

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 June 30, 2022

or

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

For the transition period from _____ to _____

Commission File Number: 001-02960



Newpark Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

72-1123385

(I.R.S. Employer Identification No.)

9320 Lakeside Boulevard, Suite 100

The Woodlands, Texas

(Address of principal executive offices)

77381

(Zip Code)

(281) 362-6800

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--------------------------------|--------------------------|--|
| Common Stock, \$0.01 par value | NR | New York Stock Exchange |

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 (§232.405 of this chapter) 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for 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 August 1, 2022, a total of 93,999,672 shares of common stock, \$0.01 par value per share, were outstanding.

NEWPARK RESOURCES, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2022

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking statements in other materials we release to the public. Words such as "will," "may," "could," "would," "should," "anticipates," "believes," "estimates," "expects," "plans," "intends," and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management as of the filing date of this Quarterly Report on Form 10-Q; however, various risks, uncertainties, contingencies, and other factors, some of which are beyond our control, are difficult to predict and could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, these statements.

We assume no obligation to update, amend, or clarify publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by securities laws. In light of these risks, uncertainties, and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur.

For further information regarding these and other factors, risks, and uncertainties that could cause actual results to differ, we refer you to the risk factors set forth in Item 1A "Risk Factors" in our Quarterly Report on Form 10-Q for the period ended March 31, 2022, and our Annual Report on Form 10-K for the year ended December 31, 2021.

PART I FINANCIAL INFORMATION**ITEM 1. Financial Statements****Newpark Resources, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)**

| (In thousands, except share data) | June 30, 2022 | December 31, 2021 |
|--|---------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 20,159 | \$ 24,088 |
| Receivables, net | 192,801 | 194,296 |
| Inventories | 190,171 | 155,341 |
| Prepaid expenses and other current assets | 17,800 | 14,787 |
| Total current assets | 420,931 | 388,512 |
| Property, plant and equipment, net | 242,062 | 260,256 |
| Operating lease assets | 25,500 | 27,569 |
| Goodwill | 47,132 | 47,283 |
| Other intangible assets, net | 22,006 | 24,959 |
| Deferred tax assets | 5,403 | 2,316 |
| Other assets | 2,890 | 1,991 |
| Total assets | \$ 765,924 | \$ 752,886 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current debt | \$ 22,484 | \$ 19,210 |
| Accounts payable | 94,587 | 84,585 |
| Accrued liabilities | 39,194 | 46,597 |
| Total current liabilities | 156,265 | 150,392 |
| Long-term debt, less current portion | 121,975 | 95,593 |
| Noncurrent operating lease liabilities | 20,488 | 22,352 |
| Deferred tax liabilities | 7,143 | 11,819 |
| Other noncurrent liabilities | 9,302 | 10,344 |
| Total liabilities | 315,173 | 290,500 |
| Commitments and contingencies (Note 9) | | |
| Common stock, \$0.01 par value (200,000,000 shares authorized and 111,287,933 and 109,330,733 shares issued, respectively) | 1,113 | 1,093 |
| Paid-in capital | 637,293 | 634,929 |
| Accumulated other comprehensive loss | (68,801) | (61,480) |
| Retained earnings | 18,091 | 24,345 |
| Treasury stock, at cost (17,288,261 and 16,981,147 shares, respectively) | (136,945) | (136,501) |
| Total stockholders' equity | 450,751 | 462,386 |
| Total liabilities and stockholders' equity | \$ 765,924 | \$ 752,886 |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

| (In thousands, except per share data) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | \$ 194,144 | \$ 142,249 | \$ 370,582 | \$ 283,421 |
| Cost of revenues | 168,206 | 124,106 | 319,194 | 244,097 |
| Selling, general and administrative expenses | 24,330 | 22,980 | 48,763 | 43,891 |
| Other operating income, net | (80) | (1,590) | (30) | (1,864) |
| Impairment | 7,905 | — | 7,905 | — |
| Operating loss | (6,217) | (3,247) | (5,250) | (2,703) |
| Foreign currency exchange (gain) loss | (583) | 224 | (519) | (108) |
| Interest expense, net | 1,638 | 2,164 | 2,844 | 4,572 |
| Loss on extinguishment of debt | — | — | — | 790 |
| Loss before income taxes | (7,272) | (5,635) | (7,575) | (7,957) |
| Provision (benefit) for income taxes | 480 | 363 | (2,344) | 3,403 |
| Net loss | \$ (7,752) | \$ (5,998) | \$ (5,231) | \$ (11,360) |
| Net loss per common share - basic: | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.12) |
| Net loss per common share - diluted: | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.12) |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

| (In thousands) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------------|------------------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net loss | \$ (7,752) | \$ (5,998) | \$ (5,231) | \$ (11,360) |
| Foreign currency translation adjustments (net of tax benefit (expense) of \$366, \$(90), \$465, \$186) | (6,093) | 670 | (7,321) | (2,614) |
| Comprehensive loss | <u>\$ (13,845)</u> | <u>\$ (5,328)</u> | <u>\$ (12,552)</u> | <u>\$ (13,974)</u> |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

| (In thousands) | Common Stock | Paid-In Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Treasury Stock | Total |
|---|-----------------|--------------------|--|----------------------|---------------------|-------------------|
| Balance at March 31, 2022 | \$ 1,093 | \$ 636,397 | \$ (62,708) | \$ 26,866 | \$ (136,505) | \$ 465,143 |
| Net loss | — | — | — | (7,752) | — | (7,752) |
| Employee stock options, restricted stock and employee stock purchase plan | 20 | (834) | — | (1,023) | (440) | (2,277) |
| Stock-based compensation expense | — | 1,730 | — | — | — | 1,730 |
| Foreign currency translation, net of tax | — | — | (6,093) | — | — | (6,093) |
| Balance at June 30, 2022 | <u>\$ 1,113</u> | <u>\$ 637,293</u> | <u>\$ (68,801)</u> | <u>\$ 18,091</u> | <u>\$ (136,945)</u> | <u>\$ 450,751</u> |
| Balance at March 31, 2021 | \$ 1,077 | \$ 628,552 | \$ (57,456) | \$ 45,554 | \$ (136,805) | \$ 480,922 |
| Net loss | — | — | — | (5,998) | — | (5,998) |
| Employee stock options, restricted stock and employee stock purchase plan | 13 | (713) | — | (1,046) | 402 | (1,344) |
| Stock-based compensation expense | — | 1,994 | — | — | — | 1,994 |
| Foreign currency translation, net of tax | — | — | 670 | — | — | 670 |
| Balance at June 30, 2021 | <u>\$ 1,090</u> | <u>\$ 629,833</u> | <u>\$ (56,786)</u> | <u>\$ 38,510</u> | <u>\$ (136,403)</u> | <u>\$ 476,244</u> |
| Balance at December 31, 2021 | \$ 1,093 | \$ 634,929 | \$ (61,480) | \$ 24,345 | \$ (136,501) | \$ 462,386 |
| Net loss | — | — | — | (5,231) | — | (5,231) |
| Employee stock options, restricted stock and employee stock purchase plan | 20 | (834) | — | (1,023) | (444) | (2,281) |
| Stock-based compensation expense | — | 3,198 | — | — | — | 3,198 |
| Foreign currency translation, net of tax | — | — | (7,321) | — | — | (7,321) |
| Balance at June 30, 2022 | <u>\$ 1,113</u> | <u>\$ 637,293</u> | <u>\$ (68,801)</u> | <u>\$ 18,091</u> | <u>\$ (136,945)</u> | <u>\$ 450,751</u> |
| Balance at December 31, 2020 | \$ 1,076 | \$ 627,031 | \$ (54,172) | \$ 50,937 | \$ (136,840) | \$ 488,032 |
| Net loss | — | — | — | (11,360) | — | (11,360) |
| Employee stock options, restricted stock and employee stock purchase plan | 14 | (471) | — | (1,067) | 437 | (1,087) |
| Stock-based compensation expense | — | 3,273 | — | — | — | 3,273 |
| Foreign currency translation, net of tax | — | — | (2,614) | — | — | (2,614) |
| Balance at June 30, 2021 | <u>\$ 1,090</u> | <u>\$ 629,833</u> | <u>\$ (56,786)</u> | <u>\$ 38,510</u> | <u>\$ (136,403)</u> | <u>\$ 476,244</u> |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

Newpark Resources, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (In thousands) | Six Months Ended June 30, | |
|---|----------------------------------|------------------|
| | 2022 | 2021 |
| Cash flows from operating activities: | | |
| Net loss | \$ (5,231) | \$ (11,360) |
| Adjustments to reconcile net loss to net cash provided by (used in) operations: | | |
| Impairment | 7,905 | — |
| Depreciation and amortization | 20,563 | 21,493 |
| Stock-based compensation expense | 3,198 | 3,273 |
| Provision for deferred income taxes | (6,918) | 402 |
| Credit loss expense | 447 | 230 |
| Gain on sale of assets | (2,001) | (5,358) |
| Loss on extinguishment of debt | — | 790 |
| Amortization of original issue discount and debt issuance costs | 587 | 2,068 |
| Change in assets and liabilities: | | |
| Increase in receivables | (5,350) | (5,594) |
| Increase in inventories | (38,660) | (209) |
| Increase in other assets | (5,196) | (2,236) |
| Increase in accounts payable | 12,208 | 21,344 |
| Increase (decrease) in accrued liabilities and other | (4,563) | 994 |
| Net cash provided by (used in) operating activities | (23,011) | 25,837 |
| Cash flows from investing activities: | | |
| Capital expenditures | (9,515) | (10,477) |
| Proceeds from sale of property, plant and equipment | 1,943 | 9,208 |
| Net cash used in investing activities | (7,572) | (1,269) |
| Cash flows from financing activities: | | |
| Borrowings on lines of credit | 156,420 | 97,746 |
| Payments on lines of credit | (129,914) | (100,469) |
| Purchases of Convertible Notes | — | (18,107) |
| Proceeds from term loan | 3,754 | 8,258 |
| Debt issuance costs | (997) | (196) |
| Purchases of treasury stock | (2,537) | (1,350) |
| Other financing activities | 296 | 808 |
| Net cash provided by (used in) financing activities | 27,022 | (13,310) |
| Effect of exchange rate changes on cash | (1,412) | (591) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | (4,973) | 10,667 |
| Cash, cash equivalents, and restricted cash at beginning of period | 29,489 | 30,348 |
| Cash, cash equivalents, and restricted cash at end of period | <u>\$ 24,516</u> | <u>\$ 41,015</u> |

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

NEWPARK RESOURCES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation and Significant Accounting Policies

Newpark Resources, Inc. is a geographically diversified supplier providing environmentally-sensitive products, as well as rentals and services to customers across multiple industries. The accompanying unaudited condensed consolidated financial statements of Newpark Resources, Inc. and our wholly-owned subsidiaries, which we collectively refer to as the “Company,” “we,” “our,” or “us,” have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission (“SEC”), and do not include all information and footnotes required by the accounting principles generally accepted in the United States (“U.S. GAAP”) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021. Our fiscal year end is December 31, our second quarter represents the three month period ended June 30, and our first half represents the six month period ended June 30. The results of operations for the second quarter and first half of 2022 are not necessarily indicative of the results to be expected for the entire year. Unless otherwise noted, all currency amounts are stated in U.S. dollars.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of June 30, 2022, our results of operations for the second quarter and first half of 2022 and 2021, and our cash flows for the first half of 2022 and 2021. All adjustments are of a normal recurring nature. Our balance sheet at December 31, 2021 is derived from the audited consolidated financial statements at that date.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For further information, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2021.

We operate our business through three segments: Fluids Systems, Industrial Solutions, and Industrial Blending. In the second quarter of 2022, we began reporting our business through these three reportable segments. Prior to this change, we aggregated our now exited Industrial Blending business and reported it within Industrial Solutions. We have reflected this change in all periods presented.

- Our Fluids Systems segment provides customized drilling, completion, and stimulation fluids products and related technical services to oil and natural gas exploration and production (“E&P”) customers primarily in North America and Europe, the Middle East and Africa (“EMEA”), as well as certain countries in Asia Pacific and Latin America. We also have industrial mineral grinding operations for barite, a critical raw material in drilling fluids systems, which serve to support our activities in certain regions within the U.S. drilling fluids market and also sell the products to third party users, including other drilling fluids companies. In addition, we sell a variety of other minerals, principally to third-party industrial (non-oil and natural gas) markets. In February 2022, our Board of Directors approved a plan to explore strategic options for our U.S. mineral grinding business. See Note 11 for further information.
- Our Industrial Solutions segment provides temporary worksite access, including the rental of our recyclable composite matting systems, along with related site construction and services to customers in various markets including power transmission, E&P, pipeline, renewable energy, petrochemical, construction and other industries, primarily in the United States and Europe. We also manufacture and sell our recyclable composite mats to customers around the world, with power transmission being the primary end-market.
- Our Industrial Blending segment (previously reported within the Industrial Solutions segment) began operations in 2020 and supported industrial end-markets, including the production of disinfectants and industrial cleaning products. In February 2022, our Board of Directors approved a plan to exit our Industrial Blending operations. See Note 11 for further information. As part of the exit plan, we completed the wind down of the Industrial Blending business in the first quarter of 2022 and are currently pursuing the sale of the industrial blending and warehouse facility and related equipment located in Conroe, Texas. Beginning in the second quarter of 2022, the assets and operating results associated with our Industrial Blending operations have been reported as a separate segment for all periods presented.

Note 2 – Earnings Per Share

The following table presents the reconciliation of the numerator and denominator for calculating net loss per share:

| (In thousands, except per share data) | Second Quarter | | First Half | |
|--|----------------|------------|------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Numerator | | | | |
| Net loss - basic and diluted | \$ (7,752) | \$ (5,998) | \$ (5,231) | \$ (11,360) |
| Denominator | | | | |
| Weighted average common shares outstanding - basic | 92,657 | 91,145 | 92,389 | 90,924 |
| Dilutive effect of stock options and restricted stock awards | — | — | — | — |
| Weighted average common shares outstanding - diluted | 92,657 | 91,145 | 92,389 | 90,924 |
| Net loss per common share | | | | |
| Basic | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.12) |
| Diluted | \$ (0.08) | \$ (0.07) | \$ (0.06) | \$ (0.12) |

We excluded the following weighted-average potential shares from the calculations of diluted net loss per share during the applicable periods because their inclusion would have been anti-dilutive:

| (In thousands) | Second Quarter | | First Half | |
|---|----------------|-------|------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Stock options and restricted stock awards | 5,169 | 5,863 | 5,432 | 5,583 |

For the second quarter and first half of 2022 and 2021, we excluded all potentially dilutive stock options and restricted stock awards in calculating diluted earnings per share as the effect was anti-dilutive due to the net loss incurred for these periods.

Note 3 – Repurchase Program

Our repurchase program remains available for repurchases of our common stock. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows, available cash on hand, and borrowings under our Amended ABL Facility (as defined in Note 7). As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934. As of June 30, 2022, we had \$23.8 million remaining under the program.

There were no shares of common stock repurchased under the repurchase program during the first half of 2022 or 2021. During the first half of 2021, we repurchased \$18.3 million of our Convertible Notes in the open market under the repurchase program for a total cost of \$18.1 million.

Note 4 – Stock-Based and Other Long-Term Incentive Compensation

During the second quarter of 2022, our stockholders approved an amendment to the 2015 Employee Equity Incentive Plan (“2015 Plan”), increasing the number of shares authorized for issuance under the 2015 Plan from 14,300,000 to 15,300,000 shares, and also approved an amendment to the 2014 Non-Employee Directors’ Restricted Stock Plan (“2014 Director Plan”), increasing the number of shares authorized for issuance under the 2014 Director Plan from 1,200,000 to 1,400,000 shares.

During the second quarter of 2022, the Compensation Committee of our Board of Directors (“Compensation Committee”) approved equity-based compensation to executive officers and other key employees consisting of 1,977,096 restricted stock units, which will vest in equal installments over a three-year period. In addition, non-employee directors received a grant of 260,339 restricted stock awards, which will vest in full on the earlier of the day prior to the next annual meeting of stockholders following the grant date or the first anniversary of the grant date. At June 30, 2022, 1,589,403 shares remained available for award under the 2015 Plan and 86,188 shares remained available for award under the 2014 Director Plan. The weighted average grant-date fair value was \$4.11 per share for both the restricted stock units and restricted stock awards.

Also during the second quarter of 2022, the Compensation Committee approved the issuance of performance-based cash awards to certain executive officers with a target value of \$2.8 million. The performance-based cash awards will be settled

based on the relative ranking of our total shareholder return (“TSR”) as compared to the TSR of our designated peer group over a three-year performance period. The performance period began June 1, 2022 and ends May 31, 2025, with the ending TSR price being equal to the average closing price of our shares over the 30-calendar days ending May 31, 2025 and the cash payout for each executive ranging from 0% to 200% of target. The performance-based cash awards are accrued as a liability award over the performance period based on the estimated fair value. The fair value of the performance-based cash awards is remeasured each period using a Monte-Carlo valuation model with changes in fair value recognized in the consolidated statements of operations.

Note 5 – Receivables

Receivables consisted of the following:

| (In thousands) | June 30, 2022 | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Trade receivables: | | |
| Gross trade receivables | \$ 189,001 | \$ 185,065 |
| Allowance for credit losses | (4,603) | (4,587) |
| Net trade receivables | 184,398 | 180,478 |
| Income tax receivables | 2,618 | 4,167 |
| Other receivables | 5,785 | 9,651 |
| Total receivables, net | \$ 192,801 | \$ 194,296 |

Other receivables included \$4.6 million and \$5.7 million for value added, goods and service taxes related to foreign jurisdictions as of June 30, 2022 and December 31, 2021, respectively. In addition, other receivables included an insurance receivable balance resulting from a property insurance claim caused by Hurricane Ida in August 2021 of \$0.3 million and \$1.9 million as of June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022, the claims related to the hurricane under our property insurance program have not been finalized.

Changes in our allowance for credit losses were as follows:

| (In thousands) | First Half | |
|--------------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| Balance at beginning of period | \$ 4,587 | \$ 5,024 |
| Credit loss expense | 447 | 230 |
| Write-offs, net of recoveries | (431) | (522) |
| Balance at end of period | <u>\$ 4,603</u> | <u>\$ 4,732</u> |

Note 6 – Inventories

Inventories consisted of the following:

| (In thousands) | June 30, 2022 | December 31, 2021 |
|-----------------------------------|-------------------|-------------------|
| Raw materials: | | |
| Fluids Systems | \$ 142,012 | \$ 119,242 |
| Industrial Solutions | 5,124 | 4,939 |
| Total raw materials | 147,136 | 124,181 |
| Blended fluids systems components | 35,781 | 27,793 |
| Finished goods - mats | 7,254 | 3,367 |
| Total inventories | \$ 190,171 | \$ 155,341 |

Raw materials for the Fluids Systems segment consist primarily of barite, chemicals, and other additives that are consumed in the production of our fluids systems. Raw materials for the Industrial Solutions segment consist primarily of resins, chemicals, and other materials used to manufacture composite mats, as well as materials that are consumed in providing spill containment and other services to our customers. Our blended fluids systems components consist of base fluids systems that have been either mixed internally at our blending facilities or purchased from third-party vendors. These base fluids systems require raw materials to be added, as needed to meet specified customer requirements.

The increase in inventories in the first half of 2022 was primarily attributable to a combination of raw materials cost inflation, activity-driven increases, and elevated vendor prepayments in the Fluids Systems segment, as well as the production of mats in the Industrial Solutions segment for anticipated sales.

Note 7 – Financing Arrangements and Fair Value of Financial Instruments

Financing arrangements consisted of the following:

| (In thousands) | June 30, 2022 | | | December 31, 2021 | | |
|-----------------------|-------------------|--|-------------------|-------------------|--|------------------|
| | Principal Amount | Unamortized Discount and Debt Issuance Costs | Total Debt | Principal Amount | Unamortized Discount and Debt Issuance Costs | Total Debt |
| ABL Facility | \$ 110,000 | \$ — | \$ 110,000 | \$ 86,500 | \$ — | \$ 86,500 |
| Term loan | 8,102 | (135) | 7,967 | 6,094 | (110) | 5,984 |
| Financing obligations | 5,094 | (54) | 5,040 | 6,688 | (78) | 6,610 |
| Other debt | 21,452 | — | 21,452 | 15,709 | — | 15,709 |
| Total debt | 144,648 | (189) | 144,459 | 114,991 | (188) | 114,803 |
| Less: Current portion | (22,484) | — | (22,484) | (19,210) | — | (19,210) |
| Long-term debt | \$ 122,164 | \$ (189) | \$ 121,975 | \$ 95,781 | \$ (188) | \$ 95,593 |

Convertible Notes. In December 2016, we issued \$100.0 million of unsecured convertible senior notes (“Convertible Notes”) which bore interest at a rate of 4.0% per year and matured in December 2021. A total of \$38.6 million of our Convertible Notes were repaid at maturity. During the first half of 2021, we repurchased \$18.3 million of our Convertible Notes in the open market for a total cost of \$18.1 million, and recognized a net loss of \$0.8 million reflecting the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Asset-Based Loan Facility. In October 2017, we entered into an asset-based revolving credit agreement, which was amended in March 2019 (the “ABL Facility”). In May 2022, we amended and restated the ABL Facility (the “Amended ABL Facility”). The Amended ABL Facility provides financing of up to \$175.0 million available for borrowings (inclusive of letters of credit), which can be increased up to \$250.0 million, subject to certain conditions. The Amended ABL Facility has a five-year term expiring May 2027, expands available borrowing capacity associated with the Industrial Solutions rental mat fleet, replaces the LIBOR-based pricing grid with a Bloomberg Short-Term Bank Yield Index (“BSBY”) pricing grid, and includes a mechanism to incorporate a sustainability-linked pricing framework with the consent of the required lenders (as defined in the Amended ABL Facility).

As of June 30, 2022, our total availability under the Amended ABL Facility was \$155.3 million, of which \$110.0 million was drawn and \$1.4 million was used for outstanding letters of credit, resulting in remaining availability of \$43.9 million.

Borrowing availability under the Amended ABL Facility is calculated based on eligible U.S. accounts receivable, inventory and composite mats included in the rental fleet, net of reserves and subject to limits on certain of the assets included in the borrowing base calculation. To the extent pledged by the borrowers, the borrowing base calculation also includes the amount of eligible pledged cash. The administrative agent may establish reserves in accordance with the Amended ABL Facility, in part based on appraisals of the asset base, and other limits in its discretion, which could reduce the amounts otherwise available under the Amended ABL Facility.

Under the terms of the Amended ABL Facility, we may elect to borrow at a variable interest rate based on either, (1) the BSBY rate (subject to a floor of zero) or (2) the base rate (subject to a floor of zero), equal to the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of Bank of America, N.A., and (c) BSBY for a one-month interest period plus 1.00%, plus, in each case, an applicable margin per annum. The applicable margin ranges from 1.50% to 2.00% per annum for BSBY borrowings, and 0.50% to 1.00% per annum for base rate borrowings, based on the consolidated leverage ratio (as defined in the Amended ABL Facility) as of the last day of the most recent fiscal quarter. We are also required to pay a commitment fee equal to (i) 0.375% per annum at any time the average daily unused portion of the commitments is greater than 50% and (ii) 0.25% per annum at any time the average daily unused portion of the commitments is less than 50%.

As of June 30, 2022, the applicable margin for borrowings under the Amended ABL Facility was 1.50% with respect to BSBY borrowings and 0.50% with respect to base rate borrowings. As of June 30, 2022, the weighted average interest rate for the Amended ABL Facility was 2.84% and the applicable commitment fee on the unused portion of the Amended ABL Facility was 0.25% per annum.

The Amended ABL Facility is a senior secured obligation of the Company and certain of our U.S. subsidiaries constituting borrowers thereunder, secured by a first priority lien on substantially all of the personal property and certain real property of the borrowers, including a first priority lien on certain equity interests of direct or indirect domestic subsidiaries of the borrowers and certain equity interests issued by certain foreign subsidiaries of the borrowers.

The Amended ABL Facility contains customary representations, warranties and covenants that, among other things, and subject to certain specified circumstances and exceptions, restrict or limit the ability of the borrowers and certain of their subsidiaries to incur indebtedness (including guarantees), grant liens, make investments, pay dividends or distributions with respect to capital stock and make other restricted payments, make prepayments on certain indebtedness, engage in mergers or other fundamental changes, dispose of property, and change the nature of their business.

The Amended ABL Facility requires compliance with the following financial covenants: (i) a minimum fixed charge coverage ratio of 1.00 to 1.00 for the most recently completed four fiscal quarters and (ii) while a leverage covenant trigger period (as defined in the Amended ABL Facility) is in effect, a maximum consolidated leverage ratio of 4.00 to 1.00 as of the last day of the most recently completed fiscal quarter.

The Amended ABL Facility includes customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross-default to other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of security interests or invalidity of loan documents, certain ERISA events, unsatisfied or unstayed judgments and change of control.

Other Debt. In August 2021, we completed sale-leaseback transactions related to certain vehicles and other equipment for net proceeds of approximately \$7.9 million. The transactions have been accounted for as financing arrangements as they did not qualify for sale accounting. As a result, the vehicles and other equipment continue to be reflected on our balance sheet in property, plant and equipment, net. The financing arrangements have a weighted average annual interest rate of 5.4% and are payable in monthly installments with varying maturities through October 2025. We had \$5.0 million in financing obligations outstanding under these arrangements at June 30, 2022.

In February 2021, a U.K. subsidiary entered a £6.0 million (approximately \$8.3 million) term loan facility that was scheduled to mature in February 2024. In April 2022, this facility was amended to increase the term loan to £7.0 million (approximately \$9.1 million) and add a £2.0 million (approximately \$2.6 million) revolving credit facility. Both the amended term loan and revolving credit facility mature in April 2025 and bear interest at a rate of SONIA plus a margin of 3.25% per year. The term loan is payable in quarterly installments of £350,000 plus interest beginning June 2022 and a £2.8 million payment due at maturity. We had \$10.4 million outstanding under these arrangements at June 30, 2022.

Certain of our foreign subsidiaries maintain local credit arrangements consisting primarily of lines of credit or overdraft facilities which are generally renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. We had \$11.9 million and \$11.8 million outstanding under these arrangements at June 30, 2022 and December 31, 2021, respectively.

In addition, at June 30, 2022, we had \$50.2 million in outstanding letters of credit, performance bonds, and other guarantees for which certain of the letters of credit are collateralized by \$4.4 million in restricted cash.

Our financial instruments include cash and cash equivalents, receivables, payables, and debt. We believe the carrying values of these instruments approximated their fair values at June 30, 2022 and December 31, 2021.

Note 8 – Income Taxes

The benefit for income taxes was \$2.3 million for the first half of 2022, which includes an income tax benefit of \$3.1 million related to the restructuring of certain subsidiary legal entities within Europe, as the undistributed earnings for an international subsidiary are no longer subject to certain taxes upon future distribution. The provision for income taxes in the first half of 2022 reflects the impact from the geographic composition of our earnings and was unfavorably impacted as we are unable to recognize a tax benefit related to the \$7.9 million impairment charge. The provision for income taxes was \$3.4 million for the first half of 2021, despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense in 2021 primarily related to earnings from our international operations since we were unable to recognize the tax benefit from our U.S. losses as they may not be realized.

Note 9 – Commitments and Contingencies

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state, and local levels. While the outcome of litigation or other proceedings against us cannot be predicted with certainty, management does not expect that any loss resulting from such litigation or other proceedings, in excess of any amounts accrued or covered by insurance, will have a material adverse impact on our consolidated financial statements.

Note 10 – Supplemental Disclosures to the Statements of Cash Flows

Supplemental disclosures to the statements of cash flows are presented below:

| (In thousands) | First Half | |
|-------------------------------|------------|----------|
| | 2022 | 2021 |
| Cash paid for: | | |
| Income taxes (net of refunds) | \$ 5,508 | \$ 3,263 |
| Interest | \$ 2,110 | \$ 2,579 |

Cash, cash equivalents, and restricted cash in the consolidated statements of cash flows consisted of the following:

| (In thousands) | June 30, 2022 | December 31, 2021 |
|---|------------------|-------------------|
| Cash and cash equivalents | \$ 20,159 | \$ 24,088 |
| Restricted cash (included in prepaid expenses and other current assets) | 4,357 | 5,401 |
| Cash, cash equivalents, and restricted cash | <u>\$ 24,516</u> | <u>\$ 29,489</u> |

Note 11 – Segment Data

Summarized operating results for our reportable segments are shown in the following table (net of inter-segment transfers):

| (In thousands) | Second Quarter | | First Half | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | |
| Fluids Systems | \$ 145,261 | \$ 97,093 | \$ 286,275 | \$ 184,942 |
| Industrial Solutions | 48,883 | 43,287 | 84,307 | 92,057 |
| Industrial Blending | — | 1,869 | — | 6,422 |
| Total revenues | <u>\$ 194,144</u> | <u>\$ 142,249</u> | <u>\$ 370,582</u> | <u>\$ 283,421</u> |
| Operating income (loss) | | | | |
| Fluids Systems | \$ 425 | \$ (6,531) | \$ 3,799 | \$ (13,298) |
| Industrial Solutions | 9,754 | 11,298 | 16,112 | 24,478 |
| Industrial Blending | (8,912) | (1,155) | (9,798) | (1,205) |
| Corporate office | (7,484) | (6,859) | (15,363) | (12,678) |
| Total operating income (loss) | <u>\$ (6,217)</u> | <u>\$ (3,247)</u> | <u>\$ (5,250)</u> | <u>\$ (2,703)</u> |

The following table presents further disaggregated revenues for the Fluids Systems segment:

| (In thousands) | Second Quarter | | First Half | |
|--------------------------------------|-------------------|------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| United States | \$ 85,355 | \$ 56,784 | \$ 156,198 | \$ 104,454 |
| Canada | 11,344 | 4,956 | 33,579 | 17,619 |
| Total North America | <u>96,699</u> | <u>61,740</u> | <u>189,777</u> | <u>122,073</u> |
| EMEA | 42,870 | 32,962 | 87,045 | 58,421 |
| Other | 5,692 | 2,391 | 9,453 | 4,448 |
| Total International | <u>48,562</u> | <u>35,353</u> | <u>96,498</u> | <u>62,869</u> |
| Total Fluids Systems revenues | <u>\$ 145,261</u> | <u>\$ 97,093</u> | <u>\$ 286,275</u> | <u>\$ 184,942</u> |

The following table presents further disaggregated revenues for the Industrial Solutions segment:

| (In thousands) | Second Quarter | | First Half | |
|--|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Product sales revenues | \$ 18,539 | \$ 10,182 | \$ 22,962 | \$ 30,219 |
| Rental revenues | 17,546 | 19,233 | 35,161 | 36,312 |
| Service revenues | 12,798 | 13,872 | 26,184 | 25,526 |
| Total Industrial Solutions revenues | <u>\$ 48,883</u> | <u>\$ 43,287</u> | <u>\$ 84,307</u> | <u>\$ 92,057</u> |

With ongoing support from outside financial and other advisors, we have continuously reviewed our portfolio during the oil and natural gas cycle of the last couple of years. These reviews have focused on evaluating changes in the outlook for our served markets and customer priorities, while identifying opportunities for value-creating options in our portfolio, placing investment emphasis in markets where we generate strong returns and where we see greater long-term viability and stability. As part of the ongoing review of our portfolio, our Board of Directors approved two actions in February 2022 intended to enhance liquidity available for investment in higher returning businesses.

First, in consideration of broader strategic priorities and the timeline and efforts required to further develop the industrial blending business, our Board of Directors approved a plan in February 2022 to exit our Industrial Blending operations. As part of the exit plan, we completed the wind down of the Industrial Blending business in the first quarter of 2022 and are currently pursuing the sale of the industrial blending and warehouse facility and related equipment located in Conroe, Texas.

As a result of the plan to exit and dispose of the assets used in the Industrial Blending business, we disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 that we may incur pre-tax charges in the range of approximately \$4 million to \$8 million primarily related to the non-cash impairment of long-lived assets used in the Industrial Blending business. In March 2022, we shut down the Industrial Blending business and initiated a sales process to market the industrial blending and warehouse facility and related equipment. In June 2022, as a result of the ongoing sales process and revised estimates for the expected net proceeds from the ultimate disposition, we recognized a \$7.9 million impairment charge related to these long-lived assets. As of June 30, 2022, the remaining carrying value of the long-lived assets previously used in the now exited Industrial Blending business was \$11 million. It remains possible that we may incur a future impairment or loss related to the ongoing sales process.

Second, our Board of Directors approved management's plan to explore strategic options, including the potential sale, for our U.S. mineral grinding business. During the second quarter of 2022, we initiated a formal sale process that we anticipate completing in 2022, although it is not certain that any such transaction will be consummated. The U.S. mineral grinding business contributed third-party revenues of \$26 million for the first half of 2022 and \$16 million for the first half of 2021. As of June 30, 2022, the U.S. mineral grinding business had approximately \$53 million of net capital employed, including approximately \$31 million of net working capital.

Industrial Solutions operating results for the second quarter of 2021 included a \$1.0 million gain in other operating income related to a legal settlement.

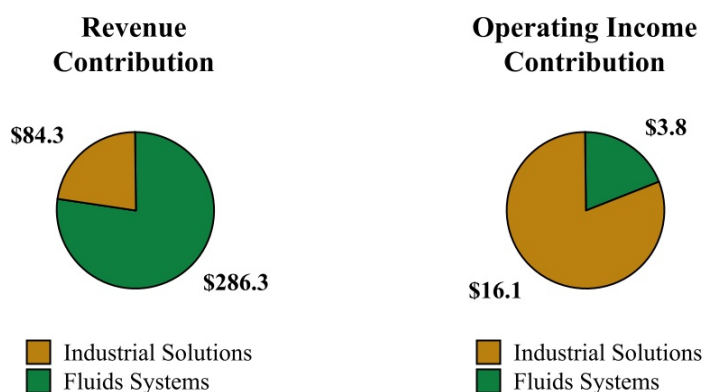
ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition, results of operations, liquidity, and capital resources should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in this report as well as our Annual Report on Form 10-K for the year ended December 31, 2021. Our second quarter represents the three-month period ended June 30 and our first half represents the six-month period ended June 30. Unless otherwise noted, all currency amounts are stated in U.S. dollars. The reference to a “Note” herein refers to the accompanying Notes to Unaudited Condensed Consolidated Financial Statements contained in Item 1 “Financial Statements.”

Overview

Newpark Resources, Inc. (the “Company,” “we,” “our,” or “us”) is a geographically diversified supplier providing environmentally-sensitive products, as well as rentals and services to customers across multiple industries. We operate our business through three segments: Industrial Solutions, which serves various markets including power transmission, oil and natural gas exploration and production (“E&P”), pipeline, renewable energy, petrochemical, construction and other industries; Fluids Systems, which primarily serves E&P customers; and Industrial Blending, which we shut down in March 2022.

The relative contribution of revenues and operating income for the Industrial Solutions and Fluids Systems segments for the first half of 2022 is as follows (amounts in millions):



As illustrated above, while the Fluids Systems segment has historically been the primary driver of revenues, the Industrial Solutions segment has historically been, and remains the primary driver of operating income, cash flows, and financial returns.

Our long-term strategy includes key foundational elements that are intended to enhance long-term shareholder value creation:

- ***End-market diversification*** – To help reduce our dependency on customers in the volatile E&P industry, provide growth opportunities into new markets, and ultimately improve the stability in cash flow generation and returns on invested capital, we have focused our efforts over the past several years on expanding our presence beyond our historical E&P customer base. These efforts have been primarily focused within our Industrial Solutions segment, where we have prioritized growth in power transmission, pipeline, renewable energy, and construction markets. The continued expansion of revenues in industrial markets, and particularly end-markets that are likely to benefit from ongoing energy transition efforts around the world, such as power transmission, renewable energy, and geothermal, remains a strategic priority going forward, and we anticipate that our capital investments will primarily focus on supporting this objective.
- ***Provide products that enhance environmental sustainability*** – The Company has a long history of providing environmentally-sensitive technologies to our customers. In the Industrial Solutions segment, we believe the lightweight design of our fully recyclable DURA-BASE® matting system provides a distinct environmental advantage for our customers as compared to alternative wood mat products in the market, by eliminating deforestation required to produce wood mat products while also reducing greenhouse gas emissions associated with product transportation. We also continue to leverage our investments in research and development capabilities and adaptable manufacturing processes to increase the use of recycled and alternate materials in our composite mat production, providing further potential economic benefits along with a significant reduction in lifecycle greenhouse gas emissions when compared to

using traditional virgin resin. In our Fluids Systems segment, our family of high-performance water-based fluids systems, which we market as Evolution® and DeepDrill® systems, are designed to enhance drilling performance while also providing a variety of environmental benefits relative to traditional oil-based fluids. Our Fluids Systems segment has also developed a water-based fluids system for geothermal applications that we market as TerraTherm™ designed specifically for clean-energy geothermal drilling, as well as the Transition™ family of brine-tolerant stimulation chemicals, which reduce the freshwater required for well stimulation applications. The continued advancement of technology that provides our customers with economic benefits, while also enhancing their environmental and safety programs, remains a priority for our research and development efforts.

Segment Overview

In the second quarter of 2022, we began reporting our business through three reportable segments: Fluids Systems, Industrial Solutions, and Industrial Blending. Prior to this change, we aggregated our now exited Industrial Blending business and reported it within Industrial Solutions. We have reflected this change in all periods presented.

Industrial Solutions – Our Industrial Solutions segment, which generated 23% of revenues and \$16.1 million of operating income for the first half of 2022, provides temporary worksite access solutions, including the rental of our recyclable composite matting systems, along with related site construction and services to customers in various markets including power transmission, E&P, pipeline, renewable energy, petrochemical, construction and other industries, primarily in the United States and Europe. We also manufacture and sell our recyclable composite mats to customers around the world, with power transmission being the primary end-market. Over the past year, the impacts of global supply chain disruptions have caused significant cost inflation to the resin and other materials used to manufacture our composite mats. These raw material cost increases have negatively impacted the profitability of our business, although we are working with customers to offset the inflationary impact.

Our Industrial Solutions segment has been the primary source of operating income and cash generation for us in recent years and has also been the primary focus for growth investments. The growth of this business in the power transmission and other industrial markets remains a strategic priority for us due to such markets' relative stability compared to E&P, as well as the magnitude of growth opportunity in these markets, including the potential positive impact from the energy transition. From 2018 to 2021, annual segment revenues from these targeted industrial markets increased from approximately \$116 million to \$157 million, reflecting a 11% cumulative annual growth rate, and we look to build upon this success going forward through both organic and inorganic growth opportunities. We expect customer activity, particularly in the power transmission sector, will remain robust in the coming years, driven in part by the impacts of the energy transition and the increasing investment in grid reliance initiatives.

Industrial Blending – In 2020, we began leveraging our oilfield chemical blending capacity and technical expertise into industrial blending operations, and in response to the increasing market demand for cleaning products resulting from the COVID-19 pandemic, began producing disinfectants and industrial cleaning products in 2020. Despite our initial success, a key blue-chip customer experienced a significant decline in product demand and cancelled all orders of disinfectants and cleaning products in the third quarter of 2021. In February 2022, in consideration of broader strategic priorities and the timeline and efforts required to further develop the Industrial Blending business, our Board of Directors approved a plan to exit our Industrial Blending operations. As part of the exit plan, we completed the wind down of the Industrial Blending business in the first quarter of 2022 and initiated a sales process to market the industrial blending and warehouse facility and related equipment located in Conroe, Texas.

As a result of the plan to exit and dispose of the assets used in the Industrial Blending business, we disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 that we may incur pre-tax charges in the range of approximately \$4 million to \$8 million primarily related to the non-cash impairment of long-lived assets used in the Industrial Blending business. In June 2022, as a result of the ongoing sales process and revised estimates for the expected net proceeds from the ultimate disposition, we recognized a \$7.9 million impairment charge related to these long-lived assets. As of June 30, 2022, the remaining carrying value of the long-lived assets previously used in the now exited Industrial Blending business was \$11 million. It remains possible that we may incur a future impairment or loss related to the ongoing sales process.

Fluids Systems – Our Fluids Systems segment, which generated 77% of consolidated revenues and \$3.8 million of operating income for the first half of 2022, provides drilling, completion, and stimulation fluids products and related technical services to customers for oil, natural gas, and geothermal projects primarily in North America and Europe, the Middle East and Africa (“EMEA”), as well as certain countries in Asia Pacific and Latin America. Our Fluids Systems operating results remain dependent on oil and natural gas drilling activity levels in the markets we serve and the nature of the drilling operations (including the depth and whether the wells are drilled vertically or horizontally), which governs the revenue potential of each well. Drilling activity levels, in turn, depend on a variety of factors, including oil and natural gas commodity pricing, inventory levels, product demand, and regulatory restrictions. Oil and natural gas prices and activity are cyclical and volatile, and this market volatility has a significant impact on our operating results.

While our Fluids Systems revenue potential is driven by a number of factors including those described above, rig count data remains the most widely accepted indicator of drilling activity. Average North American rig count data for the second quarter and first half of 2022 as compared to the same periods of 2021 is as follows:

| | Second Quarter | | 2022 vs 2021 | |
|-------------------------|----------------|------|--------------|------|
| | 2022 | 2021 | Count | % |
| U.S. Rig Count | 713 | 450 | 263 | 58 % |
| Canada Rig Count | 113 | 72 | 41 | 57 % |
| North America Rig Count | 826 | 522 | 304 | 58 % |

| | First Half | | 2022 vs 2021 | |
|-------------------------|------------|------|--------------|------|
| | 2022 | 2021 | Count | % |
| U.S. Rig Count | 675 | 420 | 255 | 61 % |
| Canada Rig Count | 154 | 105 | 49 | 47 % |
| North America Rig Count | 829 | 525 | 304 | 58 % |

Source: Baker Hughes Company

During March 2020, oil prices collapsed due to geopolitical events along with the worldwide effects of the COVID-19 pandemic. As a result, U.S. rig count declined significantly beginning in March 2020 before reaching a low of 244 in August 2020. During 2021, oil prices rebounded, and the average U.S. rig count gradually increased, ending 2021 at 586 rigs. During 2022, oil prices have significantly increased due to geopolitical events, and the average U.S. rig count has continued to increase. We anticipate that market activity will continue to improve in 2022, although U.S. activity is expected to remain below 2019 levels as many of our customers maintain stronger capital discipline and prioritize cash flow generation over growth. Further, in the wake of COVID-19, an uncertain economic environment, including widespread supply chain disruptions, as well as enacted and proposed legislative changes in the U.S. impacting the oil and natural gas industry, make market activity levels difficult to predict. The Canada rig count reflects normal seasonality for this market, with the highest rig count levels generally observed in the first quarter of each year, prior to Spring break-up.

Outside of North America land markets, drilling activity is generally more stable as this drilling activity is based on longer-term economic projections and multi-year drilling programs, which typically reduces the impact of short-term changes in commodity prices on overall drilling activity. However, operations in several countries in the EMEA region experienced activity disruptions and project delays beginning in early 2020 and continuing through 2021, driven by government-imposed restrictions on movements of personnel, quarantines of staffing, and logistical limitations as a result of the COVID-19 pandemic. Revenues and profitability from our international Fluids Systems business gradually recovered in 2021, with revenues for the first half of 2022 near pre-COVID levels. The combination of increasing activity levels combined with the impacts of global supply chain disruptions have caused significant cost inflation to many hydrocarbon-based products and chemicals used in our fluids systems, and in many cases, we are unable to adjust our customer pricing due to the long-term contracts in place. Consequently, the inflationary impacts are negatively impacting the profitability of our international operations, and we expect this trend to continue throughout 2022, though the impact of cost inflation is very difficult to predict.

Looking ahead, the combination of recent geopolitical events and elevated oil and natural gas prices are causing a renewed desire within several markets to increase drilling activity levels, to help ensure reliable energy supply in the coming years, as many markets bridge to a higher reliance on renewable sources over the longer-term. Consequently, the outlook for several markets, including North America and the EMEA region, continues to strengthen, with growth in activity expected over the next few years, particularly as certain countries seek to limit their dependency on Russia-sourced oil and natural gas.

Following the 2020 market collapse and reduced demand for our products and services as a result of the decline in oil prices and the COVID-19 pandemic, we took a number of actions during 2020 and continuing into 2021 aimed at conserving cash and protecting our liquidity, which included the implementation of cost reduction programs, including workforce reductions, employee furloughs, the suspension of the Company's matching contributions to its U.S. defined contribution plan, and temporary salary reductions effective April 1, 2020 for a significant portion of U.S. employees. Beginning in the second quarter of 2021, we restored salaries to pre-reduction levels for a portion of our non-executive U.S. employees and reinstated the Company matching contribution for our U.S. defined contribution plan, with the remainder of the temporary salary reductions restored by the third quarter of 2021.

Over the past two years, we have continued to work closely with outside financial and other advisors, continuously reviewing our portfolio and the evolving outlook for our served markets and customer priorities, while identifying opportunities for value-creating options in our portfolio, placing investment emphasis in markets where we generate strong returns and where

we see greater long-term viability and stability. While we have taken meaningful actions to reduce our workforce and cost structure, our business contains high levels of fixed costs, including significant facility and personnel expense. As part of this portfolio review, during the first quarter of 2022, our Board of Directors approved management's plan to explore strategic options, including the potential sale, for our U.S. mineral grinding business. During the second quarter of 2022, we initiated a formal sale process that we anticipate completing in 2022, although it is not certain that any such transaction will be consummated. The U.S. mineral grinding business contributed third-party revenues of \$26 million for the first half of 2022 and \$16 million for the first half of 2021. As of June 30, 2022, the U.S. mineral grinding business had approximately \$53 million of net capital employed, including approximately \$31 million of net working capital.

We continue to evaluate other under-performing areas of our business, including the Gulf of Mexico and certain international oil and natural gas markets, and anticipate additional actions may be necessary to optimize our operational footprint and invested capital in Fluids Systems to transform this business for the evolving market realities. As a result, we may incur future charges related to these efforts or potential asset impairments, which may negatively impact our future results.

Second Quarter of 2022 Compared to Second Quarter of 2021

Consolidated Results of Operations

Summarized results of operations for the second quarter of 2022 compared to the second quarter of 2021 are as follows:

| (In thousands) | Second Quarter | | 2022 vs 2021 | |
|--|-------------------|-------------------|-------------------|-------|
| | 2022 | 2021 | \$ | % |
| Revenues | \$ 194,144 | \$ 142,249 | \$ 51,895 | 36 % |
| Cost of revenues | 168,206 | 124,106 | 44,100 | 36 % |
| Selling, general and administrative expenses | 24,330 | 22,980 | 1,350 | 6 % |
| Other operating income, net | (80) | (1,590) | 1,510 | NM |
| Impairment | 7,905 | — | 7,905 | NM |
| Operating loss | (6,217) | (3,247) | (2,970) | (91)% |
| Foreign currency exchange (gain) loss | (583) | 224 | (807) | NM |
| Interest expense, net | 1,638 | 2,164 | (526) | (24)% |
| Loss before income taxes | (7,272) | (5,635) | (1,637) | (29)% |
| Provision for income taxes | 480 | 363 | 117 | NM |
| Net loss | <u>\$ (7,752)</u> | <u>\$ (5,998)</u> | <u>\$ (1,754)</u> | 29 % |

Revenues

Revenues increased 36% to \$194.1 million for the second quarter of 2022, compared to \$142.2 million for the second quarter of 2021. This \$51.9 million increase includes a \$40.9 million (40%) increase in revenues in North America, comprised of a \$35.0 million increase in the Fluids Systems segment and a \$7.8 million increase in the Industrial Solutions segment, partially offset by a \$1.9 million decrease in the Industrial Blending segment. Revenues from our North America operations increased primarily due to the improvement in North America rig count, which favorably impacted our Fluids Systems segment, and an increase in revenues from product sales in our Industrial Solutions segment, which typically fluctuate based on the timing of customer projects and orders. Revenues from our international operations increased by \$11.0 million (27%), as the prior year was unfavorably impacted by activity disruptions and project delays resulting from the COVID-19 pandemic, partially offset by a \$5.1 million reduction from currency exchange rate changes. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 36% to \$168.2 million for the second quarter of 2022, compared to \$124.1 million for the second quarter of 2021. This \$44.1 million increase was primarily driven by the 36% increase in revenues described above, along with inflationary cost pressures impacting materials, transportation, and labor.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$1.4 million to \$24.3 million for the second quarter of 2022, compared to \$23.0 million for the second quarter of 2021. This increase was primarily driven by higher personnel expense, including performance-based incentive compensation expense. Selling, general and administrative expenses as a percentage of revenues was 12.5% for the second quarter of 2022 compared to 16.2% for the second quarter of 2021.

Other operating income, net

Other operating income for the second quarter of 2021 included a \$1.0 million gain related to a legal settlement in the Industrial Solutions segment. Other operating income also includes gains on sales of assets.

Impairment

The Industrial Blending segment includes a \$7.9 million non-cash impairment charge in the second quarter of 2022 related to the ongoing process to sell the assets previously used in this now exited business, as described above.

Foreign currency exchange

Foreign currency exchange was a \$0.6 million gain for the second quarter of 2022 compared to a \$0.2 million loss for the second quarter of 2021, and reflects the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies.

Interest expense, net

Interest expense was \$1.6 million for the second quarter of 2022 compared to \$2.2 million for the second quarter of 2021. Interest expense for the second quarter of 2022 and 2021 includes \$0.4 million and \$1.0 million, respectively, in non-cash amortization of original issue discount and debt issuance costs. The decrease in interest expense is primarily due to the 2021 repayment of our Convertible Notes with borrowings under the ABL Facility.

Provision for income taxes

The provision for income taxes was \$0.5 million for the second quarter of 2022, despite reporting a pretax loss for the period, as we are unable to recognize a tax benefit for the \$7.9 million impairment charge and reflecting the impact of the geographic composition of our earnings. The provision for income taxes was \$0.4 million for the second quarter of 2021, despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense in 2021 primarily related to earnings from our international operations since we were unable to recognize the tax benefit from our U.S. losses as they may not be realized.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

| (In thousands) | Second Quarter | | 2022 vs 2021 | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------|
| | 2022 | 2021 | \$ | % |
| Revenues | | | | |
| Fluids Systems | \$ 145,261 | \$ 97,093 | \$ 48,168 | 50 % |
| Industrial Solutions | 48,883 | 43,287 | 5,596 | 13 % |
| Industrial Blending | — | 1,869 | (1,869) | (100)% |
| Total revenues | \$ 194,144 | \$ 142,249 | \$ 51,895 | 36 % |
| Operating income (loss) | | | | |
| Fluids Systems | \$ 425 | \$ (6,531) | \$ 6,956 | |
| Industrial Solutions | 9,754 | 11,298 | (1,544) | |
| Industrial Blending | (8,912) | (1,155) | (7,757) | |
| Corporate office | (7,484) | (6,859) | (625) | |
| Total operating income (loss) | \$ (6,217) | \$ (3,247) | \$ (2,970) | |
| Segment operating margin | | | | |
| Fluids Systems | 0.3 % | (6.7)% | | |
| Industrial Solutions | 20.0 % | 26.1 % | | |
| Industrial Blending | NM | (61.8)% | | |

Fluids Systems

Revenues

Total revenues for this segment consisted of the following:

| (In thousands) | Second Quarter | | 2022 vs 2021 | |
|--------------------------------------|-------------------|------------------|------------------|-------------|
| | 2022 | 2021 | \$ | % |
| United States | \$ 85,355 | \$ 56,784 | \$ 28,571 | 50 % |
| Canada | 11,344 | 4,956 | 6,388 | 129 % |
| Total North America | 96,699 | 61,740 | 34,959 | 57 % |
| EMEA | 42,870 | 32,962 | 9,908 | 30 % |
| Other | 5,692 | 2,391 | 3,301 | 138 % |
| Total International | 48,562 | 35,353 | 13,209 | 37 % |
| Total Fluids Systems revenues | \$ 145,261 | \$ 97,093 | \$ 48,168 | 50 % |

North America revenues increased 57% to \$96.7 million for the second quarter of 2022, compared to \$61.7 million for the second quarter of 2021. The increase included a \$28.5 million increase from U.S. land markets driven primarily by the 58% increase in U.S. rig count, while offshore Gulf of Mexico was relatively flat. In addition, Canada increased \$6.4 million driven primarily by the 57% increase in Canada rig count along with an increase in market share. For the second quarter of 2022, U.S. revenues included \$77.7 million from land markets, including \$12.1 million from the U.S. mineral grinding business, and \$7.4 million from offshore Gulf of Mexico.

Internationally, revenues increased 37% to \$48.6 million for the second quarter of 2022, compared to \$35.4 million for the second quarter of 2021. The increase was primarily driven by higher activity in Europe, Africa, and the Asia Pacific region following a significant impact in 2021 from the COVID-19 pandemic, as described above, partially offset by a \$4.8 million reduction from currency exchange rate changes.

Operating income (loss)

The Fluids Systems segment generated operating income of \$0.4 million for the second quarter of 2022, a \$7.0 million improvement from the \$6.5 million operating loss incurred in the second quarter of 2021, reflecting an incremental margin of 14.4%. The improvement includes a \$5.6 million benefit from North America operations and a \$1.4 million benefit from international operations, driven primarily by the revenue improvement described above. The incremental margin was lower than typical historical experience, reflecting the impact of inflationary cost pressures from certain international contracts in which customer pricing is fixed, along with elevated operating losses from the Gulf of Mexico.

Industrial Solutions

Revenues

Total revenues for this segment consisted of the following:

| (In thousands) | Second Quarter | | 2022 vs 2021 | |
|--|------------------|------------------|-----------------|-------------|
| | 2022 | 2021 | \$ | % |
| Product sales revenues | \$ 18,539 | \$ 10,182 | \$ 8,357 | 82 % |
| Rental and service revenues | 30,344 | 33,105 | (2,761) | (8)% |
| Total Industrial Solutions revenues | \$ 48,883 | \$ 43,287 | \$ 5,596 | 13 % |

Revenues from product sales, which typically fluctuate based on the timing of customer projects and orders, increased by \$8.4 million from the second quarter of 2021, reflective of robust demand from the utilities sector along with the timing of shipment for certain first quarter of 2022 orders shifting to April 2022. Rental and service revenues decreased by \$2.8 million from the second quarter of 2021, primarily related to lower activity in the U.K.

Operating income

The Industrial Solutions segment generated operating income of \$9.8 million for the second quarter of 2022 compared to \$11.3 million for the second quarter of 2021, the decrease being primarily attributable to lower average pricing associated with large scale rental projects and raw materials cost inflation on products sales, partially offset by the increase in product sales revenues as described above. In addition, the Industrial Solutions segment operating results for the second quarter of 2021 included a \$1.0 million gain in other operating income related to a legal settlement.

Industrial Blending

We completed the wind down of the Industrial Blending business in the first quarter of 2022 and are currently pursuing the sale of the industrial blending and warehouse facility and related equipment located in Conroe, Texas. The Industrial Blending operating loss for the second quarter of 2022 includes a \$7.9 million non-cash charge for the impairment of the long-lived assets as well as exit and other costs related to the ongoing process to sell these assets.

Corporate Office

Corporate office expenses increased \$0.6 million to \$7.5 million for the second quarter of 2022, compared to \$6.9 million for the second quarter of 2021. This increase was primarily driven by higher personnel expense, including performance-based incentive and stock-based compensation expense.

First Half of 2022 Compared to First Half of 2021

Consolidated Results of Operations

Summarized results of operations for the first half of 2022 compared to the first half of 2021 are as follows:

| (In thousands) | First Half | | 2022 vs 2021 | |
|--|------------|-------------|--------------|--------|
| | 2022 | 2021 | \$ | % |
| Revenues | \$ 370,582 | \$ 283,421 | \$ 87,161 | 31 % |
| Cost of revenues | 319,194 | 244,097 | 75,097 | 31 % |
| Selling, general and administrative expenses | 48,763 | 43,891 | 4,872 | 11 % |
| Other operating income, net | (30) | (1,864) | 1,834 | NM |
| Impairment | 7,905 | — | 7,905 | NM |
| Operating loss | (5,250) | (2,703) | (2,547) | (94)% |
| Foreign currency exchange gain | (519) | (108) | (411) | NM |
| Interest expense, net | 2,844 | 4,572 | (1,728) | (38)% |
| Loss on extinguishment of debt | — | 790 | (790) | (100)% |
| Loss before income taxes | (7,575) | (7,957) | 382 | 5 % |
| Provision (benefit) for income taxes | (2,344) | 3,403 | (5,747) | NM |
| Net loss | \$ (5,231) | \$ (11,360) | \$ 6,129 | 54 % |

Revenues

Revenues increased 31% to \$370.6 million for the first half of 2022, compared to \$283.4 million for the first half of 2021. This \$87.2 million increase includes a \$58.3 million (28%) increase in revenues in North America, comprised of a \$67.7 million increase in the Fluids Systems segment partially offset by a \$6.4 million decrease in the Industrial Blending segment and a \$3.0 million decrease in the Industrial Solutions segment. Revenues from our North America operations increased primarily due to the improvement in North America rig count, which favorably impacted our Fluids Systems segment, partially offset by a decline in revenues from product sales in our Industrial Solutions segment, which typically fluctuate based on the timing of customer projects and orders, with the first quarter of 2021 favorably impacted by pent-up demand following the peak of the COVID-19 pandemic. Revenues from our international operations increased by \$28.9 million (39%), as the prior year was unfavorably impacted by activity disruptions and project delays resulting from the COVID-19 pandemic, partially offset by a \$8.2 million reduction from currency exchange rate changes. Additional information regarding the change in revenues is provided within the operating segment results below.

Cost of revenues

Cost of revenues increased 31% to \$319.2 million for the first half of 2022, compared to \$244.1 million for the first half of 2021. This \$75.1 million increase was primarily driven by the 31% increase in revenues described above, along with inflationary cost pressures impacting materials, transportation, and labor.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$4.9 million to \$48.8 million for the first half of 2022, compared to \$43.9 million for the first half of 2021. This increase was primarily driven by higher personnel expense, including performance-based incentive and stock-based compensation expense, as well as higher legal and professional expenses. Selling, general and administrative expenses as a percentage of revenues was 13.2% for the first half of 2022 compared to 15.5% for the first half of 2021.

Other operating income, net

Other operating income for the first half of 2021 included a \$1.0 million gain related to a legal settlement in the Industrial Solutions segment. Other operating income also includes gains on sales of assets.

Impairment

The Industrial Blending segment includes a \$7.9 million non-cash impairment charge in the first half of 2022 related to the ongoing process to sell the assets previously used in this now exited business, as described above.

Foreign currency exchange

Foreign currency exchange was a \$0.5 million gain for the first half of 2022 compared to a \$0.1 million gain for the first half of 2021, and reflects the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies.

Interest expense, net

Interest expense was \$2.8 million for the first half of 2022 compared to \$4.6 million for the first half of 2021. Interest expense for the first half of 2022 and 2021 includes \$0.6 million and \$2.1 million, respectively, in non-cash amortization of original issue discount and debt issuance costs. The decrease in interest expense is primarily due to the 2021 repayment of our Convertible Notes with borrowings under the ABL Facility.

Loss on extinguishment of debt

In the first half of 2021, we repurchased \$18.3 million of our Convertible Notes in the open market for \$18.1 million. The \$0.8 million loss for the first half of 2021 reflects the difference in the amount paid and the net carrying value of the extinguished debt, including original issue discount and debt issuance costs.

Provision (benefit) for income taxes

The benefit for income taxes was \$2.3 million for the first half of 2022, which includes an income tax benefit of \$3.1 million related to the restructuring of certain subsidiary legal entities within Europe, as the undistributed earnings for an international subsidiary are no longer subject to certain taxes upon future distribution. The provision for income taxes in the first half of 2022 reflects the impact from the geographic composition of our earnings and was unfavorably impacted as we are unable to recognize a tax benefit related to the \$7.9 million impairment charge. The provision for income taxes was \$3.4 million for the first half of 2021 despite reporting a pretax loss for the period, primarily reflecting the impact of the geographic composition of our pretax loss. The tax expense in 2021 primarily related to earnings from our international operations since we were unable to recognize the tax benefit from our U.S. losses as they may not be realized.

Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

| (In thousands) | First Half | | 2022 vs 2021 | |
|---------------------------------|-------------------|-------------------|-------------------|-------------|
| | 2022 | 2021 | \$ | % |
| Revenues | | | | |
| Fluids Systems | \$ 286,275 | \$ 184,942 | \$ 101,333 | 55 % |
| Industrial Solutions | 84,307 | 92,057 | (7,750) | (8)% |
| Industrial Blending | — | 6,422 | (6,422) | (100)% |
| Total revenues | \$ 370,582 | \$ 283,421 | \$ 87,161 | 31 % |
| Operating income (loss) | | | | |
| Fluids Systems | \$ 3,799 | \$ (13,298) | \$ 17,097 | |
| Industrial Solutions | 16,112 | 24,478 | (8,366) | |
| Industrial Blending | (9,798) | (1,205) | (8,593) | |
| Corporate office | (15,363) | (12,678) | (2,685) | |
| Total operating loss | \$ (5,250) | \$ (2,703) | \$ (2,547) | |
| Segment operating margin | | | | |
| Fluids Systems | 1.3 % | (7.2)% | | |
| Industrial Solutions | 19.1 % | 26.6 % | | |
| Industrial Blending | NM | (18.8)% | | |

Fluids Systems

Revenues

Total revenues for this segment consisted of the following:

| (In thousands) | First Half | | 2022 vs 2021 | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------|
| | 2022 | 2021 | \$ | % |
| United States | \$ 156,198 | \$ 104,454 | \$ 51,744 | 50 % |
| Canada | 33,579 | 17,619 | 15,960 | 91 % |
| Total North America | 189,777 | 122,073 | 67,704 | 55 % |
| EMEA | 87,045 | 58,421 | 28,624 | 49 % |
| Other | 9,453 | 4,448 | 5,005 | 113 % |
| Total International | 96,498 | 62,869 | 33,629 | 53 % |
| Total Fluids Systems revenues | \$ 286,275 | \$ 184,942 | \$ 101,333 | 55 % |

North America revenues increased 55% to \$189.8 million for the first half of 2022, compared to \$122.1 million for the first half of 2021. This increase included a \$57.1 million increase from U.S. land markets driven primarily by the 61% increase in U.S. rig count, partially offset by a \$5.5 million decrease from offshore Gulf of Mexico driven primarily by changes in customer drilling and completion activity levels. In addition, Canada increased \$16.0 million driven primarily by the 47% increase in Canada rig count along with an increase in market share. For the first half of 2022, U.S. revenues included \$145.8 million from land markets, including \$26.4 million from the U.S. mineral grinding business, and \$10.1 million from offshore Gulf of Mexico.

Internationally, revenues increased 53% to \$96.5 million for the first half of 2022, compared to \$62.9 million for the first half of 2021. The increase was primarily driven by higher activity in Europe, Africa, and the Asia Pacific region following a significant impact in 2021 from the COVID-19 pandemic, as described above, partially offset by a \$7.8 million reduction from currency exchange rate changes.

Operating income (loss)

The Fluids Systems segment generated operating income of \$3.8 million for the first half of 2022, a \$17.1 million improvement from the \$13.3 million operating loss incurred in the first half of 2021, reflecting an incremental margin of 16.9%. The improvement includes a \$12.1 million benefit from North America operations and a \$5.0 million benefit from international operations, driven primarily by the revenue improvement described above. The incremental margin was lower than typical historical experience, reflecting the impact of inflationary cost pressures from certain international contracts in which customer pricing is fixed, along with elevated operating losses from the Gulf of Mexico.

Industrial Solutions

Revenues

Total revenues for this segment consisted of the following:

| (In thousands) | First Half | | 2022 vs 2021 | |
|--|------------------|------------------|-------------------|-------------|
| | 2022 | 2021 | \$ | % |
| Product sales revenues | \$ 22,962 | \$ 30,219 | \$ (7,257) | (24)% |
| Rental and service revenues | 61,345 | 61,838 | (493) | (1)% |
| Total Industrial Solutions revenues | \$ 84,307 | \$ 92,057 | \$ (7,750) | (8)% |

Revenues from product sales, which typically fluctuate based on the timing of customer projects and orders, decreased by \$7.3 million from the first half of 2021, as the first half of 2021 was favorably impacted by pent-up demand following the peak of the COVID-19 pandemic. Rental and service revenues decreased by \$0.5 million from the first half of 2021, as lower activity in the U.K. was partially offset by continued market penetration of the utilities sector in the U.S.

Operating income

The Industrial Solutions segment generated operating income of \$16.1 million for the first half of 2022 compared to \$24.5 million for the first half of 2021, the decrease being primarily attributable to the change in revenues as described above, along with lower average pricing associated with large scale rental projects and raw materials cost inflation on product sales. In addition, the Industrial Solutions operating results for the first half of 2021 included a \$1.0 million gain in other operating income related to a legal settlement.

Industrial Blending

We completed the wind down of the Industrial Blending business in the first quarter of 2022 and are currently pursuing the sale of the industrial blending and warehouse facility and related equipment located in Conroe, Texas. The Industrial Blending operating loss for the first half of 2022 includes a \$7.9 million non-cash charge for the impairment of the long-lived assets as well as exit and other costs related to the ongoing process to sell these assets.

Corporate Office

Corporate office expenses increased \$2.7 million to \$15.4 million for the first half of 2022, compared to \$12.7 million for the first half of 2021. This increase was primarily driven by higher personnel expense, including performance-based incentive and stock-based compensation expense, as well as higher legal and professional expenses, including \$0.8 million associated with shareholder matters and acquisition and divestiture efforts.

Liquidity and Capital Resources

Net cash used in operating activities was \$23.0 million for the first half of 2022 compared to net cash provided by operating activities of \$25.8 million for the first half of 2021. During the first half of 2022, net loss adjusted for non-cash items provided cash of \$18.6 million, while changes in working capital used cash of \$41.6 million. The working capital change is primarily related to an increase in inventories to support the higher revenues along with raw materials cost inflation, elevated vendor prepayments, and purchases supporting the start-up of new international contracts in the Fluids Systems segment, as well as the production of mats in the Industrial Solutions segment for anticipated sales.

Net cash used in investing activities was \$7.6 million for the first half of 2022, including capital expenditures of \$9.5 million, partially offset by \$1.9 million in proceeds from the sale of assets. The majority of the proceeds from the sale of assets reflect used mats from our rental fleet, which are part of the commercial offering of our Industrial Solutions business. Our capital expenditures during the first half of 2022 were primarily directed to supporting our Industrial Solutions segment, including \$6.4 million of investments in the mat rental fleet, supporting our strategic growth in the power transmission sector and replacing mats sold from the fleet.

Net cash provided by financing activities was \$27.0 million for the first half of 2022, which primarily represents net borrowings of \$23.5 million on our ABL Facility.

Substantially all our \$20.2 million of cash on hand at June 30, 2022 resides in our international subsidiaries. Subject to maintaining sufficient cash requirements to support the strategic objectives of these international subsidiaries and complying with applicable exchange or cash controls, we expect to continue to repatriate available cash from these international subsidiaries. We anticipate that future working capital requirements for our operations will generally fluctuate directionally with revenues. We expect capital expenditures in 2022 will be in the range of approximately \$20 million to \$25 million and will remain heavily focused on industrial end-market opportunities, primarily reflecting expansion of our mat rental fleet to further support our growth in the utilities market.

Availability under our Amended ABL Facility also provides additional liquidity as discussed further below. Total availability under the Amended ABL Facility will fluctuate directionally based on the level of eligible U.S. accounts receivable, inventory, and composite mats included in the rental fleet. We expect our available cash on-hand, cash generated by operations, and the expected availability under our Amended ABL Facility and other existing financing arrangements to be adequate to fund our current operations during the next 12 months.

During the second quarter of 2022, we initiated a formal sale process for our U.S. mineral grinding business. While certain inherent uncertainties remain that could impact the timing or completion of a sale transaction, we currently anticipate completing a divestiture transaction in the fourth quarter of 2022. We also are continuing the sales process for the warehouse facility and related equipment previously used in our Industrial Blending operations, which we exited in March 2022. We believe that these divestitures, as well as ongoing efforts to optimize investments in the deepwater Gulf of Mexico, will generate more than \$70 million of net cash proceeds in the coming months. Although the timing of any such transactions is not determinable, we expect to use any such proceeds for general corporate purposes, including debt reduction and the support of our strategic initiatives. We also continue to evaluate additional sources of liquidity to support our longer-term needs.

Our capitalization is as follows:

| (In thousands) | June 30, 2022 | December 31, 2021 |
|--|---------------|-------------------|
| ABL Facility | 110,000 | 86,500 |
| Other debt | 34,648 | 28,491 |
| Unamortized discount and debt issuance costs | (189) | (188) |
| Total debt | \$ 144,459 | \$ 114,803 |
| Stockholder's equity | 450,751 | 462,386 |
| Total capitalization | \$ 595,210 | \$ 577,189 |
| Total debt to capitalization | 24.3 % | 19.9 % |

Asset-Based Loan Facility. In October 2017, we entered into an asset-based revolving credit agreement, which was amended in March 2019 (the "ABL Facility"). In May 2022, we amended and restated the ABL Facility (the "Amended ABL Facility"). The Amended ABL Facility provides financing of up to \$175.0 million available for borrowings (inclusive of letters of credit), which can be increased up to \$250.0 million, subject to certain conditions. The Amended ABL Facility has a five-year term expiring May 2027, expands available borrowing capacity associated with the Industrial Solutions rental mat fleet,

replaces the LIBOR-based pricing grid with a Bloomberg Short-Term Bank Yield Index (“BSBY”) pricing grid, and includes a mechanism to incorporate a sustainability-linked pricing framework with the consent of the required lenders (as defined in the Amended ABL Facility).

As of June 30, 2022, our total availability under the Amended ABL Facility was \$155.3 million, of which \$110.0 million was drawn and \$1.4 million was used for outstanding letters of credit, resulting in remaining availability of \$43.9 million.

Borrowing availability under the Amended ABL Facility is calculated based on eligible U.S. accounts receivable, inventory and composite mats included in the rental fleet, net of reserves and subject to limits on certain of the assets included in the borrowing base calculation. To the extent pledged by the borrowers, the borrowing base calculation also includes the amount of eligible pledged cash. The administrative agent may establish reserves in accordance with the Amended ABL Facility, in part based on appraisals of the asset base, and other limits in its discretion, which could reduce the amounts otherwise available under the Amended ABL Facility.

Under the terms of the Amended ABL Facility, we may elect to borrow at a variable interest rate based on either, (1) the BSBY rate (subject to a floor of zero) or (2) the base rate (subject to a floor of zero), equal to the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate of Bank of America, N.A., and (c) BSBY for a one-month interest period plus 1.00%, plus, in each case, an applicable margin per annum. The applicable margin ranges from 1.50% to 2.00% per annum for BSBY borrowings, and 0.50% to 1.00% per annum for base rate borrowings, based on the consolidated leverage ratio (as defined in the Amended ABL Facility) as of the last day of the most recent fiscal quarter. We are also required to pay a commitment fee equal to (i) 0.375% per annum at any time the average daily unused portion of the commitments is greater than 50% and (ii) 0.25% per annum at any time the average daily unused portion of the commitments is less than 50%.

As of June 30, 2022, the applicable margin for borrowings under the Amended ABL Facility was 1.50% with respect to BSBY borrowings and 0.50% with respect to base rate borrowings. As of June 30, 2022, the weighted average interest rate for the Amended ABL Facility was 2.84% and the applicable commitment fee on the unused portion of the Amended ABL Facility was 0.25% per annum.

The Amended ABL Facility is a senior secured obligation of the Company and certain of our U.S. subsidiaries constituting borrowers thereunder, secured by a first priority lien on substantially all of the personal property and certain real property of the borrowers, including a first priority lien on certain equity interests of direct or indirect domestic subsidiaries of the borrowers and certain equity interests issued by certain foreign subsidiaries of the borrowers.

The Amended ABL Facility contains customary representations, warranties and covenants that, among other things, and subject to certain specified circumstances and exceptions, restrict or limit the ability of the borrowers and certain of their subsidiaries to incur indebtedness (including guarantees), grant liens, make investments, pay dividends or distributions with respect to capital stock and make other restricted payments, make prepayments on certain indebtedness, engage in mergers or other fundamental changes, dispose of property, and change the nature of their business.

The Amended ABL Facility requires compliance with the following financial covenants: (i) a minimum fixed charge coverage ratio of 1.00 to 1.00 for the most recently completed four fiscal quarters and (ii) while a leverage covenant trigger period (as defined in the Amended ABL Facility) is in effect, a maximum consolidated leverage ratio of 4.00 to 1.00 as of the last day of the most recently completed fiscal quarter.

The Amended ABL Facility includes customary events of default including non-payment of principal, interest or fees, violation of covenants, inaccuracy of representations or warranties, cross-default to other material indebtedness, bankruptcy and insolvency events, invalidity or impairment of security interests or invalidity of loan documents, certain ERISA events, unsatisfied or unstayed judgments and change of control.

Other Debt. In August 2021, we completed sale-leaseback transactions related to certain vehicles and other equipment for net proceeds of approximately \$7.9 million. The transactions have been accounted for as financing arrangements as they did not qualify for sale accounting. As a result, the vehicles and other equipment continue to be reflected on our balance sheet in property, plant and equipment, net. The financing arrangements have a weighted average annual interest rate of 5.4% and are payable in monthly installments with varying maturities through October 2025. We had \$5.0 million in financing obligations outstanding under these arrangements at June 30, 2022.

In February 2021, a U.K. subsidiary entered a £6.0 million (approximately \$8.3 million) term loan facility that was scheduled to mature in February 2024. In April 2022, this facility was amended to increase the term loan to £7.0 million (approximately \$9.1 million) and add a £2.0 million (approximately \$2.6 million) revolving credit facility. Both the amended term loan and revolving credit facility mature in April 2025 and bear interest at a rate of SONIA plus a margin of 3.25% per year. The term loan is payable in quarterly installments of £350,000 plus interest beginning June 2022 and a £2.8 million payment due at maturity. We had \$10.4 million outstanding under these arrangements at June 30, 2022.

Certain of our foreign subsidiaries maintain local credit arrangements consisting primarily of lines of credit or overdraft facilities which are generally renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. We had \$11.9 million and \$11.8 million outstanding under these arrangements at June 30, 2022 and December 31, 2021, respectively.

In addition, at June 30, 2022, we had \$50.2 million in outstanding letters of credit, performance bonds, and other guarantees for which certain of the letters of credit are collateralized by \$4.4 million in restricted cash.

Critical Accounting Estimates and Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in preparing our consolidated financial statements include estimated cash flows and fair values used for impairments of long-lived assets, including goodwill and other intangibles, and valuation allowances for deferred tax assets. Our estimates are based on historical experience and on our future expectations that we believe to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

For additional discussion of our critical accounting estimates and policies, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021. Our critical accounting estimates and policies have not materially changed since December 31, 2021.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on the undiscounted future net cash flows expected from the use and eventual disposition of such asset. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

In February 2022, in consideration of broader strategic priorities and the timeline and efforts required to further develop the industrial blending business, our Board of Directors approved a plan to exit our Industrial Blending operations. As a result of the plan to exit and dispose of the assets used in the Industrial Blending business, we disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 that we may incur pre-tax charges in the range of approximately \$4 million to \$8 million primarily related to the non-cash impairment of long-lived assets used in the Industrial Blending business. In March 2022, we shut down the Industrial Blending business and initiated a sales process to market the industrial blending and warehouse facility and related equipment. In June 2022, as a result of the ongoing sales process and revised estimates for the expected net proceeds from the ultimate disposition, we recognized a \$7.9 million impairment charge related to these long-lived assets. As of June 30, 2022, the remaining carrying value of the long-lived assets previously used in the now exited Industrial Blending business was \$11 million. It remains possible that we may incur a future impairment or loss related to the ongoing sales process.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency exchange rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

At June 30, 2022, we had total principal amounts outstanding under financing arrangements of \$144.6 million, including \$110.0 million of borrowings under our Amended ABL Facility, as well as \$10.4 million of borrowings under a U.K. term loan and credit facility, which are subject to variable interest rates as determined by the respective debt agreements. The weighted average interest rates at June 30, 2022 for the Amended ABL Facility and U.K. debt were 2.8% and 4.4%, respectively. Based on the balance of variable rate debt at June 30, 2022, a 100 basis-point increase in short-term interest rates would have increased annual pre-tax interest expense by \$1.2 million.

Foreign Currency Risk

Our principal foreign operations are conducted in certain areas of EMEA, Canada, Asia Pacific, and Latin America. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate including European euros, Canadian dollars, Kuwaiti dinar, Algerian dinar, Romanian new leu, British pounds, and Australian dollars. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies.

ITEM 4. Controls and Procedures**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2022, the end of the period covered by this quarterly report.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended June 30, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state, and local levels. While the outcome of litigation or other proceedings against us cannot be predicted with certainty, management does not expect that any loss resulting from such litigation or other proceedings, in excess of any amounts accrued or covered by insurance, will have a material adverse impact on our consolidated financial statements.

ITEM 1A. Risk Factors

There have been no material changes to our “Risk Factors” as discussed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, except as discussed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the three months ended March 31, 2022.

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

- a) Not applicable
- b) Not applicable
- c) The following table details our repurchases of shares of our common stock for the three months ended June 30, 2022:

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (\$ in Millions) |
|---------------|---|-------------------------------------|---|--|
| April 2022 | — | \$ — | — | \$ 23.8 |
| May 2022 | — | \$ — | — | \$ 23.8 |
| June 2022 | 565,971 | \$ 4.48 | — | \$ 23.8 |
| Total | <u>565,971</u> | | <u>—</u> | |

During the three months ended June 30, 2022, we purchased an aggregate of 565,971 shares surrendered in lieu of taxes under vesting of restricted shares.

In November 2018, our Board of Directors authorized changes to our securities repurchase program. These changes increased the authorized amount under the repurchase program to \$100.0 million, available for repurchases of any combination of our common stock and our Convertible Notes that matured in 2021.

Our repurchase program remains available to purchase outstanding shares of our common stock in the open market or as otherwise determined by management, subject to certain limitations under the Amended ABL Facility and other factors. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows, available cash on hand, and borrowings under our Amended ABL Facility. As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934. As of June 30, 2022, we had \$23.8 million remaining under the program.

There were no shares of common stock repurchased under the repurchase program during the three months ended June 30, 2022.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations and 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 is included in Exhibit 95.1 of this Quarterly Report on Form 10-Q, which is incorporated by reference.

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The exhibits listed are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

| | |
|----------|---|
| †10.1 | <u>Amendment No. 2 to the Newpark Resources, Inc. Amended and Restated 2015 Employee Equity Incentive Plan (incorporated by reference to Appendix A to the Registrant's definitive proxy statement filed on April 8, 2022).</u> |
| †10.2 | <u>Amendment No. 2 to the Newpark Resources, Inc. 2014 Non-Employee Directors' Restricted Stock Plan (incorporated by reference to Appendix C to the Registrant's definitive proxy statement filed on April 8, 2022).</u> |
| *31.1 | <u>Certification of Matthew S. Lanigan pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| *31.2 | <u>Certification of Gregg S. Piontek pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| **32.1 | <u>Certification of Matthew S. Lanigan pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| **32.2 | <u>Certification of Gregg S. Piontek pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| *95.1 | <u>Reporting requirements under the Mine Safety and Health Administration</u> |
| *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 |
| *101.SCH | Inline XBRL Schema Document |
| *101.CAL | Inline XBRL Calculation Linkbase Document |
| *101.DEF | Inline XBRL Definition Linkbase Document |
| *101.LAB | Inline XBRL Label Linkbase Document |
| *101.PRE | Inline XBRL Presentation Linkbase Document |
| *104 | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |

† Management compensation plan or agreement.

* Filed herewith.

** Furnished herewith.

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: August 3, 2022

NEWPARK RESOURCES, INC.
(Registrant)

By: /s/ Matthew S. Lanigan
Matthew S. Lanigan
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Gregg S. Piontek
Gregg S. Piontek
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Douglas L. White
Douglas L. White
Vice President, Chief Accounting Officer and Treasurer
(Principal Accounting Officer)

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew S. Lanigan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;
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 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 Rules 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 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.

Date: August 3, 2022

/s/ Matthew S. Lanigan

Matthew S. Lanigan

President and Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregg S. Piontek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newpark Resources, Inc.;
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 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 Rules 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 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.

Date: August 3, 2022

/s/ Gregg S. Piontek

Gregg S. Piontek

Senior Vice President and Chief Financial Officer

Certification
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 for the period ended June 30, 2022, of Newpark Resources, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Matthew S. Lanigan, President and Chief Executive Officer (Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 3, 2022

/s/ Matthew S. Lanigan

Matthew S. Lanigan

President and Chief Executive Officer

Certification
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 for the period ended June 30, 2022, of Newpark Resources, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gregg S. Piontek, Senior Vice President and Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: August 3, 2022

/s/ Gregg S. Piontek

Gregg S. Piontek

Senior Vice President and Chief Financial Officer

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), each operator of a coal or other mine is required to include certain mine safety results in its periodic reports filed with the Securities and Exchange Commission (“SEC”). Our subsidiary, Excalibar Minerals LLC (“Excalibar”), engages in the processing of barite ore and is subject to the jurisdiction of the Mine Safety and Health Administration (“MSHA”). For that reason, we are providing below the required mine safety data for the four specialized barite and calcium carbonate grinding facilities operated by Excalibar that are subject to the regulation by MSHA under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

As required by the reporting requirements regarding mine safety included in Section 1503 of the Dodd-Frank Act and the SEC’s final rules promulgated thereunder, the table below presents the following information for the three months ended June 30, 2022 for each of the specialized facilities operated by our subsidiary:

- (a) The total number of Mine Act Section 104 significant and substantial citations received, which are for alleged violations of a mining safety standard or regulation where there exists a reasonable likelihood that the hazard could result in an injury or illness of a reasonably serious nature;
- (b) The total number of Mine Act Section 104(b) orders received, which are for an alleged failure to totally abate the subject matter of a Mine Act Section 104(a) citation within the period specified in the citation;
- (c) The total number of Mine Act Section 104(d) citations and orders received, which are for an alleged unwarrantable failure to comply with a mining safety standard or regulation;
- (d) The total number of flagrant violations under Section 110(b)(2) of the Mine Act received;
- (e) The total number of imminent danger orders issued under Section 107(a) of the Mine Act;
- (f) The total dollar value of proposed assessments from MSHA under the Mine Act;
- (g) The total number of mining-related fatalities;
- (h) Mine Act Section 104(e) written notices for an alleged 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 a coal mine health or safety hazard, or the potential to have such a pattern; and
- (i) The total number of pending legal actions before the Federal Mine Safety and Health Review Commission as required by Section 1503(a)(3) of the Dodd-Frank Act. The number of legal actions pending as of June 30, 2022 that are:

| | |
|---|---|
| (1) contests of citations and orders referenced in Subpart B of 29 CFR Part 2700: | 0 |
| (2) contests of proposed penalties referenced in Subpart C of 29 CFR Part 2700: | 0 |
| (3) complaints for compensation referenced in Subpart D of 29 CFR Part 2700: | 0 |
| (4) complaints of discharge, discrimination or interference referenced in Subpart E of 29 CFR Part 2700: | 0 |
| (5) applications for temporary relief referenced in Subpart F of 29 CFR Part 2700: | 0 |
| (6) appeals of judges’ decisions or orders to the Federal Mine Safety and Health Review Commission referenced in Subpart H of 29 CFR Part 2700: | 0 |

For the Three Months Ended June 30, 2022

| Mine or Operating Name/MSHA Identification Number | (A) Section 104 S&S Citations (#) | (B) Section 104(b) Orders (#) | (C) Section 104(d) Citations and Orders (#) | (D) Section 110(b)(2) Violations (#) | (E) Section 107(a) Orders (#) | (F) Total Dollar Value of MSHA Assessments Proposed (\$) | (G) Total Number of Mining Related Fatalities (#) | (H) Received Notice of Pattern of Violations Under Section 104(e) (yes/no) | (H) Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no) | (I) Legal Actions Pending as of Last Day of Period (#) | (I) Legal Actions Initiated During Period (#) | (I) Legal Actions Resolved During Period (#) |
|---|--------------------------------------|----------------------------------|--|---|----------------------------------|---|--|---|---|---|--|---|
| Houston Plant / 41-04449 | 5 | — | — | — | — | 5,542 | — | No | No | — | — | — |
| Dyersburg Plant / 40-03183 | 3 | — | — | — | — | 822 | — | No | No | — | — | — |
| New Iberia Plant / 16-01302 | — | — | — | — | — | — | — | No | No | — | — | — |
| Corpus Christi Plant / 41-04002 | — | — | — | — | — | — | — | No | No | — | — | — |

In evaluating the above information regarding mine safety and health, investors should take into account factors such as (i) the number of citations and orders will vary depending on the size of the coal mine or facility, (ii) the number of citations issued will vary from inspector-to-inspector and mine-to-mine, and (iii) citations and orders can be contested and appealed, and in that process, may be reduced in severity and amount, and are sometimes dismissed.