	—	(20,716)	113,605
Changes in items of working capital (note 10)	(40,277)	(26,188)	(45,317)	56,884
Cash flows (used in) provided by operating activities	(17,935)	(31,151)	(18,969)	39,418
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	28,716	(1,064)	50,907	57,340
Long-term debt repayments	(5,000)	(5,000)	(6,050)	(48,727)
Lease obligation principal repayments	(2,129)	(3,129)	(5,674)	(11,773)
Proceeds on issuance of common shares from the exercising of warrants	1	—	90	—
Cash flows provided by (used in) financing activities	21,588	(9,193)	39,273	(3,160)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (note 10)	(21,530)	(2,135)	(46,988)	(39,151)
Proceeds on disposal of property, plant and equipment	275	563	923	1,591
Proceeds on disposal of right-of-use assets	266	924	1,025	1,336
Cash flows used in investing activities	(20,989)	(648)	(45,040)	(36,224)
Effect of exchange rate changes on cash and cash equivalents	2,714	(6,796)	949	(2,464)
Decrease in cash and cash equivalents	(14,622)	(47,788)	(23,787)	(2,430)
Cash and cash equivalents, beginning of period	20,665	87,920	29,830	42,562
Cash and cash equivalents, end of period	6,043	40,132	6,043	40,132

See accompanying notes to the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 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 condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent 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). They should be read in conjunction with the annual financial statements for the year ended December 31, 2020. Unless otherwise noted, the Company has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These financial statements were approved for issuance by the Board of Directors on November 1, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Income Taxes

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

3. 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 3a)	(250,867)	—	—	(250,867)
Forgiveness of accrued interest on Unsecured Notes (note 3a)	(47,272)	—	—	(47,272)
Issuance of warrants (note 3b)	—	40,797	—	40,797
Transaction and associated costs ⁽¹⁾ (notes 3h and 7)	20,815	—	—	20,815
Issuance of shares in respect of the commitment fee related to the 1.5 Lien Notes (note 3g)	—	—	10,131	10,131
Withholding taxes on shares issued in respect of commitment fee on 1.5 Lien Notes (note 3g)	—	—	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 7 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 6 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 6 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 7 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 5 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 5 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”). The briefing schedule for the Fifth Circuit Appeal has been issued by the Court and briefing is expected to conclude in the first quarter of 2022, however, the hearing dates remain to be determined. The Company believes it is well-positioned to prevail on the merits of the appeal.

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 5. Among the conditions imposed by the TSX Decision, the Company is subject to enhanced review by the TSX until at least March 2022.

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 has a right of appeal from the OSC decision to the Divisional Court branch of the Ontario Superior Court of Justice, which must be exercised within 30 days from October 6, 2021. In light of the OSC’s order and reasons, the Company believes that any possible appeal would be without merit.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment in accordance with the Company's accounting policy. The Company reviews the carrying value of its property, plant and equipment at each reporting period for indicators of impairment. Since the impairment test that was carried out as at December 31, 2020, the Company did not identify any changes in the indicators of impairment or any new indicators of impairment. 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 September 30, 2021. During the three and nine months ended September 30, 2020, the Company recorded an impairment losses by CGU as follows:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>			<i>(\$)</i>	<i>(\$)</i>
Canada	—	16,203	—	132,483
United States	—	—	—	15,380
Argentina	—	(16,203)	—	52,466
Russia	—	—	—	26,879
	—	—	—	227,208

During the third quarter of 2020, the Company identified specific assets within its CGUs in Argentina and Canada whose individual carrying amounts differed from their recoverable amounts, resulting in a reclassification of the impairment charge recorded in the second quarter of 2020 between these CGUs.

5. LONG-TERM DEBT

	September 30,	December 31,
	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
\$225,000 extendible revolving term loan facility, secured by the Canadian and U.S. assets of the Company on a first priority basis	180,000	130,000
\$58,673 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	55,006	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	152,892	152,784
Less: unamortized debt issuance costs	(10,170)	(13,322)
	377,728	324,633

The fair value of the Second Lien Notes (as defined below), as measured based on the closing market price at September 30, 2021 was \$118,441 (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 third quarter of 2021, \$277 principal amount of the 1.5 Lien Notes was converted into 207,879 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 \$258 and \$23, respectively, with a corresponding increase to share capital.

The Company also opted to pay its 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. The amended agreement includes a \$25,000 accordion feature that is available to the Company during the term of the agreement. The Company's Funded Debt to Adjusted EBITDA covenant is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021 ("Covenant Relief Period") and 3.00x for each quarter end thereafter. The Covenant Relief Period terminates on the earlier of December 31, 2021 and any prior quarter end for which the Company has requested early termination and has provided a compliance certificate to its lenders certifying compliance with all financial covenants and where the Funded Debt to Adjusted EBITDA ratio is less than 3.00x at such quarter end.

The facilities consist of an operating facility of \$45,000 and a syndicated facility of \$180,000. 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 September 30, 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 nine months ended September 30, 2021 was \$28,041 (nine months ended September 30, 2020 – \$65,376).

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

	2021
(C\$000s)	(\$)
Balance, January 1	324,633
Issuance of long-term debt, net of debt issuance costs	50,907
Long-term debt repayments	(5,965)
Conversion of 1.5 Lien Notes into shares	(258)
Amortization of compound financial instrument discount	1,058
Amortization of debt issuance costs and debt discount	7,237
Foreign exchange adjustments	116
Balance, September 30	377,728

At September 30, 2021, the Company had utilized \$932 of its loan facility for letters of credit, had \$180,000 outstanding under its revolving term loan facility, leaving \$44,068 in available credit, subject to a monthly borrowing base, which at September 30, 2021 was higher than the available capacity under the credit facilities. 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 11 for further details on the covenants in respect of the Company's long-term debt.

6. CAPITAL STOCK

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

	Nine Months Ended		Year Ended	
	September 30, 2021		December 31, 2020	
Continuity of Common Shares	Shares	Amount	Shares	Amount
	(#)	(\$000s)	(#)	(\$000s)
Balance, beginning of period	37,408,490	800,184	2,897,778	506,735
Issued upon exercise of warrants	36,317	345	—	—
Conversion of 1.5 Lien Notes into shares (note 5)	207,879	281	—	—
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 3)	—	—	33,491,870	301,427
Issued for commitment fee on 1.5 Lien Notes (note 3)	—	—	1,125,703	10,131
Shares repurchased by shareholder cash election (note 3)	—	—	(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 period	37,652,572	800,810	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.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
	(\$)	(\$)	(#)	(#)
Weighted average number of common shares outstanding				
Basic	37,635,433	2,906,240	37,497,937	2,901,718
Diluted	83,240,526	2,909,624	83,366,494	2,905,113

The difference between basic and diluted shares is attributable to: warrants issued as part of the Recapitalization Transaction as disclosed in note 3, the dilutive effect of the conversion of the 1.5 Lien Notes as disclosed in note 5, and the dilutive effect of stock options issued by the Company as disclosed in note 7.

As disclosed in note 3, 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.

7. SHARE-BASED PAYMENTS

(a) Stock Options

Nine Months Ended September 30,	2021		2020	
	Options	Average Exercise Price	Options	Average Exercise Price
Continuity of Stock Options	(#)	(\$)	(#)	(\$)
Balance, January 1	—	—	244,060	158.00
Granted	3,540,000	3.54	1,098	31.00
Forfeited	—	—	(48,232)	194.50
Expired	—	—	(3,342)	366.50
Balance, September 30	3,540,000	3.54	193,584	144.50

Stock options vest equally over three years and expire five years from the date of grant. The exercise price of outstanding options is \$3.54 with a weighted average remaining life of 4.93 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 (nine months ended September 30, 2020 – \$0.27 per option). The Company applied the following assumptions in determining the fair value of options on the date of grant:

Nine Months Ended September 30,	2021	2020
Expected life (years)	3.00	3.00
Expected volatility (%)	100.25	71.18
Risk-free interest rate (%)	0.50	0.87
Expected dividends (\$)	—	—

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

(b) Share Units

Nine Months Ended September 30,	2021		2020	
	Deferred Share Units	Deferred Share Units	Deferred Share Units	Performance Share Units
Continuity of Stock Units	(#)	(#)	(#)	(#)
Balance, January 1	2,400	2,900	25,891	
Granted	105,000	2,100	19,968	
Exercised	—	—	(5,646)	
Forfeited	—	(1,000)	(7,568)	
Balance, September 30	107,400	4,000	32,645	

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
	(\$)	(\$)	(\$)	(\$)
Expense (recovery) from:				
Stock options	1,079	418	1,356	682
Deferred share units	86	(6)	141	(138)
Performance share units	—	178	—	417
Total stock-based compensation expense	1,165	590	1,497	961

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 September 30, 2021, the liability pertaining to deferred share units was \$131 (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, 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 (\$)	—

At September 30, 2021, 36,317 warrants were exercised for total proceeds of \$90.

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

	September 30,	December 31,
	2021	2020
(C\$000s)	(\$)	(\$)
Field equipment	14,946	13,688
Buildings	8,196	9,097
	23,142	22,785

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

<i>(C\$000s)</i>	2021 <i>(\$)</i>
Balance, January 1	21,971
Additions	14,415
Disposals/retirements	(8,852)
Principal portion of payments	(5,674)
Foreign exchange adjustments	39
Balance, September 30	21,899

9. FINANCIAL INSTRUMENTS

The Company's financial instruments included in the consolidated balance sheets are comprised of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, 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 September 30, 2021 was \$118,441 and \$152,892, 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 5.

(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 September 30, 2021, the Company had a loss allowance provision for accounts receivable of \$501 (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 using the lifetime expected credit loss model, a loan loss recovery of \$1,304 was recorded during the nine months ended September 30, 2021. The expected credit loss rates are based on actual credit loss experience over the past several years for each operating segment.

The loss allowance provision for trade accounts receivable as at September 30, 2021 reconciles to the opening loss allowance provision as follows:

<i>(C\$000s)</i>	2021 <i>(\$)</i>
At January 1, 2021	1,726
Increase (decrease) in loan loss allowance recognized in statement of operations	(1,304)
Specific receivables deemed as uncollectible and written off	—
Foreign exchange adjustments	79
At September 30, 2021	501

(c) Liquidity Risk

The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities 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 11 for further details on the Company's capital structure.

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Accounts receivable	(66,196)	(24,025)	(89,150)	121,087
Inventory	(1,161)	3,848	(9,974)	11,032
Prepaid expenses and deposits	5,178	(8,400)	1,833	(13,791)
Accounts payable and accrued liabilities	22,585	2,186	52,354	(58,623)
Income taxes recoverable	(683)	203	(380)	(2,821)
	(40,277)	(26,188)	(45,317)	56,884

Purchase of property, plant and equipment is comprised of:

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Property, plant and equipment additions	(25,234)	(2,792)	(54,885)	(38,143)
Change in liabilities related to the purchase of property, plant and equipment	3,704	657	7,897	(1,008)
	(21,530)	(2,135)	(46,988)	(39,151)

11. 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 3 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	September 30, 2021	December 31, 2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Net income (loss)	71,403	(324,235)
Adjusted for the following:		
Depreciation	127,130	172,021
Foreign exchange losses	9,136	15,477
(Gain) loss on disposal of property, plant and equipment	253	24
Impairment of property, plant and equipment	—	227,208
Impairment of inventory	—	27,868
Impairment of other assets	—	507
Gain on settlement of debt	(226,319)	(226,319)
Gain on exchange of debt	—	(130,444)
Interest	52,988	91,267
Income taxes	35,612	168,623
Operating income	70,203	21,997

Net debt for this purpose is calculated as follows:

For the Twelve Months Ended	September 30, 2021	December 31, 2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Long-term debt, net of debt issuance costs and debt discount	377,728	324,633
Lease obligations	21,899	21,971
Less: cash and cash equivalents	(6,043)	(29,830)
Net debt	393,584	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 September 30, 2021, the net debt to operating income ratio was 5.61:1 (December 31, 2020 – 14.4) calculated on a 12-month trailing basis as follows:

For the Twelve Months Ended	September 30, 2021	December 31, 2020
<i>(C\$000s, except ratio)</i>	<i>(\$)</i>	<i>(\$)</i>
Net debt	393,584	316,774
Operating income	70,203	21,997
Net debt to operating income ratio	5.61	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 5, the Company's Funded Debt to Adjusted EBITDA covenant is 4.50x for the quarter ended September 30, 2021, 3.50x for the quarter ended December 31, 2021, and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at September 30, 2021.

	Covenant	Actual
	2021	2021
As at September 30,		
Working capital ratio not to fall below	1.15x	2.19x
Funded Debt to Adjusted EBITDA not to exceed ⁽¹⁾⁽²⁾	4.50x	3.20x
Funded Debt to Capitalization not to exceed ⁽¹⁾⁽³⁾	0.30x	0.24x

⁽¹⁾ Funded Debt is defined as Total Debt excluding all outstanding Second Lien Notes, 1.5 Lien Notes, and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).

⁽²⁾ Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.

⁽³⁾ Capitalization is Total Debt plus equity.

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
(C\$000s)			(\$)	(\$)
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Add back (deduct):				
Depreciation	33,248	31,720	96,287	141,178
Unrealized foreign exchange (gains) losses	(3,607)	5,202	(620)	4,884
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Gain on exchange of debt	—	—	—	(130,444)
Litigation settlements	—	—	(700)	—
Non-cash purchase commitment termination settlement	—	2,082	—	2,082
Restructuring charges	198	400	671	5,373
Stock-based compensation	1,079	596	1,356	1,099
Interest	9,677	19,588	28,075	66,354
Income taxes	(3,632)	151	(19,178)	113,833
Adjusted EBITDA ⁽¹⁾	35,581	8,467	51,910	10,094

⁽¹⁾ For bank covenant purposes, EBITDA includes the deduction of an additional \$6,536 of lease payments for the nine months ended September 30, 2021 (nine months ended September 30, 2020 – \$13,077) 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 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. 25 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 September 30, 2021, these baskets were not utilized.

The Indentures also restrict the ability to incur additional 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 additional indebtedness. 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 September 30, 2021, the Company’s Fixed Charge Coverage Ratio of 1.44:1 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.

12. RELATED-PARTY TRANSACTIONS

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

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

The Company leases certain premises from a company controlled by Ronald P. Mathison. The rent charged for these premises during the nine months ended September 30, 2021 was \$718 (nine months ended September 30, 2020 – \$1,271), 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.

13. 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)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended September 30, 2021					
Fracturing	70,254	138,429	30,845	29,274	268,802
Coiled tubing	6,030	—	2,044	7,356	15,430
Cementing	—	—	—	5,899	5,899
Product sales	290	(90)	—	—	200
Subcontractor	—	—	—	5,423	5,423
	76,574	138,339	32,889	47,952	295,754
Three Months Ended September 30, 2020					
Fracturing	39,823	46,577	26,248	5,090	117,738
Coiled tubing	4,408	—	2,282	1,608	8,298
Cementing	—	—	—	1,376	1,376
Product sales	438	(74)	—	—	364
Subcontractor	—	—	—	—	—
	44,669	46,503	28,530	8,074	127,776
Nine Months Ended September 30, 2021					
Fracturing	193,346	317,965	86,685	73,708	671,704
Coiled tubing	19,285	—	7,367	16,626	43,278
Cementing	—	—	—	16,190	16,190
Product sales	293	(25)	—	—	268
Subcontractor	—	—	—	13,200	13,200
	212,924	317,940	94,052	119,724	744,640

Nine Months Ended September 30, 2020

Fracturing	160,116	238,802	66,261	18,249	483,428
Coiled tubing	16,548	—	7,197	7,967	31,712
Cementing	—	—	—	9,132	9,132
Product sales	437	5	—	—	442
Subcontractor	—	—	—	—	—
	177,101	238,807	73,458	35,348	524,714

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.

14. PRESENTATION OF EXPENSES

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

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

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Product costs	96,090	46,256	244,396	155,531
Personnel costs	62,748	30,450	171,627	158,666
Depreciation on property, plant and equipment	31,358	28,731	91,106	130,913
Depreciation on right-of-use assets (note 8)	1,890	2,989	5,181	10,265
Other operating costs	90,357	33,003	241,839	165,779
	282,443	141,429	754,149	621,154

During the nine months ended September 30, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs and recognized \$6,924 as a reduction of salaries and wages expense (nine months ended September 30, 2020 – \$9,207), and \$465 as a reduction in rent expense (nine months ended September 30, 2020 – \$nil), respectively.

15. EMPLOYEE BENEFITS EXPENSE

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

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2021	2020	2021	2020
<i>(C\$000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Salaries and short-term employee benefits	65,278	33,983	179,796	162,305
Post-employment benefits (group retirement savings plan)	311	50	311	2,497
Share-based payments	1,165	590	1,497	961
Termination benefits	457	602	1,466	5,903
	67,211	35,225	183,070	171,666

16. 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 \$10,063 (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 \$3,258 (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 \$855 (578 euros), amounted to \$29,915 (20,212 euros) as at September 30, 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.

17. 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)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Three Months Ended September 30, 2021						
Revenue	76,574	138,339	32,889	47,952	—	295,754
Operating income (loss) ⁽¹⁾	15,070	13,775	5,977	6,391	(5,590)	35,623
Segmented assets	222,648	544,836	76,264	104,250	—	947,998
Capital expenditures	5,766	14,689	1,101	3,678	—	25,234

Three Months Ended September 30, 2020

Revenue	44,669	46,503	28,530	8,074	—	127,776
Operating income (loss) ⁽¹⁾	6,491	2,790	6,033	(3,876)	(3,429)	8,009
Segmented assets	235,234	597,025	52,975	68,972	—	954,206
Capital expenditures	1,731	1,017	—	44	—	2,792

	Canada	United States	Russia	Argentina	Corporate	Consolidated
(C\$000s)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Nine Months Ended September 30, 2021						
Revenue	212,924	317,940	94,052	119,724	—	744,640
Operating income (loss) ⁽¹⁾	34,544	8,209	12,740	15,233	(16,120)	54,606
Segmented assets	222,648	544,836	76,264	104,250	—	947,998
Capital expenditures	8,606	34,667	3,178	8,434	—	54,885

Nine Months Ended September 30, 2020

Revenue	177,101	238,807	73,458	35,348	—	524,714
Operating income (loss) ⁽¹⁾	24,794	3,026	6,487	(11,953)	(15,954)	6,400
Segmented assets	235,234	597,025	52,975	68,972	—	954,206
Capital expenditures	8,103	27,672	879	1,489	—	38,143

⁽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.

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
(C\$000s)	2021	2020	2021	2020
	(\$)	(\$)	(\$)	(\$)
Net loss	(1,541)	(50,000)	(54,494)	(450,132)
Add back (deduct):				
Depreciation	33,248	31,720	96,287	141,178
Foreign exchange (gains) losses	(2,288)	7,822	3,403	9,744
Loss (gain) on disposal of property, plant and equipment	159	(1,272)	513	284
Impairment of property, plant and equipment	—	—	—	227,208
Impairment of inventory	—	—	—	27,868
Impairment of other assets	—	—	—	507
Provision for settlement of litigation	—	—	—	(130,444)
Interest	9,677	19,588	28,075	66,354
Income taxes	(3,632)	151	(19,178)	113,833
Operating income	35,623	8,009	54,606	6,400

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

18. SEASONALITY OF OPERATIONS

Certain of the Company's Canadian and United States businesses are seasonal in nature. The lowest activity levels in these areas are typically experienced during the second quarter of the year when road weight restrictions are in place and access to well sites in Canada and North Dakota is reduced.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ronald P. Mathison

*Executive Chairman
President & Chief Executive Officer
Matco Investments Ltd.*

Douglas R. Ramsay ⁽⁴⁾

*Vice Chairman
Calfrac Well Services Ltd.*

Gregory S. Fletcher ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

*Lead Director
President Sierra Energy Inc.*

George S. Armoyan ⁽²⁾⁽³⁾

*President & CEO
Clarke Inc.*

Anuroop Duggal ⁽¹⁾⁽²⁾⁽³⁾

*Private Investor / Adjunct Professor
Columbia Business School*

Lorne A. Gartner ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Independent Businessman

Lindsay R. Link

*President & Chief Operating Officer
Calfrac Well Services Ltd.*

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

*(3) Member of the Corporate Governance
and Nominating Committee*

*(4) Member of the Health, Safety, Environment
and Quality Committee*

(5) Lead Director

OFFICERS

Ronald P. Mathison

Executive Chairman

Lindsay R. Link

President & Chief Operating Officer

Michael D. Olinek

Chief Financial Officer

Marco A. Aranguren

Director General, Argentina Division

Gordon T. Milgate

President, Canadian Division

Robert L. Sutherland

President, Russian Division

Fred L. Toney

President, United States Division

J. Michael Brown

Vice President, Technical Services

Mark R. Ellingson

Vice President, Sales & Marketing, United States Division

Chris K. Gall

Vice President, Global Supply Chain

Edward L. Oke

Vice President, Human Resources

Gary J. Rokosh

Vice President, Business Development, Canadian Division

Mark D. Rosen

Vice President, Operations, United States Division

Jeffrey I. Ellis

General Counsel

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Royal Bank of Canada

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Export Development Canada

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LEGAL COUNSEL

Bennett Jones LLP

Calgary, Alberta

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange

Common Share Trading Symbol: CFW

Warrant Trading Symbol: CFW.WT

REGISTRAR & TRANSFER AGENT

For information concerning lost share certificates and estate transfers, or for a change in share registration or address, please contact the transfer agent and registrar:

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CANADA

ALBERTA

Calgary - Corporate Head Office

Calgary - Technology Centre

Edson

Grande Prairie

Medicine Hat

Red Deer

BRITISH COLUMBIA

Dawson Creek

SASKATCHEWAN

Kindersley

UNITED STATES

ARKANSAS

Beebe

COLORADO

Denver - Regional Office

Grand Junction

NEW MEXICO

Artesia

NORTH DAKOTA

Williston

PENNSYLVANIA

Smithfield

TEXAS

Houston - Regional Office

San Antonio

RUSSIA

Moscow - Regional Office

Khanty-Mansiysk

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