

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 001-37917

Mammoth Energy Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

32-0498321
(I.R.S. Employer
Identification No.)

14201 Caliber Drive, Suite 300
Oklahoma City, Oklahoma
(Address of principal executive offices)

(405) 608-6007
(Registrant's telephone number, including area code)

73134
(Zip Code)

Securities registered pursuant to Section 12(b) of The Act:

Title of each class
Common Stock

Trading Symbol(s)
TUSK

Name of each exchange on which registered
The Nasdaq Stock Market LLC
NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 26, 2023, there were 47,713,342 shares of common stock, \$0.01 par value, outstanding.

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GLOSSARY OF OIL AND NATURAL GAS AND ELECTRICAL INFRASTRUCTURE TERMS

The following is a glossary of certain oil and natural gas and natural sand proppant industry terms used in this Quarterly Report on Form 10-Q (this “report” or “Quarterly Report”):

Acidizing	To pump acid into a wellbore to improve a well’s productivity or injectivity.
Blowout	An uncontrolled flow of reservoir fluids into the wellbore, and sometimes catastrophically to the surface. A blowout may consist of salt water, oil, natural gas or a mixture of these. Blowouts can occur in all types of exploration and production operations, not just during drilling operations. If reservoir fluids flow into another formation and do not flow to the surface, the result is called an underground blowout. If the well experiencing a blowout has significant open-hole intervals, it is possible that the well will bridge over (or seal itself with rock fragments from collapsing formations) down-hole and intervention efforts will be averted.
Bottomhole assembly	The lower portion of the drillstring, consisting of (from the bottom up in a vertical well) the bit, bit sub, a mud motor (in certain cases), stabilizers, drill collar, heavy-weight drillpipe, jarring devices (“jars”) and crossovers for various threadforms. The bottomhole assembly must provide force for the bit to break the rock (weight on bit), survive a hostile mechanical environment and provide the driller with directional control of the well. Oftentimes the assembly includes a mud motor, directional drilling and measuring equipment, measurements-while-drilling tools, logging-while-drilling tools and other specialized devices.
Cementing	To prepare and pump cement into place in a wellbore.
Coiled tubing	A long, continuous length of pipe wound on a spool. The pipe is straightened prior to pushing into a wellbore and rewound to coil the pipe back onto the transport and storage spool. Depending on the pipe diameter (1 in. to 4 1/2 in.) and the spool size, coiled tubing can range from 2,000 ft. to 23,000 ft. (610 m to 6,096 m) or greater length.
Completion	A generic term used to describe the assembly of down-hole tubulars and equipment required to enable safe and efficient production from an oil or gas well. The point at which the completion process begins may depend on the type and design of the well.
Directional drilling	The intentional deviation of a wellbore from the path it would naturally take. This is accomplished through the use of whipstocks, bottomhole assembly (BHA) configurations, instruments to measure the path of the wellbore in three-dimensional space, data links to communicate measurements taken down-hole to the surface, mud motors and special BHA components and drill bits, including rotary steerable systems, and drill bits. The directional driller also exploits drilling parameters such as weight on bit and rotary speed to deflect the bit away from the axis of the existing wellbore. In some cases, such as drilling steeply dipping formations or unpredictable deviation in conventional drilling operations, directional-drilling techniques may be employed to ensure that the hole is drilled vertically. While many techniques can accomplish this, the general concept is simple: point the bit in the direction that one wants to drill. The most common way is through the use of a bend near the bit in a down-hole steerable mud motor. The bend points the bit in a direction different from the axis of the wellbore when the entire drillstring is not rotating. By pumping mud through the mud motor, the bit turns while the drillstring does not rotate, allowing the bit to drill in the direction it points. When a particular wellbore direction is achieved, that direction may be maintained by rotating the entire drillstring (including the bent section) so that the bit does not drill in a single direction off the wellbore axis, but instead sweeps around and its net direction coincides with the existing wellbore. Rotary steerable tools allow steering while rotating, usually with higher rates of penetration and ultimately smoother boreholes.
Down-hole	Pertaining to or in the wellbore (as opposed to being on the surface).
Down-hole motor	A drilling motor located in the drill string above the drilling bit powered by the flow of drilling mud. Down-hole motors are used to increase the speed and efficiency of the drill bit or can be used to steer the bit in directional drilling operations. Drilling motors have become very popular because of horizontal and directional drilling applications and the day rates for drilling rigs.
Drilling rig	The machine used to drill a wellbore.
Drillpipe or Drill pipe	Tubular steel conduit fitted with special threaded ends called tool joints. The drillpipe connects the rig surface equipment with the bottomhole assembly and the bit, both to pump drilling fluid to the bit and to be able to raise, lower and rotate the bottomhole assembly and bit.
Drillstring or Drill string	The combination of the drillpipe, the bottomhole assembly and any other tools used to make the drill bit turn at the bottom of the wellbore.
Flowback	The process of allowing fluids to flow from the well following a treatment, either in preparation for a subsequent phase of treatment or in preparation for cleanup and returning the well to production.
Horizontal drilling	A subset of the more general term “directional drilling,” used where the departure of the wellbore from vertical exceeds about 80 degrees. Note that some horizontal wells are designed such that after reaching true 90-degree horizontal, the wellbore may actually start drilling upward. In such cases, the angle past 90 degrees is continued, as in 95 degrees, rather than reporting it as deviation from vertical, which would then be 85 degrees. Because a horizontal well typically penetrates a greater length of the reservoir, it can offer significant production improvement over a vertical well.
Hydraulic fracturing	A stimulation treatment routinely performed on oil and gas wells in low permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing a vertical fracture to open. The wings of the fracture extend away from the wellbore in opposing directions according to the natural stresses within the formation. Proppant, such as grains of sand of a particular size, is mixed with the treatment fluid to keep the fracture open when the treatment is complete. Hydraulic fracturing creates high-conductivity communication with a large area of formation and bypasses any damage that may exist in the near-wellbore area.

Hydrocarbon	A naturally occurring organic compound comprising hydrogen and carbon. Hydrocarbons can be as simple as methane, but many are highly complex molecules, and can occur as gases, liquids or solids. Petroleum is a complex mixture of hydrocarbons. The most common hydrocarbons are natural gas, oil and coal.
Mesh size	The size of the proppant that is determined by sieving the proppant through screens with uniform openings corresponding to the desired size of the proppant. Each type of proppant comes in various sizes, categorized as mesh sizes, and the various mesh sizes are used in different applications in the oil and natural gas industry. The mesh number system is a measure of the number of equally sized openings per square inch of screen through which the proppant is sieved.
Mud motors	A positive displacement drilling motor that uses hydraulic horsepower of the drilling fluid to drive the drill bit. Mud motors are used extensively in directional drilling operations.
Natural gas liquids	Components of natural gas that are liquid at surface in field facilities or in gas processing plants. Natural gas liquids can be classified according to their vapor pressures as low (condensate), intermediate (natural gasoline) and high (liquefied petroleum gas) vapor pressure.
Nitrogen pumping unit	A high-pressure pump or compressor unit capable of delivering high-purity nitrogen gas for use in oil or gas wells. Two basic types of units are commonly available: a nitrogen converter unit that pumps liquid nitrogen at high pressure through a heat exchanger or converter to deliver high-pressure gas at ambient temperature, and a nitrogen generator unit that compresses and separates air to provide a supply of high pressure nitrogen gas.
Plugging	The process of permanently closing oil and gas wells no longer capable of producing in economic quantities. Plugging work can be performed with a well servicing rig along with wireline and cementing equipment; however, this service is typically provided by companies that specialize in plugging work.
Plug	A down-hole packer assembly used in a well to seal off or isolate a particular formation for testing, acidizing, cementing, etc.; also a type of plug used to seal off a well temporarily while the wellhead is removed.
Pounds per square inch	A unit of pressure. It is the pressure resulting from a one pound force applied to an area of one square inch.
Pressure pumping	Services that include the pumping of liquids under pressure.
Producing formation	An underground rock formation from which oil, natural gas or water is produced. Any porous rock will contain fluids of some sort, and all rocks at considerable distance below the Earth's surface will initially be under pressure, often related to the hydrostatic column of ground waters above the reservoir. To produce, rocks must also have permeability, or the capacity to permit fluids to flow through them.
Proppant	Sized particles mixed with fracturing fluid to hold fractures open after a hydraulic fracturing treatment. In addition to naturally occurring sand grains, man-made or specially engineered proppants, such as resin-coated sand or high-strength ceramic materials like sintered bauxite, may also be used. Proppant materials are carefully sorted for size and sphericity to provide an efficient conduit for production of fluid from the reservoir to the wellbore.
Resource play	Accumulation of hydrocarbons known to exist over a large area.
Shale	A fine-grained, fissile, sedimentary rock formed by consolidation of clay- and silt-sized particles into thin, relatively impermeable layers.
Tight oil	Conventional oil that is found within reservoirs with very low permeability. The oil contained within these reservoir rocks typically will not flow to the wellbore at economic rates without assistance from technologically advanced drilling and completion processes. Commonly, horizontal drilling coupled with multistage fracturing is used to access these difficult to produce reservoirs.
Tight sands	A type of unconventional tight reservoir. Tight reservoirs are those which have low permeability, often quantified as less than 0.1 millidarcies.
Tubulars	A generic term pertaining to any type of oilfield pipe, such as drill pipe, drill collars, pup joints, casing, production tubing and pipeline.
Unconventional resource/unconventional well	A term for the different manner by which resources are exploited as compared to the extraction of conventional resources. In unconventional drilling, the wellbore is generally drilled to specific objectives within narrow parameters, often across long, lateral intervals within narrow horizontal formations offering greater contact area with the producing formation. Typically, the well is then hydraulically fractured at multiple stages to optimize production.
Wellbore	The physical conduit from surface into the hydrocarbon reservoir.
Well stimulation	A treatment performed to restore or enhance the productivity of a well. Stimulation treatments fall into two main groups, hydraulic fracturing treatments and matrix treatments. Fracturing treatments are performed above the fracture pressure of the reservoir formation and create a highly conductive flow path between the reservoir and the wellbore. Matrix treatments are performed below the reservoir fracture pressure and generally are designed to restore the natural permeability of the reservoir following damage to the near wellbore area. Stimulation in shale gas reservoirs typically takes the form of hydraulic fracturing treatments.
Wireline	A general term used to describe well-intervention operations conducted using single-strand or multi-strand wire or cable for intervention in oil or gas wells. Although applied inconsistently, the term commonly is used in association with electric logging and cables incorporating electrical conductors.
Workover	The process of performing major maintenance or remedial treatments on an oil or gas well. In many cases, workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location. Through-tubing workover operations, using coiled tubing, snubbing or slickline equipment, are routinely conducted to complete treatments or well service activities that avoid a full workover where the tubing is removed. This operation saves considerable time and expense.

The following is a glossary of certain electrical infrastructure industry terms used in this report:

Distribution	The distribution of electricity from the transmission system to individual customers.
Substation	A part of an electrical transmission and distribution system that transforms voltage from high to low, or the reverse.
Transmission	The movement of electrical energy from a generating site, such as a power plant, to an electric substation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. In particular, the factors discussed in this report and detailed under Part II, Item 1A. Risk Factors in this report and our Annual Report on Form 10-K for the year ended December 31, 2022 could affect our actual results and cause our actual results to differ materially from expectations, estimates or assumptions expressed, forecasted or implied in such forward-looking statements.

Forward-looking statements may include statements about:

- the levels of capital expenditures by our customers and the impact of reduced drilling and completions activity on utilization and pricing for our oilfield services;
- the volatility of oil and natural gas prices and actions by OPEC members and other oil exporting nations, or OPEC+, affecting commodity price and production levels;
- any continuing impacts of the COVID-19 pandemic on Mammoth's results of operations, financial condition or demand for Mammoth's services;
- operational challenges relating to continuing efforts to prevent or mitigate the spread of COVID-19, including logistical challenges, remote work arrangements and protecting the health, safety and well-being of Mammoth's employees;
- employee retention and increasingly competitive labor market;
- the performance of contracts and supply chain disruptions during or following the COVID-19 pandemic;
- general economic, business or industry conditions and concerns over a potential economic slowdown or recession;
- conditions in the capital, financial and credit markets;
- conditions of U.S. oil and natural gas industry and the effect of U.S. energy, monetary and trade policies;
- U.S. and global economic conditions and political and economic developments, including the energy and environmental policies;
- inflationary pressure on the cost of services, equipment and other goods in our industries and other sectors;
- our ability to obtain capital or financing needed for our operations on favorable terms or at all;
- our ability to (i) continue to comply with or, if applicable, obtain a waiver of forecasted or actual non-compliance with certain financial covenants from our lenders and comply with other terms and conditions under our amended revolving credit facility, as amended, (ii) extend, repay or refinance our revolving credit facility at or prior to maturity on the terms acceptable to us or at all and (iii) meet our financial projections associated with reducing our debt;
- our ability to execute our business and financial strategies;
- our ability to continue to grow our infrastructure services segment or recommence certain of our suspended oilfield services;
- any loss of one or more of our significant customers and its impact on our revenue, financial condition and results of operations;
- asset impairments;
- our ability to identify, complete and integrate acquisitions of assets or businesses;
- our ability to receive, or delays in receiving, permits and governmental approvals and/or payments, and to comply with applicable governmental laws and regulations;
- the results of litigation relating to the contracts awarded to our subsidiary Cobra Acquisitions LLC, or Cobra, by the Puerto Rico Electric Power Authority, or PREPA;
- the outcome of our ongoing efforts to collect the outstanding amounts owed to us by PREPA for electric grid restoration services performed by Cobra in Puerto Rico;
- any future litigation, indemnity or other claims;
- regional supply and demand factors, delays or interruptions of production, and any governmental order, rule or regulation that may impose production limits on our customers;
- shortages, delays in delivery and interruptions in supply of major components, replacement parts, or other equipment, supplies or materials;
- the availability of transportation, pipeline and storage facilities and any increase in related costs;
- extreme weather conditions in areas where we provide well completion, drilling and infrastructure services;
- access to and restrictions on use of sourced or produced water;
- technology;
- civil unrest, war, military conflicts or terrorist attacks;
- cybersecurity issues as digital technologies may become more vulnerable and experience a higher rate of cyberattacks due to increased use of remote connectivity in the workplace;

- competition within the energy services industry;
- availability of equipment, materials or skilled personnel or other labor resources;
- payment of any future dividends;
- future operating results; and
- capital expenditures and other plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this quarterly report, are forward-looking statements. These forward-looking statements may be found in the “Business,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and other sections of this quarterly report. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “would,” “expect,” “plan,” “project,” “budget,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target,” “seek,” “objective,” “continue,” “will be,” “will benefit,” or “will continue,” the negative of such terms or other comparable terminology.

The forward-looking statements contained in this report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors, which are difficult to predict and many of which are beyond our control. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, our management’s assumptions about future events may prove to be inaccurate. Our management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to many factors including those described in our Annual Report on Form 10-K for the year ended December 31, 2022 and Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report. All forward-looking statements speak only as of the date of this report. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

MAMMOTH ENERGY SERVICES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
ASSETS

	March 31, 2023	December 31, 2022
(in thousands)		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,727	\$ 17,282
Accounts receivable, net	475,582	456,465
Receivables from related parties, net	115	223
Inventories	10,230	8,883
Prepaid expenses	10,056	13,219
Other current assets	581	620
Total current assets	<u>508,291</u>	<u>496,692</u>
Property, plant and equipment, net	132,529	138,066
Sand reserves	61,830	61,830
Operating lease right-of-use assets	11,907	10,656
Intangible assets, net	1,587	1,782
Goodwill	11,717	11,717
Other non-current assets	3,635	3,935
Total assets	<u>\$ 731,496</u>	<u>\$ 724,678</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 57,174	\$ 47,391
Accrued expenses and other current liabilities	38,485	52,297
Current operating lease liability	5,858	5,447
Current portion of long-term debt	84,614	83,520
Income taxes payable	51,588	48,557
Total current liabilities	<u>237,719</u>	<u>237,212</u>
Deferred income tax liabilities	444	471
Long-term operating lease liability	5,772	4,913
Asset retirement obligations	4,017	3,981
Other long-term liabilities	12,846	15,485
Total liabilities	<u>260,798</u>	<u>262,062</u>
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
Equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 47,713,342 and 47,312,270 issued and outstanding at March 31, 2023 and December 31, 2022	477	473
Additional paid in capital	538,862	539,138
Accumulated deficit	(64,803)	(73,154)
Accumulated other comprehensive loss	(3,838)	(3,841)
Total equity	<u>470,698</u>	<u>462,616</u>
Total liabilities and equity	<u>\$ 731,496</u>	<u>\$ 724,678</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	Three Months Ended March 31,	
	2023	2022
(in thousands, except per share amounts)		
REVENUE		
Services revenue	\$ 103,637	\$ 53,667
Services revenue - related parties	220	274
Product revenue	12,463	8,357
Total revenue	116,320	62,298
COST AND EXPENSES		
Services cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$ 11,762 and \$ 15,355, respectively, for the three months ended March 31, 2023 and 2022)	80,977	46,567
Services cost of revenue - related parties (exclusive of depreciation, depletion, amortization and accretion of \$ 0 and \$ 0, respectively, for the three months ended March 31, 2023 and 2022)	31	135
Product cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$ 1,186 and \$ 1,792, respectively, for the three months ended March 31, 2023 and 2022)	7,985	7,778
Selling, general and administrative (Note 11)	8,383	8,668
Depreciation, depletion, amortization and accretion	12,956	17,167
Gains on disposal of assets, net	(361)	(196)
Total cost and expenses	109,971	80,119
Operating income (loss)	6,349	(17,821)
OTHER INCOME (EXPENSE)		
Interest expense, net	(3,289)	(2,349)
Other income, net	8,624	9,041
Total other income, net	5,335	6,692
Income (loss) before income taxes	11,684	(11,129)
Provision for income taxes	3,333	3,688
Net income (loss)	\$ 8,351	\$ (14,817)
OTHER COMPREHENSIVE INCOME (LOSS)		
Foreign currency translation adjustment, net of tax of \$0 and \$0, respectively, for the three months ended March 31, 2023 and 2022)	3	198
Comprehensive income (loss)	\$ 8,354	\$ (14,619)
Net income (loss) per share (basic) (Note 14)	\$ 0.18	\$ (0.32)
Net income (loss) per share (diluted) (Note 14)	\$ 0.17	\$ (0.32)
Weighted average number of shares outstanding (basic) (Note 14)	47,443	46,845
Weighted average number of shares outstanding (diluted) (Note 14)	48,002	46,845

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

Three Months Ended March 31, 2023						
	Common Stock		Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2022	47,312	\$ 473	\$ (73,154)	\$ 539,138	\$ (3,841)	462,616
Stock based compensation	567	6	—	641	—	647
Shares repurchased	(166)	(2)	—	(917)	—	(919)
Net income	—	—	8,351	—	—	8,351
Other comprehensive income	—	—	—	—	3	3
Balance at March 31, 2023	47,713	\$ 477	\$ (64,803)	\$ 538,862	\$ (3,838)	470,698

Three Months Ended March 31, 2022						
	Common Stock		Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2021	46,684	\$ 467	\$ (72,535)	\$ 538,221	\$ (2,931)	463,222
Stock based compensation	500	5	—	236	—	241
Net loss	—	—	(14,817)	—	—	(14,817)
Other comprehensive income	—	—	—	—	198	198
Balance at March 31, 2022	47,184	\$ 472	\$ (87,352)	\$ 538,457	\$ (2,733)	448,844

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 8,351	\$ (14,817)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Stock based compensation	647	241
Depreciation, depletion, accretion and amortization	12,956	17,167
Amortization of debt origination costs	188	186
Bad debt recoveries	(381)	(99)
Gains on disposal of assets	(361)	(196)
Gains from sales of equipment damaged or lost down-hole	—	(397)
Deferred income taxes	(27)	3,481
Other	174	535
Changes in assets and liabilities:		
Accounts receivable, net	(18,643)	(3,898)
Receivables from related parties, net	109	(225)
Inventories	(1,347)	(1,992)
Prepaid expenses and other assets	3,203	3,404
Accounts payable	8,602	1,041
Accrued expenses and other liabilities	(13,262)	(7,013)
Income taxes payable	3,031	201
Net cash provided by (used in) operating activities	<u>3,240</u>	<u>(2,381)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(6,036)	(1,182)
Proceeds from disposal of property and equipment	330	1,038
Net cash used in investing activities	<u>(5,706)</u>	<u>(144)</u>
Cash flows from financing activities:		
Borrowings on long-term debt	66,700	37,550
Repayments of long-term debt	(65,606)	(35,317)
Payments on sale leaseback transaction	(1,214)	(868)
Principal payments on financing leases and equipment financing notes	(2,044)	(629)
Other	(919)	—
Net cash (used in) provided by financing activities	<u>(3,083)</u>	<u>736</u>
Effect of foreign exchange rate on cash	(6)	8
Net change in cash and cash equivalents	(5,555)	(1,781)
Cash and cash equivalents at beginning of period	17,282	9,899
Cash and cash equivalents at end of period	<u>\$ 11,727</u>	<u>\$ 8,118</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,108	\$ 1,754
Cash paid for income taxes, net of refunds received	\$ (26)	\$ 6
Supplemental disclosure of non-cash transactions:		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 5,917	\$ 1,707

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization and Nature of Business

Mammoth Energy Services, Inc. (“Mammoth Inc.,” “Mammoth” or the “Company”), together with its subsidiaries, is an integrated, growth-oriented company serving both the oil and gas and the electric utility industries in North America and US territories. Mammoth Inc.’s infrastructure division provides engineering, design, construction, upgrade, maintenance and repair services to various public and private owned utilities. Its oilfield services division provides a diversified set of services to the exploration and production industry including well completion, natural sand and proppant and drilling services. Additionally, the Company provides aviation services, equipment rentals, remote accommodation services and equipment manufacturing. The Company was incorporated in Delaware in June 2016.

Operations

The Company’s well completion services include equipment and personnel used in connection with the completion and early production of oil and natural gas wells. The Company’s infrastructure services include engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry as well as repair and restoration services in response to storms and other disasters. The Company’s natural sand proppant services include the distribution and production of natural sand proppant that is used primarily for hydraulic fracturing in the oil and gas industry. The Company’s drilling services provide drilling rigs and directional tools for both vertical and horizontal drilling of oil and natural gas wells. The Company also provides other services, including aviation, equipment rentals, remote accommodations and equipment manufacturing.

The Company’s operations are concentrated in North America. The Company operates its oil and natural gas businesses in the Permian Basin, the Utica Shale, the Eagle Ford Shale, the Marcellus Shale, the Granite Wash, the SCOOP, the STACK, the Cana-Woodford Shale, the Cleveland Sand and the oil sands located in Northern Alberta, Canada. The Company’s oil and natural gas business depends in large part on the conditions in the oil and natural gas industry and, specifically, on the amount of capital spending by its customers. Any prolonged increase or decrease in oil and natural gas prices affects the levels of exploration, development and production activity, as well as the entire health of the oil and natural gas industry. Decreases in the commodity prices for oil and natural gas would have a material adverse effect on the Company’s results of operations and financial condition. During the periods presented in this report, the Company provided its infrastructure services primarily in the northeastern, southwestern, midwestern and western portions of the United States. The Company’s infrastructure business depends on infrastructure spending on maintenance, upgrade, expansion and repair and restoration. Any prolonged decrease in spending by electric utility companies, delays or reductions in government appropriations or the failure of customers to pay their receivables could have a material adverse effect on the Company’s results of operations and financial condition.

2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries and the variable interest entities (“VIE”) for which the Company is the primary beneficiary. All material intercompany accounts and transactions have been eliminated.

This report has been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, and reflects all adjustments, which in the opinion of management are necessary for the fair presentation of the results for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a normal, recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the summary of significant accounting policies and notes thereto included in the Company’s most recent annual report on Form 10-K.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. Previously, the Company included gains and losses on disposal of assets within Other income (expense), net

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on the unaudited condensed consolidated statements of comprehensive income (loss). The Company now presents gains and losses on disposal of assets as a separate line titled "Gains on disposal of assets, net".

Accounts Receivable

Accounts receivable include amounts due from customers for services performed or goods sold. The Company grants credit to customers in the ordinary course of business and generally does not require collateral. Prior to granting credit to customers, the Company analyzes the potential customer's risk profile by utilizing a credit report, analyzing macroeconomic factors and using its knowledge of the industry, among other factors. Most areas in the continental United States in which the Company operates provide for a mechanic's lien against the property on which the service is performed if the lien is filed within the statutorily specified time frame. Customer balances are generally considered delinquent if unpaid by the 30th day following the invoice date and credit privileges may be revoked if balances remain unpaid. Interest on delinquent accounts receivable is recognized in other income when chargeable and collectability is reasonably assured.

During the period October 2017 through March 2019, the Company provided infrastructure services in Puerto Rico under master services agreements entered into by Cobra Acquisitions LLC ("Cobra"), one of the Company's subsidiaries, with the Puerto Rico Electric Power Authority ("PREPA") to perform repairs to PREPA's electrical grid as a result of Hurricane Maria. During the three months ended March 31, 2023 and 2022, the Company charged interest on delinquent accounts receivable pursuant to the terms of its agreements with PREPA totaling \$11.2 million and \$9.9 million, respectively. These amounts are included in "other income, net" on the unaudited condensed consolidated statements of comprehensive income (loss). Included in "accounts receivable, net" on the unaudited condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022 were interest charges of \$163.2 million and \$152.0 million, respectively.

The Company regularly reviews receivables and provides for expected losses through an allowance for doubtful accounts. In evaluating the level of established reserves, the Company makes judgments regarding its customers' ability to make required payments, economic events and other factors. As the financial condition of customers changes, circumstances develop, or additional information becomes available, adjustments to the allowance for doubtful accounts may be required. In the event the Company expects that a customer may not be able to make required payments, the Company would increase the allowance through a charge to income in the period in which that determination is made. If it is determined that previously reserved amounts are collectible, the Company would decrease the allowance through a credit to income in the period in which that determination is made. Uncollectible accounts receivable are periodically charged against the allowance for doubtful accounts once a final determination is made regarding their collectability.

Following is a roll forward of the allowance for doubtful accounts for the year ended December 31, 2022 and the three months ended March 31, 2023 (in thousands):

Balance, January 1, 2022	\$	18,085
Additions charged to bad debt expense		3,550
Recoveries of receivables previously charged to bad debt expense		(161)
Deductions for uncollectible receivables written off		(17,887)
Balance, December 31, 2022		3,587
Additions charged to bad debt expense		33
Additions charged to revenue		39
Deductions for uncollectible receivables written off		(2)
Balance, March 31, 2023	\$	3,657

During the three months ended March 31, 2023 and 2022, the Company has made specific reserves consistent with Company policy which resulted in nominal additions to allowance for doubtful accounts. These additions were charged to bad debt expense based on the factors described above.

PREPA

As of March 31, 2023, PREPA owed Cobra approximately \$27.0 million for services performed, excluding \$163.2 million of interest charged on these delinquent balances. PREPA is currently subject to bankruptcy proceedings, which

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were filed in July 2017 and are currently pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations is largely dependent upon funding from the Federal Emergency Management Agency ("FEMA") or other sources. On September 30, 2019, Cobra filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to Cobra by PREPA, which motion was stayed by the Court. On March 25, 2020, Cobra filed an urgent motion to modify the stay order and allow the recovery of approximately \$61.7 million in claims related to a tax gross-up provision contained in the emergency master service agreement, as amended, that was entered into with PREPA on October 19, 2017. This emergency motion was denied on June 3, 2020 and the Court extended the stay of our motion. On December 9, 2020, the Court again extended the stay of our motion and directed PREPA to file a status report by June 7, 2021. On April 6, 2021, Cobra filed a motion to lift the stay order. Following this filing, PREPA initiated discussion with Cobra, which resulted in PREPA and Cobra filing a joint motion to adjourn all deadlines relative to the April 6, 2021 motion until the June 16, 2021 omnibus hearing as a result of PREPA's understanding that FEMA would be releasing a report in the near future relating to the emergency master service agreement between PREPA and Cobra that was executed on October 19, 2017. The joint motion was granted by the Court on April 14, 2021. On May 26, 2021, FEMA issued a Determination Memorandum related to the first contract between Cobra and PREPA in which, among other things, FEMA raised two contract compliance issues and, as a result, concluded that approximately \$47 million in costs were not authorized costs under the contract. On June 14, 2021, the Court issued an order adjourning Cobra's motion to lift the stay order to a hearing on August 4, 2021 and directing Cobra and PREPA to meet and confer in good faith concerning, among other things, (i) the May 26, 2021 Determination Memorandum issued by FEMA and (ii) whether and when a second determination memorandum is expected. The parties were further directed to file an additional status report, which was filed on July 20, 2021. On July 23, 2021, with the aid of Mammoth, PREPA filed an appeal of the entire \$47 million that FEMA de-obligated in the May 26, 2021 Determination Memorandum. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$24.4 million are eligible for funding. On August 4, 2021, the Court denied Cobra's April 6, 2021 motion to lift the stay order, extended the stay of our motion seeking recovery of amounts owed to Cobra and directed the parties to file an additional joint status report, which was filed on January 22, 2022. On January 26, 2022, the Court extended the stay and directed the parties to file a further status report by July 25, 2022. On June 7, 2022, Cobra filed a motion to lift the stay order. On June 29, 2022 the Court denied Cobra's motion and extended the stay to January 2023. On November 21, 2022, FEMA issued a Determination Memorandum related to the 100% federal funded portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$5.6 million in costs were not authorized costs under the contract. On December 21, 2022, FEMA issued a Determination Memorandum related to the 90% federal cost share portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$68.1 million in costs were not authorized costs under the contract. PREPA filed a first-level administrative appeal of the November 21, 2022 Determination Memorandum and has indicated that they will review the December 21, 2022 Determination Memorandums and, to the extent they feel plausible, file a first-level administrative appeal of the unauthorized amounts. On January 7, 2023, Cobra and PREPA filed a joint status report with the Court, in which PREPA requested that the Court continue the stay through July 31, 2023 and Cobra requested that the stay be lifted. On January 18, 2023, the Court entered an order extending the stay and directing the parties to file a further status report addressing (i) the status of any administrative appeals in connection with the November and December determination memorandums regarding the second contract, (ii) the status of the criminal case against the former Cobra president and the FEMA official that concluded in December 2022, and (iii) a summary of the outstanding and unpaid amounts arising from the first and second contracts and whether PREPA disputes Cobra's entitlement to these amounts with the Court by July 31, 2023.

On January 20, 2023, Cobra submitted a certified claim for approximately \$379 million to FEMA pursuant to the federal Contract Disputes Act. On February 1, 2023, FEMA notified Cobra that it had reviewed the claim and determined that no contract, expressed or implied, exists between FEMA and Cobra. On March 27, 2023, Cobra was notified that FEMA had approved \$233 million in Cobra invoices related to the December 21, 2022 Determination Memorandum. The 90% federal cost share of this approved amount was \$210 million, which was obligated and made available for draw down on March 27, 2023. Of this \$210 million, approximately \$99 million has been represented by both PREPA and FEMA as intended to pay Cobra for outstanding invoices and the remaining \$111 million is a reimbursement to PREPA for payments already made on Cobra invoices. On March 29, 2023, Cobra filed a notice of appeal with the Civilian Board of Contract Appeals related to the certified claim submitted in January 2023. On April 25, 2023, FEMA filed a motion to dismiss Cobra's appeal alleging lack of jurisdiction.

The Company believes all amounts charged to PREPA, including interest charged on delinquent accounts receivable, were in accordance with the terms of the contracts. Further, there have been multiple reviews prepared by or on behalf of FEMA that have concluded that the amounts Cobra charged PREPA were reasonable, that PREPA adhered to Puerto Rican legal statutes regarding emergency situations, and that PREPA engaged in a reasonable procurement process. The

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Company believes these receivables are collectible and no allowance was deemed necessary at March 31, 2023 or December 31, 2022. However, in the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to the Company or (iii) otherwise does not pay amounts owed to the Company for services performed, the receivable may not be collectible.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents in excess of federally insured limits and trade receivables. Following is a summary of our significant customers based on percentages of total accounts receivable balances at March 31, 2023 and December 31, 2022 and percentages of total revenues derived for the three months ended March 31, 2023 and 2022:

	REVENUES		ACCOUNTS RECEIVABLE	
	Three Months Ended March 31,		At March 31,	At December 31,
	2023	2022	2023	2022
Customer A ^(a)	— %	— %	82 %	83 %
Customer B ^(b)	16 %	2 %	3 %	— %
Customer C ^(c)	9 %	25 %	2 %	— %

- a. Customer A is a third-party customer. Revenues and the related accounts receivable balances earned from Customer A were derived from the Company's infrastructure services segment. Accounts receivable for Customer A also includes receivables due for interest charged on delinquent accounts receivable.
- b. Customer B is a third-party customer. Revenues and the related accounts receivable balances earned from Customer B were derived from the Company's well completion services segment.
- c. Customer C is a third-party customer. Revenues and the related accounts receivable balances earned from Customer C were derived from the Company's well completion services segment.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, amounts receivable or payable to related parties and debt. The carrying amount of cash and cash equivalents, trade receivables, receivables from related parties and trade payables approximates fair value because of the short-term nature of the instruments. The fair value of debt approximates its carrying value because the cost of borrowing fluctuates based upon market conditions.

3. Revenue

The Company's primary revenue streams include infrastructure services, well completion services, natural sand proppant services, drilling services and other services, which includes aviation, equipment rentals, remote accommodations and equipment manufacturing. See Note 19 for the Company's revenue disaggregated by type.

Certain of the Company's customer contracts include provisions entitling the Company to a termination penalty when the customer invokes its contractual right to terminate prior to the contract's nominal end date. The termination penalties in the customer contracts vary, but are generally considered substantive for accounting purposes and create enforceable rights and obligations throughout the stated duration of the contract. The Company accounts for a contract cancellation as a contract modification in the period in which the customer invokes the termination provision. The determination of the contract termination penalty is based on the terms stated in the related customer agreement. As of the modification date, the Company updates its estimate of the transaction price using the expected value method, subject to constraints, and recognizes the amount over the remaining performance period.

Well Completion Services

Well completion services are typically provided based upon a purchase order, contract or on a spot market basis. Services are provided on a day rate, contracted or hourly basis. Generally, the Company accounts for well completion services as a single performance obligation satisfied over time. In certain circumstances, the Company supplies proppant that is utilized for pressure pumping as part of the agreement with the customer. The Company accounts for these pressure pumping agreements as multiple performance obligations satisfied over time. Jobs for these services are typically short-term in nature and range from a few hours to multiple days. Generally, revenue is recognized over time upon the completion of each segment of work based upon a completed field ticket, which includes the charges for the services performed, mobilization of the equipment to the location and personnel.

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Additional revenue is generated through labor charges and the sale of consumable supplies that are incidental to the service being performed. Such amounts are recognized ratably over the period during which the corresponding goods and services are consumed.

Infrastructure Services

Infrastructure services are typically provided pursuant to master service agreements, repair and maintenance contracts or fixed price and non-fixed price installation contracts. Pricing under these contracts may be unit priced, cost-plus/hourly (or time and materials basis) or fixed price (or lump sum basis). Generally, the Company accounts for infrastructure services as a single performance obligation satisfied over time. In certain circumstances, the Company supplies materials that are utilized during the jobs as part of the agreement with the customer. The Company accounts for these infrastructure agreements as multiple performance obligations satisfied over time. Revenue is recognized over time as work progresses based on the days completed or as the contract is completed. Under certain customer contracts in our infrastructure services segment, the Company warranties equipment and labor performed for a specified period following substantial completion of the work.

Natural Sand Proppant Services

The Company sells natural sand proppant through sand supply agreements with its customers. Under these agreements, sand is typically sold at a flat rate per ton or a flat rate per ton with an index-based adjustment. The Company recognizes revenue at the point in time when the customer obtains legal title to the product, which may occur at the production facility, rail origin or at the destination terminal.

Certain of the Company's sand supply agreements contain a minimum volume commitment related to sand purchases whereby the Company charges a shortfall payment if the customer fails to meet the required minimum volume commitment. These agreements may also contain make-up provisions whereby shortfall payments can be applied in future periods against purchased volumes exceeding the minimum volume commitment. If a make-up right exists, the Company has future performance obligations to deliver excess volumes of product in subsequent months. In accordance with ASC 606, if the customer fails to meet the minimum volume commitment, the Company will assess whether it expects the customer to fulfill its unmet commitment during the contractually specified make-up period based on discussions with the customer and management's knowledge of the business. If the Company expects the customer will make-up deficient volumes in future periods, revenue related to shortfall payments will be deferred and recognized on the earlier of the date on which the customer utilizes make-up volumes or the likelihood that the customer will exercise its right to make-up deficient volumes becomes remote. If the Company does not expect the customer will make-up deficient volumes in future periods, the breakage model will be applied and revenue related to shortfall payments will be recognized when the model indicates the customer's inability to take delivery of excess volumes. The Company did not recognize any shortfall revenue during the three months ended March 31, 2023 or 2022 and did not have any deferred revenue related to shortfall payments.

In certain of the Company's sand supply agreements, the customer obtains control of the product when it is loaded into rail cars and the customer reimburses the Company for all freight charges incurred. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the sand. If revenue is recognized for the related product before the shipping and handling activities occur, the Company accrues the related costs of those shipping and handling activities.

Drilling Services

Contract drilling services were provided under daywork contracts. Directional drilling services, including motor rentals, are provided on a day rate or hourly basis, and revenue is recognized as work progresses. Performance obligations are satisfied over time as the work progresses based on the measure of output. Mobilization revenue and costs were recognized over the days of actual drilling. As a result of market conditions, the Company temporarily shut down its contract land drilling operations beginning in December 2019 and rig hauling operations beginning in April 2020.

Other Services

The Company also provided aviation, equipment rentals, remote accommodations and equipment manufacturing, which are reported under other services. The Company's other services are typically provided based upon a purchase order, contract or on a spot market basis. Services are provided on a day rate, contracted or hourly basis. Performance obligations for these services are satisfied over time and revenue is recognized as the work progresses based on the measure of output. Jobs for these services are typically short-term in nature and range from a few hours to multiple days.

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Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts in which variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied distinct good or service that forms part of a single performance obligation.

Contract Balances

Following is a rollforward of the Company's contract liabilities (in thousands):

Balance, December 31, 2021	\$	3,250
Deduction for recognition of revenue		(3,207)
Deduction for rebate credit recognized		(140)
Increase for deferral of customer prepayments		7,647
Balance, December 31, 2022		7,550
Deduction for recognition of revenue		(7,042)
Deduction for rebate credit recognized		—
Increase for deferral of customer prepayments		740
Balance, March 31, 2023	\$	1,248

The Company did not have any contract assets as of March 31, 2023 or December 31, 2022.

Performance Obligations

Revenue recognized in the current period from performance obligations satisfied in previous periods was an nominal amount for the three months ended March 31, 2023 and 2022. As of March 31, 2023, the Company had unsatisfied performance obligations totaling \$19.3 million, which will be recognized over the next 22 months.

4. Inventories

Inventories consist of raw sand and processed sand available for sale, chemicals and other products sold as a bi-product of completion and production operations and supplies used in performing services. Inventory is stated at the lower of cost or net realizable value on an average cost basis. The Company assesses the valuation of its inventories based upon specific usage, future utility, obsolescence and other factors. A summary of the Company's inventories is shown below (in thousands):

	March 31, 2023	December 31, 2022
Supplies	\$ 6,648	\$ 5,167
Raw materials	1,816	974
Work in process	1,016	2,221
Finished goods	750	521
Total inventories	\$ 10,230	\$ 8,883

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5. Property, Plant and Equipment

Property, plant and equipment include the following (in thousands):

	Useful Life	March 31, 2023	December 31, 2022
Pressure pumping equipment	3-5 years	\$ 244,680	\$ 230,760
Drilling rigs and related equipment	3-15 years	110,752	110,724
Machinery and equipment	7-20 years	162,456	162,634
Buildings ^(a)	15-39 years	40,338	40,316
Vehicles, trucks and trailers	5-10 years	101,191	101,580
Coil tubing equipment	4-10 years	6,908	6,908
Land	N/A	12,393	12,393
Land improvements	15 years or life of lease	10,053	10,053
Rail improvements	10-20 years	13,793	13,793
Other property and equipment ^(b)	3-12 years	18,310	18,296
		720,874	707,457
Deposits on equipment and equipment in process of assembly ^(c)		7,126	13,885
		728,000	721,342
Less: accumulated depreciation ^(d)		595,471	583,276
Total property, plant and equipment, net		\$ 132,529	\$ 138,066

- a. Included in Buildings at each of March 31, 2023 and December 31, 2022 are costs of \$ 7.6 million related to assets under operating leases.
b. Included in Other property and equipment at each of March 31, 2023 and December 31, 2022 are costs of \$ 6.0 million related to assets under operating leases.
c. Deposits on equipment and equipment in process of assembly represents deposits placed with vendors for equipment that is in the process of assembly and purchased equipment that is being outfitted for its intended use. The equipment is not yet placed in service.
d. Includes accumulated depreciation of \$8.4 million and \$8.0 million at March 31, 2023 and December 31, 2022, respectively, related to assets under operating leases.

Disposals

Proceeds from customers for horizontal and directional drilling services equipment damaged or lost down-hole are reflected in revenue with the carrying value of the related equipment charged to cost of service revenues and are reported as cash inflows from investing activities in the unaudited condensed consolidated statements of cash flows. The Company did not have any proceeds or gains from the sale of equipment damaged or lost down-hole during the three months ended March 31, 2023. For the three months ended March 31, 2022, proceeds and gains from the sale of equipment damaged or lost down-hole were a \$0.4 million and \$0.4 million, respectively.

Proceeds from assets sold or disposed of as well as the carrying value of the related equipment are reflected in "gains on disposal of assets, net" on the unaudited condensed consolidated statements of comprehensive income (loss). For the three months ended March 31, 2023 and 2022, proceeds from the sale of equipment were \$0.4 million and \$0.6 million, respectively, and gains from the sale or disposal of equipment were \$0.4 million and \$0.2 million, respectively.

Depreciation, depletion, amortization and accretion

A summary of depreciation, depletion, amortization and accretion expense is below (in thousands):

	Three Months Ended March 31,	
	2023	2022
Depreciation expense	\$ 12,726	\$ 16,925
Amortization expense	195	195
Accretion and depletion expense	35	47
Depreciation, depletion, amortization and accretion	\$ 12,956	\$ 17,167

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6. Goodwill and Intangible Assets

Goodwill

Changes in the net carrying amount of goodwill by reporting segment (see Note 19) for the three months ended March 31, 2023 and year ended December 31, 2022 are presented below (in thousands):

	<u>Well Completions</u>	<u>Other</u>	<u>Total</u>
Balance as of January 1, 2022			
Goodwill	\$ 86,043	\$ 14,830	\$ 100,873
Accumulated impairment losses	(76,829)	(12,327)	(89,156)
	9,214	2,503	11,717
Acquisitions	—	—	—
Impairment losses	—	—	—
Balance as of December 31, 2022			
Goodwill	86,043	14,830	100,873
Accumulated impairment losses	(76,829)	(12,327)	(89,156)
	9,214	2,503	11,717
Acquisitions	—	—	—
Impairment losses	—	—	—
Balance as of March 31, 2023			
Goodwill	86,043	14,830	100,873
Accumulated impairment losses	(76,829)	(12,327)	(89,156)
	<u>\$ 9,214</u>	<u>\$ 2,503</u>	<u>\$ 11,717</u>

Intangible Assets

The Company had the following definite lived intangible assets recorded (in thousands):

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Trade names	7,850	7,850
Less: accumulated amortization - trade names	(6,263)	(6,068)
Intangible assets, net	<u>\$ 1,587</u>	<u>\$ 1,782</u>

Amortization expense for intangible assets was \$0.2 million for each of the three months ended March 31, 2023 and 2022, respectively. The original life of trade names ranges from 10 to 20 years as of March 31, 2023 with a remaining average useful life of 3.1 years.

Aggregated expected amortization expense for the future periods is expected to be as follows (in thousands):

Remainder of 2023	\$ 584
2024	710
2025	91
2026	91
2027	45
Thereafter	66
	<u>\$ 1,587</u>

7. Equity Method Investment

On December 21, 2018, Cobra Aviation Services LLC (“Cobra Aviation”) and Wexford Partners Investment Co. LLC (“Wexford Investment”), a related party, formed a joint venture under the name of Brim Acquisitions LLC (“Brim Acquisitions”) to acquire all outstanding equity interest in Brim Equipment Leasing, Inc. (“Brim Equipment”) for a total purchase price of approximately \$2.0 million. Cobra Aviation owns a 49% economic interest and Wexford Investment owns a 51% economic interest in Brim Acquisitions, and each member contributed its pro rata portion of Brim Acquisitions’ initial capital of \$2.0 million. Brim Acquisitions, through Brim Equipment, owns four commercial helicopters and leases five commercial helicopters for operations, which it uses to provide a variety of services, including short haul, aerial ignition, hoist operations, aerial photography, fire suppression, construction services, animal/capture/survey, search and rescue, airborne law enforcement, power line construction, precision long line operations, pipeline construction and survey, mineral and seismic exploration, and aerial seeding and fertilization.

The Company uses the equity method of accounting to account for its investment in Brim Acquisitions, which had a carrying value of approximately \$3.3 million and \$3.5 million at March 31, 2023 and December 31, 2022, respectively. The investment is included in “other non-current assets” on the unaudited condensed consolidated balance sheets. The Company recorded equity method adjustments to its investment of \$0.2 million and (\$0.5) million for the three months ended March 31, 2023 and 2022, respectively, which is included in “other income (expense), net” on the unaudited condensed consolidated statements of comprehensive income (loss).

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8. Accrued Expenses and Other Current Liabilities and Other Long-Term Liabilities

Accrued expenses and other current liabilities and other long-term liabilities included the following (in thousands):

	March 31, 2023	December 31, 2022
State and local taxes payable	\$ 13,029	\$ 13,336
Financed insurance premiums ^(a)	6,522	10,136
Deferred revenue	1,248	7,550
Accrued compensation and benefits	4,087	6,743
Sale-leaseback liability ^(b)	4,971	4,501
Financing leases	2,921	4,003
Equipment financing note	2,284	2,329
Insurance reserves	1,589	1,509
Other	1,834	2,190
Total accrued expenses and other current liabilities	<u>\$ 38,485</u>	<u>\$ 52,297</u>

Other Long-Term Liabilities

Equipment financing note ^(c)	\$ 5,489	\$ 6,047
Sale-leaseback liability ^(b)	5,166	6,836
Financing leases	2,191	2,602
Total other long-term liabilities	<u>\$ 12,846</u>	<u>\$ 15,485</u>

- a. Financed insurance premiums are due in monthly installments, are unsecured and mature within the twelve-month period following the close of the year. As of March 31, 2023 and December 31, 2022, the applicable interest rate associated with financed insurance premiums ranged from 1.95% to 5.13%.
- b. On December 30, 2020, the Company entered into an agreement with First National Capital, LLC (“FNC”) whereby the Company agreed to sell certain assets from its infrastructure segment to FNC for aggregate proceeds of \$5.0 million. Concurrent with the sale of assets, the Company entered into a 36 month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.1 million. On June 1, 2021, the Company entered into another agreement with FNC whereby the Company sold additional assets from its infrastructure segment to FNC for aggregate proceeds of \$9.5 million and entered into a 42-month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.2 million. On June 1, 2022, the Company entered into another agreement with FNC whereby the Company sold additional assets from its infrastructure segment to FNC for aggregate proceeds of \$4.6 million and entered into a 42-month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.1 million. Under the agreements, the Company has the option to purchase the assets at the end of the lease terms. The Company recorded liabilities for the proceeds received and will continue to depreciate the assets. The Company has imputed an interest rate so that the carrying amount of the financial liabilities will be the expected repurchase price at the end of the initial lease terms.
- c. In December 2022, the Company entered into a 42 month financing arrangement with FNC for the purchase of seven new pressure pumping units for an aggregate value of \$9.7 million. Under this arrangement, the Company has agreed to make monthly principal and interest payments totaling \$0.3 million over the term of the agreement. This note is secured by the seven pressure pumping units and bears interest at an imputed rate of approximately 15.0%.

9. Debt

On October 19, 2018, Mammoth Inc. and certain of its direct and indirect subsidiaries, as borrowers, entered into an amended and restated revolving credit and security agreement with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders, as subsequently further amended (the “revolving credit facility”). The revolving credit facility matures on October 19, 2023 and currently provides for the maximum revolving advance amount of \$120.0 million. Borrowings under the revolving credit facility are secured by the assets of Mammoth Inc., inclusive of the subsidiary companies, and are subject to a borrowing base calculation prepared monthly. The revolving credit facility also contains various customary affirmative and restrictive covenants. Among the covenants is a financial covenant, including a minimum fixed charges coverage ratio of at least 1.1 to 1.0.

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On February 28, 2022, the Company entered into a fourth amendment to the revolving credit facility (the “Fourth Amendment”) to, in relevant part, (i) amend the financial covenants as outlined below, (ii) provide for a conditional increase of the applicable interest margin, (iii) permit certain sale-leaseback transactions, and (iv) provide for a reduction in the maximum revolving advance amount in an amount equal to 50% of the PREPA claims proceeds, subject to a floor equal to the sum of eligible billed and unbilled accounts receivables.

The financial covenants under our revolving credit facility were amended as follows:

- the leverage ratio was eliminated;
- the fixed charge coverage ratio was reduced to .85 to 1.0 for the six months ended June 30, 2022 and increased to 1.1 to 1.0 for the periods thereafter;
- a minimum adjusted EBITDA covenant of \$4.7 million, excluding interest on accounts receivable from PREPA, for the five months ending May 31, 2022 was added; and
- the minimum excess availability covenant was reduced to \$7.5 million through March 31, 2022, after which the minimum excess availability covenant increased to \$10.0 million.

The Company was in compliance with the applicable financial covenants under its revolving credit facility in effect as of March 31, 2023 and December 31, 2022.

At March 31, 2023, there were outstanding borrowings under the revolving credit facility of \$84.6 million and \$17.4 million of available borrowing capacity under the facility, after giving effect to \$6.4 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity. At December 31, 2022, there were outstanding borrowings under the revolving credit facility of \$83.5 million and \$19.7 million of borrowing capacity under the facility, after giving effect to \$6.5 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

If an event of default occurs under the revolving credit facility and remains uncured, it could have a material adverse effect on the Company’s business, financial condition, liquidity and results of operations. The lenders (i) would not be required to lend any additional amounts to the Company, (ii) could elect to increase the interest rate by 200 basis points, (iii) could elect to declare all outstanding borrowings, together with accrued and unpaid interest and fees, to be due and payable, (iv) may have the ability to require the Company to apply all of its available cash to repay outstanding borrowings, and (v) may foreclose on substantially all of the Company’s assets. The Company’s revolving credit facility is currently scheduled to mature on October 19, 2023. The Company continues to explore various strategic alternatives to extend, refinance or repay its revolving credit facility at or before the scheduled maturity date, which may include proceeds from any equity or debt transactions. There is no guarantee that such extension, refinancing or repayment will be secured. Additionally, any such extended or new credit facility could have terms that are less favorable to the Company than the terms of its existing revolving credit facility, which may significantly increase the Company’s cost of capital and may have a material adverse effect on the Company’s liquidity and financial condition.

Aviation Note

On November 6, 2020, Leopard and Cobra Aviation entered into a 39 month promissory note agreement with Bank7 (the “Aviation Note”) in an aggregate principal amount of \$4.6 million and received net proceeds of \$4.5 million. The Aviation Note bore interest at a rate based on the Wall Street Journal Prime Rate plus a margin of %. The Aviation Note was paid off on September 30, 2022.

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10. Variable Interest Entities

Dire Wolf Energy Services LLC (“Dire Wolf”) and Predator Aviation LLC (“Predator Aviation”), wholly owned subsidiaries of the Company, are party to Voting Trust Agreements with TVPX Aircraft Solutions Inc. (the “Voting Trustee”). Under the Voting Trust Agreements, Dire Wolf transferred 100% of its membership interest in Cobra Aviation and Predator Aviation transferred 100% of its membership interest in Leopard to the respective Voting Trustees in exchange for Voting Trust Certificates. Dire Wolf and Predator Aviation retained the obligation to absorb all expected returns or losses of Cobra Aviation and Leopard. Prior to the transfer of the membership interest to the Voting Trustee, Cobra Aviation was a wholly owned subsidiary of Dire Wolf and Leopard was a wholly owned subsidiary of Predator Aviation. Cobra Aviation owns two helicopters and support equipment, 100% of the equity interest in Air Rescue Systems Corporation (“ARS”) and 49% of the equity interest in Brim Acquisitions. Leopard owns one helicopter. Dire Wolf and Predator Aviation entered into the Voting Trust Agreements in order to meet certain registration requirements.

Dire Wolf’s and Predator Aviation’s voting rights are not proportional to their respective obligations to absorb expected returns or losses of Cobra Aviation and Leopard, respectively, and all of Cobra Aviation’s and Leopard’s activities are conducted on behalf of Dire Wolf and Predator Aviation, which have disproportionately fewer voting rights; therefore, Cobra Aviation and Leopard meet the criteria of a VIE. Cobra Aviation and Leopard’s operational activities are directed by Dire Wolf’s and Predator Aviation’s officers and Dire Wolf and Predator Aviation have the option to terminate the Voting Trust Agreements at any time. Therefore, the Company, through Dire Wolf and Predator Aviation, is considered the primary beneficiary of the VIEs and consolidates Cobra Aviation and Leopard at March 31, 2023.

11. Selling, General and Administrative Expense

Selling, general and administrative (“SG&A”) expense includes of the following (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cash expenses:		
Compensation and benefits	\$ 4,273	2,983
Professional services	1,929	3,637
Other ^(a)	1,911	1,906
Total cash SG&A expense	8,117	8,526
Non-cash expenses:		
Bad debt recoveries	(381)	(99)
Stock based compensation	647	241
Total non-cash SG&A expense	266	142
Total SG&A expense	\$ 8,383	8,668

a. Includes travel-related costs, information technology expenses, rent, utilities and other general and administrative-related costs.

12. Income Taxes

The Company recorded income tax expense of \$3.3 million for the three months ended March 31, 2023 compared to income tax expense of \$0.7 million for the three months ended March 31, 2022. The Company’s effective tax rates were 29% and 33% for the three months ended March 31, 2023 and 2022, respectively.

The effective tax rates for the three months ended March 31, 2023 and 2022 differed from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico as well as changes in the valuation allowance.

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13. Leases

Lessee Accounting

The Company recognizes a lease liability equal to the present value of the lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term for all leases with a term in excess of 12 months. For operating leases, lease expense for lease payments is recognized on a straight-line basis over the lease term, while finance leases include both an operating expense and an interest expense component. For all leases with a term of 12 months or less, the Company has elected the practical expedient to not recognize lease assets and liabilities and recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

The Company's operating leases are primarily for rail cars, real estate, and equipment and its finance leases are primarily for machinery and equipment. Generally, the Company does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the Company's leases may require significant judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate and assessing the likelihood of renewal or termination options. Lease agreements that contain a lease and non-lease component are generally accounted for as a single lease component.

The rate implicit in the Company's leases is not readily determinable. Therefore, the Company uses its incremental borrowing rate based on information available at the commencement date of its leases in determining the present value of lease payments. The Company's incremental borrowing rate reflects the estimated rate of interest that it would pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Lease expense consisted of the following for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Operating lease expense	\$ 1,768	\$ 1,747
Short-term lease expense	420	36
Finance lease expense:		
Amortization of right-of-use assets	565	403
Interest on lease liabilities	57	49
Total lease expense	<u>\$ 2,810</u>	<u>\$ 2,235</u>

Supplemental balance sheet information related to leases as of March 31, 2023 and December 31, 2022 is as follows (in thousands):

	March 31,	December 31,
	2023	2022
Operating leases:		
Operating lease right-of-use assets	\$ 11,907	\$ 10,656
Current operating lease liability	5,858	5,447
Long-term operating lease liability	5,772	4,913
Finance leases:		
Property, plant and equipment, net	\$ 6,703	\$ 7,267
Accrued expenses and other current liabilities	2,921	4,003
Other liabilities	2,191	2,602

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Other supplemental information related to leases for the three months ended March 31, 2023 and 2022 and as of March 31, 2023 and December 31, 2022 is as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,749	\$ 1,672
Operating cash flows from finance leases	57	49
Financing cash flows from finance leases	1,493	452
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 2,917	\$ 1,383
	March 31,	December 31,
	2023	2022
Weighted-average remaining lease term:		
Operating leases	2.7 years	2.9 years
Finance leases	2.1 years	2.0 years
Weighted-average discount rate:		
Operating leases	6.3 %	4.1 %
Finance leases	3.9 %	4.3 %

Maturities of lease liabilities as of March 31, 2023 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2023	\$ 4,974	\$ 2,598
2024	4,976	1,203
2025	1,993	696
2026	374	795
2027	14	—
Thereafter	449	—
Total lease payments	12,780	5,292
Less: Present value discount	1,150	180
Present value of lease payments	\$ 11,630	\$ 5,112

Lessor Accounting

Certain of the Company's agreements with its customers for drilling services, aviation services and remote accommodation services contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer obtains substantially all of the economic benefits of the identified assets throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use. The Company has elected to apply the practical expedient provided to lessors to combine the lease and non-lease components of a contract where the revenue recognition pattern is the same and where the lease component, when accounted for separately, would be considered an operating lease. The practical expedient also allows a lessor to account for the combined lease and non-lease components under ASC 606, Revenue from Contracts with Customers, when the non-lease component is the predominant element of the combined component.

The Company's lease agreements are generally short-term in nature and lease revenue is recognized over time based on a monthly, daily or hourly rate basis. The Company does not provide an option for the lessee to purchase the rented assets

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at the end of the lease and the lessees do not provide residual value guarantees on the rented assets. The Company recognized lease revenue of \$0.7 million during each of the three months ended March 31, 2023 and 2022, respectively, which is included in “services revenue” and “services revenue - related parties” on the unaudited condensed consolidated statements of comprehensive income (loss).

14. Earnings (Loss) Per Share

Reconciliations of the components of basic and diluted net earnings (loss) per common share are presented in the table below (in thousands, except per share data):

	Three Months Ended March 31,	
	2023	2022
Basic earnings (loss) per share:		
Allocation of earnings (loss):		
Net income (loss)	\$ 8,351	(14,817)
Weighted average common shares outstanding	47,443	46,845
Basic earnings (loss) per share	\$ 0.18	(0.32)
Diluted earnings (loss) per share:		
Allocation of earnings (loss):		
Net income (loss)	\$ 8,351	(14,817)
Weighted average common shares, including dilutive effect ^(a)	48,002	46,845
Diluted earnings (loss) per share	\$ 0.17	(0.32)

a. No incremental shares of potentially dilutive restricted stock awards were included for the three months ended March 31, 2022 as their effect was antidilutive under the treasury stock method.

15. Equity Based Compensation

Upon formation of certain operating entities by Wexford and Gulfport, specified members of management (the “Specified Members”) and certain non-employee members (the “Non-Employee Members”) were granted the right to receive distributions from the operating entities after the contribution member’s unreturned capital balance was recovered (referred to as “Payout” provision).

On November 24, 2014, the awards were modified in conjunction with the contribution of the operating entities to Mammoth. These awards were not granted in limited or general partner units. The awards are for interests in the distributable earnings of the members of MEH Sub, Mammoth’s majority equity holder.

On the closing date of Mammoth Inc.’s initial public offering (“IPO”), the unreturned capital balance of Mammoth’s majority equity holder was not fully recovered from its sale of common stock in the IPO. As a result, Payout did not occur and no compensation cost was recorded.

Payout for the remaining awards is expected to occur as the contributing member’s unreturned capital balance is recovered from additional sales by MEH Sub of its shares of the Company’s common stock or from dividend distributions, which is not considered probable until the event occurs. For the Specified Member awards, the unrecognized amount, which represents the fair value of the award as of the modification dates or grant date, was \$5.6 million.

For the Company’s Non-Employee Member awards, the unrecognized amount, which represents the fair value of the awards as of the date of adoption of ASU 2018-07 was \$18.9 million.

16. Stock Based Compensation

The 2016 Plan authorizes the Company’s Board of Directors or the compensation committee of the Company’s Board of Directors to grant restricted stock, restricted stock units, stock appreciation rights, stock options and performance awards. There are 4.5 million shares of common stock reserved for issuance under the 2016 Plan.

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Restricted Stock Units

The fair value of restricted stock unit awards was determined based on the fair market value of the Company's common stock on the date of the grant. This value is amortized over the vesting period.

A summary of the status and changes of the unvested shares of restricted stock under the 2016 Plan is presented below.

	Number of Unvested Restricted Shares	Weighted Average Grant- Date Fair Value
Unvested shares as of January 1, 2022	1,128,205	\$ 1.27
Granted	228,310	2.19
Vested	(628,205)	1.54
Forfeited	—	—
Unvested shares as of December 31, 2022	728,310	1.32
Granted	250,000	5.63
Vested	(566,667)	1.48
Forfeited	—	—
Unvested shares as of March 31, 2023	411,643	\$ 3.72

As of March 31, 2023, there was \$1.1 million of total unrecognized compensation cost related to the unvested restricted stock. The cost is expected to be recognized over a weighted average period of approximately 2.4 years.

Included in cost of revenue and selling, general and administrative expenses is stock-based compensation expense of \$0.6 million and \$0.2 million for the three months ended March 31, 2023 and 2022, respectively.

17. Related Party Transactions

Transactions between the subsidiaries of the Company, including Panther Drilling Systems LLC ("Panther Drilling"), Cobra Aviation, ARS and Leopard and the following companies are included in Related Party Transactions: Wexford, Grizzly Oil Sands ULC ("Grizzly"), El Toro Resources LLC ("El Toro"), Elk City Yard LLC ("Elk City Yard"), Double Barrel Downhole Technologies LLC ("DBDHT"), Caliber Investment Group LLC ("Caliber") and Brim Equipment.

Following is a summary of related party transactions (in thousands):

	Three Months Ended March 31,		At March 31,		At December 31,	
	2023	2022	2023	2022	2023	2022
	REVENUES		ACCOUNTS RECEIVABLE			
Cobra Aviation/ARS/Leopard and Brim Equipment (a)	\$ 220	\$ 60	\$ 107	\$ 217		
Panther and El Toro (b)	—	214	—	—		
Other Relationships	—	—	8	6		
	\$ 220	\$ 274	\$ 115	\$ 223		

a. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.

b. Panther provides directional drilling services for El Toro, an entity controlled by Wexford, pursuant to a master service agreement.

	Three Months Ended March 31,		At March 31,		At December 31,	
	2023	2022	2023	2022	2023	2022
	COST OF REVENUE		ACCOUNTS PAYABLE			
Cobra Aviation/ARS/Leopard and Brim Equipment (a)	\$ 7	\$ 19	\$ 25	\$ 3		
The Company and Caliber (b)	24	89	—	—		
Other Relationships	—	27	—	—		
	\$ 31	\$ 135	\$ 25	\$ 3		

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- a. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.
- b. Caliber, an entity controlled by Wexford, leases office space to the Company.

On December 21, 2018, Cobra Aviation acquired all outstanding equity interest in ARS and purchased two commercial helicopters, spare parts, support equipment and aircraft documents from Brim Equipment. Following these transactions, and also on December 21, 2018, Cobra Aviation formed a joint venture with Wexford Investments named Brim Acquisitions to acquire all outstanding equity interests in Brim Equipment. Cobra Aviation owns a 49% economic interest and Wexford Investment owns a 51% economic interest in Brim Acquisitions, and each member contributed its pro rata portion of Brim Acquisitions' initial capital of \$2.0 million. Wexford Investments is an entity controlled by Wexford, which owns approximately 48% of the Company's outstanding common stock. ARS leases a helicopter to Brim Equipment and Cobra Aviation leases the two helicopters purchased as part of these transactions to Brim Equipment under the terms of aircraft lease and management agreements. See Note 7 for further discussion.

18. Commitments and Contingencies

Commitments

From time to time, the Company may enter into agreements with suppliers that contain minimum purchase obligations and agreements to purchase capital equipment. The Company did not have any unconditional purchase obligations as of March 31, 2023.

Letters of Credit

The Company has various letters of credit that were issued under the Company's revolving credit agreement which is collateralized by substantially all of the assets of the Company. The letters of credit are categorized below (in thousands):

	March 31, 2023	December 31, 2022
Environmental remediation	\$ 3,569	\$ 3,694
Insurance programs	2,800	2,800
Total letters of credit	<u>\$ 6,369</u>	<u>\$ 6,494</u>

Insurance

The Company has insurance coverage for physical partial loss to its assets, employer's liability, automobile liability, commercial general liability, workers' compensation and insurance for other specific risks. The Company has also elected in some cases to accept a greater amount of risk through increased deductibles on certain insurance policies. At each of March 31, 2023 and December 31, 2022, the workers' compensation and automobile liability policies require a deductible per occurrence of up to \$0.3 million and \$0.1 million, respectively. As of March 31, 2023 and December 31, 2022, the workers' compensation and auto liability policies contained an aggregate stop loss of \$5.4 million. The Company establishes liabilities for the unpaid deductible portion of claims incurred based on estimates. As of March 31, 2023 and December 31, 2022, accrued claims were \$1.6 million and \$1.5 million, respectively.

The Company also has insurance coverage for directors and officers liability. As of March 31, 2023 and December 31, 2022, the directors and officers liability policy had a deductible per occurrence of \$1.0 million and an aggregate deductible of \$10.0 million. As of March 31, 2023 and December 31, 2022, the Company did not have any accrued claims for directors and officers liability.

The Company also self-insures its employee health insurance. The Company has coverage on its self-insurance program in the form of a stop loss of \$0.2 million per participant and an aggregate stop-loss of \$5.8 million for the calendar year ending December 31, 2022. As of March 31, 2023 and December 31, 2022, accrued claims were \$1.7 million and \$1.5 million, respectively. These estimates may change in the near term as actual claims continue to develop.

Warranty Guarantees

Pursuant to certain customer contracts in our infrastructure services segment, the Company warrants equipment and labor performed under the contracts for a specified period following substantial completion of the work. Generally, the warranty is for one year or less. No liabilities were accrued as of March 31, 2023 and December 31, 2022 and no expense was recognized during the three months ended March 31, 2023 or 2022 related to warranty claims. However, if warranty claims occur, the Company could be required to repair or replace warranted items, which in most cases are covered by warranties extended from the manufacturer of the equipment. In the event the manufacturer of equipment failed to

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perform on a warranty obligation or denied a warranty claim made by the Company, the Company could be required to pay for the cost of the repair or replacement.

Bonds

In the ordinary course of business, the Company is required to provide bid bonds to certain customers in the infrastructure services segment as part of the bidding process. These bonds provide a guarantee to the customer that the Company, if awarded the project, will perform under the terms of the contract. Bid bonds are typically provided for a percentage of the total contract value. Additionally, the Company may be required to provide performance and payment bonds for contractual commitments related to projects in process. These bonds provide a guarantee to the customer that the Company will perform under the terms of a contract and that the Company will pay subcontractors and vendors. If the Company fails to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. The Company must reimburse the surety for expenses or outlays it incurs. As each of March 31, 2023 and December 31, 2022, outstanding performance and payment bonds totaled \$8.6 million, respectively. The estimated cost to complete projects secured by the performance and payment bonds totaled \$1.2 million as of March 31, 2023. There were no outstanding bid bonds as of March 31, 2023 and December 31, 2022.

Litigation

As of March 31, 2023, PREPA owed the Company approximately \$27.0 million for services performed, excluding \$163.2 million of interest charged on these delinquent balances as of March 31, 2023. The Company believes these receivables are collectible. PREPA, however, is currently subject to bankruptcy proceedings, which were filed in July 2017 and are currently pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations is largely dependent upon funding from FEMA or other sources. On September 30, 2019, Cobra filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to Cobra by PREPA, which motion was stayed by the Court. On March 25, 2020, Cobra filed an urgent motion to modify the stay order and allow the recovery of approximately \$61.7 million in claims related to a tax gross-up provision contained in the emergency master service agreement, as amended, that was entered into with PREPA on October 19, 2017. This emergency motion was denied on June 3, 2020 and the Court extended the stay of our motion. On December 9, 2020, the Court again extended the stay of our motion and directed PREPA to file a status motion by June 7, 2021. On April 6, 2021, Cobra filed a motion to lift the stay order. Following this filing, PREPA initiated discussion, which resulted in PREPA and Cobra filing a joint motion to adjourn all deadlines relative to the April 6, 2021 motion until the June 16, 2021 omnibus hearing as a result of PREPA's understanding that FEMA would release a report in the near future relating to the emergency master service agreement between PREPA and Cobra that was executed on October 19, 2017. The joint motion was granted by the Court on April 14, 2021. On May 26, 2021, FEMA issued a Determination Memorandum related to the first contract between Cobra and PREPA in which, among other things, FEMA raised two contract compliance issues and, as a result, concluded that approximately \$47 million in costs were not authorized costs under the contract. On June 14, 2021, the Court issued an order adjourning Cobra's motion to lift the stay order to a hearing on August 4, 2021 and directing Cobra and PREPA to meet and confer in good faith concerning, among other things, (i) the May 26, 2021 Determination Memorandum issued by FEMA and (ii) whether and when a second determination memorandum is expected. The parties were further directed to file an additional status report, which was filed on July 20, 2021. On July 23, 2021, with the aid of Mammoth, PREPA filed an appeal of the entire \$47 million that FEMA de-obligated in the May 26, 2021 Determination Memorandum. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$24.4 million are eligible for funding. On August 4, 2021, the Court extended the stay and directed that an additional status report be filed, which was done on January 22, 2022. On January 26, 2022, the Court extended the stay and directed the parties to file a further status report by July 25, 2022. On June 7, 2022, Cobra filed a motion to lift the stay order. On June 29, 2022 the Court denied Cobra's motion and extended the stay to January 2023. On November 21, 2022, FEMA issued a Determination Memorandum related to the 100% federal funded portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$6 million in costs were not authorized costs under the contract. On December 21, 2022, FEMA issued a Determination Memorandum related to the 90% federal cost share portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$68.1 million in costs were not authorized costs under the contract. PREPA filed a first-level administrative appeal of the November 21, 2022 Determination Memorandum and has indicated that they will review the December 21, 2022 Determination Memorandum and, to the extent they feel plausible, file a first-level administrative appeal of the unauthorized amounts. On January 7, 2023, Cobra and PREPA filed a joint status report with the Court, in which PREPA requested that the Court continue the stay through July 31, 2023 and Cobra requested that the stay be lifted. On January 18, 2023, the Court entered an order extending the stay and directing the parties to file a further status report addressing (i) the status of any administrative appeals in connection with the November and December determination memorandums regarding the second contract, (ii) the status of the criminal case against the former Cobra president and

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the FEMA official that concluded in December 2022, and (iii) a summary of the outstanding and unpaid amounts arising from the first and second contracts and whether PREPA disputes Cobra's entitlement to these amounts with the Court by July 31, 2023.

On January 20, 2023, Cobra submitted a certified claim for approximately \$79 million to FEMA pursuant to the federal Contract Disputes Act. On February 1, 2023, FEMA notified Cobra that it had reviewed the claim and determined that no contract, expressed or implied, exists between FEMA and Cobra. On March 27, 2023, Cobra was notified that FEMA had approved \$233 million in Cobra invoices related to the December 21, 2022 Determination Memorandum. The 90% federal cost share of this approved amount was \$210 million, which was obligated and made available for draw down on March 27, 2023. Of this \$210 million, approximately \$99 million has been represented by both PREPA and FEMA as intended to pay Cobra for outstanding invoices and the remaining \$111 million is a reimbursement to PREPA for payments already made on Cobra invoices. On March 29, 2023, Cobra filed a notice of appeal with the Civilian Board of Contract Appeals related to the certified claim submitted in January 2023. On April 25, 2023, FEMA filed a motion to dismiss Cobra's appeal alleging lack of jurisdiction. In the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to the Company or (iii) otherwise does not pay amounts owed to the Company for services performed, the receivable may not be collectible.

On May 13, 2021, Foreman Electric Services, Inc. ("Foreman") filed a petition against Mammoth Inc. and Cobra in the Oklahoma County District Court (Oklahoma State Court). The petition asserted claims against the Company and Cobra under federal RICO statutes and certain state-law causes of action. Foreman alleged that it sustained injuries to its business and property in the amount of \$250 million due to the Company's and Cobra's alleged wrongful interference by means of inducements to a FEMA official. On May 18, 2021, the Company removed this action to the United States District Court for the Western District of Oklahoma and filed a motion to dismiss on July 8, 2021. On July 29, 2021, Foreman voluntarily dismissed the action without prejudice. On December 14, 2021, Foreman re-filed its petition against Mammoth Inc. and Cobra in the Oklahoma County District Court (Oklahoma State Court). On December 16, 2021, the Company again removed this action to the United States District Court for the Western District of Oklahoma. Foreman filed a motion to remand this action back to Oklahoma County District Court, which was granted on May 5, 2022. The case will now proceed according to a schedule that will be set by the Oklahoma County District Court. In a related matter, on January 12, 2022, a Derivative Complaint on behalf of nominal defendant Machine Learning Integration, LLC ("MLI"), which alleges it would have served as a sub-contractor to Foreman in Puerto Rico, was filed against the Company and Cobra in the U.S. District Court for the District of Puerto Rico alleging essentially the same facts as Foreman's action and asserting violations of federal RICO statutes and certain non-federal claims. MLI alleges it sustained injuries to its business and property in an unspecified amount because the Company's and Cobra's wrongful interference by means of inducements to a FEMA official prevented Foreman from obtaining work, and thereby prevented MLI, as Foreman's subcontractor, from obtaining work. These matters are still in the early stages and at this time, the Company is not able to predict the outcome of these claims or whether they will have a material impact on the Company's business, financial condition, results of operations or cash flows.

The Company is routinely involved in state and local tax audits. During 2015, the State of Ohio assessed taxes on the purchase of equipment the Company believes is exempt under state law. The Company appealed the assessment and a hearing was held in 2017. As a result of the hearing, the Company received a decision from the State of Ohio, which the Company appealed. On February 25, 2022, the Company received an unfavorable decision on the appeal. The Company appealed the decision and while it is not able to predict the outcome of the appeal, this matter is not expected to have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Cobra has been served with ten lawsuits from municipalities in Puerto Rico alleging failure to pay construction excise and volume of business taxes. On November 14, 2022, the Court entered judgment against Cobra in connection with one of the lawsuits ordering payment of approximately \$9.0 million. On January 9, 2023, Cobra appealed the judgment and, on March 20, 2023, the Court confirmed the imposition of approximately \$8.5 million related to construction excise taxes. On April 10, 2023, Cobra appealed this judgment, and is currently awaiting a decision. To the extent Cobra receives an unfavorable judgment, the Company believes that any such taxes in the judgement that relate to the Emergency Master Service Agreement with PREPA executed on October 19, 2017, would be reimbursable to Cobra. At this time, the Company is not able to predict the outcome of these matters or whether they will have a material impact on the Company's business, financial condition, results of operations or cash flows.

On April 16, 2019, Christopher Williams, a former employee of Higher Power Electrical, LLC, filed a putative class and collective action complaint titled Christopher Williams, individually and on behalf of all others similarly situated v.

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Higher Power Electrical, LLC, Cobra Acquisitions LLC, and Cobra Energy LLC in the U.S. District Court for the District of Puerto Rico. On June 24, 2019, the complaint was amended to replace Mr. Williams with Matthew Zeisset as the named plaintiff. The plaintiff alleges the defendant failed to pay overtime wages to a class of workers in compliance with the Fair Labor Standards Act and Puerto Rico law. On August 21, 2019, upon request of the parties, the Court stayed proceedings in the lawsuit and administratively closed the case pending completion of individual arbitration proceedings initiated by Mr. Zeisset and opt-in plaintiffs. Other claimants have subsequently initiated additional individual arbitration proceedings asserting similar claims. During and subsequent to the three months ended March 31, 2023, the Company agreed to settlements in principle with a portion of the claimants. Arbitrations remain pending for the remaining claimants. The Company will continue to vigorously defend the arbitrations. During the three months ended March 31, 2023, the Company recognized an estimated liability related to these complaints, which is included in "Accounts payable" in the unaudited condensed consolidated balance sheet at March 31, 2023. The amount to settle these matters may ultimately increase or decrease from our estimated amount as the matters progress.

On September 10, 2019, the U.S. District Court for the District of Puerto Rico unsealed an indictment that charged the former president of Cobra Acquisitions LLC with conspiracy, wire fraud, false statements and disaster fraud. Two other individuals were also charged in the indictment. The indictment was focused on the interactions between a former FEMA official and the former president of Cobra. Neither the Company nor any of its subsidiaries were charged in the indictment. On May 18, 2022, the former FEMA official and the former president of Cobra each pled guilty to one-count information charging gratuities related to a project that Cobra never bid upon and was never awarded or received any monies for. On December 13, 2022, the Court sentenced the former Cobra president to custody of the Bureau of Prisons for six months and one day, a term of supervised release of six months and one day and a fine of \$25,000. The Court sentenced the FEMA official to custody of the Bureau of Prisons for six months and one day, a term of supervised release of six months and a fine of \$15,000. The Court also dismissed the indictment against the two defendants. The Company does not expect any additional activity in the criminal proceeding. Given the uncertainty inherent in criminal litigation, however, it is not possible at this time to determine the potential impacts that the sentences could have on the Company. PREPA has stated in Court filings that it may contend the alleged criminal activity affects Cobra's entitlement to payment under its contracts with PREPA. It is unclear what PREPA's position will be going forward. Subsequent to the indictment, Cobra received a civil investigative demand ("CID") from the United States Department of Justice ("DOJ"), which requests certain documents and answers to specific interrogatories relevant to an ongoing investigation it is conducting. The aforementioned DOJ investigation is in connection with the issues raised in the criminal matter. Cobra is cooperating with the DOJ and is not able to predict the outcome of this investigation or if it will have a material impact on Cobra's or the Company's business, financial condition, results of operations or cash flows. With regard to the previously disclosed SEC investigation, on July 6, 2022, the SEC sent a letter saying that it had concluded its investigation as to the Company and that based on information the SEC has as of this date, it does not intend to recommend an enforcement action against the Company.

On September 12, 2019, AL Global Services, LLC ("Alpha Lobo") filed a second amended third-party petition against the Company in an action styled Jim Jorrie v. Craig Charles, Julian Calderas, Jr., and AL Global Services, LLC v. Jim Jorrie v. Cobra Acquisitions LLC v. ESPADA Logistics & Security Group, LLC, ESPADA Caribbean LLC, Arty Strachla, Ken Kinsey, Jennifer Jorrie, and Mammoth Energy Services, Inc., in the 57th Judicial District in Bexar County, Texas. The petition alleges that the Company should be held vicariously liable under alter ego, agency and respondeat superior theories for Alpha Lobo's alleged claims against Cobra and Arty Strachla for aiding and abetting, knowing participation in and conspiracy to breach fiduciary duty in connection with Cobra's execution of an agreement with ESPADA Caribbean, LLC for security services related to Cobra's work in Puerto Rico. The trial court granted Cobra, Mammoth and Strachla's motion to compel Alpha Lobo's claims against them to arbitration. However, Alpha Lobo has not yet brought its claims in arbitration. Instead, on March 22, 2022, Alpha Lobo filed a Petition for Writ of Mandamus in the Fourth Court of Appeals, San Antonio, Texas, seeking to overturn the order compelling arbitration. The appellate court denied the Mandamus on May 4, 2022, without requesting a response. On June 28, 2022, Alpha Lobo filed a Petition for Writ of Mandamus in the Texas Supreme Court, seeking to overturn the order compelling arbitration. The Texas Supreme Court denied the Mandamus on August 5, 2022, without requesting a response. The Company believes these claims are without merit and will vigorously defend the action. However, at this time, the Company is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's business, financial condition, results of operations or cash flows. Additionally, there was a parallel arbitration proceeding in which certain Defendants were seeking a declaratory judgment regarding Cobra's rights to terminate the Alpha Lobo contract and enter into a new contract with a third-party. On June 24, 2021, the arbitration panel ruled in favor of Cobra.

The Company is involved in various other legal proceedings in the ordinary course of business. Although the Company cannot predict the outcome of these proceedings, legal matters are subject to inherent uncertainties and there exists the

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possibility that the ultimate resolution of these matters could have a material impact on the Company's business, financial condition, results of operations or cash flows.

Defined Contribution Plan

The Company sponsors a 401(k) defined contribution plan for the benefit of substantially all employees at their date of hire. The plan allows eligible employees to contribute up to 92% of their annual compensation, not to exceed annual limits established by the federal government. The Company makes discretionary matching contributions of up to 3% of an employee's compensation and may make additional discretionary contributions for eligible employees. For the three months ended March 31, 2023 and 2022, the Company paid \$0.6 million and \$0.4 million, respectively, in contributions to the plan.

19. Reporting Segments

As of March 31, 2023, the Company's revenues, income before income taxes and identifiable assets are primarily attributable to four reportable segments. The Company's Chief Executive Officer and Chief Financial Officer comprise the Company's Chief Operating Decision Maker function ("CODM"). Segment information is prepared on the same basis that the CODM manages the segments, evaluates the segment financial statements and makes key operating and resource utilization decisions. Segment evaluation is determined on a quantitative basis based on a function of operating loss less impairment expense, as well as a qualitative basis, such as nature of the product and service offerings and types of customers.

As of March 31, 2023, the Company's four reportable segments include well completion services ("Well Completion"), infrastructure services ("Infrastructure"), natural sand proppant services ("Sand") and drilling services ("Drilling"). The Well Completion segment provides hydraulic fracturing and water transfer services primarily in the Utica Shale of Eastern Ohio, Marcellus Shale in Pennsylvania and the mid-continent region. The Infrastructure segment provides electric utility infrastructure services to government-funded utilities, private utilities, public investor-owned utilities and co-operative utilities in the northeastern, southwestern, midwestern and western portions of the United States. The Sand segment mines, processes and sells sand for use in hydraulic fracturing. The Sand segment primarily services the Utica Shale, Permian Basin, SCOOP, STACK and Montney Shale in British Columbia and Alberta, Canada. During certain of the periods presented, the Drilling segment provided contract land and directional drilling services primarily in the Permian Basin and mid-continent region.

The Company also provided aviation services, equipment rental services, crude oil hauling services, remote accommodation and equipment manufacturing. The businesses that provide these services are distinct operating segments, which the CODM reviews independently when making key operating and resource utilization decisions. None of these operating segments meet the quantitative thresholds of a reporting segment and do not meet the aggregation criteria set forth in ASC 280 *Segment Reporting*. Therefore, results for these operating segments are included in the column titled "All Other" in the tables below. Additionally, assets for corporate activities, which primarily include cash and cash equivalents, inter-segment accounts receivable, prepaid insurance and certain property and equipment, are included in the All Other column. Although Mammoth Energy Partners LLC, which holds these corporate assets, meets one of the quantitative thresholds of a reporting segment, it does not engage in business activities from which it may earn revenues and its results are not regularly reviewed by the Company's CODM when making key operating and resource utilization decisions. Therefore, the Company does not include it as a reportable segment.

Sales from one segment to another are generally priced at estimated equivalent commercial selling prices. Total revenue and total cost of revenue amounts included in the Eliminations column in the following tables include inter-segment transactions conducted between segments. Receivables due for sales from one segment to another and for corporate allocations to each segment are included in the Eliminations column for total assets in the following tables. All transactions conducted between segments are eliminated in consolidation. Transactions conducted by companies within the same reporting segment are eliminated within each reporting segment. The following tables set forth certain financial information with respect to the Company's reportable segments (in thousands):

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Three months ended March 31, 2023	Well Completion	Infrastructure	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 67,179	\$ 28,280	\$ 12,442	\$ 1,824	\$ 6,595	\$ —	\$ 116,320
Intersegment revenues	121	—	25	1	437	(584)	—
Total revenue	67,300	28,280	12,467	1,825	7,032	(584)	116,320
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	52,037	22,476	7,860	1,922	4,698	—	88,993
Intersegment cost of revenues	478	11	—	109	(14)	(584)	—
Total cost of revenue	52,515	22,487	7,860	2,031	4,684	(584)	88,993
Selling, general and administrative	2,492	4,211	503	313	864	—	8,383
Depreciation, depletion, amortization and accretion	4,817	3,374	1,187	1,367	2,211	—	12,956
Gains on disposal of assets, net	—	(127)	(16)	—	(218)	—	(361)
Operating income (loss)	7,476	(1,665)	2,933	(1,886)	(509)	—	6,349
Interest expense, net	929	1,845	156	160	199	—	3,289
Other (income) expense, net	—	(8,808)	(2)	—	186	—	(8,624)
Income (loss) before income taxes	\$ 6,547	\$ 5,298	\$ 2,779	\$ (2,046)	\$ (894)	\$ —	\$ 11,684

Three months ended March 31, 2022	Well Completion	Infrastructure	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 23,630	\$ 23,009	\$ 8,347	\$ 2,852	\$ 4,460	\$ —	\$ 62,298
Intersegment revenues	244	—	832	3	272	(1,351)	—
Total revenue	23,874	23,009	9,179	2,855	4,732	(1,351)	62,298
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	21,839	18,887	7,788	2,372	3,594	—	54,480
Intersegment cost of revenues	1,031	16	—	160	70	(1,277)	—
Total cost of revenue	22,870	18,903	7,788	2,532	3,664	(1,277)	54,480
Selling, general and administrative	2,039	4,645	828	292	864	—	8,668
Depreciation, depletion, amortization and accretion	6,444	4,314	1,795	1,680	2,934	—	17,167
Gains on disposal of assets, net	(49)	(5)	(75)	—	(67)	—	(196)
Operating loss	(7,430)	(4,848)	(1,157)	(1,649)	(2,663)	(74)	(17,821)
Interest expense, net	371	1,542	162	104	170	—	2,349
Other (income) expense, net	—	(9,582)	(4)	—	545	—	(9,041)
(Loss) income before income taxes	\$ (7,801)	\$ 3,192	\$ (1,315)	\$ (1,753)	\$ (3,378)	\$ (74)	\$ (11,129)

	Well Completion	Infrastructure	Sand	Drilling	All Other	Eliminations	Total
As of March 31, 2023:							
Total assets	\$ 89,795	\$ 455,956	\$ 131,790	\$ 19,534	\$ 114,942	\$ (80,521)	\$ 731,496
As of December 31, 2022:							
Total assets	\$ 82,897	\$ 450,841	\$ 129,467	\$ 21,755	\$ 120,164	\$ (80,446)	\$ 724,678

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto presented in this Quarterly Report and the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in Item 1A. “Risk Factors” in our Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission, or the SEC, on February 24, 2023 and the section entitled “Forward-Looking Statements” appearing elsewhere in this Quarterly Report.

Overview

We are an integrated, growth-oriented energy services company focused on providing products and services to enable the exploration and development of North American onshore unconventional oil and natural gas reserve as well as the construction and repair of the electric grid for private utilities, public investor-owned utilities and co-operative utilities through our infrastructure services businesses. Our primary business objective is to grow our operations and create value for stockholders through organic growth opportunities and accretive acquisitions. Our suite of services includes well completion services, infrastructure services, natural sand proppant services, drilling services and other services. Our well completion services division provides hydraulic fracturing, sand hauling and water transfer services. Our infrastructure services division provides engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry. Our natural sand proppant services division mines, processes and sells natural sand proppant used for hydraulic fracturing. Our drilling services division currently provides rental equipment, such as mud motors and operational tools, for both vertical and horizontal drilling. In addition to these service divisions, we also provide aviation services, equipment rentals, crude oil hauling services, remote accommodations and equipment manufacturing. We believe that the services we offer play a critical role in increasing the ultimate recovery and present value of production streams from unconventional resources as well as in maintaining and improving electrical infrastructure. Our complementary suite of services provides us with the opportunity to cross-sell our services and expand our customer base and geographic positioning.

The growth of our industrial businesses is ongoing. We offer infrastructure engineering services focused on the transmission and distribution industry and also have equipment manufacturing operations and offer fiber optic services. Our equipment manufacturing operations provide us with the ability to repair much of our existing equipment in-house, as well as the option to manufacture certain new equipment we may need in the future. Our fiber optic services include the installation of both aerial and buried fiber. We are continuing to explore other opportunities to expand our industrial business lines.

Although demand across our three largest segments improved during 2022 and remained strong during the three months ended March 31, 2023, we continue to address the external challenges in today’s economic environment as we remain disciplined with our spending and are focused on continuing to improve our operational efficiencies and cost structure and on enhancing value for our stockholders.

Overview of Our Industries

Oil and Natural Gas Industry

The oil and natural gas industry has traditionally been volatile and is influenced by a combination of long-term, short-term and cyclical trends, including the domestic and international supply and demand for oil and natural gas, current and expected future prices for oil and natural gas and the perceived stability and sustainability of those prices, production depletion rates and the resultant levels of cash flows generated and allocated by exploration and production companies to their drilling, completion and related services and products budgets. The oil and natural gas industry is also impacted by general domestic and international economic conditions, political instability in oil producing countries, government regulations (both in the United States and elsewhere), levels of customer demand, the availability of pipeline capacity, storage capacity, shortages of equipment and materials and other conditions and factors that are beyond our control.

Demand for most of our oil and natural gas products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The levels of capital expenditures of our customers are predominantly driven by the prices of oil and natural gas. In March and April 2020, concurrent with the COVID-19 pandemic and quarantine orders in the U.S. and worldwide, oil prices dropped sharply to below zero dollars per barrel for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. In 2021, U.S. oil production stabilized as

commodity prices increased and demand for crude oil rebounded. We saw improvements in the oilfield services industry and in both pricing and utilization of our well completion and drilling services during 2022. During the first quarter of 2023, pricing for crude oil and natural gas declined from levels seen in 2022, which may slow down completion activities for our customers and, as a result, reduce demand for our well completion services. Further, the ongoing war and related humanitarian crisis in Ukraine could continue to have an adverse impact on the global energy markets and volatility of commodity prices.

In response to market conditions, we have temporarily shut down our cementing and acidizing operations and flowback operations beginning in July 2019, our contract drilling operations beginning in December 2019, our rig hauling operations beginning in April 2020, our coil tubing, pressure control and full service transportation operations beginning in July 2020 and our crude oil hauling operations beginning in July 2021. We continue to monitor the market to determine if and when we can recommence these services.

We are currently operating three of our six pressure pumping fleets. Subject to market conditions, supply chain constraints and liquidity requirements, we have plans to upgrade one spread to Tier 4 dual fuel as well as upgrade two fleets to Tier 2 dual fuel, giving us a total of four dual fuel fleets by year-end 2023. Continuing supply chain disruptions have resulted in backlogs of equipment and replacement parts for our and our competitors' pressure pumping fleets, which we expect to persist through at least the first half of 2023. Any of these factors may result in the delay of our plans to activate, convert or upgrade our existing pressure pumping fleets in the second half of 2023, which may adversely impact our business, financial condition and cash flow.

Natural Sand Proppant Industry

In our natural sand proppant services business, we experienced a significant decline in demand for our sand proppant in the second half of 2019 and throughout 2020 as a result of completion activity falling due to lower oil demand and pricing, increased capital discipline by our customers, budget exhaustion and the COVID-19 pandemic. Activity rebounded modestly in 2021 and continued to increase throughout 2022 as we saw an increase in the volume of sand sold. Supply constraints from labor shortages have negatively affected West Texas in-basin mine operations and increased demand for Northern White frac sand for the region in 2022. Demand from oil and gas companies in Western Canada and the Marcellus Shale was also strong in 2022. The increase in activity in 2022 resulted in an increase in demand and pricing for our sand, which continued throughout the first quarter of 2023. However, as discussed above, pricing for crude oil and natural gas declined from levels seen in 2022, which may impact completion activities for our customers and demand for our sand proppant services.

As a result of adverse market conditions, production at our Muskie sand facility in Pierce County, Wisconsin has been temporarily idled since September 2018. Our contracted capacity has provided a baseline of business, which has kept our Taylor and Piranha plants operating and our costs competitive.

Energy Infrastructure Industry

Our infrastructure services business provides engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry. We offer a broad range of services on electric transmission and distribution, or T&D, networks and substation facilities, which include engineering, design, construction, upgrade, maintenance and repair of high voltage transmission lines, substations and lower voltage overhead and underground distribution systems. Our commercial services include the installation, maintenance and repair of commercial wiring. We also provide storm repair and restoration services in response to storms and other disasters. We provide infrastructure services primarily in the northeast, southwest, midwest and western portions of the United States. We currently have agreements in place with private utilities, public IOUs and Co-Ops.

During 2022, operational improvements combined with increased crew count drove enhanced results in our infrastructure services division. Although our average crew count declined slightly from approximately 93 crews throughout the fourth quarter of 2022 to approximately 88 crews throughout the first quarter of 2023, operational efficiencies drove improved results. Funding for projects in the infrastructure space remains strong with added opportunities expected from the Infrastructure Investment and Jobs Act, which was signed into law on November 15, 2021. We anticipate the federal spending to begin fueling additional projects in this sector beginning in late 2023. We continue to focus on operational execution and pursue opportunities within this sector as we strategically structure our service offerings for growth, intending to increase our infrastructure services activity and expand both our geographic footprint and depth of projects, especially in fiber maintenance and installation projects.

We work for multiple utilities primarily across the northeastern, southwestern, midwestern and western portions of the United States. We believe that we are well-positioned to compete for new projects due to the experience of our infrastructure management team, combined with our vertically integrated service offerings. We are seeking to leverage this experience and our service offerings to grow our customer base and increase our revenues in the continental United States over the coming years.

Our infrastructure services business has been adversely impacted by the outstanding amounts owed to us by the Puerto Rico Electric Power Authority, or PREPA, for services performed by our subsidiary, Cobra Acquisitions LLC, or Cobra, in Puerto Rico to restore PREPA's electrical grid damaged by Hurricane Maria. As of March 31, 2023, PREPA owed us approximately \$227.0 million for services performed excluding approximately \$163.2 million of interest charged on these delinquent balances. See Note 2. Basis of Presentation and Significant Accounting Policies—Accounts Receivable of our unaudited condensed consolidated financial statements. PREPA is currently subject to bankruptcy proceedings, which were filed in July 2017 and are currently pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations under the contracts is largely dependent upon funding from the Federal Emergency Management Agency, or FEMA, or other sources. On September 30, 2019, we filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to us by PREPA, which motion was stayed by the Court. On March 25, 2020, we filed an urgent motion to modify the stay order and allow our recovery of approximately \$62 million in claims related to a tax gross-up provision contained in the first contract. This emergency motion was denied on June 3, 2020 and the Court extended the stay of our motion. On December 9, 2020, the Court again extended the stay of our motion and directed PREPA to file a status report by June 7, 2021. On April 6, 2021, we filed a motion to lift the stay order. Following this filing, PREPA initiated discussion with Cobra, which resulted in PREPA and Cobra filing a joint motion to adjourn all deadlines relative to the April 6, 2021 motion until the June 16, 2021 omnibus hearing as a result of PREPA's understanding that FEMA would be releasing a report in the near future relating to the first contract. The joint motion was granted by the Court on April 14, 2021. On May 26, 2021, FEMA issued a Determination Memorandum related to the first contract between Cobra and PREPA in which, among other things, FEMA raised two contract compliance issues and, as a result, concluded that approximately \$47 million in costs were not authorized costs under the contract. On June 14, 2021, the Court issued an order adjourning Cobra's motion to lift the stay order to a hearing on August 4, 2021 and directing Cobra and PREPA to meet and confer in good faith concerning, among other things, (i) the May 26, 2021 Determination Memorandum issued by FEMA and (ii) whether and when a second determination memorandum is expected. The parties were further directed to file an additional status report, which was filed on July 20, 2021. On July 23, 2021, with our aid, PREPA filed an appeal of the entire \$47 million that FEMA de-obligated in the May 26, 2021 Determination Memorandum. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$24.4 million are eligible for funding. On August 4, 2021, the Court denied Cobra's April 6, 2021 motion to lift the stay order, extended the stay of our motion seeking recovery of amounts owed to Cobra and directed the parties to file an additional joint status report, which was filed on January 22, 2022. On January 26, 2022, the Court extended the stay and directed the parties to file a further status report by July 25, 2022. On June 7, 2022, Cobra filed a motion to lift the stay order. On June 29, 2022 the Court denied Cobra's motion and extended the stay to January 2023. On November 21, 2022, FEMA issued a Determination Memorandum related to the 100% federal funded portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$5.6 million in costs were not authorized costs under the contract. On December 21, 2022, FEMA issued a Determination Memorandum related to the 90% federal cost share portion of the second contract between Cobra and PREPA in which FEMA concluded that approximately \$68.1 million in costs were not authorized costs under the contract. PREPA filed a first-level administrative appeal of the November 21, 2022 Determination Memorandum and has indicated that they will review the December 21, 2022 Determination Memorandums and, to the extent they feel plausible, file a first-level administrative appeal of the unauthorized amounts. On January 7, 2023, Cobra and PREPA filed a joint status report with the Court, in which PREPA requested that the Court continue the stay through July 31, 2023 and Cobra requested that the stay be lifted. On January 18, 2023, the Court entered an order extending the stay and directing the parties to file a further status report addressing (i) the status of any administrative appeals in connection with the November and December determination memorandums regarding the second contract, (ii) the status of the criminal proceedings against the former Cobra president and the FEMA official that concluded in December 2022, and (iii) a summary of the outstanding and unpaid amounts arising from the first and second contracts and whether PREPA disputes Cobra's entitlement to these amounts with the Court by July 31, 2023.

On January 20, 2023, Cobra submitted a certified claim for approximately \$379 million to FEMA pursuant to the federal Contract Disputes Act. On February 1, 2023, FEMA notified Cobra that it had reviewed the claim and determined that no contract, expressed or implied, exists between FEMA and Cobra. On March 27, 2023, Cobra was notified that FEMA had approved \$233 million in Cobra invoices related to the December 21, 2022 Determination Memorandum. The 90% federal cost share of this approved amount was \$210 million, which was obligated and made available for draw down on March 27, 2023. Of this \$210 million, approximately \$99 million has been represented by both PREPA and FEMA as intended to pay Cobra for outstanding invoices and the remaining \$111 million is a reimbursement to PREPA for payments already made on Cobra invoices. On March 29, 2023, Cobra filed a notice of appeal with the Civilian Board of Contract Appeals related to the certified

claim submitted in January 2023. On April 25, 2023, FEMA filed a motion to dismiss Cobra's appeal alleging lack of jurisdiction.

We believe all amounts charged to PREPA were in accordance with the terms of the contracts. Further, we believe these receivables are collectible. However, in the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to us or (iii) otherwise does not pay amounts owed to us for services performed, the receivable may not be collected and our financial condition, results of operations and cash flows would be materially and adversely affected. In addition, government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits and compliance reviews by government agencies and representatives. In this regard, on September 10, 2019, the U.S. District Court for the District of Puerto Rico unsealed an indictment that charged the former president of Cobra with conspiracy, wire fraud, false statements and disaster fraud. Two other individuals were also charged in the indictment. The indictment focused on the interactions between a former FEMA official and the former President of Cobra. Neither we nor any of our subsidiaries were charged in the indictment. On May 18, 2022, the former FEMA official and the former president of Cobra each pled guilty to one-count information charging gratuities related to a project that Cobra never bid upon and was never awarded or received any monies for. On December 13, 2022, the Court sentenced the former Cobra president to custody of the Bureau of Prisons for six months and one day, a term of supervised release of six months and a fine of \$25,000. The Court sentenced the FEMA official to custody of the Bureau of Prisons for six months and one day, a term of supervised release of six months and a fine of \$15,000. The Court also dismissed the indictment against the two defendants. We do not expect any additional activity in the criminal proceeding. Given the uncertainty inherent in the criminal litigation, however, it is not possible at this time to determine the potential impacts that the sentencings could have on us. PREPA has stated in Court filings that it may contend the alleged criminal activity affects Cobra's entitlement to payment under its contracts with PREPA. It is unclear what PREPA's position will be going forward. See Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this report for additional information regarding these investigations and proceedings. Further, as noted above, our contracts with PREPA have concluded and we have not obtained, and there can be no assurance that we will be able to obtain, one or more contracts with other customers to replace the level of services that we provided to PREPA.

First Quarter 2023 Financial Overview

- Total revenue for the first quarter of 2023 increased by \$54.0 million, or 87%, to \$116.3 million from \$62.3 million for the first quarter of 2022. The increase in total revenue is primarily due to an increase in well completions, driven primarily by increased utilization and pricing for our services.
- Net income for the first quarter of 2023 was \$8.4 million, or \$0.17 per diluted share, as compared to net loss of \$14.8 million, or \$0.32 loss per diluted share, for the first quarter of 2022.
- Net cash flow provided by operating activities for the first quarter of 2023 was \$3.2 million, as compared to net cash flow used in operating activities of \$2.4 million for the first quarter of 2022.
- Adjusted EBITDA (as defined and reconciled below) for the first quarter of 2023 increased by \$21.4 million, or 230%, to \$30.7 million from \$9.3 million for the first quarter of 2022. See "Non-GAAP Financial Measures" below for a reconciliation of net income to Adjusted EBITDA.

Results of Operations

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

	Three Months Ended	
	March 31, 2023	March 31, 2022
(in thousands)		
Revenue:		
Well completion services	\$ 67,300	\$ 23,874
Infrastructure services	28,280	23,009
Natural sand proppant services	12,467	9,179
Drilling services	1,825	2,855
Other services	7,032	4,732
Eliminations	(584)	(1,351)
Total revenue	116,320	62,298
Cost of revenue:		
Well completion services (exclusive of depreciation and amortization of \$4,813 and \$6,437, respectively, for the three months ended March 31, 2023 and 2022)	52,515	22,870
Infrastructure services (exclusive of depreciation and amortization of \$3,372 and \$4,306, respectively, for the three months ended March 31, 2023 and 2022)	22,487	18,903
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$1,186 and \$1,792, respectively, for the three months ended March 31, 2023 and 2022)	7,860	7,788
Drilling services (exclusive of depreciation and amortization of \$1,367 and \$1,680, respectively, for the three months ended March 31, 2023 and 2022)	2,031	2,532
Other services (exclusive of depreciation and amortization of \$2,210 and \$2,933, respectively, for the three months ended March 31, 2023 and 2022)	4,684	3,664
Eliminations	(584)	(1,277)
Total cost of revenue	88,993	54,480
Selling, general and administrative expenses	8,383	8,668
Depreciation, depletion, amortization and accretion	12,956	17,167
Gains on disposal of assets, net	(361)	(196)
Operating income (loss)	6,349	(17,821)
Interest expense, net	(3,289)	(2,349)
Other income, net	8,624	9,041
Income (loss) before income taxes	11,684	(11,129)
Provision for income taxes	3,333	3,688
Net income (loss)	\$ 8,351	\$ (14,817)

Revenue. Revenue for the three months ended March 31, 2023 increased \$54.0 million, or 87%, to \$116.3 million from \$62.3 million for the three months ended March 31, 2022. The increase in total revenue is primarily attributable to an increase in well completions revenue during the three months ended March 31, 2023 primarily due to increased utilization and pricing. Revenue derived from related parties was \$0.2 million for the three months ended March 31, 2023 and \$0.3 million for the three months ended March 31, 2022. Revenue by operating division was as follows:

Well Completion Services. Well completion services division revenue increased \$43.4 million, or 182%, to \$67.3 million for the three months ended March 31, 2023 from \$23.9 million for the three months ended March 31, 2022. The increase in our well completion services revenue was primarily driven by a 189% increase in the number of stages completed from 699 for the three months ended March 31, 2022 to 2,018 for the three months ended March 31,

2023 as well as an increase in both pricing for our services and sand and chemical materials revenue. An average of 3.6 of our fleets were active for the three months ended March 31, 2023 as compared to an average of 1.6 fleets for the three months ended March 31, 2022.

Infrastructure Services. Infrastructure services division revenue increased \$5.3 million, or 23%, to \$28.3 million for the three months ended March 31, 2023 from \$23.0 million for the three months ended March 31, 2022 primarily due to operational execution, an increase in crew count, improved pricing for our services and an increase in storm restoration activity. Average crew count was 88 crews for the three months ended March 31, 2023, as compared to 85 crews for the three months ended March 31, 2022.

Natural Sand Proppant Services. Natural sand proppant services division revenue increased \$3.3 million, or 36%, to \$12.5 million for the three months ended March 31, 2023, from \$9.2 million for the three months ended March 31, 2022 primarily due to an 45% increase in the average price per ton of sand sold from \$21.44 per ton during the three months ended March 31, 2022 to \$31.02 per ton during the three months ended March 31, 2023, and a 19% increase in tons of sand sold from 328,591 tons for the three months ended March 31, 2022 to 391,439 tons for the three months ended March 31, 2023.

Drilling Services. Drilling services division revenue decreased \$1.1 million, or 38%, to \$1.8 million for the three months ended March 31, 2023 as compared to \$2.9 million for the three months ended March 31, 2022. The decrease is primarily due to a decline utilization for our directional drilling business from 48% for the three months ended March 31, 2022 to 30% for the three months ended March 31, 2023.

Other Services. Other services revenue, consisting of revenue derived from our aviation, equipment rental, remote accommodation and equipment manufacturing businesses, increased approximately \$2.3 million, or 49%, to \$7.0 million for the three months ended March 31, 2023, from \$4.7 million for the three months ended March 31, 2022. Inter-segment revenue, consisting primarily of revenue derived from our well completion segment, was \$0.4 million and \$0.3 million for the three months ended March 31, 2023 and 2022, respectively.

Revenue from our accommodations business increased \$1.9 million primarily due to an increase in rooms rented during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Additionally, an average of 287 pieces of equipment were rented to customers during the three months ended March 31, 2023, an increase of 29% from an average of 222 pieces of equipment rented to customers during the three months ended March 31, 2022, resulting in an increase to revenue of \$0.3 million.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, increased \$34.5 million from \$54.5 million, or 87% of total revenue, for the three months ended March 31, 2022 to \$89.0 million, or 77% of total revenue, for the three months ended March 31, 2023. The increase is primarily due to an increase in activity in our well completions divisions. Cost of revenue by operating division was as follows:

Well Completion Services. Well completion services division cost of revenue, exclusive of depreciation and amortization expense, increased \$29.6 million, or 130%, to \$52.5 million for the three months ended March 31, 2023 from \$22.9 million for the three months ended March 31, 2022, primarily due to an increase in utilization and the cost of consumables. As a percentage of revenue, our well completion services division cost of revenue, exclusive of depreciation and amortization expense of \$4.8 million and \$6.4 million for the three months ended March 31, 2023 and 2022, respectively, was 78% and 96% for the three months ended March 31, 2023 and 2022, respectively. The decrease as a percentage of revenue is primarily due to an increase in utilization as well as improved pricing.

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, increased \$3.6 million, or 19%, to \$22.5 million for the three months ended March 31, 2023 from \$18.9 million for the three months ended March 31, 2022, primarily due to an increase in activity. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$3.4 million and \$4.3 million for the three months ended March 31, 2023 and 2022, respectively, was 80% and 82% for the three months ended March 31, 2023 and 2022, respectively. The decline as a percentage of revenue is primarily due to improved pricing, an increase in storm restoration activity as well as a decline in labor related costs as a result of improved efficiency of our crews.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, increased \$0.1 million, to \$7.9 million for the three months ended

March 31, 2023 from \$7.8 million for the three months ended March 31, 2022. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$1.2 million and \$1.8 million for the three months ended March 31, 2023 and 2022, respectively, was 63% and 85% for the three months ended March 31, 2023 and 2022, respectively. The decrease as a percentage of revenue is primarily due to an 45% increase in price per ton of sand sold.

Drilling Services. Drilling services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$0.5 million, or 20%, to \$2.0 million for the three months ended March 31, 2023 from \$2.5 million for the three months ended March 31, 2022. As a percentage of revenue, our drilling services division cost of revenue, exclusive of depreciation and amortization expense of \$1.4 million and \$1.7 million for the three months ended March 31, 2023 and 2022, respectively, was 111% and 86% for the three months ended March 31, 2023 and 2022, respectively. The increase is primarily due to a decline in utilization.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, increased \$1.0 million, or 27%, to \$4.7 million for the three months ended March 31, 2023 from \$3.7 million for the three months ended March 31, 2022 primarily due to increased activity. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$2.2 million and \$2.9 million for the three months ended March 31, 2023 and 2022, respectively, was 67% and 77% for the three months ended March 31, 2023 and 2022, respectively. The decrease is primarily due to an increase in utilization.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses represent the costs associated with managing and supporting our operations. The table below presents a breakdown of SG&A expenses for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2023	March 31, 2022
Cash expenses:		
Compensation and benefits	\$ 4,277	\$ 2,983
Professional services	1,929	3,637
Other ^(a)	1,911	1,906
Total cash SG&A expense	8,117	8,526
Non-cash expenses:		
Bad debt provision	(381)	(99)
Stock based compensation	647	241
Total non-cash SG&A expense	266	142
Total SG&A expense	<u>\$ 8,383</u>	<u>\$ 8,668</u>

a. Includes travel-related costs, IT expenses, rent, utilities and other general and administrative-related costs.

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$4.2 million, or 24%, to \$13.0 million for the three months ended March 31, 2023 from \$17.2 million for the three months ended March 31, 2022. The decrease is primarily attributable to a decline in property and equipment depreciation expense as a result of existing assets being fully depreciated.

Gains on Disposal of Assets, Net. Gains on the disposal of assets were \$0.4 million and \$0.2 million for the three months ended March 31, 2023 and 2022, respectively.

Operating Income (Loss). We reported operating income of \$6.3 million for the three months ended March 31, 2023 compared to an operating loss of \$17.8 million for the three months ended March 31, 2022. The increase in operating income is primarily due to an increase in activity and pricing for our well completions division.

Interest Expense, Net. Interest expense, net increased \$1.0 million, or 43%, to \$3.3 million for the three months ended March 31, 2023 from \$2.3 million for the three months ended March 31, 2022. The increase is primarily due to an increase in the interest rate under our revolving credit facility.

Other Income, Net. Other income decreased \$0.4 million to \$8.6 million for the three months ended March 31, 2023 compared to \$9.0 million for the three months ended March 31, 2022.

Income Taxes. We recorded income tax expense of \$3.3 million on pre-tax income of \$11.7 million for the three months ended March 31, 2023 compared to \$3.7 million on pre-tax losses of \$11.1 million for the three months ended March 31, 2022. Our effective tax rates were 29% and 33% for the three months ended March 31, 2023 and 2022, respectively. The effective tax rates for the three months ended March 31, 2023 and 2022 differed from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico as well as changes in the valuation allowance.

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define Adjusted EBITDA as net income (loss) before depreciation, depletion, amortization and accretion, gains on disposal of assets, stock based compensation, interest expense, net, other income (expense), net (which is comprised of interest on trade accounts receivable and certain legal expenses) and provision for income taxes, further adjusted to add back interest on trade accounts receivable. We exclude the items listed above from net income (loss) in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industries depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net loss or cash flows from operating activities as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. We believe that Adjusted EBITDA is a widely followed measure of operating performance and may also be used by investors to measure our ability to meet debt service requirements.

The following tables provide a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income or (loss) for each of our operating segments for the specified periods (in thousands).

Consolidated

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net income (loss):		
Net income (loss)	\$ 8,351	\$ (14,817)
Depreciation, depletion, amortization and accretion expense	12,956	17,167
Gains on disposal of assets, net	(361)	(196)
Stock based compensation	647	241
Interest expense, net	3,289	2,349
Other income, net	(8,624)	(9,041)
Provision for income taxes	3,333	3,688
Interest on trade accounts receivable	11,112	9,862
Adjusted EBITDA	\$ 30,703	\$ 9,253

Well Completion Services

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net income (loss):		
Net income (loss)	\$ 6,547	\$ (7,801)
Depreciation and amortization expense	4,817	6,444
Gains on disposal of assets, net	—	(49)
Stock based compensation	291	87
Interest expense	929	371
Adjusted EBITDA	<u>\$ 12,584</u>	<u>\$ (948)</u>

Infrastructure Services

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net income:		
Net income	\$ 2,452	\$ 125
Depreciation and amortization expense	3,374	4,314
Gains on disposal of assets	(127)	(5)
Stock based compensation	230	98
Interest expense	1,845	1,542
Other income, net	(8,808)	(9,582)
Provision for income taxes	2,847	3,067
Interest on trade accounts receivable	11,112	9,862
Adjusted EBITDA	<u>\$ 12,925</u>	<u>\$ 9,421</u>

Natural Sand Proppant Services

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net income (loss):		
Net income (loss)	\$ 2,779	\$ (1,315)
Depreciation, depletion, amortization and accretion expense	1,187	1,795
Gains on disposal of assets	(16)	(75)
Stock based compensation	77	34
Interest expense	156	162
Other income, net	(2)	(4)
Adjusted EBITDA	<u>\$ 4,181</u>	<u>\$ 597</u>

Drilling Services

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net loss:		
Net loss	\$ (2,046)	\$ (1,753)
Depreciation expense	1,367	1,680
Stock based compensation	11	5
Interest expense	160	104
Adjusted EBITDA	\$ (508)	\$ 36

Other Services^(a)

	Three Months Ended	
	March 31,	
	2023	2022
Reconciliation of Adjusted EBITDA to net loss:		
Net loss	\$ (1,381)	\$ (3,999)
Depreciation, amortization and accretion expense	2,211	2,934
Gains on disposal of assets, net	(218)	(67)
Stock based compensation	38	17
Interest expense, net	199	170
Other expense, net	186	545
Provision for income taxes	486	621
Adjusted EBITDA	\$ 1,521	\$ 221

a. Includes results for our aviation, equipment rentals, remote accommodations and equipment manufacturing and corporate related activities. Our corporate related activities do not generate revenue.

Liquidity and Capital Resources

We require capital to fund ongoing operations including maintenance expenditures on our existing fleet of equipment, organic growth initiatives, investments and acquisitions, and the litigation settlement obligations described in Note 18 “Commitments and Contingencies” of the Notes to the Unaudited Condensed Consolidated Financial Statements and under “Capital Requirements and Sources of Liquidity” below. Our primary sources of liquidity have been cash on hand, borrowings under our revolving credit facility and cash flows from operations. Our primary uses of capital have been for investing in property and equipment used to provide our services and to acquire complementary businesses.

Liquidity

The following table summarizes our liquidity as of the dates indicated (in thousands):

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 11,727	\$ 17,282
Revolving credit facility availability	118,399	119,756
Less current and long-term debt	(84,614)	(83,520)
Less available borrowing capacity reserve	(10,000)	(10,000)
Less letter of credit facilities (insurance programs)	(2,800)	(2,800)
Less letter of credit facilities (environmental remediation)	(3,569)	(3,694)
Net working capital (less cash and current portion of long-term debt) ^(a)	343,459	325,719
Total	\$ 372,602	\$ 362,743

a. Net working capital (less cash and current portion of long-term debt) is a non-GAAP measure and, as of March 31, 2023, is calculated by subtracting total current liabilities of \$237.7 million and cash and cash equivalents of \$11.7 million from total current assets of \$508.3 million,

further adjusted to add current portion of long-term debt of \$84.6 million. As of December 31, 2022, net working capital (less cash and current portion of long-term debt) is calculated by subtracting total current liabilities of \$237.2 million and cash and cash equivalents of \$17.3 million from total current assets of \$496.7 million, further adjusted to add current portion of long-term debt of \$83.5 million. Amounts include receivables due from PREPA of \$390.2 million at March 31, 2023 and \$379.0 million at December 31, 2022 and corresponding liabilities of \$50.5 million at March 31, 2023 and \$47.6 million at December 31, 2022.

As of April 26, 2023, we had cash on hand of \$9.5 million and outstanding borrowings under our revolving credit facility of \$76.0 million, leaving an aggregate of \$26.0 million of available borrowing capacity under this facility, after giving effect to \$6.4 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

Continued prolonged volatility in the capital, financial and/or credit markets due to the COVID-19 pandemic, inflationary pressures or otherwise and volatility in commodity prices and/or adverse macroeconomic conditions may further limit our access to, or increase our cost of, capital or make capital unavailable on terms acceptable to us or at all. In addition, if we are unable to comply with the financial covenants under our amended revolving credit facility, or obtain a waiver of forecasted or actual non-compliance with any such financial covenants from our lenders, and an event of default occurs and remains uncured, our lenders would not be required to lend any additional amounts to us, could elect to increase our interest rate by 200 basis points, could elect to declare all outstanding borrowings, together with accrued and unpaid interest and fees, to be due and payable, may have the ability to require us to apply all of our available cash to repay our outstanding borrowings and may foreclose on substantially all of our assets. Further, we may not be able to extend, repay or refinance our existing revolving credit facility, which is currently scheduled to mature on October 19, 2023, at or prior to maturity on the terms acceptable to us or at all.

Cash Flows

The following table sets forth our cash flows at the dates indicated (in thousands):

	Three Months Ended	
	March 31,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 3,240	\$ (2,381)
Net cash used in investing activities	(5,706)	(144)
Net cash (used in) provided by financing activities	(3,083)	736
Effect of foreign exchange rate on cash	(6)	8
Net change in cash	<u>\$ (5,555)</u>	<u>\$ (1,781)</u>

Operating Activities

Net cash provided by operating activities was \$3.2 million for the three months ended March 31, 2023, compared to cash used in operating activities of \$2.4 million for the three months ended March 31, 2022. The increase in operating cash flows was primarily attributable to an increase in utilization and pricing for our well completions division.

Investing Activities

Net cash used in investing activities was \$5.7 million for the three months ended March 31, 2023, compared to \$0.1 million for the three months ended March 31, 2022. Cash used in investing activities is primarily comprised of purchases of property and equipment and proceeds from the disposal of property and equipment.

The following table summarizes our capital expenditures by operating division for the periods indicated (in thousands):

	Three Months Ended	
	March 31,	
	2023	2022
Well completion services ^(a)	\$ 5,772	\$ 801
Infrastructure services ^(b)	203	398
Drilling services ^(c)	—	2
Other ^(d)	—	60
Eliminations	61	(79)
Total capital expenditures	<u>\$ 6,036</u>	<u>\$ 1,182</u>

- a. Capital expenditures primarily for upgrades to our pressure pumping fleet to reduce greenhouse gas emissions and maintenance for the three months ended March 31, 2023 and 2022.
b. Capital expenditures primarily for tooling and other equipment for the three months ended March 31, 2023 and 2022.
c. Capital expenditures primarily for maintenance for the three months ended March 31, 2022.
d. Capital expenditures primarily for equipment for our rental business for the three months ended March 31, 2022.

Financing Activities

Net cash used in financing activities was \$3.1 million for the three months ended March 31, 2023, compared to net cash provided by financing activities of \$0.7 million for the three months ended March 31, 2022. Net cash used in financing activities for the three months ended March 31, 2023 was primarily attributable to principal payment on financing leases and equipment financing notes of \$2.0 million, principal payments on sale leaseback arrangements of \$1.2 million and share repurchases used to satisfy tax withholding obligations of \$0.9 million in connection with the vesting and settlement of certain executive restricted stock unit awards. These were partially offset by net borrowings under our revolving credit facility of \$1.1 million during the three months ended March 31, 2023. Net cash provided by financing activities for the three months ended March 31, 2022 was primarily attributable to net borrowings under our revolving credit facility of \$2.2 million, partially offset by principal payments on financing leases and equipment financing notes totaling \$1.5 million.

Effect of Foreign Exchange Rate on Cash

The effect of foreign exchange rate on cash was a nominal amount for each of the three months ended March 31, 2023 and 2022. The change was driven primarily by a favorable (unfavorable) shift in the weakness (strength) of the Canadian dollar relative to the U.S. dollar for the cash held in Canadian accounts.

Working Capital

Our working capital totaled \$270.6 million and \$259.5 million at March 31, 2023 and December 31, 2022, respectively, including receivables due from PREPA of \$390.2 million at March 31, 2023 and \$379.0 million at December 31, 2022 and corresponding liabilities of \$50.5 million at March 31, 2023 and \$47.6 million at December 31, 2022. Our cash balances were \$11.7 million and \$17.3 million at March 31, 2023 and December 31, 2022, respectively.

Our Revolving Credit Facility

On October 19, 2018, we and certain of our direct and indirect subsidiaries, as borrowers, entered into an amended and restated revolving credit facility, as subsequently amended, with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders. At March 31, 2023, we had outstanding borrowings under our revolving credit facility of \$84.6 million and \$17.4 million of available borrowing capacity under this facility, after giving effect to \$6.4 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

On February 28, 2022, we entered into a fourth amendment to the revolving credit facility (the “Fourth Amendment”) to, in relevant part, (i) amend our financial covenants as outlined below, (ii) provide for a conditional increase of the applicable interest margin, (iii) permit certain sale-leaseback transactions, and (iv) provide for a reduction in the maximum revolving advance amount in an amount equal to 50% of the PREPA claims proceeds, subject to a floor equal to the sum of eligible billed and unbilled accounts receivables.

The financial covenants under our revolving credit facility were amended as follows:

- the leverage ratio was eliminated;
- the fixed charge coverage ratio was reduced to 0.85 to 1.0 for the six months ended June 30, 2022 and increases to 1.1 to 1.0 for the periods thereafter;
- a minimum adjusted EBITDA covenant of \$4.7 million, excluding interest on the accounts receivable from PREPA, for the five months ending May 31, 2022 was added; and
- the minimum excess availability covenant was reduced to \$7.5 million through March 31, 2022, after which the minimum excess availability covenant increased to \$10.0 million.

We were in compliance with the applicable financial covenants under our amended revolving credit facility in effect as of March 31, 2023. For additional information regarding our revolving credit facility, see Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report.

As of April 26, 2023, our outstanding borrowings under our amended revolving credit facility were \$76.0 million, leaving an aggregate of \$26.0 million of available borrowing capacity, after giving effect to \$6.4 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity. If we fail to comply with the financial covenants contemplated by our amended revolving credit facility, or obtain a waiver of forecasted or actual non-compliance with any such financial covenants from our lenders, and an event of default occurs and remains uncured, it will have a material adverse effect on our business, financial condition, liquidity and results of operations. In addition, our revolving credit facility is currently scheduled to mature on October 19, 2023. Although we continue to explore various strategic alternatives to extend, refinance, or repay our revolving credit facility on or before the scheduled maturity date, which may include proceeds from any equity or debt transactions, there is no guarantee that such extension, refinancing or repayment will be secured. Additionally, any such extended or new credit facility could have terms that are less favorable to us than the terms of our existing revolving credit facility, which may significantly increase our cost of capital and may have a material adverse effect on our liquidity and financial condition. For additional information regarding our amended revolving credit facility and financial covenants thereunder, see Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report.

Sale Leaseback Transactions

On December 30, 2020, we entered into an agreement with First National Capital, LLC, or FNC, whereby we agreed to sell certain assets from our infrastructure segment to FNC for aggregate proceeds of \$5.0 million. Concurrent with the sale of assets, we entered into a 36 month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.1 million. On June 1, 2021, we entered into another agreement with FNC whereby we sold additional assets from our infrastructure segment to FNC for aggregate proceeds of \$9.5 million and entered into a 42-month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.2 million. On June 1, 2022, we entered into another agreement with FNC whereby we sold additional assets from our infrastructure segment to FNC for aggregate proceeds of \$4.6 million and entered into a 42-month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.1 million. Under the agreements, we have the option to purchase the assets at the end of the lease term. We recorded a liability for the proceeds received and will continue to depreciate the assets. We imputed an interest rate so that the carrying amount of the financial liabilities will be the expected repurchase price at the end of the initial lease terms.

Equipment Financing Note

In December 2022, we entered into a 42 month financing arrangement with FNC for the purchase of seven new pressure pumping units for an aggregate value of \$9.7 million. Under this arrangement, we have agreed to make monthly principal and interest payments totaling \$0.3 million over the term of the agreement. This note is secured by the seven pressure pumping units and bears interest at an imputed rate of approximately 15.0%.

Capital Requirements and Sources of Liquidity

As we pursue our business and financial strategy, we regularly consider which capital resources are available to meet our future financial obligations and liquidity requirement. We believe that our cash on hand, operating cash flow and available borrowings under our credit facility will be sufficient to meet our short-term and long-term funding requirements, including funding our current operations, planned capital expenditures, debt service obligations and known contingencies.

Our liquidity and future cash flows, however, are subject to a number of variables, including receipt of payments from our customers, including PREPA, and our ability to extend, refinance or repay our revolving credit facility at or prior to its scheduled maturity date of October 19, 2023. As of March 31, 2023, PREPA owed Cobra approximately \$390.2 million for services performed, including \$163.2 million of interest charges. Throughout 2021, we released significant data that we obtained through Freedom of Information Act requests that affirm the work performed by Cobra in Puerto Rico. We believe these documents in conjunction with the current Administration's focus on the recovery of Puerto Rico and our enhanced lobbying efforts will aid in collecting the outstanding amounts owed to us by PREPA. However, in the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to Cobra or (iii) otherwise does not pay amounts owed to Cobra for services performed, the receivable may not be collectible, which may adversely impact our liquidity.

We have revised our 2023 capital expenditure estimate down to approximately \$24.0 million from the previously planned 2023 capital budget of \$64 million primarily due to lower commodity prices, softer demand for oilfield services and volatility in market conditions. During the first quarter of 2023, pricing for crude oil and natural gas declined from levels seen in 2022, which may slow down completion activities for our customers and, as a result, reduce demand for our oilfield services. Capital expenditures will ultimately be dependent upon industry conditions and our financial results. These capital expenditures include \$21 million for our well completions segment, \$1 million for our infrastructure segment, \$1 million for our natural sand proppant segment, and \$1 million for our other businesses. During the three months ended March 31, 2023, our capital expenditures totaled \$6.0 million.

Also, as noted above in this report, in response to market conditions we have (i) temporarily shut down certain of our oilfield service offerings, including coil tubing, pressure control, flowback, crude oil hauling, cementing, acidizing and land drilling services, (ii) idled certain facilities, including our sand processing plant in Pierce County, Wisconsin and (iii) reduced our workforce across all of our operations. We continue to monitor market conditions to determine if and when we will recommence these services and operations and increase our workforce. Any such recommencement and expansion will further increase our liquidity requirements in advance of revenue generation.

In addition, while we regularly evaluate acquisition opportunities, we do not have a specific acquisition budget for 2023. We intend to continue to evaluate acquisition opportunities, including those in the renewable energy sector as well as transactions involving entities controlled by Wexford. Our acquisitions may be undertaken with cash, our common stock or a combination of cash, common stock and/or other consideration. In the event we make one or more acquisitions and the amount of capital required is greater than the amount we have available for acquisitions at that time, we could be required to reduce the expected level of capital expenditures and/or seek additional capital.

If we seek additional capital for any of the above or other reasons, we may do so through borrowings under a revolving credit facility, joint venture partnerships, sale-leaseback transactions, asset sales, offerings of debt or equity securities or other means. Although we expect that our sources of capital will be adequate to fund our short-term and long-term liquidity requirements, we cannot assure you that this additional capital will be available on acceptable terms or at all. If we are unable to obtain funds we need, our ability to conduct operations, make capital expenditures, satisfy debt services obligations, pay litigation settlement obligations, fund contingencies and/or complete acquisitions that may be favorable to us will be impaired, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The demand, pricing and terms for our products and services are largely dependent upon the level of activity for the U.S. oil and natural gas industry, energy infrastructure industry and natural sand proppant industry. Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and natural gas services, energy infrastructure services and natural sand proppant; demand for repair and construction of transmission lines, substations and distribution networks in the energy infrastructure industry and the level of expenditures of utility companies; the level of prices of, and expectations about future prices for, oil and natural gas and natural sand proppant, as well as energy infrastructure services; the cost of exploring for, developing, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves and frac sand reserves meeting industry specifications and consisting of the mesh size in demand; access to pipeline, transloading and other transportation facilities and their capacity; weather conditions; domestic and worldwide economic conditions; political instability in oil-producing countries; environmental regulations; technical advances affecting energy consumption; the price and availability of alternative fuels; the ability of oil and natural gas producers and other users of our services to raise equity capital and debt financing; and merger and divestiture activity in industries in which we operate.

In March and April 2020, concurrent with the COVID-19 pandemic and quarantine orders in the U.S. and worldwide, oil prices dropped sharply to below zero dollars per barrel for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. In 2021, U.S. oil production stabilized as commodity prices increased and demand for crude oil rebounded, many exploration and production companies set their operating budgets based on the prevailing prices for oil and natural gas at the time. Despite improvement in the U.S. and global economic activity, easing of the COVID-19 pandemic and related restrictions, rising energy use and improved commodity prices, the budgets for the publicly traded exploration and production companies remained relatively flat throughout 2021, with any excess cash flows used for debt repayment and shareholder returns, rather than to increase production. We saw improvements in the oilfield services industry and in both pricing and utilization of our well completion and drilling services throughout 2022. During the first quarter of 2023, pricing for crude oil and natural gas declined from levels seen in 2022, which may slow down completion activities for our customers and, as a result, reduce demand for our well completion services. Further, the ongoing war and related humanitarian crisis in Ukraine could continue to have an adverse effect on the global supply chain and volatility of commodity prices.

Although the levels of activity in the U.S. oil and natural gas exploration and production, energy infrastructure and natural sand proppant industries improved throughout 2022, they have historically been and continue to be volatile. We are unable to predict the ultimate impact of the COVID-19 pandemic, the volatility in commodity prices, any changes in the near-term or long-term outlook for our industries or overall macroeconomic conditions on our business, financial condition, results of operations, cash flows and stock price.

Interest Rate Risk

We had a cash and cash equivalents balance of \$11.7 million at March 31, 2023. We do not enter into investments for trading or speculative purposes.

Interest under our credit facility is payable at a base rate, which can fluctuate based on multiple facts, including rates set by the U.S. Federal Reserve (which increased its benchmark interest rate by an aggregate of 4.75 percentage points throughout 2022 and 2023, and may continue to increase interest rates in an effort to counter the persistent inflation), the supply and demand for credit and general economic conditions, plus an applicable margin. The applicable margin is currently set at 4.0%, which can be reduced to 3.5% under certain circumstances specified in our credit facility. At March 31, 2023, we had outstanding borrowings under our revolving credit facility of \$84.6 million with a weighted average interest rate of 11.5%. A 1% increase or decrease in the interest rate at that time would increase or decrease our interest expense by approximately \$0.8 million per year. We do not currently hedge our interest rate exposure.

Foreign Currency Risk

Our remote accommodation business, which is included in our other services division, generates revenue and incurs expenses that are denominated in the Canadian dollar. These transactions could be materially affected by currency fluctuations. Changes in currency exchange rates could adversely affect our consolidated results of operations or financial position. We also maintain cash balances denominated in the Canadian dollar. At March 31, 2023, we had \$2.4 million of cash, in Canadian dollars, in Canadian accounts. A 10% increase in the strength of the Canadian dollar versus the U.S. dollar would have resulted in an increase in pre-tax income of approximately \$0.1 million as of March 31, 2023. Conversely, a corresponding decrease in

the strength of the Canadian dollar would have resulted in a comparable decrease in pre-tax income. We have not hedged our exposure to changes in foreign currency exchange rates and, as a result, could incur unanticipated translation gains and losses.

Customer Credit Risk

We are also subject to credit risk due to concentration of our receivables from several significant customers. We generally do not require our customers to post collateral. The inability, delay or failure of our customers to meet their obligations to us due to customer liquidity issues or their insolvency or liquidation may adversely affect our business, financial condition, results of operations and cash flows. This risk may be further enhanced by the COVID-19 pandemic, the volatility in commodity prices, the reduction in demand for our services and challenging macroeconomic conditions.

Specifically, we had receivables due from PREPA totaling \$390.2 million, including \$163.2 million of interest charges, as of March 31, 2023. PREPA is currently subject to bankruptcy proceedings pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations under the contracts is largely dependent upon funding from the FEMA or other sources. See Note 2. Basis of Presentation and Significant Accounting Policies—Accounts Receivable and—Concentrations of Credit Risk and Significant Customers and Note 18. Commitments and Contingencies—Litigation of our unaudited condensed consolidated financial statements.

Seasonality

We provide infrastructure services in the northeastern, southwestern, midwestern and western portions of the United States. We provide well completion and drilling services primarily in the Utica, Permian Basin, Eagle Ford, Marcellus, Granite Wash, Cana Woodford and Cleveland sand resource plays located in the continental U.S. We provide remote accommodation services in the oil sands in Alberta, Canada. We serve these markets through our facilities and service centers that are strategically located to serve our customers in Ohio, Texas, Oklahoma, Wisconsin, Kentucky, Colorado, California, Indiana and Alberta, Canada. A portion of our revenues are generated in Ohio, Wisconsin, Minnesota, Pennsylvania, West Virginia and Canada where weather conditions may be severe. As a result, our operations may be limited or disrupted, particularly during winter and spring months, in these geographic regions, which would have a material adverse effect on our financial condition and results of operations. Our operations in Oklahoma and Texas are generally not affected by seasonal weather conditions.

Inflation

Although the impact of inflation has been insignificant on our operations in prior years, inflation in the U.S. has been at some of the highest levels in over 40 years, creating inflationary pressure on the cost of services, equipment and other goods in our industries and other sectors and contributing to labor and materials shortages across the supply-chain. Throughout 2022 and early 2023, the Federal Reserve increased its benchmark interest rates by an aggregate of 4.75 percentage points, and may continue increasing benchmark interest rates in the future. If the efforts to control inflation are not successful and inflationary pressures persist, our business, results of operations and financial condition may be adversely affected.

Item 4. Controls and Procedures

Evaluation of Disclosure Control and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we have established disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of March 31, 2023, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief

Executive Officer and Chief Financial Officer have concluded that as of March 31, 2023, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in litigation or subject to disputes or claims related to our business activities, including breaches of contractual obligations, workers' compensation claims, employment related disputes, arbitrations, class actions and other litigation. We are also involved, from time to time, in reviews, investigations, subpoenas and other proceedings (both formal and informal) by governmental agencies regarding our business (collectively, "regulatory matters"), which regulatory matters, if determined adversely to us, could subject us to significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. In the opinion of our management, none of the pending litigation, disputes or claims against us is expected to have a material adverse effect on our financial condition, cash flows or results of operations, except as disclosed in Note 18 "Commitments and Contingencies," of the Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

As of the date of this filing, our Company and operations continue to be subject to the risk factors previously disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC on February 24, 2023. For a discussion of the recent trends and uncertainties impacting our business, see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Overview of Our Services and Industry Conditions"

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

Our common stock repurchase activity for the three months ended March 31, 2023 was as follows:

Period	Total number of shares repurchased ^(a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs
January	—	\$ —	—
February	—	\$ —	—
March	165,595	\$ 5.55	—
Total	165,595	\$ 5.55	—

- a. Represents 165,595 shares of common stock repurchased from the Company's executive officers in order to satisfy tax withholding requirements upon the vesting and settlement of certain of their restricted stock unit awards. Such shares are cancelled and retired immediately upon repurchase.

Item 4. Mine Safety Disclosures

Our operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. Our failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on our business and financial condition or otherwise impose significant restrictions on our ability to conduct mineral extraction and processing operations. Following passage of The Mine Improvement and New Emergency Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Report.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed as a part of this report:

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith	Furnished Herewith
		Form	Commission File No.	Filing Date	Exhibit No.		
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-37917	11/15/2016	3.1		
3.2	Amended and Restated Bylaws of the Company	8-K	001-37917	11/15/2016	3.2		
3.3	First Amendment to Amended and Restated Bylaws of the Company	8-K	001-37917	6/9/2020	3.1		
4.1	Specimen Certificate for shares of common stock, par value \$0.01 per share, of the Company	S-1/A	333-213504	10/3/2016	4.1		
4.2	Registration Rights Agreement, dated October 12, 2016, by and between the Company and Mammoth Energy Holdings, LLC	8-K	001-37917	11/15/2016	4.1		
31.1	Certification of Chief Executive Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.						X
31.2	Certification of Chief Financial Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.						X
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X
95.1	Mine Safety Disclosure Exhibit						X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						X
101.SCH	XBRL Taxonomy Extension Schema Document.						X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.						X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.						X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.						X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.						X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						X

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 28, 2023

By:

MAMMOTH ENERGY SERVICES, INC.

/s/ Arty Strachla

Arty Strachla

Chief Executive Officer

Date: April 28, 2023

By:

/s/ Mark Layton

Mark Layton

Chief Financial Officer

CERTIFICATIONS

I, Arty Straehla, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Arty Straehla

Arty Straehla

Chief Executive Officer

April 28, 2023

CERTIFICATIONS

I, Mark Layton, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MAMMOTH ENERGY SERVICES, INC.

By: /s/ Mark Layton

Mark Layton

Chief Financial Officer

April 28, 2023

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arty Straehla, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: **MAMMOTH ENERGY SERVICES, INC.**

/s/ Arty Straehla

Arty Straehla

Chief Executive Officer

April 28, 2023

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Layton, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Mark Layton

Mark Layton
Chief Financial Officer
April 28, 2023

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Mine Safety Disclosure

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

Mine Safety Information. Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

Mine Safety Data. The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- Section 104 S&S Citations: Citations received from MSHA under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- Section 104(b) Orders: Orders issued by MSHA under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- Section 104(d) Citations and Orders: Citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
- Section 110(b)(2) Violations: Flagrant violations issued by MSHA under section 110(b)(2) of the Mine Act.
- Section 107(a) Orders: Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an “imminent danger” (as defined by MSHA) existed.

The following table details the violations, citations and orders issued to us by MSHA during the quarter ended March 31, 2023:

Mine ^(a)	Section 104 S&S Citations(#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders(#)	Section 110(b)(2) Violations(#)	Section 107(a) Orders (#)	Proposed Assessments ^(b) (\$, amounts in dollars)	Mining Related Fatalities (#)
Taylor, WI	—	—	—	—	—	\$ —	—
Menomonie, WI	—	—	—	—	—	\$ —	—
New Auburn, WI	—	—	—	—	—	\$ —	—

- The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.
- Represents the total dollar value of proposed assessments from MSHA under the Mine Act relating to any type of citation or order issued during the quarter ended March 31, 2023.

Pattern or Potential Pattern of Violations. During the quarter ended March 31, 2023, none of the mines operated by us received written notice from MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of

the Mine Act or (b) the potential to have such a pattern.

Pending Legal Actions. There were no legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of March 31, 2023. The Commission is an independent adjudicative agency established by the Mine Act that provides administrative trial and appellate review of legal disputes arising under the Mine Act.