

CALFRAC WELL SERVICES LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2004

March 22, 2005

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CALFRAC WELL SERVICES LTD.

Calfrac Well Services Ltd. (the "Corporation") was formed under the *Business Corporations Act* (Alberta) on March 24, 2004, by the amalgamation of Denison Energy Inc. ("Denison") and a private corporation known as Calfrac Well Services Ltd. ("CWSL"). On March 8, 2004, Denison had completed an arrangement whereby almost all of Denison's assets were transferred to two new corporations, and on March 24, 2004, Denison acquired all of the shares of CWSL, then amalgamated with CWSL and changed its name to Calfrac Well Services Ltd. Although the former shareholders of Denison received a majority of the shares of the amalgamated corporation, under Canadian generally accepted accounting principles the amalgamation was considered to be a reverse takeover of Denison by CWSL. As a result, all financial and operating information reported by the Corporation for periods prior to March 24, 2004, is that of CWSL as it existed prior its acquisition by and amalgamation with Denison. Financial and operating information with respect to Denison as it existed prior to March 24, 2004, is not provided because it is not meaningful and it is inconsistent with the accounting treatment and disclosure prescribed by Canadian generally accepted accounting principles.

In this annual information form, references to the Corporation as at dates or for periods prior to March 24, 2004, relate to CWSL as it existed prior to its acquisition by and amalgamation with Denison.

The head office of the Corporation is located at 411 - 8th Avenue S. W., Calgary, Alberta T2P 1E3 and the registered office is located at 4500, 855 - 2nd Street S. W., Calgary, Alberta T2P 4K7.

Intercorporate Relationships

At December 31, 2004, the Corporation owned (i) all of the shares of Calfrac Well Services Corp., a Colorado corporation that provides fracturing services to oil and gas customers in the Rocky Mountain region of the United States, (ii) 70% of the shares of 1108325 Alberta Ltd., whose wholly owned subsidiary, Ram Cementers Inc., provides well cementing services in western Canada, and (iii) 83.3% of the shares of North Aegean Petroleum Company E.P.E. and Sea of Thrace Petroleum E.P.E., which are Greek companies that collectively hold a 75% interest in certain hydrocarbon exploration rights in the Sea of Thrace in Northern Greece on which no active exploration is being conducted because they are subject to a force majeure due to territorial disputes between Greece and Turkey. The Corporation also owns 30% of the shares of ChemErgy Ltd. ("ChemErgy"), a company engaged in the research and development of new systems and chemicals in connection with oilfield services.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation was incorporated under the ABCA in June 1999 by Messrs. Mathison, Ramsay, Dibb and Roberts. The Corporation commenced operations in August 1999 from its field station in Medicine Hat, Alberta, with a coiled tubing unit. In September 1999, the Corporation acquired its first fracturing spread and successfully completed its first hydraulic fracturing treatment. By December 31, 2001, the Corporation had expanded its fleet of equipment to seven fracturing spreads and seven coiled tubing units, and had established field stations in Red Deer and Grande Prairie, Alberta.

In February 2002, the Corporation expanded its operations into the United States by opening a field office in Platteville, Colorado. The establishment of operations at Platteville, Colorado was the Corporation's first significant presence in the United States. In addition, the Corporation put into operation its eighth and ninth fracturing spreads during the year and in early 2003.

The Corporation completed construction of a coiled tubing rig designed specifically to perform fracturing through coiled tubing in early 2003. In addition, due to the increasing requirement to use coiled tubing rigs in conventional and natural gas from coal ("NGC") fracture jobs, the Corporation signed a three year contract in February 2004 with a major supplier of coiled tubing rig services in Alberta under which the Corporation was granted a right of first call on six coiled tubing rigs used for fracturing operated by this supplier in 2004 and a right of first call for a maximum of twelve coiled tubing rigs thereafter, with an option to renew the contract for an additional year on each anniversary of the contract date commencing in February 2006.

In April 2003, the Corporation entered into a two-year fracturing contract with a major explorer and developer of NGC with a term commencing on June 1, 2003, and expiring at the earlier of May 31, 2005, or the date on which 300 wells have been fractured for the customer. In order to satisfy its obligations under this contract, the Corporation developed and commissioned unique fracturing equipment specifically designed to fracture NGC wells, including the first quint nitrogen pumper built for use in the fracturing of NGC by any fracturing company. This equipment was placed into service in February 2004 and was the Corporation's eleventh spread. On December 31, 2004, a new contract was signed with this customer. The contract, which was for two specialized NGC spreads, will commence in the second quarter of 2005 and will expire on the earlier of the second anniversary of the commencement date or on the date that the Corporation has fractured 800 wells under the contract.

In May 2004, the Corporation added a second fracturing spread to its U.S. operations.

Also in May 2004, the Corporation signed contracts for a three-year term for the supply of nitrogen and carbon dioxide. One of the nitrogen supply contracts guarantees the Corporation's right to all of the nitrogen produced at a plant located in Strathmore, Alberta, and in return the Corporation has committed to monthly payments covering the cost of production and a recovery of capital costs. These payments commence February 1, 2005, and terminate February 1, 2008. In October 2004, the first shipments of nitrogen were made to the Corporation's Canadian operations from this plant. As supply of these products is expected to be limited for the foreseeable future, these contracts significantly improve the Corporation's ability to deliver on its commitments to its customers.

On June 1, 2004, the Corporation acquired 70% of the shares of 1108325 Alberta Ltd., which owned all of the shares of Ram Cementers Inc. ("Ram"). At the date of acquisition, the major assets of Ram consisted of three single and one twin pumping units. The Corporation also approved additional capital expenditures of approximately \$4.0 million to add four pumping units and support equipment to be operational by the spring of 2005. On February 10, 2005, the Corporation acquired the remaining 30% of the shares of 1108325 Alberta Ltd., and on March 1, 2005, that corporation and Ram Cementers Inc. were dissolved into the Corporation. The Corporation plans to add a further four cementing units in 2005 as part of its current capital program.

On August 21, 2004, the Corporation completed a public offering of 2,000,000 common shares at a price of \$14.20 per share for aggregate proceeds of \$28.4 million and net proceeds of \$26.8 million. The net proceeds were used primarily to fund capital expenditures, and the remaining proceeds were added to the Corporation's working capital and used for general corporate purposes.

In the fall of 2004, the Corporation added its thirteenth and fourteenth fracturing spreads. One of these spreads was a combination blender/pumper unit developed primarily to perform sand fracturing in Alberta's southeastern shallow gas wells. This unique unit can be used to perform fracturing that would traditionally take four individual units, thereby leaving a smaller wellsite footprint, requiring fewer operators and lowering operating and capital costs.

In 2005, the Corporation plans to increase its fleet of fracturing equipment from 14 to 21 fracturing spreads. Two spreads designed for fracturing NGC will be added by the spring of 2005, and the Corporation intends to add five spreads designed for conventional fracturing in Canada during the remainder of the year.

Formation of the Corporation

One of the predecessors of the Corporation was Denison Energy Inc. ("Denison"), a corporation that was engaged in uranium mining, environmental services and oil and gas operations. On March 8, 2004, Denison transferred all of the assets and liabilities associated with its uranium mining, mining-related environmental services, and oil and gas exploration and development businesses to two new publicly traded companies. The Corporation was formed on March 24, 2004, as a result of Denison's acquisition of and amalgamation with CWSL on that day.

Recent Development

On February 7, 2005, the shares of the Corporation were divided on a two-for-one basis (the "Stock Split"). **To ensure consistent disclosure, information with respect to shares and share prices as at dates and for periods ended prior to February 7, 2005, has been adjusted to give effect to the Stock Split.**

BUSINESS OF THE CORPORATION

The Corporation provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells drilled throughout western Canada and in the Rocky Mountain region of the United States.

Fracturing Services

The principal focus of the Corporation's business is the provision of hydraulic fracturing services to exploration and production companies, which services accounted for 92% of the Corporation's revenue in 2004 and 93% of the Corporation's revenue in 2003. The objective of hydraulic fracturing is to increase the conductivity of an oil or gas zone within a reservoir to the wellbore, thus increasing the flow of hydrocarbons, allowing a greater proportion of hydrocarbons to be extracted or produced from that zone.

Conventional Hydraulic Fracturing

Conventional hydraulic fracturing is accomplished by pumping a viscous fluid with suspended "proppant" (grains of quartz sand or ceramic material) through the wellbore and into the reservoir zone being stimulated. The pumping pressure causes the zone to fracture and accept the fluid and proppant. The fluid is designed to subsequently break, or lose viscosity, and be driven out of the reservoir zone by its pressure, leaving the proppant suspended in the fracture.

A considerable amount of technology is incorporated into the design of the fracturing fluid, which normally consists of proprietary chemicals that are combined with a base fluid. The final fluid can be gelled, emulsified or foamed and can be preceded by acid. In Canada, most fluids are energized by the introduction of liquid carbon dioxide or nitrogen gas. In addition to the complex chemical technology used for making the fracturing fluid, the fracturing process involves considerable engineering knowledge and experience to design the fracturing process to maximize the performance of the well. Each fracture is individually designed to take account of the specific temperatures, pressures, formation permeability and reservoir fluids expected in the producing zone in which fracturing will be performed. The Corporation's engineering staff provides technical evaluation and job design recommendations as an integral element of its fracturing service to the customer.

Hydraulic fracturing services involve the use of sophisticated equipment specifically designed and constructed for hydraulic fracturing. A complement or "spread" of equipment required to perform a conventional hydraulic fracturing job normally consists of the following:

- a blender to blend chemicals, base fluid and proppant into specific mixes of fracturing fluids;
- one or more high horsepower fracturing pumpers, with the number dependent upon the pumping pressure and rate required for the fracture; the Corporation has combined the blender, pumper, data van and iron truck into a unique fracturing unit designed for fracturing through coiled tubing and fracturing with foam operations;
- a chemical additive unit to hold and deliver each chemical in controllable quantities in order to blend the fracturing fluid; the Corporation often incorporates this unit into its blenders to increase efficiency and reduce the "footprint" of the spread at a particular well location;
- an iron truck or trailer used for transporting and rigging up the high-pressure lines or "iron" that connect the various components of the fracture spread and wellhead;
- a computer van equipped with monitoring, data recording, satellite communication and remote pumper controls to monitor and control the treatment and also record the data related to each phase of the fracture;
- one or more pumpers to pump the energizer (carbon dioxide or nitrogen); and
- various equipment to transport, store and deliver the proppant and energizer.

The traditional or stage fracture procedure for stimulating a multi-zone well involves numerous trips to the well location, with each trip stimulating only one or two of the zones. In recent years, procedures have been developed so that all of the zones for a particular well can be fractured in just one trip to the well location. This procedure, using snubbing units for deeper, more highly pressurized wells and coiled tubing rigs for shallower wells, involves

accessing the target zone up or down the wellbore by raising or lowering tubing and requires the use of specialized tools that can isolate the target zone for treatment. The ability to complete the fracturing services for a multi-zone well in one trip to the well location has become increasingly attractive to customers, as it reduces the traffic to the well location and the resulting disturbance to the landowners and allows the well to be brought into production more quickly. In addition, this procedure simplifies the coordination of the logistics of the fracturing completion.

Fracturing for Natural Gas Found in Coal

The Corporation has identified the market niche of supplying hydraulic fracturing services to exploration and production companies involved in developing NGC in western Canada as one in which it seeks to be the leading provider. NGC is often referred to as coalbed methane. In Canada, Alberta and British Columbia have vast coal resources, and the first commercial NGC production projects are located in the Horseshoe Canyon formation in south-central Alberta.

As a result of its extensive involvement in various pilot projects evaluating the viability of NGC production in western Canada, the Corporation, along with its customers, has developed an unconventional method of fracturing multi-zone NGC wells by pumping nitrogen gas through coiled tubing without the use of proppant, fluid or chemicals.

The Corporation has developed a significant level of expertise and experience in fracturing NGC wells and has become a leading provider of hydraulic fracturing services to customers who stimulate NGC wells. Approximately 1,500 NGC wells were drilled in western Canada in 2004. The Corporation completed fracturing treatments on approximately 40% of these wells. The Petroleum Services Association of Canada estimates that approximately 3,000 NGC wells will be drilled in 2005. The Corporation expects to increase its fracturing spreads specifically focused on NGC applications from two to four spreads by the spring of 2005 to meet the expected increase in demand.

Stimulation and Other Well Services

The Corporation provides stimulation and other well services to exploration and production companies in western Canada. Revenues from well stimulation services and cementing accounted for 8% of the Corporation's revenue in 2004 and 7% of the Corporation's revenue in 2003.

Coiled Tubing Services

The Corporation injects coiled tubing into wells to perform various well-servicing operations. Coiled tubing units are often used together with the appropriate support equipment to pump nitrogen, acid or air in order to remove unwanted corrosive acids, solids, gels and fluids from the wellbore and producing zone. Coiled tubing units can also be used to set and remove tools, perform well abandonments, and set siphon or velocity strings, which promote the production of natural gas without the accumulation of fluid in the wellbore.

Acidizing Services

Acidizing involves pumping varying volumes of specially formulated acid blends into producing oil or gas formations to remove unwanted materials and sediments or to dissolve portions of the producing formation in order to enhance the production of hydrocarbons or the disposal of waste fluids.

Nitrogen Services

Nitrogen is added to acid blends to provide additional energy to assist in the clean out of unwanted materials and sediments in order to enhance the well flow rate. Nitrogen is also used for removing fluids from wellbores, purging vessels and pressure testing operations. Nitrogen services are used principally in applications supporting the Corporation's coiled tubing and fracturing services. Nitrogen is often pumped into the wellbore to improve the safe recovery of introduced or produced fluids, while reducing the potential for damaging the formation.

Cementing Services

Drilling for oil and gas involves penetrating numerous geological layers, many of which may be saturated with fresh or salt water, oil, gas, or combinations of all three. To accomplish segregation between layers after a hole is drilled, steel casing is run into the bottom of the well and cemented in place. Once the cement has hardened, all of the geological formations that have been penetrated are isolated from each other and the completion of the well can proceed.

Demand for Hydraulic Fracturing Services

The Corporation believes that the combination of increasing demand for natural gas in North America and the declining rates of natural gas production in the key producing fields of North America will result in the drilling of additional natural gas wells in order to sustain current production levels and to satisfy the growing demand. The majority of natural gas wells require hydraulic fracturing to stimulate the production of hydrocarbons. The Corporation believes that, as a result of these conditions, the demand for hydraulic fracturing services is likely to increase.

The Corporation believes that the number of natural gas wells completed each year is a good indicator of the potential level of fracturing activity. There has been a substantial increase in the number of natural gas wells completed during the last ten years, from approximately 3,600 in 1995 to approximately 16,500 in 2004, and in recent years the number of natural gas wells completed has become a larger proportion of the total number of wells completed each year in western Canada.

Although the Corporation provides fracturing services to all segments of the oil and gas industry, the Corporation has historically focused on the shallow natural gas well segment located in southern and eastern Alberta. For the past five years, the average depth of the wells completed in Canada has averaged less than 1,150 metres. Wells of this depth are generally classified as shallow and are located mainly in southern and eastern Alberta. This segment is, and the Corporation believes it will continue to be, an important and consistent source of revenue to the Corporation.

Business Objectives

The Corporation's primary ongoing business objective is to continue to be a leading provider of hydraulic fracturing, well stimulation and other oilfield services to oil and gas exploration and production companies in western Canada and the Rocky Mountain region of the United States.

Fracturing services are generally provided to exploration and production companies through a competitive bid process for either individual wells or multi-well projects. Successful bids are the result of high customer satisfaction from past services and business relationships. The Corporation has developed extensive client contacts and built strong personal relationships with customers. Exploration and production companies also enter into agreements with service companies to provide fracturing services for multiple wells for periods of, generally, up to two years. However, these agreements seldom contain binding commitments for a minimum amount of fracturing work. Based on its expertise in providing hydraulic fracturing services and its strong business relations with two important customers, the Corporation has two multi-year agreements with these customers to provide fracturing services to them, with both of these agreements providing a minimum quantity of fracturing services to be provided by the Corporation during the terms thereof.

The Corporation believes that it provides superior service to customers through its experienced management and work force, unique chemical technology and modern and innovative equipment. Management has extensive experience and strong business relationships in the oilfield service industry in western Canada and, as a result of a flat management structure, is actively involved in the daily operations of the Corporation.

Intellectual Property

The Corporation's research and development efforts are focused on providing specific solutions to the challenges experienced by oil and gas exploration and production companies when fracturing and stimulating wells. The Corporation's success in hydraulic fracturing has been facilitated by its ability to provide proprietary blends of chemicals that, together with its technical expertise and innovative equipment, result in customers' wells being more productive.

The Corporation conducts a significant amount of its research and development in conjunction with ChemErgy, a company in which the Corporation has a 30% ownership interest. ChemErgy is engaged in research and development relating to new systems and chemicals in connection with oilfield services. ChemErgy also supplies chemical products and provides quality control and logistical services for the products supplied. In accordance with an exclusive relationship agreement between the Corporation and ChemErgy, ChemErgy is required to supply products to and perform research and development for the Corporation on an exclusive basis and the Corporation is required to acquire all of the chemical products used in its business from ChemErgy. The exclusive relationship agreement with ChemErgy is to terminate on May 31, 2011, but will be automatically renewed for one-year renewal terms unless terminated with notice by either party. ChemErgy operates a fully equipped laboratory in Calgary staffed with chemical engineers, chemists and technicians who are experienced in developing technologies to be used in oilfield operations and implementing these procedures in the field.

Whenever possible, the Corporation and ChemErgy undertake to protect intellectual property that they develop through joint applications for patent protection. The Corporation and ChemErgy currently have two patents pending on chemical systems used to deliver fracturing services.

Facilities, Equipment and Personnel

The Corporation provides hydraulic fracturing and well stimulation services from its corporate head office in Calgary and four field stations located in Medicine Hat, Red Deer and Grande Prairie, Alberta, and in Platteville, Colorado. The Corporation has opened a satellite field station near Strathmore, Alberta.

The Corporation owns a significant complement of fracturing equipment which, as at December 31, 2004, included 12 conventional fracturing spreads incorporating 29 fracturing pumpers and two combination blender/pumpers rated to a total of 68,000 horsepower, and two NGC fracturing spreads with eight high rate nitrogen pumpers. The Corporation's well stimulation equipment includes two low rate combination nitrogen pumpers, two acid pumpers, one fracturing through coil rig, two deep coiled tubing units and eight shallow coiled tubing units. The Corporation's total fleet of 167 large vehicles is comprised of 43 trucks with mounted equipment and 124 tractor/trailer units. The Corporation plans to increase its fleet of fracturing equipment from an aggregate 14 spreads of fracturing equipment by seven spreads in 2005. Two spreads designed for fracturing NGC will be added in the spring of 2005, and the Corporation intends to add five spreads designed for conventional fracturing in Canada during the remainder of the year. As at December 31, 2004, the Corporation had 481 employees in Canada and 55 employees in the United States. None of the employees are unionized.

Risk Factors

The financial condition and results of operations of the Corporation are subject to the following risk factors.

Volatility of Industry Conditions

The demand, pricing and terms for fracturing and well stimulation services largely depend upon the level of industry activity for Canadian natural gas and, to a lesser extent, oil exploration and development. Industry conditions are influenced by numerous factors over which the Corporation has no control, including the level of oil and gas prices, expectations about future oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the expected rates of declining current production, the discovery rates of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, weather conditions, political, military, regulatory and economic conditions, and the ability of oil and gas companies to raise equity capital or debt financing. Any prolonged substantial

reduction in oil and natural gas prices would likely affect oil and gas production levels and therefore affect the demand for fracturing and well stimulating services.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. During the second quarter, many secondary roads are temporarily rendered incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of fracturing, stimulation and other well services. The duration of this period, commonly referred to as the "spring breakup", has a direct impact on the level of the Corporation's activities. The Corporation's operations may also be affected adversely by unseasonably warm or severely cold winter weather and by excessively rainy periods.

Dependence on Major Customers

The Corporation's customer base consists of more than 200 oil and gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding its broad customer base, a significant portion of the Corporation's sales revenue comes from fracturing services provided to two exploration and production companies. These two customers provided 45% of the Corporation's revenue for the year ended December 31, 2004, and 59% of the Corporation's revenue for the year ended December 31, 2003.

Sources, Pricing and Availability of Raw Materials and Component Parts

The Corporation's ability to provide services to its customers is dependent upon the availability at reasonable prices of raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and coiled tubing, which the Corporation purchases from a variety of suppliers, most of whom are located in Canada or the United States.

Government Regulation

The Corporation's operations are subject to a variety of federal, provincial and local laws, regulations, and guidelines, including laws and regulations relating to health and safety, the conduct of operations, the protection of the environment, and the manufacture, management, transportation and disposal of certain materials used in the Corporation's operations. The Corporation believes that it is in compliance with such laws and regulations. The Corporation has invested financial and managerial resources to ensure such compliance and will continue to do so in the future. Although such expenditures historically have not been material to the Corporation, such laws or regulations are subject to change. Accordingly, it is impossible for the Corporation to predict the cost or impact of such laws and regulations on its future operations.

Tax Matters

The Corporation had estimated tax attributes of \$220.0 million for federal income tax purposes and \$170.0 million for provincial income tax purposes arising from the reorganization of Denison. These amounts included non-capital losses of \$69.0 million, of which \$51.1 million was utilized in 2004. Of the remaining amount, \$6.3 million is expected to expire on December 31, 2008, and \$11.6 million is scheduled to expire on December 31, 2009. The Corporation expects to fully utilize all non-capital losses prior to their expiration dates. At December 31, 2004, the Corporation had tax attributes of approximately \$279.6 million for federal income tax purposes and approximately \$225.8 million for provincial income tax purposes. The income tax authorities have not yet audited any of these tax attributes.

Kyoto Protocol

On February 16, 2005, the Kyoto Protocol came into effect. The Corporation is unable to predict the impact, if any, of the Kyoto Protocol on the Corporation.

Operating Risks and Insurance

The Corporation's operations are subject to hazards inherent in the oil and gas industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption, and damage to or destruction of property, equipment and the environment. These hazards could expose the Corporation to substantial liability for personal injury, wrongful death, property damage, loss of oil and gas production, pollution, and other environmental damages. The Corporation continuously monitors its activities for quality control and safety, and although the Corporation maintains insurance coverage that it believes to be adequate and customary in the industry, such insurance may not be adequate to cover the Corporation's liabilities and may not be available in the future at rates the Corporation considers reasonable and commercially justifiable.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Liabilities from Prior Operations

From time to time, there may be legal proceedings pending or threatened against the Corporation relating to the business of Denison prior to its reorganization and subsequent acquisition of CWSL. See "Legal Proceedings" for a description of the legal proceedings against the Corporation in connection with the prior business of Denison.

On March 8, 2004, the Canadian petroleum and natural gas assets and the mining leases and mining environmental services related assets of Denison were transferred to two new corporations that provided indemnities to Denison for all claims or losses relating to Denison's prior business, except for matters related to specific liabilities retained by Denison. Despite these indemnities, it is possible that the Corporation may be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that claims or losses may not be within the scope of either of the indemnities or may not be recoverable by the Corporation. Because of the nature of Denison's former operations (oil and gas exploration and production, mining and environmental services), these claims and losses could include substantial environmental claims. The Corporation cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against Denison or affecting the business of the Corporation or any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

Key Personnel

The successful operation of the Corporation's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its executive officers, employees and consultants. In addition, the ability of the Corporation to expand its services depends upon the ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high, and the supply is limited.

Competition

Each of the markets in which the Corporation participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and gas exploration and production companies at competitive prices. The principal competitive factors in the markets in which the Corporation operates are product and service quality and availability, technical knowledge and experience, reputation for safety, and price. The Corporation competes with large national and multi-national companies that have greater financial and other resources than the Corporation. These companies offer a wide range of well stimulation services in all geographic regions in which the Corporation operates. In addition, the Corporation competes with several regional competitors. As a result of competition, the Corporation may be unable to continue to provide its present services or to acquire additional business opportunities.

Currency Exchange Rate Risk

The Corporation's expenditures for equipment and a significant proportion of proppant are denominated in United States dollars and these expenditures are therefore directly affected by the Canadian/United States dollar exchange rate, which fluctuates over time. Net income from the Corporation's United States operations is denominated in United States dollars, so that a decrease in the value of the Canadian dollar will increase the Canadian dollar amount of net income from U.S. operations. However, as a result of the relative size of the Corporation's United States operations, this amount will not be sufficient to offset the increase in expenditures.

Additional Financing

The Corporation's business plan is subject to the availability of additional financing for future costs of operations or expansion which may not be available, or may not be available on favourable terms. The Corporation's activities may also be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

MARKET FOR SECURITIES

The Corporation's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "CFW". The following table sets forth, after adjusting for the Stock Split, the monthly price ranges and volumes of trading of the common shares on the TSX during 2004 commencing March 29, 2004, the day the common shares first traded on the TSX.

<u>Period</u>	<u>High \$</u>	<u>Low \$</u>	<u>Volume</u>
March 29 - 31	11.75	10.50	697,480
April.....	12.50	11.25	3,048,020
May.....	13.48	11.63	1,075,580
June.....	15.25	12.15	1,217,100
July	15.15	14.17	612,220
August	16.25	14.14	1,065,980
September	17.51	15.33	2,552,060
October	17.63	16.08	561,020
November	21.50	16.50	1,815,600
December.....	24.75	19.24	1,504,000

DESCRIPTION OF COMMON SHARES

The holders of common shares are entitled to receive notice of, and to one vote per share at, every meeting of shareholders of the Corporation, to receive such dividends as the board of directors declares, and to share equally in the assets of the Corporation remaining upon the liquidation of the Corporation after the creditors of the Corporation have been satisfied.

DIVIDENDS

Although the Corporation does not have a history of paying dividends on its common shares, the board of directors may make a determination to pay dividends in the future if circumstances permit. Any decision to pay dividends will be made by the board of directors on the basis of the Corporation's earnings, financial requirements and other conditions existing at the time.

DIRECTORS AND OFFICERS

The following table sets forth information with respect to the directors and executive officers of the Corporation.

Name and Residence	Position with the Corporation	Director Since	Principal Occupation During the Last Five Years
Ronald P. Mathison ⁽¹⁾⁽²⁾ Alberta, Canada	Chairman of the Board and a Director	March 8, 2004 ⁽⁴⁾	President, Matco Investments Ltd. (a private investment company).
Douglas R. Ramsay Alberta, Canada	President and Chief Executive Officer and a Director	March 24, 2004	President and Chief Executive Officer of the Corporation. Prior to March 24, 2004, President and Chief Executive Officer of CWSL.
Gordon A. Dibb Alberta, Canada	Executive Vice President		Executive Vice President and, prior to December 14, 2004, Chief Financial Officer of the Corporation. Prior to March 24, 2004, Vice President and Chief Financial Officer of CWSL.
Robert S. Roberts Alberta, Canada	Senior Vice President and Chief Operating Officer		Senior Vice President and Chief Operating Officer of the Corporation. Prior to March 24, 2004, Vice President and Chief Operating Officer of CWSL.
Tom J. Medvedic Alberta, Canada	Vice President, Finance and Chief Financial Officer		Vice President, Finance and, since December 14, 2004, Chief Financial Officer of the Corporation. Prior to July 12, 2004, Treasurer of Ensign Resource Service Group Inc.
James S. Blair ⁽¹⁾⁽³⁾ Alberta, Canada	Director	May 8, 2002 ⁽⁴⁾	President and Chief Executive Officer, ExAlta Energy Inc. (an independent private oil and gas exploration and development company) since 2002. Prior thereto, Senior Vice President and Chief Operating Officer, Husky Energy Inc. (an integrated energy company).
Gregory S. Fletcher ⁽¹⁾⁽²⁾ Alberta, Canada	Director	May 8, 2002 ⁽⁴⁾	President, Sierra Energy Inc. (a private energy company).
Martin A. Lambert ⁽³⁾ Alberta, Canada	Director	March 8, 2004 ⁽⁴⁾	Partner, Bennett Jones LLP (a law firm).
Paul F. Little ⁽³⁾ Ontario, Canada	Director	May 15, 1997 ⁽⁴⁾	President, Westover Investments, Inc. (a private investment company).
R. Timothy Swinton ⁽¹⁾⁽²⁾ Alberta, Canada	Director	March 24, 2004	President, Western Provinces Resources Ltd. (a private investment company) since 1997. Executive Chairman of IPEC Ltd. (a Canadian pipeline and oilfield construction company) from 1999 to 2001.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee
- (3) Member of the Corporate Governance Committee.
- (4) Service prior to March 24, 2004, was as a director of Denison.
- (5) Each director holds office until the close of the annual meeting to be held on May 12, 2005.

As at March 22, 2005, the directors and executive officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over an aggregate 15,119,894 common shares, representing 41.8% of the 36,214,554 issued and outstanding common shares.

From 1986 to 2000, Mr. Little was a principal of Gornitzki, Thompson & Little, a Toronto-based merchant bank, and the President of GTL Securities Inc., a related securities dealer, which sourced or provided development capital for emerging companies. During that time, Mr. Little served as a director of two such companies, Lynx Golf, Inc., which filed a petition under Chapter 11 of the United States Bankruptcy Code in 1998, and International Hospitality Inc., which made a proposal under the *Bankruptcy and Insolvency Act* (Canada) in 1996.

LEGAL PROCEEDINGS

Various legal proceedings are pending against the Corporation in relation to Denison's prior operations. The Corporation considers all such pending proceedings, comprised primarily of labour and employment claims related to Denison's former oil and gas operations in Greece, as described below, to be routine litigation incidental to Denison's prior business. Of the legal proceedings described below, the Elliot Lake, OilHawk and mining claim matters are subject to the indemnities provided by Denison Mines Inc. and Denison Resources Inc. (now Forte Resources Inc.). See "Risk Factors - Liabilities from Prior Operations". The Corporation believes that the resolution of these proceedings will not, individually or in the aggregate, have a material effect on the business, financial condition, results of operations or cash flows of the Corporation. However, the Corporation cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against the Corporation or affecting the business of the Corporation or any legal or regulatory proceedings that may relate to the Corporation's prior ownership or operation of assets.

Greek Operations

In 1998, a consortium in which a Greek subsidiary of Denison participated terminated employees in Greece as a result of the cessation of its oil and gas operations in that country. Several groups of employees filed claims alleging that their termination was invalid and that their severance pay was improperly determined.

In 1999, the largest group of employees received a ruling from the Athens Court of First Instance that their termination was invalid and that compensation was due to the employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the decision of the Athens Court of First Instance. This group of employees has filed an appeal with the Supreme Court of Greece, which is scheduled to be heard on November 8, 2005.

Several other smaller groups of employees have filed similar cases in various courts in Greece. Some of these cases were heard in 2004. In general, the courts have determined that the termination of these employees was valid, but in some instances the courts have awarded the employees immaterial amounts of additional compensation and in one case have referred the matter back to a lower court to be reheard based on more specific grounds. A majority of these employees have received payment of the immaterial amounts awarded to them and waived their right of recourse to the Supreme Court of Greece. The remainder have filed an appeal with the Supreme Court of Greece or have advised that they are waiting for the outcome of the November 8, 2005, hearing of the Supreme Court of Greece before proceeding further.

The direction and financial consequence of the potential decision in these actions cannot be determined at this time.

OilHawk

There is an ongoing claim before the Court of Queen's Bench of Alberta against a predecessor entity of Denison by OilHawk Resources Ltd. The claim is fully insured and being handled by the Corporation's insurer, and Forte Resources Inc., one of the transferees of Denison's assets, has provided an indemnity to the Corporation.

Elliot Lake

The City of Elliot Lake has filed complaints with the Ontario Assessment Review Board regarding the current value that the City is required to use in determining the annual property taxes attributable to the tailings management areas at Denison's decommissioned Elliot Lake mine site and those of other closed uranium mines in Elliot Lake and the classification of these tailings management areas. In November 2004, the Board determined that the mining sites

had been correctly assessed but that the tailings management areas should be reclassified. The additional property taxes resulting from the reclassification were estimated at \$5,000 per annum. The City has filed an application for leave to appeal the decision with the Divisional Court. The dollar value of any additional taxes arising from this appeal, in the event the City were to be successful, cannot be determined but could be material. Denison Mines Inc., one of the transferees of Denison's assets, has provided an indemnity to the Corporation.

Mining Claim

The Corporation is named as a defendant in an action filed by the State of Maine regarding potential liability for clean-up costs at a zinc mining site in the state of Maine known as Blue Hill.

Furthermore, the Corporation has been advised that Noranda Inc., a co-defendant in the above mentioned case, is filing a counterclaim that names the Corporation as a defendant by counterclaim. Denison Mines Inc. has advised the Corporation in writing that it will indemnify it from any adverse consequences arising from this claim. Denison Mines Inc. has advised the Corporation that it has thoroughly examined this issue and believes it has no liability related to the costs of any clean up and has made no provision for any costs other than those incurred to date to investigate the matter. Further, the Corporation believes that, to the extent that there is liability and the Corporation incurs legal fees, Kerramerican Inc. and Black Hawk Mining Ltd. are liable pursuant to an indemnity agreement. Notwithstanding the Corporation's belief that it has no liability, future litigation of the matter cannot be ruled out, and as a result the Corporation cannot determine the outcome of this matter at this time.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Corporation's common shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta, and Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities and securities authorized for issue under equity compensation plans, is contained in the Corporation's management information circular dated May 18, 2004. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2004.

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.