Risk Factors Comparison 2024-03-15 to 2023-03-23 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

The Company' s business, financial condition, results of operations, cash flows, liquidity and prospects are subject to various risks and uncertainties. Readers of this Annual Report should not consider any descriptions of these risk factors to be a complete set of all potential risks that could affect the Company. These factors should be carefully considered together with the other information contained in this Annual Report and the other reports and materials filed by the Company with the SEC. Further, many of these risks are interrelated and, as a result, the occurrence of certain risks could trigger and / or exacerbate other risks. Such a combination could materially increase the severity of the impact of these risks on the Company' s business, results of operations, financial condition, cash flows, liquidity or prospects. This Annual Report contains " forward- looking statements, " as defined in the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Forward- looking statements discuss Company prospects, expected revenue, expenses and profits, strategic and operational initiatives, and other activities. Forward- looking statements also contain suppositions regarding future oil and natural gas industry and other conditions, both domestically and internationally. The Company' s results could differ materially from those anticipated in the forward- looking statements as a result of a variety of factors, including risks described below and elsewhere. See " Forward-Looking Statements " at the beginning of this Annual Report. Risks Related to the Company' s Business The Company' s business is largely dependent upon its customers' spending in the oil and gas industry. Spending could be adversely affected by industry conditions or by new or increased governmental regulations; global economic conditions; ~~lingering sentiment surrounding the pandemic;~~ the availability of credit; and oil and natural gas prices. Demand for and prices of the Company' s products are subject to a variety of factors, including, but not limited to: • global demand for energy as a result of population growth, economic development, and general economic and business conditions; • **political** ~~the timing~~ and ~~rate of~~ economic ~~recovery from~~ **uncertainty, and sociopolitical unrest including** the ~~effects of the pandemic~~ **current military conflicts in Ukraine and Middle East and ongoing sanctions imposed on Russia** ; • the ability of the Organization of Petroleum Exporting Countries (" OPEC ") to set and maintain production levels and the impact of non- OPEC producers on global supply; • availability and quantity of natural gas storage; • import and export volumes and pricing of liquefied natural gas; • domestic and international refining activity; • pipeline capacity to critical markets and out of producing regions; • ~~political and economic uncertainty, sociopolitical unrest including the current conflict in Ukraine and ongoing sanctions imposed on Russia; •~~ cost of exploration, production and transport of oil and natural gas; • sustained market adoption of green chemistry solutions; • technological advances impacting energy production and consumption; • interest rates **; • the timing and rate of economic recovery from the effects of the pandemic** ; • weather conditions; and • foreign exchange rates. The volatility of commodity prices and the consequential effect on the activities of the Company' s target customer base could adversely impact the activity levels of the Company' s customers. Demand for the Company' s goods and services may be adversely impacted if volatile economic conditions weaken customer expenditures, specifically as it concerns the continued adoption of chemistry solutions with lower overall impact on the environment. It is difficult to predict the pace of industry growth, the direction of oil and natural gas prices, the direction and magnitude of economic activity, the demand for professional chemistry products, and to what extent these conditions could affect the Company. However, reduced cash flow and capital availability could adversely impact the financial condition of the Company' s customers, which could result in customer project modifications, delays or cancellations, general business disruptions, and delay in, or nonpayment of, amounts that are owed to the Company. This could cause a negative impact on the Company' s results of operations and cash flows. Furthermore, if key suppliers were to experience significant cash flow constraints or become insolvent as a result of such conditions, a reduction or interruption in supplies or a significant increase in the price of supplies could occur, adversely impacting the Company' s results of operations and cash flows. The Company' s **Company' s** reliance on the ProFrac Agreement could adversely impact our financial condition,results of operations and cash flows.The ProFrac Agreement **,still in its first year,** is a major source of the Company' s liquidity and we expect it to remain so over the term of the contract ~~.Revenues attributable to the ProFrac Agreement represented 65 % of our total revenues during 2023~~ .If the Company became unable to execute the requirements of the agreement financially and operationally,from procuring inventory to meet the needs of ProFrac Services,LLC under the ProFrac Agreement and executing timely billing and collection,the Company' s liquidity could be adversely impacted.Further,our relationship with ProFrac Services,LLC may impact their competitors willingness to purchase products from the Company or to seek price concessions.We are also dependent on ProFrac Services,LLC' s compliance in meeting their committed activity levels and paying for products provided ~~,including any Contract Shortfall Fees,~~ in a timely basis,in accordance with the terms of the ProFrac Agreement.Our financial condition,results of operations and cash flows may be adversely impacted if ProFrac Services,LLC' s financial condition or its spending level under the ProFrac Agreement is negatively impacted ~~and they are unable to pay their outstanding obligations to the Company,including those payments related to Contract Shortfall Fees.As of March 11,2024,approximately $ 10.0 million of Contract Shortfall Fees from 2023 have been collected with the remaining $ 10.1 million due on or before April 8,2024~~ .ProFrac Services,LLC has the right to terminate the ProFrac Agreement **,** by providing written notice to the Company **,** after the occurrence of any of the following events:(i) the Company' s bankruptcy;(ii) the Company' s failure to produce and deliver the product in accordance with the specifications,or failure to timely deliver product,and the Company has been unable to cure such failure within a commercially reasonable period determined by ProFrac ~~Services,LLC~~ ;(iii) the Company fails to meet pricing requirements set forth in the ProFrac Agreement;or (iv) the Company is affected by a force majeure event,and such force majeure event has not been remedied within 30 days **of the initial occurrence**

of such event.ProFrac also has the right to terminate the ProFrac Agreement for any other material breach of the ProFrac Agreement by the Company,if capable of being cured,is not cured within 30 days after written notice.Termination of the ProFrac Agreement would have a material adverse impact on the Company' s financial condition,results of operations and cash flows.The inability to develop and / or introduce new products or differentiate existing products could have an adverse effect on its ability to be responsive to customers' needs and could result in a loss of customers, as well as adversely affecting the Company' s future success and profitability. The industries in which the Company does business are characterized by technological advancements that have historically resulted in, and will likely continue to result in, substantial improvements in the scope and quality of specialty chemistries and analytical services. Consequently, the Company' s future success is dependent, in part, upon the Company' s continued ability to timely develop innovative products and services. Successful introduction of new technology requires time and resources, and there is no assurance that the Company will be able to commercialize new technology in a timely manner. If the Company fails to successfully develop and introduce innovative products and services that appeal to customers, or if existing or new market competitors develop superior products and services, the Company' s revenue and profitability could deteriorate. The Company' s ~~inability to develop green alternatives to existing conventional products could result in loss of customers, as well as adversely affecting the Company' s future success and profitability. The Company develops, markets and produces certain green alternatives to many existing products. If these green alternatives do not perform as well as existing conventional products, or if existing or new market competitors develop superior products, the Company' s revenue and profitability could be adversely affected. Reduced unconventional oil and gas drilling could lessen the positive effects of a general recovery of the oil and gas industry. The majority of the Company' s product offerings in its CT segment, other than professional chemistry products, are used in unconventional oil and gas operations. The Company has a small exposure to conventional oil and gas operations through activity in the Middle East and little or no exposure to the offshore sector. In the event that an industry recovery is disproportionately driven by conventional and offshore oil and gas operations, the Company may not have a resulting increase in its operational results. The Company' s~~ business, financial condition, operating results and ability to grow and compete may be affected adversely if adequate capital is not available. The Company' s existing resources including cash on hand **and availability under its ABL** , may not be sufficient to finance operations and strategies. The Company may therefore need to rely on external financing sources, including commercial borrowings and issuances of debt and equity securities. The Company' s ability to procure debt financing, is dependent on, among other things, the willingness of banks and other financial institutions to lend into the Company' s industry and on their evaluation of the Company' s credit risk. There is no guarantee that the Company will be able to procure **additional** debt financing or, in the event that it is able to procure **additional** debt financing, that the financing will be on favorable terms and conditions or at favorable rates of interest. If the Company cannot access **capital** ~~debt and equity financing~~ on acceptable terms when required, the Company' s business, financial conditions and operating results may be adversely affected. Further the ability of the Company to grow and be competitive in the **marketplace** ~~market place~~ may be adversely impacted as the Company may not be able to finance strategic growth plans, take advantage of business opportunities, or respond to competitive pressures. Increased competition could exert downward pressure on prices charged for the Company' s products and services. The Company operates in a competitive environment populated by large and small competitors. Competitors with greater resources and lower cost structures or who are trying to gain market share may be successful in providing competing products and services to the Company' s customers at lower prices than the Company currently charges. The Company operates in an environment with relatively low barriers to entry; employees of the Company may leave and compete directly with the Company. This may require the Company to lower its prices, resulting in an adverse impact on revenues, margins, and operating results. Thus, competition could have a detrimental impact on the Company' s business. If the Company is unable to adequately protect intellectual property rights or is found to infringe upon the intellectual property rights of others, or is unable to maintain the registrations and certifications of its products and facilities, the Company' s business is likely to be adversely affected. The Company relies on a combination of patents, trademarks, copyrights, trade secrets, non- disclosure agreements and other methods to access markets and create a competitive advantage. Although the Company believes that existing measures are reasonably adequate to protect intellectual property rights, there is no assurance that the measures taken will prevent misappropriation of proprietary information or dissuade others from independent development of similar products or services. Moreover, there is no assurance that the Company will be able to prevent competitors from copying, reverse engineering, modifying or otherwise obtaining, infringing and / or using the Company' s technology, intellectual property or proprietary rights to create competitive products or services. The Company may not be able to enforce intellectual property rights outside of the U. S. Additionally, the laws of certain countries in which the Company' s products and services are manufactured or marketed may not protect the Company' s proprietary rights to the same extent as do the laws of the U. S. In each case, the Company' s ability to compete could be significantly impaired. A portion of the Company' s products and services are without patent protection. The issuance of a patent does not guarantee validity or enforceability. Third parties may have blocking patents that could be used to prevent the Company from marketing the Company' s own patented products and services and utilizing the Company' s patented technology. The Company is exposed and, in the future, may be exposed to allegations of patent and other intellectual property infringement from others. The Company may allege infringement of its patents and other intellectual property rights against others. Under either scenario, the Company could become involved in costly litigation or other legal proceedings regarding its patent or other intellectual property rights, from both an enforcement and defensive standpoint. Even if the Company chooses to enforce its patent or other intellectual property rights against a third party, there may be risk that the Company' s patent or other intellectual property rights become invalidated or otherwise unenforceable through legal proceedings. These could result in the Company having to discontinue the use, manufacture and sale of certain products and services, increase the cost of selling certain products and services, or result in damage to the Company' s reputation. An award of damages, including material royalty payments, or the entry of an injunction order against the use, manufacture and sale of any of the Company' s products and services found to be infringing, could have an adverse effect on the Company' s results of operations and ability to compete. Certain of the Company' s products and facilities, especially those related to the professional chemistry products, have been registered with the EPA. The failure of the Company to maintain such EPA registrations could result in the inability of the Company to market or sell its products. In the event that the Company cannot maintain its registrations or licenses or is unable to procure new licenses or registrations for new products or in response to changes to regulatory requirements, the ability of the Company to sell its products and obtain revenue may be adversely affected. The Company' s reliance on the ProFrac...... of operations and cash flows. The loss of key customers could have an adverse impact on the Company' s results of operations and could result in a decline in the Company' s revenue. In the CT segment in aggregate, revenue derived from the Company' s three largest customers as a percentage of consolidated revenue for the years ended December 31, **2023 and** 2022 ~~and 2021~~, totaled 73 % and 44 %, respectively. The Company has seen customer concentration risk increase due to the ~~recent~~ entry into the ~~long- term supply agreement with ProFrac Services LLC. Outside the~~ ProFrac Agreement **. Unlike the ProFrac Agreement,** customer relationships are substantially governed by purchase orders or other short- term contractual obligations as opposed to long- term contracts. Losses of customers also may occur due to product, service or pricing issues, as well as industry consolidation. The Company competes in a highly competitive environment and must work diligently to create and maintain productive customer relationships, and the failure to maintain those relationships could result in the loss of one or more key customers. The loss of one or more key customers could have an adverse effect on the Company' s results of operations and could result in a decline in the Company' s revenue. Loss of key suppliers, the inability to secure raw materials on a timely basis, or the Company' s inability to pass commodity price increases on to its customers could have a material adverse effect on the Company' s ability to service its customers' needs and could result in a significant loss of customers. Materials used in servicing and manufacturing operations, as well as those purchased for sale, are generally available on the open market from multiple sources. Acquisition costs and transportation of raw materials to the Company' s facilities have historically been impacted by extreme weather conditions. Additionally, prices paid for raw materials could be affected by energy products and other commodity prices; weather and disease associated with our crop dependent raw materials; tariffs and duties on imported materials; evolving geopolitical risks; foreign currency exchange rates; and phases of the general business cycle and global demand. The prices of key raw materials are subject to market fluctuations, which at times can be significant and unpredictable. Availability of key raw materials, weather events, natural disasters, and health epidemics in countries from which the Company sources raw materials may significantly impact prices. During a period of scarcity of supply the Company may also be negatively impacted by prioritization decisions enacted by its suppliers. The Company may be unable to pass along price increases to its customers, which could result in a materially adverse impact on margins and operating profits. The Company currently does not hedge commodity prices, but may consider such strategies in the future, and there is no guarantee that the Company' s purchasing strategies will prevent cost increases from resulting in materially adverse impacts on margins and operating profits. The Company' s DA segment is dependent on its ability to source appropriate technical components for its Verax ™ measurement system, certain of which are specialty products that are sole- sourced and are not easily replaceable with other sources. Any inability to source appropriate components in the future could result in significant difficulty supplying equipment or services to the Company' s customers. Removal of members of management or directors may be difficult or costly. The Company' s management and employees may have retention, employment or severance agreements in place. In the event that our employees, management or directors do not have the proper skills for management or operation of the Company, or the Company otherwise wishes to remove them from their position (s), the Company may be required to pay severance or similar payments. In addition, the loss of key management personnel or directors and the required transition may cause interruption in the operations, governance, strategies or management of the Company, which may significantly reduce the Company' s ability to manage operations effectively and implement strategic business initiatives. Failure to maintain effective disclosure controls and procedures and internal ~~controls~~ - **control** over financial reporting could have an adverse effect on the Company' s operations and the trading price of the Company' s common stock. Effective internal controls are necessary for the Company to provide reliable financial reports, effectively prevent fraud and operate successfully as a public company. If the Company cannot provide reliable financial reporting or effectively prevent fraud, the Company' s reputation and operating results could be harmed. If the Company is unable to maintain effective disclosure controls and procedures and internal controls over financial reports, the Company may not be able to provide reliable financial reporting, which in turn could affect the Company' s operating results or cause the Company to fail to meet its reporting obligations. Ineffective internal controls could also cause investors to lose confidence in reported financial information, which could negatively affect the trading price of the Company' s common stock, limit the ability of the Company to access capital markets in the future, and require additional costs to improve internal control systems and procedures. Failure to collect for goods and services sold to key customers could have an adverse effect on the Company' s financial results, liquidity and cash flows. The Company performs credit analysis on potential customers; however, credit analysis does not provide full assurance that customers will be willing and / or able to pay for goods and services purchased from the Company. Furthermore, collectability of international sales can be subject to the laws of foreign countries, which may provide more limited protection to the Company in the event of a dispute over payment. Because sales to domestic and international customers are generally made on an unsecured basis, there can be no assurance of collectability. The Company' s sales revenues are concentrated among customers operating in the oil and gas industry. Furthermore, the Company has seen an increase in concentration risk in 2022 **and 2023,** which it anticipates ~~to increase~~ **will continue** in ~~2023~~ **2024** and beyond as a result of the Company' s entry into the ProFrac Agreement. If one or more major customers **, including ProFrac Services, LLC,** are unwilling or unable to pay their ~~debts~~ **obligations** to the Company, it could have an adverse effect ~~of~~ **on** the Company' s financial results, liquidity and cash flows. Failure to adapt to changing buying habits of the Company' s potential and existing customers could have a negative effect on the Company' s ability to attract and retain business. The demographics and habits of the purchasing departments of many of the Company' s customers and potential customers is changing. Key decision makers may be less experienced and show different buying habits and approaches. Customers are increasingly requiring vendors to integrate with purchasing modules and are using advanced analytics to make purchasing decisions. If the Company does not adapt to these changing purchasing trends, the Company may not be able to attract or retain business. Cyberattacks may have a significant and adverse impact on the Company' s operations and related financial condition. The Company relies on access to information systems for operational, reporting and communication functions. Impairments of these systems, such as ransomware and network communications disruptions, could have an adverse effect on our ability to conduct operations and could directly impact consolidated reporting. Phishing attacks could result in sensitive or confidential information being released by the Company. Security breaches pose a risk to confidential data and intellectual property, which could result in damages to our competitiveness and reputation. The Company' s policies and procedures, system monitoring and data back- up processes may not prevent or detect potential disruptions or breaches in a timely or effective manner. There can be no assurance that existing or emerging threats will not have an adverse impact on our systems or communications networks. While the Company does carry cybersecurity insurance, the coverage and amount of such insurance may not be sufficient to adequately compensate the Company for cybersecurity loss. **See " Item 1C. Cybersecurity " within this Part I.** Unforeseen contingencies such as litigation could adversely affect the Company' s financial condition. The Company is, and from time to time may become, a party to legal proceedings incidental to the Company' s business involving alleged injuries arising from the use of Company products, exposure to hazardous substances, patent infringement, employment matters, commercial disputes, claims related to adverse physical reactions to the Company' s products such as rashes or allergic reactions and shareholder lawsuits. The defense of these lawsuits may require significant expenses, divert management' s attention, and may require the Company to pay damages that could adversely affect the Company' s financial condition. In addition, any insurance or indemnification rights that the Company may have might be insufficient or unavailable to protect against potential loss exposures. The Company' s current insurance policies may not adequately protect the Company' s business from all potential risks. The Company' s operations are subject to risks inherent in the specialty chemical industry, such as, but not limited to, accidents, explosions, fires, severe weather, oil and chemical spills, and other hazards. These conditions can result in personal injury or loss of life, damage to property, equipment and the environment, as well as suspension of customers' oil and gas operations. These events could result in damages requiring costly repairs, the interruption of Company business, including the loss of revenue and profits, and / or the Company being named as a defendant in lawsuits asserting large claims. The Company does not have insurance against all foreseeable or unforeseeable risks. Consequently, losses and liabilities arising from uninsured or underinsured events could have an adverse effect on the Company' s business, financial condition and results of operations. If the Company does not manage the potential difficulties associated with expansion successfully, the Company' s operating results could be adversely affected. The Company believes future success will depend, in part, on the Company' s ability to adapt to market opportunities and changes, to successfully integrate the operations of any businesses acquired, to enhance existing product and service lines, and potentially expand into new product and service areas in which the Company may not have prior experience. Factors that could result in strategic business difficulties include, but are not limited to: • failure to effectively integrate acquisitions, joint ventures or strategic alliances; • failure to effectively **execute** ~~integrate and perform~~ on the ProFrac Agreement; • failure to effectively plan for risks associated with expansion into areas in which management lacks prior experience; • lack of experienced management personnel; • increased administrative burdens; • lack of customer retention; • technological obsolescence; and • infrastructure, technological, communication and logistical problems associated with large, expansive operations. If the Company fails to manage potential difficulties successfully, the Company' s operating results could be adversely impacted. The Company may pursue strategic acquisitions, joint ventures and strategic divestitures, which could have an adverse impact on the Company' s business. The Company' s potential future acquisitions, joint ventures, and divestitures involve risks that could adversely affect the Company' s business. Negotiations of potential acquisitions, joint ventures, or other strategic relationships, integration of newly acquired businesses, and / or sales of existing businesses could be time consuming and divert management' s attention from other business concerns. Acquisitions and joint ventures could also expose the Company to unforeseen liabilities or risks associated with new markets or businesses. Unforeseen operational difficulties related to acquisitions and joint ventures could result in diminished financial performance or require a disproportionate amount of the Company' s management' s attention and resources. Additionally, acquisitions could result in the commitment of capital resources without the realization of anticipated returns. Divestitures could result in the loss of future earnings without adequate compensation and the loss of unrealized strategic opportunities. The Company' s ability to use net operating losses and tax attribute carryforwards to offset future taxable income ~~may be~~ **has become** limited **due to an " ownership change " in 2023**. Under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an " ownership change " is subject to limitations on the Company' s ability to utilize pre- change net operating losses (" NOLs "), and certain other tax attributes to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). ~~An~~ **During 2023, the conversion of various debt instruments into the Company' s common stock and warrants to purchase the Company' s common stock resulted in an** ownership change ~~could limit~~ **limiting** the Company' s ability to utilize existing NOLs and tax attribute carryforwards ~~for taxable years including or following an identified~~ **. Additional information about these limitations is provided in Note 11,** " **Income Taxes** ~~ownership change.~~ " ~~Transactions involving the Company' s common stock, even those outside the Company' s control, such as purchases or sales by investors, within the testing period could result~~ in ~~an~~ **Part II, Item 8 –** " ~~ownership change.~~ **Financial Statements and Supplementary Data** " **of this Annual Report** ~~Moreover, we believe the convertible notes and warrants transactions with ProFrac Holdings, LLC may substantially impact our ability to use NOLs~~ . In addition, under the 2017 Tax Act, the ability to carry back NOLs to prior taxable years is generally eliminated, and while NOLs arising in tax years beginning after 2017 may be carried forward indefinitely, these post- 2017 NOLs may only reduce 80 % of the Company' s taxable income in a tax year. Limitations imposed on the ability to use NOLs and tax credits to offset future taxable income could reduce or eliminate the benefit of the NOLs and tax attributes and could require the Company to pay U. S. federal income taxes in excess of that which would otherwise be required if such limitations were not in effect. Similar rules and limitations may apply for state income tax purposes. The Company is subject to complex foreign, federal, state and local environmental, health, and safety laws and regulations, which expose the Company to liabilities that could adversely affect the Company' s business, financial condition, and results of operations. The Company' s operations are subject to foreign, federal, state, and local laws and regulations related to, among other things, the protection of natural resources, injury, health and safety considerations, chemical exposure assessment, waste management, and transportation of waste and other hazardous materials. The Company' s operations are exposed to risks of environmental liability that could result in fines, penalties, remediation, property damage, and personal injury liability. Sanctions for noncompliance with such laws and regulations could include assessment of administrative, civil and criminal penalties, revocation of permits, and issuance of corrective action orders. The Company could incur substantial costs to ensure compliance with existing and future laws and regulations. Laws protecting the environment have generally become more stringent and are expected to continue to evolve and become more complex and restrictive in the future. Failure to comply with applicable laws and regulations could result in material expense associated with future environmental compliance and remediation. The Company' s costs of compliance could also increase if existing laws and regulations are amended or reinterpreted. Such amendments or reinterpretations of existing laws or regulations, or the adoption of new laws or regulations, could curtail exploratory or developmental drilling for, and production of, oil and natural gas which, in turn, could limit demand for the Company' s products and services. Some environmental laws and regulations could also impose joint and strict liability, meaning that the Company could be exposed in certain situations to increased liabilities as a result of the Company' s conduct that was lawful at the time it occurred or conduct of, or conditions caused by, prior operators or other third parties. Remediation expense and other damages arising as a result of such laws and regulations could be substantial and have a material adverse effect on the Company' s financial condition and results of operations. The Company and the Company' s customers are subject to risks associated with doing business outside of the U. S., including political risk, foreign exchange risk, and other uncertainties. Less than 10 % of the Company' s revenue for the year ended December 31, ~~2022~~ **2023** was from customers based outside of the U. S. The Company and its customers are subject to risks inherent in doing business outside of the U. S., including, but not limited to: • governmental instability; • corruption; • war and other international conflicts; • civil and labor disturbances; • requirements of local ownership; • cartel behavior; • partial or total expropriation or nationalization; • currency devaluation; and • foreign laws and policies, each of which can limit the movement of assets or funds or result in the deprivation of contractual rights or appropriation of property without fair compensation. Collections from international customers could also prove difficult due to inherent uncertainties in foreign law and judicial procedures. The Company could experience significant difficulty with collections or recovery due to the political or judicial climate in foreign countries where Company operations occur or in which the Company' s products are sold. The Company' s international operations must be compliant with the Foreign Corrupt Practices Act and other applicable U. S. laws. The Company could become liable under these laws for actions taken by employees. Compliance with international laws and regulations could become more complex and expensive thereby creating increased risk as the Company' s international business portfolio grows. Further, the U. S. periodically enacts laws and imposes regulations prohibiting or restricting trade with certain nations. The current sanctions imposed on trade with Russia does not currently impact because the Company does not have any activity within that ~~Region~~ **region** . The U. S. government could also change these laws or enact new laws that could restrict or prohibit the Company from doing business in identified foreign countries. The Company conducts, and will continue to conduct, business in currencies other than the U. S. dollar. Historically, the Company has not hedged against foreign currency fluctuations. Accordingly, the Company' s profitability could be affected by fluctuations in foreign exchange rates. The Company has no control over and can provide no assurances that future laws and regulations will not materially impact the Company' s ability to conduct international business. Regulatory pressures, environmental activism, and legislation could result in reduced demand for the Company' s products and services, increase the Company' s costs, and adversely affect the Company' s business, financial condition and results of operations. Regulations restricting volatile organic compounds (" VOC ") exist in many states and / or communities which limit demand for certain products. Although citrus oil is considered a VOC, its health, safety, and environmental profile is preferred over other solvents (e. g., benzene, toluene, ethylbenzene and xylene), which is currently creating new market opportunities around the world. Changes in the perception of citrus oils as a preferred VOC, increased consumer activism against hydraulic fracturing or other regulatory or legislative actions by governments could potentially result in materially reduced demand for the Company' s products and services and could adversely affect the Company' s business, financial condition, and results of operations. Perceptions and related usage of chemistry solutions that are currently considered safe and acceptable, within specified parameters, may be subject to change in future periods as research and testing of environmental impacts mature. Changes in laws and regulations relating to hydraulic fracturing may have a negative effect on the Company' s operations. ~~Much~~ **The majority** of the Company' s revenue in its CT segment is derived from customers engaged in hydraulic fracturing services. Some states have adopted regulations which require operators to publicly disclose certain non- proprietary information. These regulations could require the reporting and public disclosure of the Company' s proprietary chemistry formulas. The adoption of any future federal or state laws or local requirements, or the implementation of regulations imposing reporting obligations on, or otherwise limiting, the hydraulic fracturing process, could increase the difficulty of oil and natural gas production activity and could have an adverse effect on the Company' s future results of operations. Climate change, environmental, social and governance and sustainability initiatives may result in regulatory or structural industry changes that could require significant operational changes and expenditures, reduce demand for the Company' s products and services and adversely affect the Company' s business, financial condition, results of operations, stock price or access to capital markets. Climate change, environmental, social and governance (“ ESG ”) initiatives and sustainability are a growing global movement. Continuing political and social attention to these issues has resulted in both existing and pending international agreements and national, regional and local legislation, regulatory measures, reporting obligations and policy changes. Also, there is increasing societal pressure in some of the areas where the Company operates, to limit greenhouse gas emissions as well as other global initiatives. These agreements and measures, including the Paris Climate Accord, may require, or could result in future legislation, regulatory measures or policy changes that would require, significant equipment modifications, operational changes, taxes, or purchases of emission credits to reduce emission of greenhouse gases from the Company’ s operations or those of our customers, which may result in substantial capital expenditures and compliance, operating, maintenance and remediation costs. As a result of heightened public awareness and attention to these issues as well as continued political and regulatory initiatives to reduce the reliance upon oil and natural gas, demand for hydrocarbons may be reduced, which could have an adverse effect on the Company’ s business, financial condition, and results of operations. The imposition and enforcement of stringent greenhouse gas emissions reduction requirements could severely and adversely impact the oil and natural gas industry and therefore significantly reduce the value of the Company’ s business. Certain financial institutions, institutional investors and other sources of capital have begun to limit or eliminate their investment in financing of conventional energy- related activities due to concerns about climate change, which could make it more difficult for our customers and for the Company to finance our respective businesses. Increasing attention to climate change, ESG and sustainability has resulted in governmental investigations, and public and private litigation, which could increase the Company’ s costs or otherwise adversely affect our business or results of operations. In addition, some organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. Unfavorable ESG ratings may lead to increased negative investor sentiment toward the Company and our industry and to the diversion of investment to other companies or industries, which could have a negative impact on the price of the Company’ s securities and our access to and cost of capital. Any or all of these ESG and sustainability initiatives may result in significant operational changes and expenditures, reduced demand for the Company’ s products and services, and could materially adversely affect the Company’ s business, financial condition, results of operations, stock price or access to capital markets. The persistence and / or emergence of new pandemic threats can significantly reduce demand for our services and adversely impact our financial condition, results of operations and cash flows. Actions taken by businesses and governments in efforts to mitigate pandemic threats have the potential to negatively impact international and U. S. economic activity for an indeterminable duration. These effects can directly impact the demand for oil and natural gas, as well as our oil and gas related services and products. Furthermore, pandemic conditions can create disruptions in raw materials, logistics, and access to other critical resources such as human capital and financial markets. Risks Related to the Company’ s Industry General economic declines or recessions, limits to credit availability, and industry specific factors could have an adverse effect on energy industry activity resulting in lower demand for the Company’ s products and services. Worldwide economic uncertainty can reduce the availability of liquidity and credit markets to fund the continuation and expansion of industrial business operations worldwide. The shortage of liquidity and credit combined with pressure on worldwide equity markets could continue to impact the worldwide economic climate. Geopolitical unrest around the world may also impact demand for the Company’ s products and services both domestically and internationally. Demand for many of the Company’ s products and services is dependent on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices. Demand for the Company’ s products and services is particularly sensitive to levels of activity in the upstream, downstream and midstream sectors, and the corresponding capital spending by oil and natural gas companies, including national oil companies. While capital spending programs for domestic producers appear **stable** ~~to be improving~~ , uncertainties around the potential for ~~longer- term~~ weakness in oil and natural gas prices could reduce or defer major expenditures given the long- term nature of many large- scale development projects. Lower levels of activity could result in a corresponding decline in the demand for the Company’ s oil and natural gas related products and services, which could have a material adverse effect on the Company’ s revenue and profitability. Events in global credit markets can significantly impact the availability of credit and associated financing costs for many of the Company’ s customers. Many of the Company’ s upstream customers finance **a portion of** their drilling and completion programs through third- party lenders or public debt offerings. Lack of available credit or increased costs of borrowing may cause customers to reduce spending on drilling programs, thereby reducing demand and potentially resulting in lower prices for the Company’ s products and services. Also, the credit and economic environment could significantly impact the financial condition of some customers over a prolonged period, leading to business disruptions and restricted ability to pay for the Company’ s products and services. A continuous period of swings in oil and natural gas prices could result in further reductions in demand for the Company’ s products and services and adversely affect the Company’ s business, financial condition, and results of operations. The markets for the Company’ s products, especially oil and gas markets, have historically been volatile. Such volatility in oil and natural gas prices, or the perception by the Company’ s customers of unpredictability in oil and natural gas prices, could adversely affect spending levels. The oil and natural gas markets may be volatile in the future. The demand for the Company’ s products and services is, in large part, driven by general levels of exploration and production spending and drilling activity by its customers. Future declines in oil or gas prices could adversely affect the Company’ s business, financial condition, and results of operations. The Company presently does not hedge oil and natural gas prices ~~. New and existing competitors within the Company’ s industries could have an adverse effect on results of operations. The industries in which the Company competes are highly competitive. The Company’ s principal competitors include numerous small companies capable of competing effectively in the Company’ s markets on a local basis, as well as a number of large companies that possess substantially greater financial and other resources. Larger competitors may be able to devote greater resources to developing, promoting, and selling products and services. The Company may also face~~

~~increased competition due to the entry of new competitors including current suppliers that decide to sell their products and services directly to the Company' s customers. As a result of this competition, the Company could experience lower sales or greater operating costs, which could have an adverse effect on the Company' s margins and results of operations~~. The Company' s industry has a high rate of employee turnover. Difficulty attracting or retaining personnel or agents could adversely affect the Company' s business. The Company operates in an industry that has historically been highly competitive in securing qualified personnel with the required technical skills and experience. The Company' s services require skilled personnel able to perform physically demanding work. Due to industry volatility, the demanding nature of the work, and the need for industry specific knowledge and technical skills, current employees could choose to pursue employment opportunities outside the Company that offer a more desirable work environment and / or higher compensation than is offered by the Company. As a result of these competitive labor conditions, the Company may not be able to find qualified labor, which could limit the Company' s growth. In addition, the cost of attracting and retaining qualified personnel has increased over the past several years due to competitive pressures. In order to attract and retain qualified personnel, the Company may be required to offer increased wages and benefits. If the Company is unable to increase the prices of products and services to compensate for increases in compensation including inflation, or is unable to attract and retain qualified personnel, operating results could be adversely affected. Our DA segment may be materially and negatively affected by government regulations and / or facility disruptions. The demand for our equipment and services offerings in our DA segment could be materially affected by additional regulations on the upstream, midstream, and downstream portions of the oil and gas sectors. Additional regulation on oil and gas production, transportation, or processing of hydrocarbons may result in significantly reduced demand for our offerings, either individually or as a result of a decline in the overall oil and gas markets in the United States and abroad. In addition, our products are subject to export control laws and regulations, and changes to those laws and regulations may negatively impact our ability to pursue international opportunities. Disruptions to pipelines and refineries, whether due to regulation, weather, demand, or other factors, may also have a materially adverse effect on our ability to derive revenue from our DA segment. Adjustments to our DA segment' s commercial strategy, with a shift towards subscription revenue and away from equipment sales, and the market' s response to that strategy, may materially and adversely affect revenues in the near term, even if the strategic shift is successful, due to longer payback periods on subscription models. ~~Investor sentiment and public perception related to the oil and natural gas industry and to ESG initiatives could increase costs of capital and reporting requirements and impact operations. There are increasing financial risks for oil and natural gas producers, as stockholders and bondholders currently invested in oil and natural gas companies and concerned about the potential effects of climate change, ESG and other sustainability- related issues may elect in the future to shift some or all of their investments into non- fossil fuel energy related sectors, or into competitors who are perceived to have stronger ESG practices and disclosures. The Company' s ESG practices and disclosures may not satisfy investor requirements or their requirements may not be made known to the Company. The Company may continue to face increasing pressure regarding our ESG practices and disclosures, which pressures have intensified recently in connection with significant societal events and worldwide efforts to mitigate climate change. The Company has developed, and will continue to develop, goals and other objectives related to ESG and sustainability matters. Statements related to these goals and objectives reflect the Company' s current plans and do not constitute a guarantee that they will be achieved. The Company' s ability to achieve any stated goal or objective is subject to numerous factors and conditions, some of which are outside of the Company' s control. The Company' s efforts to accurately report on ESG and sustainability matters, including our efforts to research, establish, accomplish and accurately report on goals and objectives, expose us to numerous operational, reputational, financial, legal, and other risks. Standards for tracking and reporting on ESG and sustainability matters, including climate- related matters, have not been harmonized and continue to evolve. The Company' s processes and controls for reporting on ESG and sustainability matters, including our goals and objectives, may not always comply with evolving and disparate standards for identifying, measuring, and reporting such metrics, including any climate change and sustainability- related public company disclosure requirements adopted by the SEC, and such standards may change over time, which could result in significant revisions to the Company' s current ESG practices and disclosures. The lending and investment practices of institutional lenders and investors have been the subject of intensive lobbying efforts in recent years, oftentimes public in nature, not to provide funding for oil and natural gas producers, and some lenders and insurers have announced that they will not lend to or provide insurance for oil and natural gas companies. Limitation of investments in and financings for oil and natural gas could result in the restriction, delay, or cancellation of drilling and completion programs or development of production activities. An increasing number of the Company' s customers consider sustainability factors in awarding work. If the Company is unable to meet the ESG standards or investment criteria set by our customers, investors and other parties, which continue to evolve, if we are unable to successfully continue our sustainability enhancement efforts, or if, notwithstanding our own efforts, our industry becomes the focus of increasing ESG and sustainability related pressures, the Company may lose customers and investors and / or the Company' s cost of capital may increase.~~ Severe weather could have an adverse impact on the Company' s business. The Company' s business could be materially and adversely affected by severe weather conditions. Hurricanes, tropical storms, flash floods, blizzards, cold weather, and other severe weather conditions could result in curtailment of services, damage to equipment and facilities, interruption in transportation of products and materials, and loss of productivity. If the Company' s customers are unable to operate or are required to reduce operations due to severe weather conditions, and as a result curtail purchases of the Company' s products and services, the Company' s business could be adversely affected. A terrorist attack or armed conflict could harm the Company' s business. Terrorist activities, anti- terrorist efforts, and other armed conflicts involving the U. S. could adversely affect the U. S. and global economies and could prevent the Company from meeting financial and other obligations. The Company could experience loss of business, delays or defaults in payments from payors, or disruptions of fuel supplies and markets if pipelines, production facilities, processing plants, or refineries are direct targets or indirect casualties of an act of terror or war. Such activities could reduce the overall demand for oil and natural gas which, in turn, could also reduce the demand for the Company' s products and services. Terrorist activities and the threat of potential terrorist activities and any resulting economic downturn could adversely affect the Company' s results of operations, impair the ability to raise capital, or otherwise adversely impact the Company' s ability to realize certain business strategies. The armed ~~conflict~~ **conflicts** in Ukraine **and the Middle East** could affect regions in which the Company does business directly or indirectly and could harm the Company' s ability to sell its good and services in those regions. Risks Related to the Company' s Securities The market price of the Company' s common stock has been and may continue to be volatile. The market price of the Company' s common stock is subject to significant fluctuations. The following factors, among others, could cause the price of the Company' s common stock to fluctuate: • variations in the Company' s quarterly results of operations; • changes in market valuations of companies within the Company' s industry; • fluctuations in stock market prices and volume; • fluctuations in oil and natural gas prices; • issuances of common stock or other securities in the future, including debt or warrants convertible into the Company' s common stock and earnings per share; • additions or departures of key personnel; • inability to ~~perform~~ **execute** the ProFrac Agreement • announcements by the Company or the Company' s competitors of new business, acquisitions, or joint ventures; and • negative statements made by external parties about the Company' s business in public forums. The stock market has experienced significant price and volume fluctuations in recent years that have affected the price of common stock of companies within many industries including the oil and natural gas industry. The price of the Company' s common stock could fluctuate based upon factors that have little to do with the Company' s operational performance, and these fluctuations could materially reduce the Company' s stock price. The Company could be a defendant in a legal case related to a significant loss of value for the shareholders. This could be expensive and divert management' s attention and Company resources, as well as have an adverse effect on the Company' s business, operating results, cash flows, financial condition or securities **As of the date of filing our consolidated financial statements,the Company' s common stock price is less than $ 1.00.The Company' s relationship with ProFrac Services LLC and certain of its affiliates may create a conflict of interest.The Company derived 59** % of its revenue for the ~~years~~ - **year** ended December 31, ~~2023 and~~ 2022 ~~,respectively,~~ from ProFrac Services LLC.In addition to being the Company' s largest customer,certain affiliates of ProFrac Services LLC,entered into various convertible debt transactions with the Company during 2022 ~~,which were subsequently converted into shares of the Company' s common stock and warrants to purchase shares of the Company' s common stock in 2023~~ (see Note ~~9~~ **10** ," Debt and Convertible Notes Payable " and Note ~~17~~ **18** ," Related Party Transactions," in Part II,Item 8- " Financial Statements and Supplementary Data " of this Annual Report). **During 2023** ~~As a result~~ , **the convertible debt instruments are expected to be converted into** ~~ProFrac Holdings,LLC or its affiliates owns approximately 51 % of~~ the Company' s common **shares and pre-funded warrants** ~~stock as of December 31,2023 making them the Company' s largest shareholder~~ . ~~In addition,~~ ProFrac Holdings,LLC also has the right to elect four out of seven Board members and currently consolidates Flotek in their financial results. ~~Pursuant to this right~~ **In connection with the conversion of the convertible debt** , ~~Matt Wilks was nominated and~~ **ProFrac Holdings,LLC or its affiliates are** ~~elected~~ **expected** to **become** ~~serve on~~ the ~~Board at the~~ Company' s **largest** ~~2022 annual meeting of shareholders~~ - **shareholder during** ~~and Evan Farber was appointed to the Board on October 11,2022~~ **2023** .As a result of the operational and financial relationship with ProFrac Services LLC and its affiliates,as both ~~the largest~~ **a significant** customer and a majority shareholder, **certain conflicts of interest may occur.** . An active market for the Company' s common stock may not continue to exist or may not continue to exist at current trading levels. Trading volume for the Company' s common stock historically has been very volatile when compared to companies with larger market capitalization. The Company cannot presume that an active trading market for the Company' s common stock will continue or be sustained. Sales of a significant number of shares of the Company' s common stock in the public market could lower the market price of the Company' s stock. If the Company cannot meet the New York Stock Exchange (" NYSE ") continued listing requirements, the NYSE may delist the Company' s common stock. The Company' s common stock is currently listed on the NYSE. In the future, if ~~it~~ **the Company** is not able to meet the continued listing requirements of the NYSE ~~, which require, among other things, that the average closing price of our common stock be above $ 1. 00 over 30 consecutive trading days~~ , the Company' s common stock may be delisted. If the Company is unable to satisfy the NYSE criteria for continued listing, its common stock would be subject to delisting. A delisting of its common stock could negatively impact the Company by, among other things, reducing the liquidity and market price of its common stock; reducing the number of investors willing to hold or acquire the Company' s common stock, which could negatively impact its ability to raise equity financing; decreasing the amount of news and analyst coverage of the Company; and limiting the Company' s ability to issue additional securities or obtain additional financing in the future. In addition, delisting from the NYSE might negatively impact the Company' s reputation and, as a consequence, its business, operating results, cash flows, financial condition or securities. As of the date of filing our...... certain conflicts of interest may occur. Future issuance of additional shares of common stock could cause dilution of ownership interests and adversely affect the Company' s common stock price. The Company is currently authorized to issue up to 240, 000, 000 shares of common stock. The Company may, in the future, issue previously authorized and unissued shares of common stock, which would result in the dilution of current stockholders' ownership interests. Additional shares are subject to issuance through **unexercised warrants** ~~various convertible debt securities~~ , equity compensation plans or through the exercise of currently outstanding equity awards. The potential issuance of additional shares of common stock may create downward pressure on the trading price of the Company' s common stock. The Company may also issue additional shares of common stock or other securities that are convertible into or exercisable for common stock in order to raise capital or effectuate other business purposes. Future sales of substantial amounts of common stock, or the perception that sales could occur, could have an adverse effect on the price of the Company' s common stock. The Company may issue a substantial amount of securities in connection with future acquisitions, and the sale of those securities could adversely affect the trading price of our common stock or other securities. As part of our growth strategy, we may issue additional securities, or securities that have rights, preferences, and privileges senior to our other securities. We may file future shelf registration statements with the SEC that we may use to sell securities from time to time in connection with acquisitions. To the extent that we are able to grow through acquisitions and are able to pay for such acquisitions with shares of our common stock or other securities, the number of outstanding shares of common stock or other securities that will be eligible for sale in the future is likely to increase substantially. Persons receiving shares of our common stock or other securities in connection with these acquisitions may be more likely to sell large quantities of their common stock or other securities, which may influence the price of our common stock or other securities. In addition, the potential issuance of additional shares of common stock or other securities in connection with anticipated acquisitions could lessen demand for our common stock or other securities and result in a lower price than would otherwise be obtained. The Company may issue shares of preferred stock or debt securities with greater rights than the Company' s common stock. Subject to the rules of the NYSE, the Company' s certificate of incorporation authorizes the board of directors to issue one or more additional series of preferred stock and to set the terms of the issuance without seeking approval from holders of common stock. Currently, there are 100, 000 preferred shares authorized, with no shares currently outstanding. Any preferred stock that is issued may rank senior to common stock in terms of dividends, priority and liquidation premiums, and may have greater voting rights than holders of common stock ~~. If securities or industry analysts do not publish research or reports about the Company' s business or publish negative reports, the Company' s securities prices and trading volumes could decline and affect the price at which investors could sell securities. The trading market for the Company' s securities may be affected by the research and reports that industry or securities analysts publish about the Company or its business. The Company does not have any control over these analysts. If analysts do not cover the Company on a regular basis or if one or more analysts cease coverage of the Company or fail to regularly publish reports about the Company, the Company could lose visibility in the financial markets, which in turn could cause the Company' s securities prices or trading volumes to decline. If one or more of such analysts publish negative reports about the Company, the Company' s securities prices would likely decline. These occurrences could have an effect on the price investors could receive from the sale of the Company' s securities~~ . Certain anti- takeover provisions of the Company' s certificate of incorporation and applicable Delaware law could discourage or prevent others from acquiring the Company, which may adversely affect the market price of the Company' s common stock. The Company' s certificate of incorporation and bylaws contain provisions that, among other things: • permit the Company to issue, without stockholder approval, shares of preferred stock, in one or more series and, with respect to each series, to fix the designation, powers, preferences, and rights of the shares of the series; • prohibit stockholders from calling special meetings; • limit the ability of stockholders to act by written consent; • prohibit cumulative voting; and • require advance notice for stockholder proposals and nominations for election to the board of directors to be acted upon at meetings of stockholders. In addition, Section 203 of the Delaware General Corporation Law limits business combinations with owners of more than 15 % of the Company' s voting stock without the approval of the board of directors. Aforementioned provisions and other similar provisions make it more difficult for a third party to acquire the Company exclusive of negotiation. The Company' s board of directors could choose not to negotiate with an acquirer deemed not beneficial to or synergistic with the Company' s strategic outlook. If an acquirer were discouraged from offering to acquire the Company or prevented from successfully completing a hostile acquisition by these anti-takeover measures, stockholders could lose the opportunity to sell their shares at a favorable price. The Company has no plans to pay dividends on the Company' s common stock, and, therefore, investors will have to look to stock appreciation for return on investments. The Company does not anticipate paying any cash dividends on the Company' s common stock within the foreseeable future. Any payment of future dividends will be at the discretion of the Company' s board of directors and will depend, among other things, on the Company' s earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations deemed relevant by the board of directors. Investors must rely on sales of common stock held after price appreciation, which may never occur, in order to realize a return on their investment. The lack of plans for dividends may make the common stock of the Company an unattractive investment for investors who are seeking dividends. We identified a material weakness in our internal control over financial reporting **in 2022, which has been remediated as of December 31, 2023** . If we ~~are unable to remediate this material weakness, or if we~~ experience ~~additional~~ material weaknesses or other deficiencies in the future, or otherwise fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately or timely report our financial results, which could result in loss of investor confidence and adversely impact our stock price. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, or the Exchange Act, the Sarbanes- Oxley Act of 2002, or the Sarbanes- Oxley Act, the Dodd- Frank Act and other applicable securities rules and regulations. In particular, we are subject to reporting obligations under Section 404 of the Sarbanes- Oxley Act that require us to include a management report on our internal control over financial reporting in our ~~annual~~ **Annual** ~~report~~ **Report** , which contains management' s assessment of the effectiveness of our internal control over financial reporting. Internal controls must be evaluated continuously and be properly designed and executed by a sufficient level of properly trained staff to maintain adequate internal control over financial reporting. As disclosed in Part II, Item 9A, during the fourth quarter of 2022, management identified a material weakness in the design and operation of internal controls related to accounting for leases, prepaid assets and related- party revenues. ~~We have begun designing and~~ **During the year ended December 31, 2023, we** ~~implementing~~ **implemented** measures to improve our internal ~~controls~~ - **control** over financial reporting ~~and~~ to remediate this material weakness **. Such measures included ensuring sufficient and appropriate resources in our finance and accounting department, enhancing required training specific to internal control over financial reporting and revenue recognition and other measures to enhance our risk control assessment process and communication processes. After testing the design, implementation and operating effectiveness of the enhanced controls, management concluded that the material weakness was remediated as of December 31, 2023** . Our ability to comply with the annual internal control report requirements will depend on the **continual** effectiveness of our financial reporting controls across our company. We expect these systems and controls to involve significant expenditures and to ~~may~~ become more complex as our business grows. To effectively manage this complexity, we will ~~need to~~ continue to

~~improve~~ **monitor the execution of** our ~~operational, financial, and management~~ controls ~~,~~ **to ensure their effectiveness** and ~~our reporting systems~~ **make enhancements when** and ~~procedures~~ **where necessary** . Our inability to successfully **avoid or** remediate ~~our existing or~~ any future material weaknesses or other deficiencies in our internal control over financial reporting or any failure to implement required new or improved controls, or difficulties encountered in the implementation or operation of these controls, could harm our operating results and cause us to fail to meet our financial reporting obligations or result in material misstatements in our financial statements ~~, which~~ **. These events** could limit our liquidity and access to capital markets, adversely affect our business and investor confidence in our financial statements, and adversely impact our stock price. General Risk Factors If the Company loses the services of key members of management, the Company may not be able to manage operations and implement growth strategies. The ~~Board~~ **Company depends on the continued service of** ~~is~~ **its** ~~currently searching for the Company' s next~~ Chief Executive Officer ~~and the length of time taken to select and appoint the appropriate person could adversely impact our operations and strategic business initiatives. The Company depends on the continued service of the President,~~ and Chief Financial Officer and other key members of the executive management team, who possess significant expertise and knowledge of the Company' s business and industry. The Company has entered into employment agreements with certain of these key members. Any loss or interruption of the services of key members of the Company' s management could significantly reduce the Company' s ability to manage operations effectively and implement strategic business initiatives. The Company' s tax returns are subject to audit by tax authorities. Taxing authorities may make claims for back taxes, interest and penalties. Changes in U. S. tax legislation may adversely affect our business, results of operations, financial condition and cash flows. The Company is subject to income, property, excise, employment, and other taxes in the U. S. and a variety of other jurisdictions around the world. Tax rules and regulations in the U. S. and around the world are complex and subject to interpretation. From time to time, taxing authorities conduct audits of the Company' s tax filings and may make claims for increased taxes and, in some cases, assess interest and penalties. The assessments for back taxes, interest, and penalties could be significant. If the Company is unsuccessful in contesting these claims, the resulting payments could result in a drain on the Company' s capital resources and liquidity. In addition, there may be material adverse effects resulting from new or future U. S. tax reforms that have not been identified and that could have an adverse effect on the Company' s business, results of operations, financial condition and cash flows. ~~The Company maintains cash in excess of Federal Deposit Insurance Corporation (" FDIC ") protections therefore we may be at risk of losing cash on hand as a result of financial institution insolvency, which may be exacerbated by the recent unstable market and economic conditions and adverse developments with respect to the financial institutions. The closures of Silicon Valley Bank (" SVB ") and Signature Bank and their placement into receivership with the FDIC created bank- specific and broader financial institution liquidity risk and concerns. The Department of the Treasury, the Federal Reserve, and the FDIC jointly released a statement that depositors at SVB and Signature Bank would have access to their funds, even those in excess of the standard FDIC insurance limits. As of the date of this Annual Report on Form 10- K, our exposure to SVB and Signature Bank is immaterial, however, we maintain cash balances at third-party financial institutions in excess of FDIC insurance protections. If the financial institution with which we deposit our cash were to become insolvent or were to be placed into receivership, we may be unable to access our capital or adequately fund our business for a prolonged period of time, or at all. If the equity and credit markets deteriorate, or if adverse developments are experienced by financial institutions, it may cause short- term liquidity risk and also make any necessary debt or equity financing more difficult, more costly and more dilutive. Failure to secure any necessary financing in a timely manner and on favorable terms could have a material adverse effect on our growth strategy, financial performance and stock price. The consolidated financial statements included in this Annual Report have been prepared in accordance with accounting principles generally accepted in the United States (" U. S. GAAP ") assuming the Company will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company' s ability to continue as a going concern exists. The Company currently funds its operations from cash on hand and other current assets. The Company has a history of losses and negative cash flows from operations and expects to utilize a significant amount of cash within one year after the date of filing the consolidated financial statements included in this Annual Report. The availability of capital is dependent on the Company' s operating cash flow currently expected to be principally derived from the ProFrac Agreement (see Note 18, " Related Party Transactions " in Part II, Item 8- " Financial Statements and Supplementary Data " of this Annual Report). It is not certain that the Company' s cash and other current assets and forecasted operating cash flows currently expected to be generated from the ongoing execution of the ProFrac Agreement will provide the Company with sufficient financial resources to fund operations and meet our capital requirements and anticipated obligations as they become due in the next twelve months. The Company may require additional liquidity to continue its operations over the next twelve months to sufficiently alleviate or mitigate the conditions and events noted above, which results in substantial doubt about the Company' s ability to continue as a going concern within one year after the date that the consolidated financial statements contained in this Annual Report are issued. Our independent registered public accounting firm has included an explanatory paragraph in its opinion on the Company' s consolidated financial statements with respect to the substantial doubt about the Company' s ability to continue as a going concern. The Company is evaluating strategies to obtain additional funding for future operations. These strategies may include, but are not limited to, obtaining equity financing, issuing debt or entering into other financing arrangements, obtaining higher prices for its products and services, increasing the percentage of its sales from higher margin products, monetizing non- core assets, and reducing expenses. However, the Company may be unable to access further equity or debt financing when needed. As such, there can be no assurance that the Company will be able to obtain additional liquidity when needed or under acceptable terms, if at all. The consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities, and reported expenses that may be necessary if the Company were unable to continue as a going concern.~~ Disclaimer of Obligation to Update Except as required by applicable law or regulation, the Company assumes no obligation (and specifically disclaims any such obligation) to update these risk factors or any other forward- looking statement contained in this Annual Report to reflect actual results, changes in assumptions, or other factors affecting such forward- looking statements.