



**CALFRAC WELL SERVICES LTD.
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

The annual and special meeting (the "Meeting") of shareholders of Calfrac Well Services Ltd. (the "Corporation") will be held in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta, on Tuesday, May 9, 2017, at 3:30 p.m. for the following purposes:

1. to receive the financial statements for the year ended December 31, 2016, and the auditor's report thereon;
2. to elect directors;
3. to appoint the auditor;
4. to consider and, if thought advisable, to pass a resolution to approve the unallocated options to purchase common shares of the Corporation under the Corporation's stock option plan;
5. to consider and, if thought advisable, to pass a resolution to approve the performance share unit plan of the Corporation; and
6. to transact such other business as may properly come before the Meeting or any adjournment thereof.

A shareholder may attend the Meeting in person or may be represented by proxy. **Shareholders who are unable to attend the Meeting in person are requested to complete, date and sign the accompanying form of proxy and return it in the envelope provided to Computershare Trust Company of Canada, Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1. To be valid and used, properly executed proxies must be received by Computershare Trust Company of Canada at least 48 hours (excluding Saturdays, Sundays and holidays) before the Meeting or any adjournment thereof.**

DATED March 31, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "B. Mark Paslawski".

B. Mark Paslawski
Vice President, Corporate Development & Corporate Secretary



MANAGEMENT INFORMATION CIRCULAR

This management information circular ("Circular") is furnished in connection with the solicitation of proxies by the management of Calfrac Well Services Ltd. (the "Corporation") for use at the annual and special meeting of shareholders of the Corporation to be held in the McMurray Room at the Calgary Petroleum Club, 319 - 5th Avenue S.W., Calgary, Alberta, on Tuesday, May 9, 2017, at 3:30 p.m. (the "Meeting") and at any adjournment thereof for the purposes set forth in the accompanying notice of meeting. The cost of such solicitation will be borne by the Corporation.

APPOINTMENT OF PROXYHOLDER AND DISCRETIONARY AUTHORITY

The persons designated in the accompanying form of proxy are officers of the Corporation. **A shareholder has the right to appoint a person or company to represent the shareholder at the Meeting other than the persons designated in the accompanying form of proxy.** A shareholder may exercise this right by inserting in the blank space provided in the accompanying form of proxy the name of the person to be appointed and deleting the names of the persons designated in the form of proxy, or by completing another proper form of proxy. In order for a proxy to be valid, it must be dated and signed by the shareholder or by the shareholder's attorney authorized in writing and received by Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, not later than 5:30 p.m. (EDT) on Friday, May 5, 2017, or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournment of the Meeting.

All shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for, and if the shareholder specifies a choice with respect to any matter to be acted upon, the shares will be voted accordingly. **The shares to which a proxy relates will be voted FOR each matter as to which a choice is not specified.**

The accompanying form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the accompanying notice of meeting and other matters which may properly come before the Meeting. At the date of this Circular, management of the Corporation is not aware that any amendments, variations or other matters are to be presented for action at the Meeting. If any amendments, variations or other matters do properly come before the Meeting, the persons named in the accompanying form of proxy will vote according to their best judgment.

REVOCABILITY OF PROXY

A shareholder may revoke a proxy by depositing an instrument in writing executed by the shareholder or the shareholder's attorney authorized in writing at the office of Computershare Trust Company of Canada, Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the proxy is to be used, or with the chairman of the Meeting on the day of the Meeting or any adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES

The record date for the Meeting is March 31, 2017. A person whose name was entered on the register of common shares at the close of business on that date is entitled to vote at the Meeting the shares shown opposite that person's name in the register of common shares, except to the extent that the person has transferred the ownership of any of the person's shares after the record date and the transferee of those shares establishes that the transferee owns the shares and demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case the transferee is entitled to vote the transferee's shares at the Meeting. As at March 31, 2017, there were 136,765,990 common shares outstanding, with each share carrying the right to one vote.

To the knowledge of the directors and officers of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of voting securities of the Corporation other than as set forth below.

Name	Number of Common Shares	Percent of Outstanding ⁽¹⁾
Ronald P. Mathison	27,361,021	20.01%

Note:

(1) Calculated based on the number of issued and outstanding common shares of the Corporation on March 31, 2017.

VOTING BY NON-REGISTERED SHAREHOLDERS

Shareholders who do not hold their shares in their own name ("Non-registered Shareholders") may have their shares voted at the Meeting by providing voting instructions to their "nominee", which is usually a trust company, broker or other financial institution. Nominees will typically seek voting instructions by sending with this Circular a voting instruction form instead of a form of proxy. A voting instruction form can be used only to provide voting instructions to a Non-registered Shareholder's nominee. Every nominee has its own signing and return instructions, which Non-registered Shareholders must follow to ensure that their shares are voted at the Meeting.

Alternatively, Non-registered Shareholders may attend the Meeting and vote their shares as proxyholder by entering their own name in the space provided on the voting instruction form supplied by their nominee and following the signing and return instructions. Non-registered Shareholders who follow this procedure will be recognized at the Meeting as proxyholders and will be permitted to vote their shares in that capacity.

INFORMATION REGARDING PREDECESSOR

On March 24, 2004, Denison Energy Inc. ("Denison") amalgamated with 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. On November 10, 2009, the Corporation acquired all of the issued and outstanding shares of Century Oilfield Services Inc. ("Century"), and on January 1, 2010 it was amalgamated with the Corporation. On January 1, 2011, the Corporation amalgamated with its wholly owned subsidiary, Dominion Land Projects Ltd. References in this Circular to the Corporation (i) 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, (ii) as at dates or for periods following March 24, 2004 but prior to January 1, 2010, relate to Calfrac Well Services Ltd. as it existed prior to its amalgamation with Century and (iii) as at dates or for periods following January 1, 2010 but prior to January 1, 2011, relate to Calfrac Well Services Ltd. as it existed prior to its amalgamation with Dominion Land Projects Ltd.

INFORMATION REGARDING SHARE SPLIT

On May 8, 2014, the shareholders of the Corporation approved a split of the Corporation's common shares on a two-for-one basis (the "Split") and the common shares began trading on a Split-adjusted basis on June 2, 2014. All applicable pre-Split share prices and compensation information have been adjusted to reflect the Split.

BUSINESS OF THE MEETING

Receipt of Financial Statements

The financial statements for the year ended December 31, 2016, and the report of the auditor will be placed before the shareholders at the Meeting. The financial statements are being mailed to registered shareholders with this Circular, and copies will be available at the Meeting.

Appointment of Auditor

Shareholders will be asked at the Meeting to pass a resolution reappointing PricewaterhouseCoopers LLP as the auditor of the Corporation to hold office until the close of the next annual meeting of shareholders.

Election of Directors

The Articles of the Corporation provide that the minimum number of directors shall be three and the maximum number shall be 15. There are currently seven directors. The board of directors of the Corporation has set the number of directors to be elected at the Meeting at seven. At the Meeting, shareholders will be asked to elect as directors the seven nominees listed in the following table to serve until the close of the next annual meeting of shareholders. All of the proposed nominees were duly elected as directors at the annual and special meeting of shareholders held on May 10, 2016.

Majority Voting

The Corporation's majority voting policy for the election of directors provides that in the event that any nominee for election receives more "withheld" votes than "for" votes at any meeting at which shareholders vote on the uncontested election of directors, such nominee shall immediately tender his or her resignation to the board of directors, to be effective on acceptance by the board. A nominee who tenders a resignation shall not participate in a meeting of the board or any sub-committee of the board at which the resignation is considered. The board of directors shall consider the resignation and disclose by press release its decision whether to accept that resignation and the reason for its decision no later than 90 days after the date of the Meeting, and the board of directors may fill any vacancy created thereby. The board shall accept the resignation absent exceptional circumstances. The Report of Voting Results filed on SEDAR following the Meeting will include a breakdown of the percentage of votes for and the percentage of votes withheld for each nominee, rather than simply disclosing the result of the vote.

Nominees for Election

The following table provides, among other things, the names, ages and cities of residence of all persons proposed to be nominated for election as directors of the Corporation, the date on which each became a director of the Corporation (or its predecessor, Denison), the voting results with respect to each nominee at the previous meeting of shareholders at which directors were elected, the present occupations and brief biographies of such persons, the committee memberships and other public company board memberships of each nominee, the number (and total market value) of securities of the Corporation beneficially owned, or controlled or directed, directly or indirectly, and the number (and total market value) of deferred share units, performance share units and/or options, as applicable, held by each nominee as at March 31, 2017.

Ronald P. Mathison

Age: 60
 Calgary, Alberta, Canada
 Director since March 8, 2004⁽¹⁾
 Independent⁽²⁾

Skills and Experience⁽⁸⁾:

Business
 Board
 International
 Financial
 Compensation
 Strategic Growth

Mr. Mathison is one of the Corporation's founders and served as a member of the board of directors and as Chairman of the Corporation since its formation in 1999. Mr. Mathison is the President and Chief Executive Officer of Matco Investments Ltd. and Matco Capital Ltd., private investment firms which specialize in providing capital and management expertise to companies in which they have an interest. Mr. Mathison has extensive experience in restructuring and financing companies in both the public and private markets. Until October 2000, Mr. Mathison was a director and principal of Peters & Co. Limited, an investment firm specializing in the oil and natural gas industry. Prior thereto, Mr. Mathison and two other individuals formed the nucleus of Peters & Co. Capital, a private merchant banking entity that is widely associated with numerous restructurings of oil and natural gas exploration and production companies and oilfield service companies.

Board/Committee Memberships			Attendance at Meetings during 2016		
Board of Directors.....	6 of 6	100%			
Audit Committee.....	4 of 4	100%			
Compensation Committee.....	3 of 3	100%			
Other Public Company Board Memberships					
Western Energy Services Corp.					
Yellowhead Mining Inc.					
Voting Results from 2016 Annual Meeting					
	For	Withheld	Total		
Number of Votes	61,875,985	3,062,875	64,938,860		
Percentage of Votes	95.28%	4.72%	100%		
Securities Held					
Common Shares ⁽³⁾	DSUs ⁽⁴⁾	Options	Total Market Value of Common Shares ⁽⁵⁾	Total Market Value of DSUs ⁽⁵⁾	Meets Minimum Share Ownership Requirement ⁽⁶⁾
27,361,021 ⁽⁷⁾	40,000	200,000	\$96,858,014	\$141,600	Yes

Douglas R. Ramsay
Age: 61
Okotoks, Alberta, Canada
Director since March 24, 2004
Not Independent

Skills and Experience⁽⁸⁾:
Business
International
Operational
Financial
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Ramsay is a founder and the Vice Chairman of the Corporation, and he has served as a member of the board of directors of the Corporation since its formation in 1999. Mr. Ramsay also served as President and Chief Executive Officer of the Corporation from its inception to November 1, 2010 and as Chief Executive Officer from November 1, 2010 until December 31, 2013. Mr. Ramsay has an extensive background in the oil and natural gas industry. Prior to 1994, Mr. Ramsay was the President of Canadian Fracmaster Ltd., where he spent 12 years enhancing the overall presence such company in Canada and worldwide. Previous industry experience as a Project Manager for Delta Consultants, Drilling and Completions Foreman for Dome Petroleum Corp., and Service Operator for BJ Well Services Company has contributed to Mr. Ramsay's overall knowledge of the industry. Mr. Ramsay is also a director for Tesco Corporation, a public oilfield service company.

Board/Committee Memberships		Attendance at Meetings during 2016		
Board of Directors.....		6 of 6	100%	
Health, Safety and Environment Committee.....		4 of 4	100%	
Other Public Company Board Memberships				
Tesco Corporation				
Voting Results from 2016 Annual Meeting				
	For	Withheld	Total	
Number of Votes	64,905,488	33,372	64,938,860	
Percentage of Votes	99.95%	0.05%	100%	
Securities Held				
Common Shares⁽³⁾	DSUs⁽⁴⁾	Total Market Value of Common Shares⁽⁵⁾	Total Market Value of DSUs⁽⁵⁾	Meets Minimum Share Ownership Requirement⁽⁶⁾
4,015,184	25,000	\$14,213,751	\$88,500	Yes

Fernando Aguilar
Age: 57
Calgary, Alberta, Canada
Director since May 14, 2013
Not Independent

Skills and Experience⁽⁸⁾:
Business
Board
International
Operational
Financial
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Aguilar has been the President and Chief Executive Officer of the Corporation since January 1, 2014 and prior thereto, Mr. Aguilar served as the President and Chief Operating Officer since November 2010. From April 2009 until October 2010, Mr. Aguilar was the President, Geophysical Services for the Americas of CGGVeritas, a global geophysical company. Prior thereto, he held the position of President, Eastern Hemisphere, and prior to that was Executive Vice President for Canada Land Processing, Canada Land Library and Western Hemisphere Land Acquisition. Upon joining Veritas in 2004, Mr. Aguilar's leadership role encompassed responsibility for Canadian and Latin American operations and business sectors. Formerly with Schlumberger Limited, Mr. Aguilar has over thirty years of worldwide experience in various technology, business and oilfield sectors.

Board/Committee Memberships		Attendance at Meetings during 2016			
Board of Directors		6 of 6	100%		
Other Public Company Board Memberships					
None					
Voting Results from 2016 Annual Meeting					
	For	Withheld	Total		
Number of Votes	62,510,223	2,428,637	64,938,860		
Percentage of Votes	96.26%	3.74%	100%		
Securities Held					
Common Shares⁽³⁾	CEO PSUs⁽⁴⁾	Options	Total Market Value of Common Shares⁽⁵⁾	Total Market Value of CEO PSUs⁽⁵⁾	Meets Minimum Share Ownership Requirement⁽⁶⁾
169,200	683,665	1,350,000	\$598,968	\$2,420,174	Yes

Kevin R. Baker, Q.C.
Age: 68
Calgary, Alberta, Canada
Director since May 11, 2010
Independent⁽²⁾

Skills and Experience⁽⁸⁾:
Business
Board
International
Operational
Financial
Legal
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Baker served as President and Chief Executive Officer of Century Oilfield Services Inc. from August 2005 until November 10, 2009, when it was acquired by the Corporation. He has also served as the President and Managing Director of Baycor Capital Inc. (and its predecessor companies), a company whose principal business is that of a private merchant bank, since January 1990 and the Chief Executive Officer of ConleyMax Inc., an oilfield service company, since September 2011. He was the President and Chief Executive Officer of Loncor Resources Inc. (formerly, Nevada Bob's International Inc., a company whose principal business was the licensing of trademarks) from September 2000 until November 2009.

Board/Committee Memberships		Attendance at Meetings during 2016	
Board of Directors		6 of 6	100%
Compensation Committee		3 of 3	100%
Corporate Governance and Nominating Committee (Chair).....		3 of 3	100%
Audit Committee		4 of 4	100%
Other Public Company Board Memberships			
None			
Voting Results from 2016 Annual Meeting			
	For	Withheld	Total
Number of Votes	64,459,295	479,565	64,938,860
Percentage of Votes	99.26%	0.74%	100%
Securities Held			
Common Shares⁽³⁾	DSUs⁽⁴⁾	Total Market Value of Common Shares⁽⁵⁾	Total Market Value of DSUs⁽⁵⁾
369,910	20,000	\$1,309,481	\$70,800
			Meets Minimum Share Ownership Requirement⁽⁶⁾
			Yes

James S. Blair
Age: 61
Calgary, Alberta, Canada
Director since May 8, 2002⁽¹⁾
Independent⁽²⁾

Skills and Experience⁽⁸⁾:
Business
Board
International
Operational
Financial
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Blair is the President and Chief Executive Officer of Glenogle Energy Inc., a private oil and gas exploration and development company. Mr. Blair was the Chairman and Chief Executive Officer of ExAlta Energy Inc. from 2002 to 2008. Until January 2002, Mr. Blair was Senior Vice President and Chief Operating Officer of Husky Energy Inc. Mr. Blair is a member of the External Research Advisory Board of the Schulich School of Engineering, University of Calgary.

Board/Committee Memberships		Attendance at Meetings during 2016	
Board of Directors		6 of 6	100%
Health, Safety and Environment Committee (Chair).....		4 of 4	100%
Corporate Governance and Nominating Committee.....		3 of 3	100%
Other Public Company Board Memberships			
None			
Voting Results from 2016 Annual Meeting			
	For	Withheld	Total
Number of Votes	64,881,033	57,827	64,938,860
Percentage of Votes	99.91%	0.09%	100%
Securities Held			
Common Shares⁽³⁾	DSUs⁽⁴⁾	Total Market Value of Common Shares⁽⁵⁾	Total Market Value of DSUs⁽⁵⁾
35,621	20,000	\$126,098	\$70,800
			Meets Minimum Share Ownership Requirement⁽⁶⁾
			Yes

Gregory S. Fletcher
Age: 68
Calgary, Alberta, Canada
Director since May 8, 2002⁽¹⁾
Independent⁽²⁾

Skills and Experience⁽⁸⁾:
Business
Board
International
Operational
Financial
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Fletcher is an independent businessman involved in the oil and natural gas industry in western Canada. He is currently the President of Sierra Energy Inc., a private oil and natural gas company that he founded in 1997. Mr. Fletcher is also a director of: Peyto Exploration & Development Corp., a public oil and natural gas company; Total Energy Services Inc., a public oilfield service company; and Whitecap Resources Inc., a public oil and natural gas company. During 2009, Mr. Fletcher completed the Director Education Program developed by the Institute of Corporate Directors and the Rotman School of Management in conjunction with the Haskayne School of Business.

Board/Committee Memberships		Attendance at Meetings during 2016			
Board of Directors		6 of 6	100%		
Audit Committee (Chair)		4 of 4	100%		
Compensation Committee		3 of 3	100%		
Corporate Governance and Nominating Committee.....		3 of 3	100%		
Other Public Company Board Memberships					
Peyto Exploration & Development Corp.					
Total Energy Services Inc.					
Whitecap Resources Inc.					
Voting Results from 2016 Annual Meeting					
	For	Withheld	Total		
Number of Votes	64,629,508	309,352	64,938,860		
Percentage of Votes	99.52%	0.48%	100%		
Securities Held					
	Common Shares ⁽³⁾	DSUs ⁽⁴⁾	Total Market Value of Common Shares ⁽⁵⁾	Total Market Value of DSUs ⁽⁵⁾	Meets Minimum Share Ownership Requirement ⁽⁶⁾
	78,784	20,000	\$278,895	\$70,800	Yes

Lorne A. Gartner
Age: 67
Calgary, Alberta, Canada
Director since May 11, 2010
Independent⁽²⁾

Skills and Experience⁽⁸⁾:
Business
Board
International
Financial
Compensation
Strategic Growth
Health, Safety and Environment

Mr. Gartner is an independent businessman. Formerly he was the Managing Director of Royal Bank of Canada Capital Markets, a position he held from 2000 to 2006. Prior to that time, he was a Vice President of Royal Bank of Canada, Calgary Energy Group.

Board/Committee Memberships		Attendance at Meetings during 2016			
Board of Directors		6 of 6	100%		
Audit Committee		4 of 4	100%		
Health, Safety and Environment Committee		4 of 4	100%		
Compensation Committee (Chair)		3 of 3	100%		
Other Public Company Board Memberships					
Western Energy Services Corp.					
Voting Results from 2016 Annual Meeting					
	For	Withheld	Total		
Number of Votes	64,888,528	50,332	64,938,860		
Percentage of Votes	99.92%	0.08%	100%		
Securities Held					
	Common Shares ⁽³⁾	DSUs ⁽⁴⁾	Total Market Value of Common Shares ⁽⁵⁾	Total Market Value of DSUs ⁽⁵⁾	Meets Minimum Share Ownership Requirement ⁽⁶⁾
	16,346	20,000	\$57,865	\$70,800	Yes

Notes:

- (1) Service prior to March 24, 2004 was as a director of Denison.
- (2) "Independent" refers to the standards of independence set forth within Section 1.4 of National Instrument 52 – 110 *Audit Committees*. Five of seven of the nominees are considered Independent under this standard.
- (3) The information as to the ownership of common shares has been provided by the nominees.
- (4) The information as to the deferred share units ("DSUs") held by directors or, in the case of Mr. Aguilar, performance share units ("CEO PSUs"), is as of March 31, 2017. For more detailed information relating to the DSUs held by the directors, see "Executive Compensation – Directors' Compensation", and in respect of the CEO PSUs held by Mr. Aguilar, see "Executive Compensation – Summary Compensation Table" and "Executive Compensation – Incentive Plan Awards".
- (5) The information as to the total market value of the director nominees' equity holdings, consisting of common shares, DSUs and CEO PSUs, as applicable, is as of March 31, 2017.
- (6) Under the provisions of the Corporation's Director Share Ownership Policy, directors have three years from their initial election date to acquire common shares of the Corporation worth \$200,000. Once such threshold is met, further purchases are not

required if the value of the shares declines solely as a result of a decrease in the trading price of the Corporation's common shares, but if the value of a director's holdings decreases for any other reason, such director is required to make an additional investment to the extent required to increase the value of his or her investment to at least \$200,000 within 90 days of the event that caused the decline in the value of the investment. The Corporation's President and Chief Executive Officer, who is also a director, is subject to this policy as well as the Corporation's Chief Executive Officer Share Ownership Policy, which is on terms identical to the Director Share Ownership Policy, but the minimum investment amount is \$1,500,000.

- (7) Includes 21,802,143 common shares held by Matco Investments Ltd., an entity controlled by Mr. Mathison.
- (8) See "Corporate Governance Practices – Nomination of Directors" for a description of the skills and experience set forth in the director's biography.

Cease Trade Orders or Bankruptcies

To the knowledge of the Corporation, none of the proposed directors of the Corporation is, as at the date of this Circular, or has been, within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") and that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such an Order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, other than as described below, none of the proposed directors of the Corporation:

- (a) is, at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. Mathison indirectly holds a controlling interest in Riverside Quays Limited Partnership ("RQLP"), a private Alberta limited partnership involved in the construction and sale of a 700-unit condominium project in Calgary, Alberta. Mr. Mathison was also a director of Statesman Riverside Quays Ltd. ("SRQL"), the former general partner of RQLP. SRQL, without Mr. Mathison's authorization or approval, caused RQLP to default on its loan obligations to its lender and, on December 15, 2010, the lender obtained a court order appointing a receiver of SRQL and RQLP. Mr. Mathison subsequently arranged for the full payout of the loan to RQLP's lender and for the appointment of a new general partner of RQLP. The receiver of SRQL and RQLP has been discharged.

Messrs. Mathison, Aguilar and Gartner were directors of Tesla Exploration Ltd. ("Tesla"). Mr. Aguilar did not stand for re-election to the board of directors at the annual general meeting of shareholders of Tesla held on May 13, 2016. On July 25, 2016, Messrs. Mathison and Gartner resigned as directors of Tesla and Tesla was placed into receivership by its Canadian credit facility lender.

Penalties or Sanctions

To the knowledge of the Corporation, no proposed director of the Corporation (nor any personal holding company of any of such persons) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Approval of Unallocated Options under the Stock Option Plan

The maximum number of common shares issuable under the Corporation's stock option plan (the "Option Plan") and all other share compensation plans of the Corporation (including the performance share unit plan of the Corporation) is 10% of the issued and outstanding common shares from time to time. Under the rules of the Toronto Stock Exchange (the "TSX"), the Corporation is required to seek shareholder approval of all unallocated options under the Option Plan every three years after institution. The unallocated options under the Option Plan were last approved by shareholders on May 8, 2014. Therefore, the Corporation is required to seek shareholder approval of all unallocated options under the Option Plan at the Meeting. Under the current rules of the TSX, shareholder approval of the unallocated options under the Option Plan as provided for below will remain valid for three years following the date of the Meeting. As the resolution proposed only seeks approval for unallocated options, in the event the resolution is not passed, options currently outstanding under the Option Plan will remain unaffected; however, all unallocated options will be cancelled and any previously granted options that are cancelled from time to time thereafter will not be available for re-grant. For a description of the material provisions of the Option Plan, see "Executive Compensation – Stock Option Plan".

To be approved, the resolution approving the unallocated options under the Option Plan requires the approval of a majority of the votes cast by shareholders present in person or by proxy at the Meeting. At the Meeting, the shareholders will therefore be asked to consider and, if thought advisable, to pass the following ordinary resolution:

BE IT RESOLVED THAT:

1. the unallocated options under the stock option plan of the Corporation be and are hereby approved;
2. the Corporation have the ability to continue granting options under its stock option plan until May 9, 2020, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought; and
3. any one director or officer of the Corporation is authorized, on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution.

Approval of Performance Share Unit Plan

On October 15, 2004, the Corporation established a performance share unit plan (the "PSU Plan") for certain employees. The PSU Plan provides that the board of directors may grant performance share units (the "PSUs") to eligible employees of the Corporation and its designated affiliates. Historically, it has been the board of directors' practice to limit PSU grants to the Chief Executive Officer and to redeem PSUs, to the extent they vest, in cash. As a result of a review and recommendation by the Compensation Committee, on March 28, 2017, the board of directors determined to amend the PSU Plan to provide that, among other matters and subject to the receipt of requisite shareholder approval at the Meeting, PSUs may now be settled in common shares issued from treasury. The board of directors further determined to broaden the use of the PSU Plan going forward such that grants of PSUs may be made to officers and employees of the Corporation beyond the Chief Executive Officer. The board of directors believes that granting PSUs to additional officers and employees is desirable in order for the Corporation to effectively retain, motivate and reward its employees, including for their performance and contribution to the

Corporation's long-term success. The ability to settle PSUs with common shares from treasury will allow the Corporation to manage the cash expense of providing these incentives to employees. The maximum number of common shares that will be issuable under the PSU Plan and all other share compensation arrangements of the Corporation (including the Option Plan) is 10% of the issued and outstanding common shares from time to time. Pursuant to the TSX rules, the Corporation is required to obtain shareholder approval of the PSU Plan and will be required to seek shareholder approval with respect to all unallocated PSUs under the PSU Plan every three years following the initial adoption of the PSU Plan. Below is a summary of the key terms of the PSU Plan, which summary is qualified in its entirety by the full terms of the PSU Plan attached hereto as Appendix "B".

The PSU Plan provides that the board may grant PSUs to certain eligible officers or employees of the Corporation or its subsidiaries. Non-employee directors of the Corporation are not eligible to participate in the PSU Plan. Each PSU represents the right to receive a cash payment equal to the weighted average trading price of the common shares on the TSX during the last five trading days prior to the date of redemption (the "Market Value"), less any applicable taxes and other source deductions required to be withheld. Subject to obtaining shareholder approval at the Meeting, the Corporation has the option of settling PSUs in common shares issued from treasury or acquired on the open market, the number of such shares being equal to the number obtained by dividing the amount of cash otherwise payable, less any applicable taxes and other source deductions required to be withheld, by the Market Value. The PSU Plan is structurally aligned with the interests of shareholders given that the value of the PSUs is determined by the market value of the common shares of the Corporation. Subject to the applicable award agreement providing otherwise, PSUs terminate: (i) immediately if a participant ceases to be an officer or employee of the Corporation or a subsidiary of the Corporation for any reason other than death, permanent disability or retirement; or (ii) on the earlier of their expiration or 12 months after the date of death, permanent disability or retirement of a participant. Notwithstanding the foregoing, if a participant "retires" but then joins a competitor of the Corporation within 12 months of such "retirement", such participant's PSUs will terminate on the earlier of their expiration or 90 days after the participant joined the competitor. During such period, such participant's PSUs are redeemable only to the extent that such PSUs were redeemable as at the day prior to the day that the participant joined the competitor of the Corporation.

The PSU Plan provides that in the event of a change of control or a determination by the board of directors of the Corporation that a change of control is expected to occur, the board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the participants in, and to prevent the dilution or enlargement of, any unvested PSUs, including, without limitation ensuring that the Corporation or any entity which is or would be the successor to the Corporation or which may issue securities in exchange for common shares of the Corporation upon the change of control becoming effective will provide each participant with new or replacement or amended PSUs which will continue to vest and be exercisable following the change of control on similar terms and conditions as provided in the PSU Plan provided that: (1) following a change of control, if a participant shall cease to be an officer or employee of Corporation or one of its subsidiaries by reason of termination (a) by the Corporation or one of its subsidiaries, as applicable, or by the entity that has entered into a valid and binding agreement with the Corporation or one of its subsidiaries to effect the change of control, at any time during the period commencing on the date of the change of control and ending two years after the date of the change of control (the "Control Period"), and such termination was for any reason other than for cause, or (b) by the participant by resignation in circumstances which would amount to constructive dismissal, provided such resignation occurs during the Control Period; or (2) if the board of directors of the Corporation, in its sole discretion, determines that it would not be practicable to cause the provision of new or replacement or amended PSUs, then all PSUs credited to the participant and then outstanding shall (whether otherwise vested or not at such time) become vested PSUs at the time of such termination, in the case of (1) above, or upon the change of control, in the case of (2) above, and such participant shall be entitled to payouts for such PSUs. The PSU Plan does not otherwise provide for accelerated vesting of PSUs on termination of employment.

Grants of PSUs under the PSU Plan are subject to the following restrictions: (i) the maximum number of common shares issuable under the PSU Plan and all other share compensation arrangements of the Corporation at any time shall not exceed 10% of the total number of issued and outstanding common shares at that time; (ii) the number of common shares issuable to insiders (as that term is defined in the Company Manual of the TSX) at any time under the PSU Plan and any other share compensation arrangements of the Corporation shall not exceed 10% of the total number of issued and outstanding common shares; (iii) the number of common shares issued to insiders

under the PSU Plan and any other share compensation arrangements of the Corporation, within any one-year period, shall not exceed 10% of the total number of issued and outstanding common shares; and (iv) the number of common shares issuable to any one insider and such insider's associates (as that term is defined by the *Securities Act* (Ontario)) under the PSU Plan and any other share compensation arrangements of the Corporation, within a one-year period, shall not exceed 5% of the total number of issued and outstanding common shares. All amounts payable to, or in respect of, a participant shall be paid within three years following the end of the fiscal year in which the applicable PSUs were granted. If any PSUs expire, terminate or are cancelled for any reason without having been redeemed in full, any common shares to which such PSU relates shall be available for the purposes of the granting of PSUs under the PSU Plan. Further, PSUs are not transferable other than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death or incapacity.

The Corporation may grant PSUs to participants in such number as the board of directors may, in its sole discretion, determine. The Corporation shall designate, at the time of grant or credit of PSUs, the date or dates on which all or portion of the PSUs shall vest and any conditions to such vesting including, without limitation, conditions related to performance factors. If determined appropriate by the Corporation, in the event dividends are paid to shareholders while PSUs are outstanding, additional PSUs in lieu of any cash dividends will be credited to participants then holding PSUs.

The PSU Plan specifies certain types of amendments which may, subject to regulatory approval, be made without shareholder approval, including any amendment: (i) to the vesting provisions of the PSU Plan or any PSU; (ii) to the termination provisions of the PSU Plan or any PSU which does not entail an extension beyond the expiry date of the applicable PSU; (iii) to the persons eligible to receive PSUs or otherwise relating to the eligibility of anyone to receive PSUs other than an amendment which would have the potential of broadening or increasing insider participation; (iv) with respect to the method or manner of redemption of any PSU; (v) of a "housekeeping" nature; and (vi) any other amendment that under the rules of the TSX does not require shareholder approval, provided that no such addition, repeal or amendment shall in any manner adversely affect the rights of any participant under any PSU theretofore granted under the PSU Plan without such participant's consent. Notwithstanding the foregoing, the PSU Plan provides that shareholder approval is required in accordance with the policies of the TSX in order for the Corporation to: (i) amend the determination of Market Value under the PSU Plan in respect of any PSU; (ii) increase the maximum number of common shares reserved for issuance under the PSU Plan; (iii) expand the assignability or transferability of PSUs; (iv) amend the amendment provision of the PSU Plan; (v) add to the categories of eligible participants; (vi) remove or increase insider participation limits; (vii) grant additional amendment powers to the board of directors in respect of the PSU Plan or any PSU thereunder; and (viii) make any other amendment that requires shareholder approval under the rules of the TSX.

If a redemption date or payout date for a PSU would otherwise occur during or within ten (10) business days after the end of a black out period imposed by the Corporation, then the period during which such PSU may be redeemed and paid out shall be extended automatically to 5:00 p.m. (Calgary time) on the tenth business day after the last day of such black out period.

As at March 31, 2017, there were 683,665 PSUs outstanding. The currently outstanding PSUs (the CEO PSUs) may be settled in cash only and this will continue to be the case if the PSU Plan is approved by shareholders at the Meeting. See "Summary Compensation Table – Narrative Discussion" for a further description of the currently outstanding CEO PSUs. Accordingly, based on 10% of the issued and outstanding common shares as at March 31, 2017 less the number of common shares issuable upon the exercise of outstanding options, a total of 3,128,424 common shares remain available for future issuance under the Option Plan and the PSU Plan.

To be approved, the resolution approving the PSU Plan requires the approval of a majority of the votes cast by shareholders present in person or by proxy at the Meeting. At the Meeting, the shareholders will therefore be asked to consider and, if thought advisable, to pass the following ordinary resolution:

BE IT RESOLVED THAT:

1. the performance share unit plan of the Corporation, as described in the management information circular of the Corporation dated March 31, 2017, be and is hereby approved;

2. the Corporation shall have the ability to continue granting performance share units under its performance share unit plan until May 9, 2020, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought; and
3. any one director or officer of the Corporation is authorized, on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution.

In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the common shares represented thereby in favour of all matters of business set forth above.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Form of Compensation Disclosure

The Compensation Committee is responsible for approving the goals and objectives of the Corporation's Chief Executive Officer and evaluating performance against such goals and objectives, reviewing and recommending to the board of directors the remuneration of the Corporation's executive officers, and approving the remuneration of all employees on an aggregate basis. The following discussion of the Corporation's executive compensation is intended to provide a clear understanding of the Corporation's philosophy, objectives and practices.

Compensation Philosophy and Strategy

The Corporation's executive compensation strategy is designed to provide a clear alignment between compensation and the Corporation's business strategy. The objective of the executive compensation program is to attract, retain and motivate top executive talent to achieve the Corporation's short and long-term business goals and to create a direct link between pay and performance. The Corporation's executive compensation elements leverage market-competitive total compensation to drive profitable growth and long-term shareholder value, consistent with the Corporation's values.

In meeting this philosophy, the following principles provide a framework for the executive compensation program:

- total target compensation for executives should be market competitive relative to the Corporation's primary compensation comparator group;
- compensation should be linked to both qualitative and behavioral expectations, and key operational and strategic metrics;
- the total compensation mix is designed to reflect competitive market requirements and strategic business needs;
- a significant portion of each executive's compensation should be at risk to ensure alignment with the Corporation's values and strategy. The degree of at risk compensation will positively correlate to the level of the executive's responsibility; and
- interests of executives are linked with shareholders through share ownership.

In 2013, the board of directors approved the adoption of a Total Compensation Program that applies to all staff level positions of the Corporation, including the Corporation's executives. This program clearly defines the roles and responsibilities and the policies and procedures related to the Corporation's compensation programs to ensure that such programs are applied on a consistent basis and in a manner that is reflective of the principles established therein. The Total Compensation Program is reviewed at least annually and is amended if necessary to

reflect any changes in the Corporation's compensation program. There have been no material amendments since adoption in 2013.

Compensation Governance

The Compensation Committee consists of four members, Lorne A. Gartner, Gregory S. Fletcher, Ronald P. Mathison and Kevin R. Baker. Each member of the Compensation Committee is independent. The board of directors recognizes the importance of appointing knowledgeable and experienced individuals to the Compensation Committee who have the required background in executive compensation to fulfill the Compensation Committee's obligations. In addition to their experience as members of the Compensation Committee of the Corporation, all of such members have significant experience in dealing with executive compensation matters as directors and/or senior leaders of other energy-related public companies and all of such members currently serve, or have served, on the compensation committee of the board of directors of other energy-related public companies.

Succession Planning

One of the most critical responsibilities of the board of directors is to ensure that the Corporation has the right management team in place to develop and execute its business strategy and that an appropriate management succession plan is developed and maintained to ensure management and operational continuity. The Corporation's compensation practices are therefore focused on hiring and retaining executives who have an innate drive to achieve their best and, in so doing, create long-term shareholder value. Succession planning for the Chief Executive Officer and all other officers is formally reviewed by the Corporate Governance and Nominating Committee and the board of directors on an ongoing basis and an updated report on succession planning is provided by management for the board's consideration at each meeting of the Corporate Governance and Nominating Committee. Each succession report includes an identification and skills assessment of candidates for the Chief Executive Officer position and all other officer positions, with specific reference to anticipated timelines associated with any potential transition and where external candidates may be required. The objectives of the succession planning process are as follows:

- (i) to ensure that management is focused on developing an appropriate flow of qualified candidates for key management and technical positions within the Corporation;
- (ii) to identify gaps between current position requirements and the capabilities and requisite skills of succession candidates;
- (iii) to focus management on leadership development and the need for business continuity planning; and
- (iv) to foster a comprehensive and planned approach to the assessment and development of leadership talent against established goals and Corporation values.

Compensation Approval Process

Compensation for the Chief Executive Officer is the responsibility of the Compensation Committee, which reviews such compensation and makes recommendations to the board of directors for review and approval. The performance and contribution of the Chief Executive Officer is reviewed annually taking into consideration such individual's performance against established objectives, management of the organization and its human resources, interaction and communication with the board of directors, attainment of financial results and the general financial management of the organization.

The Compensation Committee also recommends to the board of directors the compensation for the Corporation's officers following receipt of the Chief Executive Officer's annual performance reviews and compensation recommendations. In making his recommendations to the Compensation Committee, the Chief Executive Officer, with the support of the Vice President, Human Resources, reviews an analysis of the compensation levels for the officers of the Corporation against the compensation comparator groups and considers the performance of each of these officers relative to their individual objectives. The Compensation Committee has

the authority to engage the services of an independent compensation consultant to provide external analysis and recommendations as required. The Compensation Committee reviews the recommendations of the Chief Executive Officer and then provides recommendations to the board of directors for approval. The board of directors ultimately has authority for all compensation matters, including the approval of base salary changes, short-term incentive awards and longer-term incentive awards for each of the Corporation's officers.

Market Comparators

Target total compensation, which includes all six elements of total compensation listed in the table appearing under the heading "Compensation Elements" below, is benchmarked against a comparator group that includes selected companies that provide services to the oil and natural gas industry. These companies are selected to ensure similarity of scope, size and complexity, and represent the market within which the Corporation competes for leadership talent. Companies included in the comparator group generally have attributes similar to the Corporation as follows: (i) North American-based; (ii) widely held; (iii) operating within the oil and natural gas services industry; and (iv) an international scope of operations. The comparator group currently includes the following companies:

Trican Well Services Ltd.	Ensign Energy Services Inc.
Savanna Energy Services Corp.	ShawCor Ltd.
Mullen Group	Pason Systems Inc.
Trinidad Drilling Ltd.	

In addition, the Compensation Committee periodically reviews data for each of the officer positions against a broader set of comparator companies to ensure that the compensation targets for each of the officer positions continues to be market competitive and aligned with the Corporation's business strategy. This broader comparator group includes companies in the energy industry with comparable annual revenue.

Independent Compensation Consultant

Although Mercer (Canada) Limited ("Mercer") has assisted the Corporation with respect to compensation matters since 2007, Mercer was not retained by the Corporation to provide any consulting services in respect of director or executive compensation in 2015 or 2016.

For the financial years ended December 31, 2015 and 2016, the Corporation paid the following consulting fees to Mercer:

Fees	2016	2015
Executive Compensation Related Fees	-	-
All Other Fees ⁽¹⁾	\$11,256	\$14,095

Note:

- (1) Includes fees for consulting services related to non-executive compensation matters and fees for the Corporation's participation in the annual market surveys carried out by Mercer in Canada and the United States.

In accordance with its charter, the Compensation Committee is required to pre-approve any services to be provided at the request of management by a compensation consultant related to executive or board compensation matters.

Compensation Elements

Executive compensation is built on the principle of total rewards which takes into account base salary, short and longer-term incentives, perquisites, health and dental benefits, retirement plans and paid time off. Each component is intended to align with the Corporation's compensation philosophy and objectives.

Element	Component	Type	Performance Period	Form
Base Salary	Fixed	Annual	One year	Cash
Short-Term Incentives	Variable	Annual	One year	Cash
Longer-Term Incentives	Variable	Longer-Term	Up to 5 years	PSUs, Stock Options, RSUs
Rewards & Recognition	Variable	Short-Term	Less than 1 year	Cash
Benefits	Fixed	Annual	N/A	Perquisites, Life, Health, Dental, Disability
Retirement Plan (Group RRSP/401K)	Fixed	Annual	N/A	Capital Accumulation Plan

Base Salary

Base salary provides guaranteed cash income that is reflective of the competitive market place and is representative of one year of performance. To establish the appropriate pay level for each position, the Corporation uses third party survey data to establish an appropriate benchmark for pay level based on the scope, complexity and responsibility of each role. By benchmarking to a survey peer group, the Corporation ensures that its salary levels align to similar positions within the market place. Finally, although the Corporation targets the 50th to 75th percentile for base salary compensation, final positioning is dependent on the executive's previous experience and performance.

Comparator market analysis and individual performance assessments occur annually and any increase to base salary occurs effective January 1st of each year to remain competitive. Throughout the year, base salary increases may occur as a result of a promotion or a significant change in role and responsibilities. The annual salary review and performance assessment are key to ensuring the Corporation remains competitive and meets its business objectives.

Effective April 1, 2015, annual base salaries for executives were reduced by 10% in light of the challenging market conditions, and such salary reductions are still in effect as of the date of this Circular.

Short-Term Incentive Plan

The Corporation's Short-Term Incentive Plan ("STIP") is designed to reward officers and other eligible employees for performance against goals and objectives established at the beginning of the performance period. Performance measures are established at the corporate level for all officers and other eligible employees and such measures are reviewed and approved by the board of directors.

As described in detail under the heading "Compensation Discussion and Analysis – 2016 STIP Results" below, no amounts were payable under the STIP for the 2016 plan year.

For 2016, the financial performance measures utilized for the purposes of the STIP were (i) return on capital employed ("ROCE") and (ii) operating income ("OI"). Each of these performance measures accounted for 40% of the aggregate award entitlement under the STIP.

The use of ROCE as a financial performance measure provides direct alignment with the interests of shareholders by providing a tangible financial target that must be met in order for employees and officers to realize any economic value under the STIP. The use of ROCE also provides a balanced management approach that encourages prudent entrepreneurial risks and efficient capital deployment. The use of OI as a financial performance measure provides visibility for employees of the direct link between the cost management initiatives at all levels of the Corporation and overall profitability. The use of OI also drives cost-effective behavior and innovation that results in more efficient operations.

In addition to the financial performance measures, the Corporation also uses Total Recordable Incident Frequency ("TRIF") as a health and safety performance measure. This performance measure accounts for 20% of the aggregate award entitlement under the STIP. The use of TRIF reinforces the Corporation's commitment to protect the health and safety of its employees, contractors, clients and other third party personnel in the communities in which the Corporation operates. The use of TRIF also helps make health and safety management a core part of the culture of the organization.

The minimum consolidated ROCE threshold is determined on an annual basis taking into account planned fixed costs such as interest expense, dividends, STIP payouts, sustaining expenditures and the cash portion of stock-based compensation expenses. If the minimum consolidated ROCE threshold is achieved, a payout under the STIP will occur based on actual ROCE, OI and TRIF results on the basis discussed below.

If an employee reports into an operating division, 40% of the STIP payout for such employee is related in equal proportions to divisional ROCE performance and consolidated ROCE performance. Another 40% of the STIP payout is related in equal proportions to divisional OI and consolidated OI performance. For all other employees, 40% of the STIP payout is related to consolidated ROCE performance and 40% of the STIP payout is related to consolidated OI performance. In addition, for corporate employees and divisional employees in the Russian and Latin American divisions, the 20% portion of the STIP related to TRIF is linked to consolidated TRIF performance. For divisional employees in the Canadian and United States divisions, the 20% portion of the STIP related to TRIF is linked to TRIF performance for their respective division given the larger scope of operations in Canada and the United States.

ROCE is a ratio that measures the efficiency and profitability of a corporation's capital investments. For the purposes of the STIP, ROCE is calculated based on the Corporation's adjusted earnings as a percentage of its average capital employed. Adjusted earnings represents the divisional and consolidated net income attributable to the shareholders of the Corporation before income taxes, net interest expense, the non-cash portion of stock-based compensation expense and the bonus provision. Average capital employed consists of the annualized average of the net book value of the Corporation's fixed assets that are available for operational use and the Corporation's non-cash working capital, exclusive of any accrued amounts related to the STIP or interest, certain non-recurring costs, and goodwill.

OI is a supplemental measure of the Corporation's performance that provides an indication of the financial results generated by the Corporation's business segments prior to consideration of how these segments are financed or taxed. For the purposes of the STIP, OI is calculated (on a consolidated and divisional basis) as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, expenses and gains related to business combinations, impairment of property, plant and equipment, impairment of inventory, impairment of goodwill, interest and income taxes.

For 2016, the board of directors determined that a minimum consolidated ROCE of 7.5% was required before any amounts under the STIP were payable. The STIP payout amount related to ROCE increases proportionally until the maximum consolidated ROCE target, which was 18.5% in 2016, is achieved. The various thresholds and associated STIP payout amounts related to ROCE, which can be achieved once the minimum consolidated ROCE threshold is met, are determined based on the minimum consolidated ROCE. For 2016, at the minimum consolidated ROCE threshold, the STIP payout amount related to ROCE was equal to 20% and at the maximum consolidated ROCE target, the STIP payout amount related to ROCE was equal to 150%. The minimum consolidated OI threshold of 12.3% for 2016 was set using a historical analysis of the Corporation's past performance. The STIP payout amount related to OI increases proportionately until the maximum consolidated OI target, which was 15.5% in 2016, is achieved. For 2016, at the minimum consolidated OI threshold, the STIP payout amount related to OI was equal to 20% and at the maximum consolidated OI target, the STIP payout amount related to OI was equal to 150%.

TRIF is a lagging indicator that determines the injury rate based on the number of recordable injuries and the total number of hours worked in a year. The foundation of the formula for calculating TRIF is defined by the Occupational Health & Safety Administration, a federal agency of the United States that regulates workplace safety and health. TRIF is calculated by multiplying the number of recordable injuries and illnesses incurred during the

year by 200,000 and dividing that product by the total number of hours that were actually worked by employees. The "200,000" used in this calculation is the equivalent number of hours for 100 employees working 40 hours per week for 50 weeks. The overall annual TRIF which is determined at December 31st of the relevant year is based on the total number of recordable injuries for all divisions and the total hours worked for all divisions for the year.

In 2016, a minimum TRIF threshold of 4.0 was required before any portion of the remaining 20% of the STIP amount was payable. The STIP payout amount related to TRIF increases proportionally until the maximum TRIF target of 1.2 is achieved. At a TRIF of 4.0, the STIP payout amount related to TRIF is equal to 20% and at a TRIF of 1.2, the STIP payout amount related to TRIF is equal to 150%. Given the fact that health and safety performance is a core value of the Corporation, the ultimate TRIF goal, which is communicated to the Corporation's employees, third-party service providers and clients, is "Goal Zero".

The calculations referred to above based on ROCE, OI and TRIF performance will result in a business factor ("BF") that will range from 0-150%. The BF acts as a multiplier in the calculation of the STIP payouts. Individual performance also acts as a multiplier in the calculation of the STIP payouts. Based on an employee's individual performance relative to his or her objectives, which is evaluated annually, he or she will receive an individual performance factor ("IPF") in the range of 0-120%. Finally, each employee has an incentive target which is the payout, expressed as a percentage of the employee's base salary, which the employee would receive under the STIP if both the BF and the individual's IPF were equal to 100%. An individual's STIP award, therefore, is equal to the BF multiplied by (a) the individual's IPF, (b) the individual's incentive target and (c) the individual's salary for the relevant year.

The table below provides a summary of the participation eligibility for officers within the organization:

Participant	Incentive Target	Payout Range	Safety				
			ROCE	Performance (TRIF)	Divisional Performance	Corporate Performance	Individual Performance
CEO, CFO & COO	100%	0 – 180%	Yes	Yes	N/A	Yes	Yes
Corporate Executives	100%	0 – 180%	Yes	Yes	N/A	Yes	Yes
Divisional Executives	100%	0 – 180%	Yes	Yes	Yes	Yes	Yes

The financial results of companies in the oil and gas services sector are very closely linked to commodity prices, which are volatile and cyclical. The Corporation believes that the annual cash STIP should represent a significant portion of the total compensation for employees to ensure that STIP awards are being paid out only in periods where the Corporation's financial performance warrants and supports such awards and pre-established performance thresholds have been met or exceeded. The volatility of the commodity price cycle may result in higher payments in strong economic years and substantially lower or no payments in weaker economic years.

2016 STIP Results

For the 2016 plan year, the minimum consolidated ROCE threshold of 7.5% was not achieved, and therefore the board of directors determined that no amounts were payable under the STIP for such year.

The TRIF targets established by the board of directors upon the recommendation of management at the beginning of 2016 included a minimum target of 4.0 and a target performance level of 2.5. For 2016, the Corporation achieved a consolidated TRIF of 1.13. However, since the Corporation failed to achieve the minimum consolidated ROCE threshold and no amounts were payable under the STIP for the 2016 plan year, the TRIF results for the consolidated and divisional results were not applied to determine the TRIF contribution resulting from the TRIF performance measure.

Longer-Term Incentives

The Corporation's longer-term incentive plans are designed to:

- (i) align the interests of eligible employees with those of shareholders;

- (ii) focus efforts on increasing shareholder value and the Corporation's long-term financial strength;
- (iii) reward and incent high levels of performance; and
- (iv) provide a retention incentive.

The Corporation uses three longer-term incentive plans as part of its Total Compensation Program – the Option Plan, which is a conventional stock option plan that provides a focus on long-term share price growth, the PSU Plan that provides a longer-term focus related to defined performance criteria, and a restricted share unit plan ("RSU Plan") that provides a longer-term focus related to share price growth. Eligibility varies according to the officer's role.

The Corporation's annual option and restricted share unit ("RSU") grant is predicated on the recommendations of the Corporation's various Division or Departmental leaders using a classification system which outlines appropriate option and RSU ranges for participants within the organization based on position level, responsibilities, experience and training. These recommendations are then vetted by the Corporation's Chief Executive Officer, with the support of the Vice President, Human Resources, and an aggregate award of options and RSUs is recommended to the Compensation Committee for approval. On the recommendation of the Compensation Committee, the Corporation's board of directors approves an aggregate number of options and RSUs to be awarded to eligible participants under the Option Plan and RSU Plan, respectively. The authorized option and RSU pools are then allocated in accordance with management's recommendations, as modified throughout the various stages of review. Previous option and RSU grants are taken into account by management and the Compensation Committee when considering new grants. Grants of options are generally provided annually on December 31st or January 1st with a five year term and a four year vesting schedule. Grants of RSUs are generally provided in early-March of each year with a three year vesting schedule. Options and RSUs may also be granted outside of the annual grant program in recognition of a promotion or a significant change in duties and responsibilities. As with other programs, the eligibility for options and RSUs is dependent on employee performance and potential long-term contribution to and impact on the organization. The objective of the longer-term incentive programs is to administer a sustainable and meaningful pool of options and RSUs while managing the dilutive and financial impact on shareholders of the Corporation. If the PSU Plan is approved by shareholders at the Meeting, the Corporation intends to gradually cease to grant RSUs in favour of grants of PSUs. See the discussion under the heading "Business of the Meeting – Approval of Performance Share Unit Plan" for a description of the PSU Plan.

Recognition Programs

The Corporation has an employee recognition program that recognizes and rewards employees within the organization who have contributed to the Corporation's success. The program consists of a multi-level recognition program, ranging from non-monetary peer-to-peer recognition to spot awards of up to \$5,000. The Corporation also has a CEO's award program which is designed to reward employees for outstanding achievements resulting in significant cost savings or contributions to the Corporation's financial and operational performance. In 2016, an aggregate of \$18,000 was awarded under the CEO's award program and an aggregate of \$0 was awarded under the employee recognition program. The employee recognition program was suspended in 2016 as part of the Corporation's cost reduction initiatives in light of market conditions, and such program remains suspended as of the date of this Circular.

Perquisites and Benefits

The Corporation provides officers with perquisites, including car allowances and parking. Relevant club memberships are provided to select executives to assist in the performance of their duties and responsibilities. The Corporation has also established a retirement savings plan (RRSP or 401K) for its Canadian and U.S. employees which provides a matching contribution for participating employees, up to specific maximums, subject to an over-riding discretion to temporarily cease matching contributions in response to weakened industry conditions. All of the Corporation's Canadian and U.S. employees are entitled to participate in the applicable retirement savings plan.

In June 2015, matching contributions under retirement savings plans were suspended in light of the challenging market conditions, and such contributions remain suspended as of the date of this Circular.

The Corporation provides an employee benefits plan, including extended health coverage, life insurance, short and long-term disability insurance, and dental coverage, to eligible employees. Such plan is benchmarked against other benefit plans in the industry on a market-by-market basis to ensure its competitiveness.

Risks Associated with Compensation Policies

The Compensation Committee is responsible, on an annual basis, for reviewing and recommending for approval the Corporation's compensation policies and practices, as well as its corporate goals and objectives relevant to compensation. As part of this annual review, the Compensation Committee considers the risks associated with the Corporation's compensation policies and practices to ensure that the Corporation's approach to risk management is accurately reflected in its overall approach to compensation. As a result, the compensation policies and practices of the Corporation support an appropriate balance between risk and reward.

In its analysis of the risks associated with the Corporation's compensation policies, the Compensation Committee is mindful of any practices that may motivate behaviors amongst decision makers that individually or collectively may have a negative impact on the Corporation. The Corporation's Total Compensation Program is designed to reward short-term results and long-term value creation. The most significant components of the Corporation's compensation framework include base salary, a form of compensation that is not "at risk", and STIP awards and equity incentive awards, such as stock options, PSUs and RSUs, which are considered to be "at risk". This mix is designed to encourage officers to take measured risks that may have a positive impact on the Corporation's performance while simultaneously providing adequate compensation to officers to discourage them from taking excessive or inappropriate risks. In addition, it is important to note the STIP, which is a significant component of short-term compensation, and the RSU Plan, which is a significant component of longer-term compensation, are both linked to ROCE, which is predicated on achieving financial performance that is identifiably aligned with shareholder value as opposed to performance criteria that are devoid of any tangible link to the Corporation's financial and operational performance. Awards under the STIP and the RSU plan are not payable in the event that the Corporation does not meet the minimum ROCE threshold approved by the board of directors. For 2016, a minimum consolidated ROCE of 7.5% was required before amounts under the STIP and the RSU Plan were payable. In addition, the aggregate payout amount under the STIP is capped at a maximum amount, which for 2016 was 150% of the target payout amount. The actual aggregate payout amount under the STIP for 2016 was 0% of the target payout amount.

On an annual basis, the Compensation Committee reviews the Corporation's compensation practices with a view to mitigate unsafe risk taking activities and makes any necessary adjustments to maintain an appropriate balance between "at risk" and "not at risk" compensation. In addition, the Compensation Committee and the board of directors monitor management's recommendations for the deployment of capital and the Corporation's scope of operations on a regular basis.

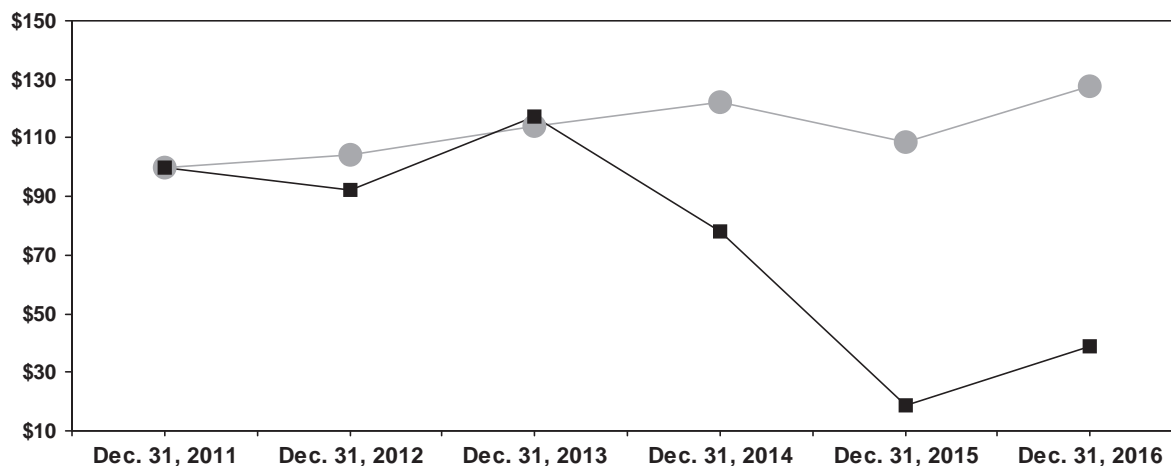
Prohibited Securities Transactions

Directors and executive officers of the Corporation are prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by an executive officer or a director.

Performance Graph

The graph below compares the cumulative return on the common shares of the Corporation with the cumulative total return of the S&P/TSX Composite Total Return Index for the period commencing December 31, 2011 and ending December 31, 2016.

**TOTAL RETURN ON \$100 INVESTMENT
FROM DECEMBER 31, 2011 TO DECEMBER 31, 2016**



	December 31, 2011	December 31, 2012	December 31, 2013	December 31, 2014	December 31, 2015	December 31, 2016
● S&P/TSX Composite Total Return Index	\$100.00	\$104.00	\$113.94	\$122.40	\$108.82	\$127.88
■ Calfrac Well Services Ltd.	\$100.00	\$92.23	\$117.11	\$78.01	\$18.57	\$38.61

Narrative Discussion

The Corporation's STIP is based primarily upon ROCE, as described above under the heading "Compensation Discussion and Analysis – Short-Term Incentive Plan". The objective of this association is to ensure that employees are rewarded with incentive compensation when the financial performance of the Corporation warrants such remuneration. The relationship between the financial performance of the Corporation and the trading price for its common shares creates a structural correlation between compensation and share price. However, financial performance is not the only factor which influences the market price of the Corporation's common shares.

Summary Compensation Table

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation, or a subsidiary of the Corporation, in Canadian dollars, to the individuals that acted as the Corporation's Chief Executive Officer, the Corporation's Chief Financial Officer and the next three most highly compensated executive officers during 2016 (collectively, the "Named Executive Officers").

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		All other compensation (\$) ⁽¹⁾	Total compensation (\$)
					Annual incentive plans	Longer-term incentive plans		
Fernando Aguilar ⁽²⁾ President and Chief Executive Officer	2016	495,000	575,000 ⁽³⁾	-	-	-	-	1,070,000
	2015	509,173	1,653,914 ⁽⁴⁾	232,342 ⁽⁵⁾	-	-	12,465 ⁽⁶⁾	2,407,894
	2014	550,000	2,058,000 ⁽⁷⁾	-	850,000 ⁽⁸⁾	-	12,135 ⁽⁶⁾	3,470,135
Michael D. Olinek ⁽⁹⁾ Chief Financial Officer	2016	302,575	46,250 ⁽¹⁰⁾	6,274 ⁽⁵⁾	-	-	-	355,099
	2015	240,700	64,400 ⁽¹¹⁾	124,052 ⁽⁵⁾	-	-	34,422 ⁽¹²⁾	463,577
	2014	260,000	144,800 ⁽¹³⁾	109,230 ⁽⁵⁾	386,880 ⁽⁸⁾	-	41,864 ⁽¹²⁾	942,774
Michael J. McNulty ⁽¹⁴⁾ (Former) Chief Financial Officer	2016	80,308	-	-	31,250 ⁽¹⁵⁾	-	9,761 ⁽¹⁶⁾	121,319
	2015	370,308	161,000 ⁽¹⁷⁾	293,038 ⁽⁵⁾	31,250 ⁽¹⁵⁾	-	10,588 ⁽⁶⁾	866,184
	2014	400,000	43,900 ⁽¹⁸⁾	436,920 ⁽⁵⁾	626,450 ⁽¹⁹⁾	-	24,000 ⁽⁶⁾	1,531,270
Lindsay R. Link ⁽²⁰⁾ Chief Operating Officer	2016	350,322	138,750 ⁽²¹⁾	28,231 ⁽⁵⁾	-	-	-	517,303
	2015	342,837	233,450 ⁽²²⁾	344,699 ⁽⁵⁾	-	-	9,666 ⁽⁶⁾	930,652
	2014	389,535	217,200 ⁽²³⁾	182,050 ⁽⁵⁾	751,308 ⁽²⁴⁾	-	62,058 ⁽²⁵⁾	1,602,151
Fred L. Toney ⁽²⁶⁾ President, United States Division	2016	368,286	74,000 ⁽²⁷⁾	-	-	-	-	442,286
	2015	370,598	80,500 ⁽²⁸⁾	163,945 ⁽⁵⁾	92,003 ⁽²⁹⁾	-	3,345 ⁽⁶⁾	710,391
	2014	60,290	84,060 ⁽³⁰⁾	82,944 ⁽⁵⁾	98,821 ⁽³¹⁾	-	32,350 ⁽³²⁾	358,465
J. Michael Brown ⁽³³⁾ Vice President, Technical Services	2016	382,806	64,750 ⁽³⁴⁾	-	-	-	-	447,556
	2015	275,929	100,625 ⁽³⁵⁾	136,824 ⁽⁵⁾	-	-	47,542 ⁽³⁶⁾	560,920
	2014	-	-	-	-	-	-	-

Notes:

- (1) Where no amount specifically attributable to perquisites is stated in this column, the Named Executive Officer did not receive perquisites and other personal benefits not generally available to all employees that exceeded the lesser of \$50,000 and 10% of his or her total annual salary.
- (2) Mr. Aguilar was appointed as President and Chief Executive Officer effective January 1, 2014.
- (3) The grant date fair value of the CEO PSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of CEO PSUs held by Mr. Aguilar by the closing price of the Corporation's common shares on the grant date of such CEO PSUs, being February 23, 2016 (\$1.15). The realized value is determined when the incentive is paid to Mr. Aguilar.
- (4) The grant date fair value of the CEO PSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of CEO PSUs held by Mr. Aguilar by the closing price of the Corporation's common shares on the grant date of such CEO PSUs, being February 24, 2015 (\$9.24). The realized value is determined when the incentive is paid to Mr. Aguilar.
- (5) The grant date fair values of stock options are theoretical expected values calculated at the date of grant in accordance with the Black-Scholes option pricing model, which is consistent with the accounting treatment afforded to options in the Corporation's financial statements, and is considered by the board of directors to be a reasonable estimate of fair market value. The realized values are determined when the incentives are paid to the executive officers. Note that the amounts listed for 2015 reflect the grant date fair values of both the 2015 annual option grant, which took place on January 1, 2015, and the 2016 annual option grant, which took place on December 31, 2015.
- (6) Represents the Corporation's retirement savings plan contributions on behalf of the Named Executive Officer, which benefit is made available to all eligible employees of the Corporation.

- (7) The grant date fair value of the CEO PSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of CEO PSUs held by Mr. Aguilar by the closing price of the Corporation's common shares on the grant date of such CEO PSUs, being February 25, 2014 (\$17.15). The realized value is determined when the incentive is paid to Mr. Aguilar. Commencing in 2014, vesting determinations for CEO PSU grants take place over a three year vesting schedule. Prior to 2014, vesting determinations took place within approximately one year of the CEO PSU grant date. The size of the 2014 grant reflects the transition to the three year vesting schedule for CEO PSUs.
- (8) Amounts earned under the STIP for services performed during the year.
- (9) Mr. Olinek was appointed as the Corporation's Chief Financial Officer on February 23, 2017.
- (10) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Olinek by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 7, 2016 (\$1.85). The realized value is determined when the incentive is paid to Mr. Olinek.
- (11) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Olinek by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 9, 2015 (\$8.05). The realized value is determined when the incentive is paid to Mr. Olinek.
- (12) Attributable to: (a) perquisites, including \$19,200 for Mr. Olinek's vehicle allowance; and (b) the Corporation's retirement savings plan contributions on behalf of Mr. Olinek.
- (13) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Olinek by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 10, 2014 (\$18.10). The realized value is determined when the incentive is paid to Mr. Olinek.
- (14) Mr. McNulty was appointed as Chief Financial Officer effective December 4, 2013 and Mr. McNulty retired from such position effective March 4, 2016.
- (15) Attributable to a signing bonus in the amount of \$31,250. Mr. McNulty's \$125,000 signing bonus was to be payable in four (4) equal installments of \$31,250 on January 2 of 2014, 2015, 2016 and 2017, but Mr. McNulty did not receive the final instalment given his retirement effective March 4, 2016.
- (16) Attributable to: (a) perquisites, including \$4,065 for Mr. McNulty's executive health and dental benefits and \$4,000 for Mr. McNulty's vehicle allowance; and (b) the Corporation's retirement savings plan contributions on behalf of Mr. McNulty.
- (17) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. McNulty by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 9, 2015 (\$8.05). The realized value is determined when the incentive is paid to Mr. McNulty.
- (18) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. McNulty by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 10, 2014 (\$18.10). The realized value is determined when the incentive is paid to Mr. McNulty.
- (19) Attributable to: (a) a STIP award in the amount of \$595,200; and (b) a signing bonus in the amount of \$31,250.
- (20) Mr. Link was appointed as President, United States Division effective February 1, 2013 and he was appointed as Chief Operating Officer effective January 1, 2015. Prior to January 1, 2015, Mr. Link was paid in US dollars. Mr. Link's salary for 2014 has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect at the end of each month.
- (21) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Link by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 7, 2016 (\$1.85). The realized value is determined when the incentive is paid to Mr. Link.
- (22) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Link by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 9, 2015 (\$8.05). The realized value is determined when the incentive is paid to Mr. Link.
- (23) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Link by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 10, 2014 (\$18.10). The realized value is determined when the incentive is paid to Mr. Link.
- (24) Attributable to: (a) a STIP award in the amount of US\$522,240, converted at 1.2803, the Bank of Canada noon exchange rate on March 13, 2015, the date of payment of the STIP award; (b) an entitlement under the CEO's award program in the amount of US\$14,702, converted at 1.1275, the Bank of Canada noon exchange rate on October 31, 2014, the date of payment of such award; and (c) a signing bonus in the amount of US\$60,000, converted at 1.1018, the Bank of Canada noon exchange rate on

February 7, 2014, the date of payment of such bonus. Mr. Link's US\$120,000 signing bonus was paid in two (2) equal installments of \$60,000 on March 15, 2013 and February 7, 2014.

- (25) Attributable to: (a) perquisites, including \$28,235 for relocation expenses paid on Mr. Link's behalf in conjunction with his relocation to Calgary at the Corporation's request; and (b) the Corporation's retirement savings plan contributions on behalf of Mr. Link.
- (26) Mr. Toney was appointed President, United States Division effective October 21, 2014. Mr. Toney is paid in US dollars. Mr. Toney's salary has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect at the end of each month.
- (27) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Toney by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 7, 2016 (\$1.85). The realized value is determined when the incentive is paid to Mr. Toney.
- (28) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Toney by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 9, 2015 (\$8.05). The realized value is determined when the incentive is paid to Mr. Toney.
- (29) Attributable to a signing bonus in the amount of US\$75,000 which was paid in three (3) equal installments of US\$25,000 on January 9, 2015, April 3, 2015 and June 26, 2015. Such signing bonus has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect on the date of each payment, being 1.1857 (January 9, 2015 payment), 1.2585 (April 3, 2015 payment) and 1.2359 (June 26, 2015 payment).
- (30) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Toney by the closing price of the Corporation's common shares on the grant date of such RSUs, being November 17, 2014 (\$14.01). The realized value is determined when the incentive is paid to Mr. Toney.
- (31) Attributable to a STIP award in the amount of US\$77,186, converted at 1.2803, the Bank of Canada noon exchange rate on March 13, 2015, the date of payment of the STIP award.
- (32) Attributable to perquisites, including a payment of US\$25,000 for relocation expenses in conjunction with Mr. Toney's relocation to Denver at the Corporation's request, which payment has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect on the date of payment.
- (33) Mr. Brown was appointed Vice President, Technical Services on April 6, 2015. Mr. Brown is paid in US dollars. Mr. Brown's salary has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect at the end of each month.
- (34) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Brown by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 7, 2016 (\$1.85). The realized value is determined when the incentive is paid to Mr. Brown.
- (35) The grant date fair value of the RSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of RSUs held by Mr. Brown by the closing price of the Corporation's common shares on the grant date of such RSUs, being March 9, 2015 (\$8.05). The realized value is determined when the incentive is paid to Mr. Brown.
- (36) Attributable to perquisites, including a payment of US\$25,000 for relocation expenses in conjunction with Mr. Brown's relocation to Denver at the Corporation's request, which payment has been converted into Canadian dollars at the Bank of Canada noon exchange rate in effect on the date of payment, and \$17,127 for Mr. Brown's vehicle allowance.

Narrative Discussion

A description of the STIP is provided above under the heading "Compensation Discussion and Analysis – Short-Term Incentive Plan", a description of the PSU Plan is provided above under the heading "Business of the Meeting – Approval of Performance Share Unit Plan" and a description of the Option Plan is provided below under the heading "Stock Option Plan".

Historically, it has been the board of directors' practice to limit PSU grants to the Chief Executive Officer and all PSUs currently outstanding are held by the CEO (the CEO PSUs). The vesting of the CEO PSUs is dependent upon the performance of the recipient during the previous year, as well as other factors such as the financial performance of the Corporation during the previous year and the financial impact on the Corporation in the event that the relevant CEO PSUs vest. The Compensation Committee evaluates the Chief Executive Officer's performance annually based on criteria relating to, amongst other things, leadership, management, working with the board of directors and financial management. Based on such review and a review of the other factors listed above,

the Compensation Committee makes a recommendation to the board of directors with respect to the vesting of the CEO PSUs. The currently outstanding CEO PSUs may be settled in cash only and the CEO PSUs will continue to be governed by the terms of the PSU Plan that were in place prior to the amendments to the PSU Plan that occurred on March 28, 2017. Going forward, new grants of PSUs to the Chief Executive Officer will be governed by the PSU Plan then in place. See the discussion under the heading "Business of the Meeting – Approval of Performance Share Unit Plan" for a description of the Corporation's intentions with respect to the granting and vesting of PSUs upon approval of the PSU Plan by the Corporation's shareholders at the Meeting.

Typically, CEO PSUs have been granted in late-February. For CEO PSUs granted prior to 2014, vesting determinations took place approximately one year after the date of grant but for CEO PSUs granted since 2014, vesting determinations take place over a three year vesting schedule, with vesting determinations for each tranche being made in late-February of the applicable year. Any CEO PSUs that vest in a year must be exercised by June 30th of such year.

For the CEO PSUs that were granted in 2014 and 2015, the vesting schedule provides that one-third of the PSUs shall vest (if so determined) during each of the first, second and third calendar years following the year of grant. For the CEO PSUs granted in 2016 and 2017, however, the vesting schedule provides that one-half of such CEO PSUs vest during each of the second and third calendar years following the year of grant. Since the board of directors anticipates that the current challenging market conditions facing the Corporation will persist for the near to medium-term, the board of directors revised the vesting schedule of the CEO PSUs granted in 2016 and 2017. The intention behind revising such vesting schedule was to improve the retention incentive provided by the CEO PSUs by improving the Chief Executive Officer's opportunity to realize an economic gain over time from such CEO PSUs. In addition, in the event that any of the CEO PSUs granted in 2016 and 2017 become vested CEO PSUs, the Market Value amount which is to be used in calculating the payment for each vested CEO PSU will be subject to a maximum of (a) \$12.70 in the case of CEO PSUs granted in 2016 and (b) \$9.32 in the case of CEO PSUs granted in 2017, which figures were based on the five-year average trading price of the Corporation's common shares on the TSX at the time of grant. Such limitations are intended to provide a fair balance between longer-term incentive awards and the Corporation's ability to manage the financial impact in respect of such awards. The CEO PSUs expire at a date determined by the board, and if the Chief Executive Officer ceases to be an employee of the Corporation or a designated affiliate for any reason, the unvested CEO PSUs shall terminate and be forfeited immediately and the Chief Executive Officer may redeem any vested CEO PSUs until the earlier of: (i) 90 days from the date of termination of employment (180 days in the case of termination by reason of death or permanent disability); or (ii) the expiry date set forth in the document granting the CEO PSUs. All unvested CEO PSUs shall automatically become vested CEO PSUs if, and at the same time as, the Corporation undergoes a change of control or the board of directors by resolution determines to accelerate the vesting of such CEO PSUs as a result of its determination that a change of control is expected to occur.

Effective December 7, 2011, the board of directors established the RSU Plan. The RSU Plan provides that the board may grant RSUs to certain eligible officers or employees of the Corporation or its subsidiaries. Each RSU represents the right to receive, at the discretion of the Corporation, a payment of: (i) cash equal to the Market Value less any applicable taxes and other source deductions required to be withheld; or (ii) common shares equal to the number obtained by dividing the amount of cash otherwise payable, less any applicable taxes and other source deductions required to be withheld, by the Market Value. Any common shares paid to participants will be acquired on the open market. The RSU Plan is structurally aligned with the interests of shareholders given that the value of the RSUs is determined by the market value of the common shares of the Corporation. RSUs terminate: (i) immediately if a participant ceases to be an officer or employee of the Corporation or a subsidiary of the Corporation for any reason other than death, permanent disability or retirement; or (ii) on the earlier of their expiration or 12 months after the date of death, permanent disability or retirement of a participant. Notwithstanding the foregoing, if a participant "retires" but then joins a competitor of the Corporation within 12 months of such "retirement", such participant's RSUs will terminate on the earlier of their expiration or 90 days after the participant joined the competitor. During such period, such participant's RSUs are redeemable only to the extent that such RSUs were redeemable as at the day prior to the day that the participant joined the competitor of the Corporation. Typically, RSUs are granted in early-March and one-third of the RSUs vest on January 1st of each of the first, second and third calendar years following the year of grant. For the RSUs granted in 2016 and 2017, however, the vesting schedule provides that one-half of such RSUs vest on January 1st of each of the second and third calendar

years following the year of grant. Since awards under the RSU plan are not payable in the event that the Corporation does not meet the minimum ROCE threshold approved by the board of directors and the board anticipates that the current challenging market conditions facing the Corporation will persist for the near to medium-term, the board of directors revised the vesting schedule of the RSUs granted in 2016 and 2017. The intention behind revising such vesting schedule was to improve the retention incentive provided by the RSUs by improving the participants' opportunity to realize an economic gain over time from such RSUs. In addition, in the event that any of the RSUs granted in 2016 and 2017 become vested RSUs, the Market Value amount which is to be used in calculating the payment for each vested RSU will be subject to a maximum of (a) \$12.70 in the case of RSUs granted in 2016 and (b) \$9.32 in the case of RSUs granted in 2017, which figures were based on the five-year average trading price of the Corporation's common shares on the TSX at the date of grant. Such limitations are intended to provide a fair balance between longer-term incentive awards and the Corporation's ability to manage the financial impact in respect of such awards.

The material terms of the Named Executive Officers' employment contracts are set forth below under the heading "Termination and Change of Control Benefits – Employment Agreements".

Incentive Plan Awards

Outstanding Share-based Awards and Option-based Awards

The following table sets forth, for each Named Executive Officer, all option-based and share-based awards outstanding at December 31, 2016.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽²⁾ (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
Fernando Aguilar ⁽³⁾	400,000	1.99	Dec. 30, 2020	1,108,000	639,330 ⁽⁴⁾	3,043,211	-
Michael D. Olinek ⁽⁵⁾	40,000	12.22	Dec. 31, 2017	-	27,666	131,690	-
	30,000	15.52	Dec. 31, 2018	-			
	35,000	9.98	Dec. 31, 2019	-			
	100,000	1.99	Dec. 30, 2020	277,000			
	10,000	1.59	March 20, 2021	31,700			
Michael J. McNulty ⁽⁶⁾	120,000	15.52	Dec. 31, 2018	-	19,667	93,615	-
	100,000	9.98	Dec. 31, 2019	-			
	180,000	1.99	Dec. 30, 2020	498,600			
Lindsay R. Link ⁽⁷⁾	60,000	12.395	March 7, 2018	-	84,667	403,015	-
	50,000	15.52	Dec. 31, 2018	-			
	100,000	9.98	Dec. 31, 2019	-			
	35,000	8.37	March 8, 2020	-			
	180,000	1.99	Dec. 30, 2020	498,600			
	45,000	1.59	March 20, 2021	142,650			
Fred L. Toney ⁽⁸⁾	30,000	13.70	Nov. 16, 2019	-	43,334	206,270	-
	50,000	9.98	Dec. 31, 2019	-			
	120,000	1.99	Dec. 30, 2020	332,400			
J. Michael Brown ⁽⁹⁾	50,000	8.72	Apr. 6, 2020	-	39,167	186,435	-
	100,000	1.99	Dec. 30, 2020	277,000			

Notes:

- (1) The value of unexercised in-the-money options has been calculated by subtracting the exercise price of such options from \$4.76, being the closing price of the Corporation's common shares on the TSX on December 30, 2016 (the last trading day of 2016) and multiplying the difference by the number of unexercised in-the-money options.
- (2) The market or payout value of share-based awards that have not vested at December 31, 2016 is a theoretical expected value which was calculated by multiplying unvested CEO PSUs or RSUs at December 31, 2016 by \$4.76, which was the closing price of the Corporation's common shares on the TSX on December 30, 2016 (the last trading day of 2016).
- (3) The aggregate value that Mr. Aguilar realized from exercising stock options during 2016 was \$0.
- (4) On February 22, 2017, the board of directors determined that, notwithstanding Mr. Aguilar's strong individual performance during 2016, his CEO PSUs that were scheduled to vest in 2016 would not vest due to the financial performance of the Corporation during 2016 and the financial impact of a payout of such CEO PSUs. As a result, 79,665 of Mr. Aguilar's CEO PSUs were cancelled.
- (5) The aggregate value that Mr. Olinek realized from exercising stock options during 2016 was \$0.
- (6) The aggregate value that Mr. McNulty realized from exercising stock options during 2016 was \$0.
- (7) The aggregate value that Mr. Link realized from exercising stock options during 2016 was \$0.
- (8) The aggregate value that Mr. Toney realized from exercising stock options during 2016 was \$0.
- (9) The aggregate value that Mr. Brown realized from exercising stock options during 2016 was \$0.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth, for each Named Executive Officer, the value vested or earned on all option-based awards, share-based awards, and non-equity incentive plan compensation during the financial year ended December 31, 2016.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)	Share-based awards – Value vested during the year ⁽²⁾⁽³⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽⁴⁾ (\$)
Fernando Aguilar	277,000	-	-
Michael D. Olinek	69,250	-	-
Michael J. McNulty	124,650	-	-
Lindsay R. Link	124,650	-	-
Fred L. Toney	83,100	-	-
J. Michael Brown	69,250	-	-

Notes:

- (1) The value vested during the year for option-based awards has been calculated by determining the difference between the trading price of the common shares and the exercise price of the vested options on the applicable vesting dates (or the next trading day if the options vested on a date when the TSX was closed).
- (2) No CEO PSUs vested in 2016.
- (3) No RSUs vested in 2016.
- (4) Amounts earned for services rendered during the year and disclosed in the Summary Compensation Table under the heading "Non-equity incentive plan compensation – Annual incentive plans".

Termination and Change of Control Benefits*Employment Agreements*

Each of Fernando Aguilar, Michael D. Olinek, Lindsay R. Link, Fred L. Toney and J. Michael Brown has an employment agreement which extends indefinitely, unless terminated by either party in accordance with the terms of the agreement. These employment agreements provide that in the event of a change of control of the

Corporation, and if any of such Named Executive Officers are terminated within one year following such change of control, other than for just cause, such individual will be entitled to an amount equal to two times the sum of: (i) the individual's annual current base salary; (ii) an amount equal to their target incentive bonus; (iii) the costs of health and welfare benefit plans for the 12-month period preceding termination; (iv) an amount equal to the last annual taxable benefit for such individual's vehicle allowance; and (v) 6% of the individual's base salary up to the maximum contribution permitted in lieu of any pension or registered retirement savings plan contribution which the individual would have earned during a 12-month period, or, in the case of Messrs. Toney and Brown, 5% of their base salary for the calendar month immediately preceding the date of termination, multiplied by 12, up to 50% of the maximum contribution permitted in lieu of any pension or 401K contribution which they would have earned during a 12-month period. These employment agreements also provide that each of such Named Executive Officers shall have the right, but shall not be obligated, to terminate his employment and the employment agreement within 90 days following the occurrence of certain specified events which are deemed to amount to constructive dismissal. If any of such Named Executive Officers exercise this right, or are terminated without cause by the Corporation in circumstances not relating to a change of control, as set out above, such officer is entitled to an amount equal to the sum of items (i) through (v) noted above or, in the case of Mr. Aguilar, an amount equal to two times the sum of items (i) through (v) noted above. Michael J. McNulty also had an employment agreement with similar terms to those described in this paragraph prior to his retirement on March 4, 2016.

The Corporation's Option Plan provides that, following a sale of all or substantially all of the assets of the Corporation or a change of control, participants are entitled to exercise in full or in part all unexercised options, whether vested or not. The Option Plan does not provide for accelerated vesting of options on termination of employment.

The Corporation's RSU Plan and PSU Plan provide that in the event of a change of control or a determination by the board of directors of the Corporation that a change of control is expected to occur, the board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the participants in, and to prevent the dilution or enlargement of, any unvested RSUs or PSUs (as applicable), including, without limitation ensuring that the Corporation or any entity which is or would be the successor to the Corporation or which may issue securities in exchange for common shares of the Corporation upon the change of control becoming effective will provide each participant with new or replacement or amended RSUs or PSUs (as applicable) which will continue to vest and be exercisable following the change of control on similar terms and conditions as provided in the RSU Plan or PSU Plan (as applicable) provided that: (1) following a change of control, if a participant shall cease to be an officer or employee of Corporation or one of its subsidiaries by reason of termination (a) by the Corporation or one of its subsidiaries, as applicable, or by the entity that has entered into a valid and binding agreement with the Corporation or one of its subsidiaries to effect the change of control, at any time during the period commencing on the date of the change of control and ending two years after the date of the change of control (the "Control Period"), and such termination was for any reason other than for cause, or (b) by the participant by resignation in circumstances which would amount to constructive dismissal, provided such resignation occurs during the Control Period; or (2) if the board of directors of the Corporation, in its sole discretion, determines that it would not be practicable to cause the provision of new or replacement or amended RSUs or PSUs (as applicable), then all RSUs or PSUs (as applicable) credited to the participant and then outstanding shall (whether otherwise vested or not at such time) become vested RSUs or PSUs (as applicable) at the time of such termination, in the case of (1) above, or upon the change of control, in the case of (2) above, and such participant shall be entitled to payouts for such RSUs or PSUs (as applicable). The RSU Plan and the PSU Plan do not otherwise provide for accelerated vesting of RSUs or PSUs (as applicable) on termination of employment.

The provisions governing the CEO PSUs provide that unvested CEO PSUs shall automatically vest if, and at the same time as, a change of control occurs, or the board of directors by resolution determines to accelerate the vesting of such CEO PSUs as a result of its determination that a change of control is expected to occur. Any such determination must specify that if, for any reason, the change of control is not completed, the Corporation shall revoke such determination. The provisions governing the CEO PSUs do not provide for accelerated vesting of awards granted thereunder on termination of employment.

The estimated incremental payment obligations of the Corporation related to the termination entitlements set forth above, assuming that the triggering event took place on December 31, 2016, are as follows:

Named Executive Officer	Termination without Cause or Constructive Dismissal (\$)	Termination without Cause following Change of Control (\$)
Fernando Aguilar	2,320,777	8,515,765
Michael D. Olinek	510,950	1,393,041
Lindsay R. Link	826,135	2,571,884
Fred L. Toney	879,687	2,214,943
J. Michael Brown	909,151	2,212,487

The employment agreements for all of the Named Executive Officers above contain restrictions on the use or disclosure of confidential information by the Named Executive Officers, as well as provisions related to non-solicitation and non-competition by the Named Executive Officers for a period of 12 months, unless the termination of employment of any such individual is attributable to a termination on change of control, in which case the non-solicitation and non-competition period will be 24 months. The employment agreements specifically provide for immediate injunctive or equitable relief in the event that the Named Executive Officers breach the provisions related to non-solicitation or non-competition. In the event that any of the Named Executive Officers are terminated for cause, such individuals will not be entitled to receive any of the payments outlined above. In the event that any of the Named Executive Officers voluntarily terminate his or her employment for any reason other than following an event which is deemed to amount to constructive dismissal, such individual is obligated to provide 90 days prior written notice to the Corporation, upon receipt of which the Corporation may require such Named Executive Officer to continue to perform his or her duties for the remainder of the notice period, or advise such Named Executive Officer that his or her services are no longer required and pay such individual the salary, benefits and any other amounts earned under any bonus or incentive plan to the date of termination specified in the notice, or for the minimum period of payment in lieu of notice under applicable law, whichever is shorter.

Directors' Compensation

Summary Compensation Table

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation, in Canadian dollars, to the following individuals who were directors of the Corporation for the most recently completed financial year, excluding Fernando Aguilar, who was a Named Executive Officer of the Corporation during 2016 and whose compensation is disclosed under the headings "Summary Compensation Table", "Outstanding Share-based Awards and Option-based Awards" and "Incentive Plan Awards – Value Vested or Earned During the Year".

Name	Fees Earned ⁽¹⁾ (\$)	Share-based awards ⁽²⁾⁽³⁾ (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Ronald P. Mathison	122,800	46,000	-	-	-	-	168,800
Douglas R. Ramsay	20,000	28,750	-	-	-	-	48,750
Kevin R. Baker	38,400	23,000	-	-	-	-	61,400
James S. Blair	35,600	23,000	-	-	-	-	58,600
Gregory S. Fletcher	46,400	23,000	-	-	-	-	69,400
Lorne A. Gartner	43,600	23,000	-	-	-	-	66,600

Notes:

(1) A breakdown of the aggregate fees earned by each director is presented in the narrative discussion and table appearing below.

- (2) The grant date fair value of the DSUs comprising this share-based award is a theoretical expected value calculated at the date of grant by multiplying the number of DSUs granted to the applicable director by the closing price of the Corporation's common shares on the grant date of such DSUs, being February 23, 2016 (\$1.15).
- (3) The DSUs that were granted on February 23, 2016 were exercised on January 9, 2017 for a gross payment of \$99,600, in the case of Messrs. Baker, Blair, Fletcher and Gartner, \$124,500, in the case of Mr. Ramsay and, \$199,200, in the case of Mr. Mathison.

Narrative Discussion

On an annual basis, management of the Corporation provides the board of directors with information regarding director compensation from a select peer group, which the board of directors utilizes in order to determine the compensation for the Corporation's directors. Prior to the 20% reduction in director fees and retainer amounts referred to below, each director other than Fernando Aguilar, the Corporation's President and Chief Executive Officer, was paid an annual retainer of \$10,000 (\$8,000 effective April 1, 2015). For each meeting of the board, a fee of \$1,500 (\$1,200 effective April 1, 2015) was paid to each director who attended in person, by telephone or by video-conference. For each meeting of a committee of the board (other than the Audit Committee), a fee of \$1,500 (\$1,200 effective April 1, 2015) was paid to each committee member who attended in person, by telephone or by video conference. For each meeting of the Audit Committee, a fee of \$2,500 (\$2,000 effective April 1, 2015) was paid to each committee member who attended in person, by telephone or by video-conference. The chair of the Audit Committee received an annual retainer of \$20,000 (\$16,000 effective April 1, 2015), the chairs of the Compensation Committee and the Health, Safety and Environment Committee each received an annual retainer of \$15,000 (\$12,000 effective April 1, 2015) and the chair of the Corporate Governance and Nominating Committee received an annual retainer of \$10,000 (\$8,000 effective April 1, 2015). All such payments are made to directors on a quarterly basis. The President and Chief Executive Officer does not receive any compensation for serving as a director. The Chairman is entitled to a supplemental fee of \$10,000 (\$8,000 effective April 1, 2015) per month to compensate him for his time commitment and efforts on behalf of the Corporation in his role as Chairman.

As indicated above, all of the director fees and retainer amounts referred to in this paragraph were reduced by 20% effective April 1, 2015 in light of the challenging market conditions, and such reductions are still in effect as of the date of this Circular.

Effective October 15, 2004, the board of directors established a deferred share unit plan (the "DSU Plan") for directors. The DSU Plan provides that the board may grant DSUs to certain designated non-management directors. Each DSU represents the right to receive a gross payment equal to the Market Value at the date of exercise, which date will be determined by the holder of the DSUs, subject to certain conditions. The DSU Plan is structurally aligned with the interests of shareholders given that the value of the DSUs is determined by the market price of the common shares of the Corporation. The Corporation has the option of instructing an independent broker to acquire common shares on the open market on behalf of the participant equal to the number obtained by dividing the amount of cash otherwise payable, after deducting statutory withholdings, by the Market Value. The DSUs expire at a date determined by the board, and if a participant ceases to be a director of the Corporation or a designated affiliate for any reason, that participant's unvested DSUs shall terminate and be forfeited and the participant may redeem any vested DSUs until the earlier of: (i) 90 days from the date the participant ceased to be a director (180 days in the case of cessation by reason of death or permanent disability); or (ii) the expiry date set forth in the document granting the DSUs. Typically, DSUs are granted in late-February and vesting takes place in November of the year of grant, after which the vested DSUs must be exercised by January 31st of the year following the year of grant.

The following table further itemizes the compensation paid to each non-employee director during 2016.

<u>Name</u>	<u>Board Retainer \$</u>	<u>Committee Chair Fee \$</u>	<u>Board Meeting Fee \$</u>	<u>Committee Meeting Fee \$</u>	<u>Total Fees Paid \$</u>	<u>DSUs Granted #</u>
Ronald P. Mathison	8,000	96,000 ⁽¹⁾	7,200	11,600	122,800	40,000
Douglas R. Ramsay	8,000	-	7,200	4,800	20,000	25,000
Kevin R. Baker	8,000	8,000	7,200	15,200	38,400	20,000
James S. Blair	8,000	12,000	7,200	8,400	35,600	20,000
Gregory S. Fletcher	8,000	16,000	7,200	15,200	46,400	20,000
Lorne A. Gartner	8,000	12,000	7,200	16,400	43,600	20,000

Note:

- (1) Committee Chair Fee for Mr. Mathison is his supplemental fee for acting as Chair, as described above.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth for each director, other than Fernando Aguilar, all option-based and share-based awards outstanding at December 31, 2016.

<u>Name</u>	<u>Option-based Awards</u>				<u>Share-based Awards</u>		
	<u>Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	<u>Value of unexercised in-the-money options⁽¹⁾ (\$)</u>	<u>Number of shares or units of shares that have not vested (#)</u>	<u>Market or payout value of share-based awards that have not vested (\$)</u>	<u>Market or payout value of share-based awards not paid out or distributed⁽²⁾ (\$)</u>
Ronald P. Mathison	200,000	1.34	March 6, 2021	684,000	-	-	190,400
Douglas R. Ramsay	-	-	-	-	-	-	119,000
Kevin R. Baker	-	-	-	-	-	-	95,200
James S. Blair	-	-	-	-	-	-	95,200
Gregory S. Fletcher	-	-	-	-	-	-	95,200
Lorne A. Gartner	-	-	-	-	-	-	95,200

Notes:

- (1) The value of unexercised in-the-money options has been calculated by subtracting the exercise price of such options from \$4.76, being the closing price of the Corporation's common shares on the TSX on December 30, 2016 (the last trading day of 2016) and multiplying the difference by the number of unexercised in-the-money options.
- (2) The market value or payout value of share-based awards not paid out or distributed has been calculated by multiplying the number of vested and unexercised DSUs at December 31, 2016 by \$4.76, which was the closing price of the Corporation's common shares on the TSX on December 30, 2016 (the last trading day of 2016). For detailed information regarding the exercise of such DSUs, see the notes to the table under the heading "Directors' Compensation – Summary Compensation Table".

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth for each director, other than Fernando Aguilar, the value vested or earned on all option-based awards, share-based awards, and non-equity incentive plan compensation during the year ended December 31, 2016.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year ⁽¹⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Ronald P. Mathison	-	\$122,000	-
Douglas R. Ramsay	-	\$76,250	-
Kevin R. Baker	-	\$61,000	-
James S. Blair	-	\$61,000	-
Gregory S. Fletcher	-	\$61,000	-
Lorne A. Gartner	-	\$61,000	-

Note:

- (1) The value vested during the year for share-based awards for the directors has been calculated by multiplying the number of DSUs vested during the year by \$3.05, which was the weighted average trading price on the TSX of the Corporation's common shares for the five day trading period preceding the vesting date of November 30, 2016. The DSUs which vested in 2016 were granted on February 23, 2016. For detailed information regarding the exercise of such DSUs, see the notes to the table under the heading "Directors' Compensation – Summary Compensation Table".

Stock Option Plan

The Option Plan provides that the board of directors may grant options to purchase common shares to officers, employees and consultants of the Corporation and its subsidiaries and, subject to the limitations described below, non-employee directors of the Corporation. In granting an option, the board must fix the number of common shares, exercise price, vesting provisions and expiry date (which shall be no later than ten years from the date of grant). The current practice of the board in granting options is to provide for options with a five year term that vest over a four-year period, commencing on the first anniversary date of the grant. The exercise price of a stock option shall be no less than the weighted average trading price of the common shares on the TSX for the five trading days immediately preceding the date of the grant of the option. The Option Plan prohibits the Corporation from providing financial assistance to a participant to pay the exercise price for any optioned shares. The Option Plan also provides for the acceleration of vesting of options upon the occurrence of any one of a number of specified events that constitute a change of control of the Corporation.

The maximum number of common shares that may be issued at any time under the Option Plan and any other share compensation arrangements of the Corporation (including the PSU Plan if approved by the shareholders at the Meeting) is limited to 10% of the total number of outstanding common shares. Additionally, the Option Plan limits the number of common shares that may be issued within a one-year period to insiders under the Option Plan and any other share compensation arrangements of the Corporation to 10% of the issued and outstanding common shares of the Corporation, and to 5% for any one insider individually. Further, the number of common shares issuable to insiders at any time under the Option Plan and any other share compensation arrangements of the Corporation shall not exceed 10% of the total number of issued and outstanding common shares. Options are not assignable and cannot be converted into share appreciation rights. Options terminate: (i) on the earlier of their expiration or 90 days after a participant ceases to be an officer or employee for any reason other than for cause, death, permanent disability or retirement; (ii) on the date of termination for cause; and (iii) on the earlier of their expiration or 12 months after the date of death, permanent disability or retirement. Notwithstanding the foregoing, if a participant "retires" but then joins a competitor of the Corporation within 12 months of such "retirement", such participant's options will terminate on the earlier of their expiration or 90 days after the participant joined the competitor.

As at March 31, 2017, 8,668,249 options have been exercised since inception of the Option Plan in 2004, and 10,548,175 remain outstanding (which amounts represent approximately 6.3% and 7.7%, respectively, of the currently outstanding common shares). An additional 3,128,424 options, representing 2.3% of the currently outstanding common shares, remain available for issuance (less any common shares which become issuable pursuant to awards made under the PSU Plan). Options that expire during or within ten business days of a black-out period imposed by the Corporation are automatically extended to 5:00 p.m. on the tenth business day after the last day of such black-out period. The grant rate for options during 2016 was 0.38%, which figure was calculated by

dividing the aggregate number of options granted during the year by the number of shares outstanding on January 1, 2016. Such grant rate was significantly lower than it had been in previous years mainly because the 2016 annual option grant took place on December 31, 2015 and the 2017 annual option grant took place on January 1, 2017, so the grant rate for options during 2016 does not include either of such annual option grants.

The Option Plan includes a "cashless" exercise feature whereby a participant may elect to sell all or any portion of the common shares underlying an option in order to satisfy the exercise price payable in connection with such option exercise. To exercise this right, a participant must deliver a notification identifying the number of shares in respect of which the option is being exercised and providing instructions to deliver a share certificate in respect of such shares to a broker selected by the participant in exchange for the payment of the exercise price by such broker, on behalf of the participant.

The Option Plan provides that the board of directors, or the Compensation Committee or any member of the board of directors to whom appropriate authority has been delegated under the Option Plan, has the discretion to adjust both the number of common shares under option and the exercise price of options upon the occurrence of specified dilutive or anti-dilutive events.

The Option Plan specifies certain types of amendments which may, subject to regulatory approval, be made without shareholder approval, including any amendment: (i) of a "housekeeping" nature; (ii) to the vesting provisions of the Option Plan or any option thereunder; (iii) to the termination provisions of the Option Plan or any option thereunder, provided that such amendment does not entail an extension beyond the expiry date of such option; (iv) with respect to the method or manner of exercise of any option; (v) to the persons eligible to receive options, other than an amendment which would have the potential of broadening or increasing insider participation; and (vi) any other amendment that under the rules of the TSX does not require shareholder approval. Notwithstanding the foregoing, the Option Plan provides that shareholder approval is required in order for the Corporation to: (i) reduce the exercise price of any option or cancel any option and subsequently issue the holder a new option in replacement thereof; (ii) increase the maximum number of shares reserved for issuance; (iii) extend the term of any option; (iv) expand the assignability or transferability of options; (v) amend the amendment provision of the Option Plan; (vi) add to the categories of eligible participants; (vii) remove or increase insider participation limits; (viii) grant additional amendment powers to the board in respect of the Option Plan or any option thereunder; and (ix) make any other amendment that requires shareholder approval under the rules of the TSX.

On June 15, 2011, the board approved certain amendments to the provisions of the Option Plan regarding the administration of the Option Plan and the procedure for exercise of options in order to permit Internet-based management and administration of the Option Plan. On September 20, 2011, the board approved an amendment to the Option Plan in order to provide that, in the event of death or permanent disability of a participant, such participant's options will continue to vest until the options terminate. On December 7, 2011, the board approved certain amendments to the Option Plan to clarify that, in the event that a participant is terminated without cause, such participant's options will not continue to vest during any notice period. On March 28, 2017, the board approved certain amendments to the Option Plan which were of a "housekeeping" nature to conform the provisions of the Option Plan to the PSU Plan.

The Corporation received the approval of the TSX for all of the above-mentioned amendments. Shareholder approval was not obtained for such amendments because the amendments were administrative in nature and shareholder approval was not required under either the Option Plan or the TSX Company Manual.

At the annual and special meeting of the Corporation held on May 12, 2008, shareholders approved an increase to the number of shares reserved for issuance under the Option Plan from 7.5% to 10% of the Corporation's issued and outstanding common shares. At the annual and special meetings of the Corporation held on May 10, 2011 and May 8, 2014, shareholders approved the unallocated options to purchase common shares of the Corporation under the Option Plan, as required every three years by the rules of the TSX.

At the annual and special meeting of the Corporation held on May 9, 2016, shareholders approved certain amendments to the provisions of the Option Plan in order to add non-employee directors of the Corporation as

eligible participants under the Option Plan, subject to certain limitations. Such limitations include: (1) a limitation on the number of common shares issuable to non-employee directors, as a group, under the Option Plan and any other share compensation arrangements of the Corporation of 1% of the issued and outstanding common shares at the time of grant (on a non-diluted basis); and (2) a limitation on the aggregate number of securities granted under all share compensation arrangements of the Corporation to any one non-employee director per annum equal to: (i) in the case of options granted under the Option Plan, \$100,000 worth of options; and (ii) in the case of securities granted under all share compensation arrangements, \$150,000 worth of securities (collectively, the "Limitations"). The value of options or other securities granted under share compensation arrangements shall be determined using a generally accepted valuation model. The Limitations are to be calculated without reference to: (i) the initial options granted under the Option Plan to a person who is not previously a non-employee director of the Corporation upon such person becoming or agreeing to become a non-employee director of the Corporation; (ii) the securities granted under all share compensation arrangements of the Corporation to a director who was also an officer of the Corporation at the time of grant but who subsequently became a non-employee director; and (iii) any options or other securities held by any former directors of the Corporation, or by any officers of the Corporation who are also serving as directors of the Corporation. In addition, the amendment provision of the Option Plan was amended in connection with the foregoing in order to provide that shareholder approval will be required in order to remove or increase the Limitations.

Equity Compensation Plan Information as at December 31, 2016

Plan Category	Number of common shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of shares remaining available for future issuance under equity compensation plans (excluding outstanding options)
Equity compensation plans approved by shareholders	7,246,386	\$6.62	6,417,073 ⁽¹⁾
Equity compensation plans not approved by shareholders	-	-	-
Total	7,246,386	\$6.62	6,417,073

Note:

- (1) The number of shares available for issuance under the Option Plan is equal to 10% of the issued and outstanding common shares of the Corporation.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

On November 12, 2010, the Corporation loaned Fernando Aguilar, the Corporation's President and Chief Operating Officer at that time, \$2,500,000 for the purpose of facilitating the purchase of common shares of the Corporation on the TSX. The original loan agreement was for a term of five years and the applicable interest rate during such term was 3.375% per annum, payable annually. Effective February 24, 2015, however, the Corporation and Mr. Aguilar entered into an amended and restated loan agreement which extended the repayment date to November 12, 2020, and changed the applicable interest rate to a floating rate of interest equal to the prescribed rate of interest for the purpose of subsection 80.4(1) of the *Income Tax Act* (Canada), as set out in section 4301(c) of the *Income Tax Regulations* (Canada), or any successor provision thereto. The loan agreement was subsequently amended in December 2016, effective February 24, 2015, to make it non-interest bearing. The loan is on a non-recourse basis and is secured by the 169,200 common shares acquired with the loan proceeds.

Purpose	AGGREGATE INDEBTEDNESS	
	To the Corporation or its Subsidiaries	To Another Entity
Share Purchases	\$2,524,041	-
Other	-	-

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER
(1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS**

Name and Principal Position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During 2016	Amount Outstanding as at March 31, 2017	Financially Assisted Securities Purchases During 2016 (#)	Security for Indebtedness	Amount Forgiven During 2016
Fernando Aguilar, President and Chief Executive Officer ⁽¹⁾	Corporation	\$2,569,657	\$2,524,041	-	169,200 common shares in capital of the Corporation	\$24,384

Note:

(1) Mr. Aguilar became the President and Chief Executive Officer effective January 1, 2014.

CORPORATE GOVERNANCE PRACTICES

Corporate governance relates to the activities of the Corporation's board of directors, the members of which are elected by and are accountable to the Corporation's shareholders. The Corporation's board of directors views effective corporate governance as an essential element for the ongoing well-being of the Corporation and its shareholders. With that in mind, the board of directors reviews the Corporation's corporate governance practices on an ongoing basis to ensure that they provide for effective stewardship of the Corporation.

The following disclosure of the Corporation's corporate governance practices is presented pursuant to the requirements of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101").

Board of Directors

Independence

The board of directors has reviewed the status of each director nominee to determine whether such individuals are "independent" as defined in NI 58-101. This review included the completion of self-assessment questionnaires by each of such individuals and a detailed review of such questionnaires by the Corporation and its legal counsel. As a result of such review, and after consideration of all business, charitable, family and other relationships among the director nominees and the Corporation, the board has determined that each director nominee, other than Douglas R. Ramsay and Fernando Aguilar, the Corporation's current Vice Chairman and President and Chief Executive Officer, respectively, is independent within the meaning of NI 58-101. Mr. Ramsay is not independent as he provided certain services to the Corporation throughout 2014 pursuant to a retainer agreement. Mr. Aguilar is not independent as he is a current executive officer of the Corporation.

Board Meetings and Attendance Record

The board of directors generally meets four times a year and additionally during the year as the need arises. The frequency and length of meetings and the nature of agenda items depend upon the circumstances. Meetings are detailed and well attended, and are conducted in an atmosphere that encourages participation and independence. In order to promote candid discussion among the independent directors, an in-camera session is held at every board and committee meeting, from which Douglas R. Ramsay and Fernando Aguilar, currently the only non-independent directors, and any management invitees in attendance are excused. Information regarding the number of board and committee meetings held in 2016 and the attendance at such meetings is provided under the heading "Business of the Meeting – Election of Directors".

Other Directorships

Information in respect of other directorships of reporting issuers held by director nominees is provided under the heading "Business of the Meeting – Election of Directors". Messrs. Mathison and Gartner serve together

on the board of directors of Western Energy Services Corp. The Corporation has no public company board committee interlocks.

Chairman

The Chairman of the board, Ronald P. Mathison, is an independent director. Mr. Mathison's responsibilities as Chairman of the board include ensuring that the board of directors functions effectively and independently of management and that it meets its responsibilities as set out in its mandate.

Board Mandate

The mandate of the board of directors sets out the board's purpose, organization, duties and responsibilities. A copy of the mandate is attached to this Circular as Appendix A. The board mandate and the charters for each of the Corporation's four standing committees discussed below are reviewed annually and approved with any changes deemed appropriate at the time of review and approval.

Position Descriptions

The board of directors has developed written position descriptions for the Chairman of the board of directors as well as the chair of each board committee. The board has also developed a written position description for the Chief Executive Officer.

Orientation and Continuing Education

All directors are provided with a director's manual, which includes a copy of all board and committee mandates and policies, the Corporation's by-laws, a reference manual of pertinent corporate information and other reference materials, and are introduced to senior management and the other directors. New directors are given a presentation on the Corporation and its position in the oilfield services sector by the Corporation's Chief Executive Officer. Although the Corporation does not have a formal continuing education program for its directors, all directors are afforded opportunities to supplement their knowledge of the technical and operating aspects of the Corporation's business through trips to the field and operating districts to witness the Corporation's operations firsthand and are provided direct exposure to the Corporation's management and operations personnel at technical presentations for the Corporation's clients and employee base held at the Corporation's head office and Technology and Training Center in Calgary. In addition, the Corporation's board of directors and its committees attend presentations and receive educational information and/or materials on a variety of topics. For example, during 2016:

- the Audit Committee received reports on new and emerging issues in its areas of responsibility including new International Financial Reporting Standards pronouncements;
- the Compensation Committee received regular updates on emerging trends in executive compensation from an external compensation advisor; and
- the Corporate Governance and Nominating Committee received updates with respect to corporate governance trends and current governance issues from the Corporation's internal legal advisors and attended a presentation by the Corporation's external legal advisors regarding corporate governance matters.

The nominees for election as directors of the Corporation include individuals with significant experience as directors of public and private corporations who understand the role of a board of directors and its committees, as well as the contributions that individual directors are expected to make. Notwithstanding this experience, the Corporation supports the continuing education of its directors through attendance at relevant external education programs and seminars which may be deemed by any of the directors as being beneficial for the maintenance or enhancement of their skills and abilities. In 2016, the directors participated in the following continuing education activities with external parties, among others:

- Mr. Mathison attended multiple seminars sponsored by the Business Council of Canada and the Canadian Counsel of Chief Executives, the Spruce Meadows Changing Fortunes Round Table Meeting and various seminars and luncheons hosted by external parties;
- Mr. Ramsay attended the Canadian Energy Executive Association's Energy Business Forum and the Spruce Meadows Changing Fortunes Round Table Meeting;
- Mr. Aguilar attended the AltaCorp Capital and ATB Corporate Financial Services Institutional Investor Conference, the CIBC Whistler Institutional Investor Conference, the Simmons Energy Conference, the Evercore ISI Oilfield Tour, Growth Company 1x1 Forum and E&P Investor Event, the FirstEnergy East Coast Energy Conference, the CAPP Scotiabank Investment Symposium, the RBC Capital Markets Global Energy and Power Executive Conference, the Tudor, Pickering, Holt & Co. Energy Conference, the TD Securities Calgary Energy Conference, the Morgan Stanley Houston Energy Summit, the Barclays CEO Energy-Power Conference, the Spruce Meadows Changing Fortunes Round Table Meeting and the Peters & Co. Energy Conference;
- Mr. Blair attended an emergency response plan orientation and functional exercise which was facilitated by an independent senior fire and emergency management specialist;
- Mr. Fletcher attended a number of seminars sponsored by the Institute of Corporate Directors as well as legal and accounting firms relating to such topics as board performance, board governance, executive compensation, climate change, social media, environmental regulation, aboriginal rights, accounting practices, global and Canadian energy trends and commodity pricing; and
- Mr. Gartner attended courses sponsored by industry groups and the Institute of Corporate Directors.

Ethical Business Conduct

The Corporation has a written code of business conduct and ethics for its directors, officers and employees. A copy of the code of business conduct and ethics may be found on SEDAR at www.sedar.com. The board has delegated to senior management the responsibility for monitoring compliance with the code of business conduct and ethics. To the knowledge of the board, there have been no departures from the code that would necessitate the filing of a material change report.

The board of directors is of the view that a culture of strong corporate governance and ethical business conduct must be endorsed by the board and the Corporation's executive officers. The Corporation's code of business conduct and ethics addresses many areas of business conduct and provides a procedure for employees to raise concerns or questions regarding the conduct of the Corporation's directors, officers and employees.

The code of business conduct and ethics also obligates directors, officers, employees and consultants to promote high standards of ethical conduct that prohibit and eliminate the occurrence and appearance of conflicts between the best interests of the Corporation and the private or personal interests of any director, officer, employee or consultant. Any potential conflict of interest must be immediately disclosed to the Chief Executive Officer and the Chair of the Corporate Governance and Nominating Committee, who are charged with the authority to make any required determinations in respect of such potential conflict of interest.

In addition, the board of directors has established a whistleblower policy which permits any officer or employee to submit, on a confidential, anonymous basis, any complaints or concerns regarding the manner in which the Corporation conducts its business, including violations of law, rules, regulations or the code of business conduct and ethics, and concerns regarding accounting, internal accounting controls or auditing matters. Reports may be filed anonymously via the telephone or internet, through an ethics hotline hosted by an external service provider. The board believes that providing a forum to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct within the Corporation's organization.

The board of directors has also adopted an anti-bribery and anti-corruption policy which is intended to ensure that the Corporation does not receive an improper advantage in its business dealings and to ensure that all payments and expenses are lawful and properly recorded in the Corporation's financial books and records. The policy provides guidance on dealing with agents, contractors and public officials, acceptance of gifts, making political and charitable contributions and dealing with certain types of payments. Employees are obligated to report any violations of the policy to the Vice President, Corporate Development, who has been appointed by the board to oversee the administration of the policy and is responsible for determining the most appropriate method to investigate the substance of the claims and ensure that there is appropriate monitoring of progress until the matter has been satisfactorily resolved. A mandatory online e-learning course has been implemented for all employees to facilitate in-depth instruction regarding the anti-bribery and anti-corruption policy. The Vice President, Corporate Development reports on the policy and its effectiveness, at least annually, to the board of directors.

Nomination of Directors

The Corporate Governance and Nominating Committee is responsible for proposing director nominees to the board of directors and annually reviews both the size and the composition of the board to ensure that the board is populated with an appropriate number of directors who collectively possess the competencies identified by the Committee as being critical to the effectiveness of the board as a whole. As part of this process, the Corporate Governance and Nominating Committee considers the skills and experience set out in the matrix below when assessing the requirements of the board as a whole with regard to each individual director's qualifications; in addition, each candidate for director must have appropriate personal characteristics, including integrity, judgment and communication skills. The skills and experience in the biographies for the director nominees contained herein are those areas in which the director nominee is most skilled or experienced.

Skills and Experience Description	Number of Nominees with such Skills and Experience
Business – experience in either the oil and gas services industry or oil and gas exploration and production sectors.	7
Board – executive experience as a board/committee member of a public company other than the Corporation; familiarity with corporate governance best practices.	6
International – business experience in countries where the Corporation is or may become and/or experience with different cultures, political regimes and regulatory requirements.	7
Operational – experience in a managerial/officer role of a company operating in the oil and gas services industry or oil and gas exploration and production sectors.	5
Financial – executive experience in public financial accounting and reporting; corporate finance including debt and equity and capital markets; and familiarity with internal financial controls and procedures.	7
Legal – experience as a legal practitioner.	1
Compensation – executive experience or board compensation committee participation with an understanding of (i) executive compensation programs, incentives and perquisites, and (ii) succession planning, talent development and retention.	7

Strategic Growth – executive experience in strategic insight, innovation and business development, including the assessment of key trends and industry fundamentals to continually challenge the Corporation in expanding its vision and growth.	7
Health, Safety and Environment – experience and/or an understanding of the health, safety and environmental challenges facing the Corporation and its responsibility to protect the environment and ensure safe and healthy operations for its employees, customers and stakeholders.	6

The Corporate Governance and Nominating Committee consists of three members, each of whom is independent. The charter of the Corporate Governance and Nominating Committee sets out, among other things, the following duties and responsibilities:

- consider the membership needs of the board and its committees and make recommendations with a view to fulfilling such needs;
- review the composition of the board and its committees and make recommendations to the board designed to ensure that appropriate numbers of directors sit on the board and its committees and that the directors collectively have the competencies and skills that the board considers to be necessary for the board as a whole to possess;
- following consultation with the Chairman of the board, identify, evaluate and make recommendations to the board regarding appropriate committees of the board to be established, the charter for each committee, and the chair of each committee; and
- review and assist, where appropriate, in management succession planning and professional development planning for the officers of the Corporation.

Compensation

The Compensation Committee, and the board of directors upon receiving the recommendations of the Compensation Committee, is responsible for reviewing the overall compensation strategy of the Corporation. The Compensation Committee consists of four members, each of whom is independent. The charter of the Compensation Committee sets out, among other things, the following duties and responsibilities:

- review annually and recommend for approval to the board of directors the compensation policies and guidelines for the Corporation, together with the Corporation's corporate goals and objectives relevant to compensation;
- review annually and report to the board of directors on any risk implications associated with the Corporation's compensation policies and practices;
- review annually and recommend for approval to the board of directors the salaries and compensation of the Corporation's officers;
- conduct annually and report to the board of directors the results of performance appraisals of the Chief Executive Officer and other officers as appropriate;
- review and recommend for approval to the board of directors grants of stock options or other equity-based compensation;

- review annually the Corporation's employee incentive plans, benefit plans and bonus plans, and review and recommend for approval to the board of directors any amendments thereto;
- review management's reports to the Compensation Committee on human resource issues;
- review annually and recommend for approval to the board of directors the executive compensation disclosure of the Corporation in its management information circular;
- review annually and recommend for approval to the board of directors the compensation arrangements for the directors of the Corporation, the Chairman of the board of directors and the chair and members of each committee of the board of directors;
- review and approve any management contracts, change of control agreements, indemnity agreements and significant consulting contracts; and
- review and approve any requests by management to engage a compensation consultant to provide services related to executive or board compensation matters.

The Compensation Committee has the authority to retain consultants, including compensation consultants or advisors, as the Committee may determine necessary or advisable to carry out its responsibilities.

Board Committees

The Corporation's board of directors has four standing committees: the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Health, Safety and Environment Committee. Details in respect of the Corporate Governance and Nominating Committee and the Compensation Committee are provided above. The information about the Audit Committee required by National Instrument 52-110 – *Audit Committees* is disclosed in the Corporation's Annual Information Form in the "Audit Committee Information" section and a copy of the Audit Committee mandate is attached as Appendix A to the Corporation's Annual Information Form filed on SEDAR at www.sedar.com.

The Health, Safety and Environment Committee is responsible for monitoring the health, safety and environment practices, procedures and performance of the Corporation and its subsidiaries and for monitoring compliance with applicable legislation and conformity with industry standards. The Committee is also responsible for reviewing management reports and, when appropriate, making recommendations to the board of directors on the Corporation's policies and procedures related to health, safety and the environment. The Health, Safety and Environment Committee consists of three members, two of whom are independent.

Assessments

The board of directors, its committees and individual directors are formally assessed at least annually with respect to effectiveness and overall contribution. The objective of the process is to increase the effectiveness of the board of directors and its committees, maximize each director's contribution and fully consider the full roles the directors are playing. The assessment is conducted by the Corporate Governance and Nominating Committee through the completion of a detailed questionnaire that assesses each director and board committee and facilitates a comprehensive peer review. The responses to such questionnaires are summarized by outside counsel in order to preserve the confidentiality of the process and ensure that meaningful feedback is provided, and are reviewed and assessed by the Corporate Governance and Nominating Committee which in turn presents the results, together with recommendations for improving the board's composition, to the board of directors. In addition, the chair of the Corporate Governance and Nominating Committee meets with each director individually to discuss any concerns or suggestions with respect to governance matters and overall board functioning.

Director Term Limits and Board Renewal

The Corporation has not adopted a director term or age limit because it does not believe that such limits are in the best interests of shareholders as they can restrict experienced and valuable directors from service through arbitrary means. While new directors may bring fresh perspectives and new experience, the board of directors believes that a longer serving director can make a growing contribution to the board over time through the accumulation of valuable knowledge regarding the Corporation's business, including industry trends and cycles, market conditions and geo-political influences.

As an alternative to term limits, the board of directors, in conjunction with the Corporate Governance and Nominating Committee and external counsel, assesses the need for board renewal annually by reviewing each director's effectiveness and contributions to the board of directors as described under the headings "Corporate Governance Practices – Nomination of Directors" and "Corporate Governance Practices – Assessments". These assessments reflect the Corporation's focus on assembling a board of directors with the right mix of skills and experience to navigate the complex and critical issues faced by the Corporation.

The current directors have served on the board for between four to 15 years, with the average tenure being approximately 10.6 years.

Board Diversity

The board of directors of the Corporation believes that board nominations should be made on the basis of the qualifications, skills, knowledge, experience and character of individual candidates and the requirements of the board at the time. The Corporation is committed to a meritocracy and believes that considering the broadest group of individuals who have the skills, experience, qualifications, knowledge and character required to provide the leadership needed to achieve its business objectives, without reference to the age, gender, race, ethnicity or religion of such individuals, is in the best interests of the Corporation and all of its stakeholders. Therefore, the Corporation has not adopted a formal policy relating to the identification and nomination of women directors. The board recognizes the benefits of diversity at the board level and diversity will be considered by the Corporate Governance and Nominating Committee in assessing candidates and selecting nominees for the board of directors, but the board of directors will not compromise the principles of a meritocracy. Additional information on the director nomination process is discussed under the heading "Corporate Governance Practices – Nomination of Directors".

Consideration of the Representation of Women in the Director Identification and Selection Process

Although the board of directors encourages the consideration of women who have the necessary skills, experience, qualifications, knowledge and character when identifying and nominating candidates for election or re-election to the board, the level of representation of women on the board of directors is not specifically considered in identifying and nominating such candidates. In keeping with the Corporation's commitment to a meritocracy, the board of directors believes that the best and most qualified individuals in all respects should be the individuals nominated for election or re-election to the board.

Consideration Given to the Representation of Women in Executive Officer Appointments

Although the board of directors encourages the consideration of women who have the necessary the skills, experience, qualifications, knowledge and character when making executive officer appointments, the level of representation of women in executive officer positions is not specifically considered when making such appointments. In keeping with the Corporation's commitment to a meritocracy, the board of directors believes that the best and most qualified individuals in all respects should be the individuals appointed to executive officer positions.

Targets Regarding the Representation of Women on the Board and in Executive Officer Positions

The board of directors has not adopted a target regarding the gender composition of the Corporation's board or executive officers. Although the board of directors recognizes the benefits of diversity, the board believes that imposing such targets would compromise the principles of a meritocracy.

Women on the Board and in Executive Officer Positions

As at December 31, 2016, none of the Corporation's seven directors (0%) and none of the Corporation's fifteen executive officers (0%) are women.

Risk Oversight

The board of directors is responsible for understanding the principal risks of the business in which the Corporation is engaged, achieving a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

The full board of directors is actively involved in overseeing risk management for the Corporation. It does so in part through its oversight of the Corporation's Risk Committee, which is comprised of a cross-section of senior management, including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel as permanent members. The Risk Committee meets annually, or as required, to ensure that all potential material risks facing the Corporation are identified and that appropriate mitigation measures are implemented. The Risk Committee minutes are delivered to the board of directors after each meeting and there is a comprehensive presentation to the board each year regarding the Risk Committee's risk mapping and mitigation efforts for the prior year.

While the board of directors is ultimately responsible for risk oversight, the board's committees also have been allocated responsibility for specific aspects of risk oversight. In particular, the Audit Committee assists the board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls, risk assessment and risk management. The Compensation Committee assists the board in fulfilling its oversight responsibilities with respect to the risks arising from the Corporation's compensation policies and programs. The Health, Safety and Environment Committee assists the board in fulfilling its oversight responsibilities with respect to the risks associated with the Corporation's health, safety and environmental objectives, policies and performance. The Corporate Governance and Nominating Committee assists the board in fulfilling its oversight responsibilities with respect to the risks associated with board organization, membership and structure, ethics and compliance, succession planning for directors and executive officers, and corporate governance.

FEEDBACK FROM STAKEHOLDERS

The board of directors has assigned to the Chairman of the board, the President and Chief Executive Officer, and the chair of the Corporate Governance and Nominating Committee the responsibility for bringing to the attention of the board any feedback received by them from shareholders and other stakeholders of the Corporation. Shareholders and other stakeholders are encouraged to provide such feedback by email to Ronald P. Mathison, the Chairman of the board, at rmathison@matcocap.com, to Fernando Aguilar, the President and Chief Executive Officer at faguilar@calfrac.com and to Kevin R. Baker, Q.C., the chair of the Corporate Governance and Nominating Committee, at kbaker@baycorcapital.com.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is on SEDAR at www.sedar.com.

Information regarding the business of the Corporation is provided in the Corporation's current Annual Information Form. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2016. Shareholders may obtain copies of these documents and the Corporation's interim financial statements and additional copies of this Circular without charge by contacting the Corporate Secretary of the Corporation at 411 – 8th Avenue S.W., Calgary, Alberta, T2P 1E3 (phone: 403-266-6000; fax: 403-266-7381).

DATED March 31, 2017.

APPENDIX A

BOARD OF DIRECTORS MANDATE

The board of directors (the "Board") of Calfrac Well Services Ltd. ("Calfrac") is responsible for the stewardship of Calfrac and for overseeing the conduct of the business of Calfrac and the activities of management, who are responsible for the day-to-day conduct of the business.

Composition and Operation

The Board operates by reserving certain powers to itself and delegating certain of its authorities. The Board retains responsibility for managing its own affairs, including selecting its chair, nominating candidates for election to the Board, constituting committees of the Board, appointing the chairs of committees of the Board, and determining director compensation. Subject to the articles and by-laws of Calfrac and the *Business Corporations Act* (Alberta), the Board may constitute committees of the Board and seek the advice of, and delegate powers, duties and responsibilities to, its committees and management.

Responsibilities

The Board's primary responsibilities are to preserve and enhance long-term shareholder value and to ensure that Calfrac meets its obligations on an on-going basis and operates in a reliable and safe manner. In performing its duties, the Board should also consider the legitimate interests other stakeholders, such as employees, customers and communities, may have in Calfrac. In broad terms, the Board's stewardship of Calfrac involves strategic planning, risk management and mitigation, executive management appointment and assessment, communication planning, and internal control integrity. More specifically, the Board is responsible for

- (a) satisfying itself as to the integrity of the chief executive officer ("CEO") and other executive officers and ensuring that the CEO and other executive officers create a culture of integrity throughout the organization,
- (b) adopting a business planning process and approving, on an annual basis, a business plan for Calfrac which takes into account, among other things, the opportunities and risks of the business,
- (c) identifying the principal risks of Calfrac's business and ensuring the implementation of appropriate systems to manage these risks,
- (d) succession planning, including appointing, training and monitoring senior management,
- (e) adopting a communication policy for Calfrac that includes measures for receiving feedback from stakeholders,
- (f) monitoring the integrity of Calfrac's internal control and management information systems,
- (g) developing Calfrac's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to Calfrac, and
- (h) on an individual basis, attending Board meetings, reviewing meeting materials in advance of meetings, and complying with the other expectations and responsibilities of directors of Calfrac established by the Board.

In discharging these responsibilities and the specific duties set out below, the Board will utilize and direct management of Calfrac to the extent the Board considers to be appropriate.

Specific Duties

The Board's specific duties, obligations and responsibilities fall into the following categories.

1. *Legal Requirements*

- (a) The Board has oversight responsibility for Calfrac's satisfaction of its legal obligations and for the preparation and maintenance of Calfrac's documents and records.
- (b) The Board has the statutory obligation to
 - (i) manage the business and affairs of Calfrac, and
 - (ii) act in accordance with its obligations under the *Business Corporations Act* (Alberta) and the regulations thereunder, Calfrac's articles and by-laws, and other relevant legislation and regulations,and each director of Calfrac in exercising the director's powers and discharging the director's duties has the statutory obligation to
 - (iii) act honestly and in good faith with a view to the best interests of Calfrac, and
 - (iv) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.
- (c) The Board has the statutory obligation to consider the following matters as a board of directors and may not delegate to management or to a committee of the Board any authority with respect to these matters:
 - (i) submit to the shareholders any question or matter requiring the approval of the shareholders,
 - (ii) fill a vacancy among the directors or in the office of auditor,
 - (iii) issue securities except in the manner and on the terms authorized by the Board,
 - (iv) declare dividends,
 - (v) purchase, redeem or otherwise acquire shares issued by Calfrac, except in the manner and on the terms authorized by the Board,
 - (vi) pay a commission to any person in consideration of the person's purchasing or agreeing to purchase shares of Calfrac from Calfrac or from any other person, or procuring or agreeing to procure purchasers for shares of Calfrac, except in the manner and on the terms authorized by the Board,
 - (vii) approve any management proxy circular relating to a solicitation of proxies by or on behalf of the management of Calfrac,
 - (viii) approve any take-over bid circular or directors' circular,
 - (ix) approve any annual financial statements of Calfrac, or
 - (x) adopt, amend or repeal by-laws.

2. *Independence*

The Board is responsible for implementing appropriate structures and procedures to permit the Board to function independently of management.

3. *Strategic Planning*

The Board is responsible for ensuring that there are long-term goals and a strategic planning process in place for Calfrac and participating with management directly or through its committees in approving the strategic plans by which Calfrac proposes to achieve its goals.

4. *Risk Management*

The Board is responsible for understanding the principal risks of the business in which Calfrac is engaged, achieving a proper balance between risks incurred and the potential return to shareholders, and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of Calfrac.

5. *Appointment, Training and Monitoring of Senior Management*

The Board is responsible for

- (a) appointing the CEO of Calfrac, monitoring and assessing the CEO's performance, determining the CEO's compensation, and providing advice and counsel to the CEO in the execution of the CEO's duties,
- (b) approving the appointment and remuneration of all other officers of Calfrac, and
- (c) confirming that adequate provision has been made for the training and development of management and for the orderly succession of management.

6. *Reporting and Communication*

The Board is responsible for

- (a) verifying that Calfrac has in place policies and programs to enable Calfrac to communicate effectively with its shareholders, other stakeholders and the public generally,
- (b) verifying that the financial performance of Calfrac is adequately reported to shareholders, other security holders, regulators and the public on a timely and regular basis,
- (c) verifying that Calfrac's financial results are prepared and reported fairly and in accordance with generally accepted accounting principles,
- (d) verifying the timely reporting of any other developments that have a material effect on Calfrac, and
- (e) reporting annually to shareholders on the Board's stewardship of the affairs of Calfrac for the preceding year.

The Board has assigned to the chair of the Board, the CEO, and the chair of the Corporate Governance and Nominating Committee responsibility for bringing to the attention of the Board feedback received by them from shareholders and other stakeholders of Calfrac. To encourage and facilitate such feedback, instructions for contacting these individuals will be disclosed annually in Calfrac's management information circular and will be posted on Calfrac's web site.

7. *Monitoring and Acting*

The Board is responsible for

- (a) verifying that Calfrac operates at all times within applicable laws and regulations to the highest ethical standards,
- (b) approving and monitoring compliance with the significant policies and procedures by which Calfrac is operated,
- (c) verifying that Calfrac sets high environmental standards in its operations and is in compliance with environmental laws and regulations,
- (d) verifying that Calfrac has in place appropriate programs and policies for the health and safety of its employees in the workplace,
- (e) monitoring Calfrac's progress toward its goals and objectives and revising and altering its direction through management in response to changing circumstances,
- (f) taking action when Calfrac's performance falls short of its goals and objectives or when other special circumstances warrant,
- (g) verifying that Calfrac has implemented adequate information systems, disclosure controls and procedures, and internal control over financial reporting,
- (h) ensuring that the Board receives from senior management on a timely basis the information and input required to enable the Board to effectively perform its duties,
- (i) adopting a written code of business conduct and ethics and monitoring compliance with the code, and
- (j) conducting and acting upon annual assessments and evaluations of the Board, committees of the Board and individual directors.

8. *Other*

The Board may exercise or delegate any other powers consistent with this mandate, Calfrac's articles and by-laws, and any governing laws, as the Board deems necessary or appropriate. The powers of the Board may be exercised by a resolution passed at a meeting of the Board at which a quorum is present or by a resolution in writing signed by all of the directors entitled to vote on that resolution at a meeting of the Board. If there is a vacancy in the Board, the remaining directors may exercise all the powers of the Board so long as a quorum remains in office.

Reviewed and approved on February 22, 2017.

APPENDIX B

CALFRAC WELL SERVICES LTD. – PERFORMANCE SHARE UNIT PLAN

PART I

PERFORMANCE SHARE UNIT PLAN

1. PURPOSE

- 1.1 The purpose of this Plan is to advance the interests of the Corporation by: (i) increasing the proprietary interests of Participants in the Corporation, (ii) aligning the interests of Participants with the interests of the Corporation's shareholders generally, (iii) encouraging Participants to remain associated with the Corporation, and (iv) furnishing Participants with an additional incentive in their efforts on behalf of the Corporation.

2. PLAN DEFINITIONS AND INTERPRETATIONS

- 2.1 In this Plan, the following terms have the following meanings:

"Applicable Law" means any applicable provision of law, domestic or foreign, including the *Securities Act* (Alberta) as amended, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and any applicable provisions of Stock Exchange Rules;

"Award Agreement" means an agreement between a Participant and the Corporation evidencing the terms and conditions under which an award of Performance Share Units has been granted under this Plan;

"Beneficiary" means any person designated by a Participant by written instrument filed with the Corporation to receive any amount, securities or property payable under the Plan in the event of a Participant's death or, failing any such effective designation, the Participant's estate;

"Board" means the board of directors of the Corporation;

"Cause" means, unless otherwise defined in the applicable agreement evidencing the grant of a Performance Share Unit hereunder or a Participant's employment agreement, any act or omission that would entitle the Employer to terminate the Participant's employment without notice or compensation under the common law for just cause, including, without in any way limiting its meaning under the common law:

- (a) any improper conduct by the Participant which is materially detrimental to the Employer; or
- (b) the willful failure of the Participant to properly carry out his or her duties on behalf of the Employer or to act in accordance with the reasonable direction of the Employer;

"Committee" means the Compensation Committee of the Board or any other committee of the Board, as constituted from time to time, which may be appointed by the Board to, *inter alia*, interpret, administer and implement the Plan;

"Competitor" means any person or entity who directly or indirectly competes with any member of the Corporate Group and further includes any person or entity who otherwise owns any direct or indirect equity interest in any person or entity who competes with any member of the Corporate Group (other than as a result of ownership of less than 5% of the equity interests in a publicly-traded corporation or partnership);

"Control Change" means the occurrence of any of: (a) the acceptance by the holders of Shares of the Corporation, representing in the aggregate thirty percent (30%) or more of all issued Shares of the

Corporation, of any offer, whether by way of a takeover bid or otherwise, for all or any of the outstanding Shares of the Corporation; provided that no change of control shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date, (b) the acquisition, by whatever means, by a person (or two or more persons who, in such acquisition, have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Shares acquired), directly or indirectly, of beneficial ownership of such number of Shares or rights to Shares of the Corporation, which together with such person's then-owned Shares and rights to Shares, if any, represent (assuming the full exercise of such rights) thirty percent (30%) or more of the combined voting rights attached to the Corporation's then-outstanding Shares, (c) the entering into of any agreement by the Corporation to merge, consolidate, restructure, amalgamate, initiate an arrangement or be absorbed by, into or with another corporation; provided that no change of control shall be deemed to have occurred if upon completion of any such transaction individuals who were members of the Board immediately prior to the effective date of such transaction constitute a majority of the board of directors of the resulting corporation following such effective date, (d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement), or (e) individuals who were members of the Board immediately prior to a meeting of the shareholders of the Corporation involving a contest for the election of directors no longer constitute a majority of the Board following such election;

"Control Period" means the period commencing on the date of the Control Change and ending two years after the date of the Control Change;

"Corporate Group" means the Corporation and its subsidiaries;

"Corporation" means Calfrac Well Services Ltd. and its respective successors and assigns, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board or any person or committee that has been designated for the purpose by the Corporation including, without limitation, the Committee;

"Date of Grant" of a Performance Share Unit means the date a Performance Share Unit is granted to a Participant under the Plan, as evidenced by an Award Agreement;

"Employer" means with respect to a Participant, the entity in the Corporate Group that employs the Participant or that employed the Participant immediately prior to his or her Termination Date;

"Good Reason" as used in connection with the termination of a Participant's employment, means (a) with respect to any Participant employed under a written employment agreement with a member of the Corporate Group, "good reason" or similar term as defined in that written agreement or, if such agreement contains no such definition, a material breach by the applicable member of the Corporate Group of that agreement, or (b) with respect to any other Participant, a failure by the Employer to pay that Participant any amount otherwise vested and due and a continuation of that failure for 30 business days following notice to the Employer of that failure;

"including" means including without limitation;

"Market Value" means, on any date, the weighted average trading price of a Share on the Toronto Stock Exchange ("TSX") during the last five trading days prior to that date or, if the Shares are not then listed and posted for trading on the TSX, then on such stock exchange in Canada on which the Shares are then listed and posted for trading as may be selected for such purpose by the Board, or, if the Shares are not then listed and posted for trading on any stock exchange in Canada, then it shall be the fair market value per Share as determined by the Board in its sole discretion;

"Normal Retirement" means the normal retirement of the Participant from employment with the Employer or the early retirement of the Participant pursuant to any applicable retirement plan of the Employer;

"Participant" means any officer (but excluding non-employee directors of the Corporation) or employee of the Corporate Group who has been designated by the Corporation for participation in the Plan and who has agreed to participate in the Plan on such terms as the Corporation may specify;

"Performance Share Unit" means a unit credited by means of an entry on the books of the Corporation or its agent to a Participant pursuant to the Plan, representing the right to receive a payment therefor, equal to the Market Value of a Share calculated at the date of such payment, at the time, in the manner, and subject to the terms, set forth in the Plan;

"Performance Share Unit Account" has the meaning set out in Section 5.1;

"Permanent Disability" means where the Participant:

- (a) is to a substantial degree unable, due to illness, disease, affliction, mental or physical disability or similar cause, to fulfill his obligations as an officer or employee of the Employer either for any consecutive 12 month period or for any period of 18 months (whether or not consecutive) in any consecutive 24 month period; or
- (b) is declared by a court of competent jurisdiction to be mentally incompetent or incapable of managing his affairs;

"Plan" means this Performance Share Unit Plan as set out herein, as the same may be amended and varied from time to time;

"Post-Retirement Work" means the provision of paid services to any person or entity which, in the opinion of the Board, is a Competitor, for an average of thirty (30) or more hours per week;

"Service Year" has the meaning set out in Section 3.3;

"Shares" means the common shares in the capital of the Corporation as presently constituted or any shares in the capital of the Corporation into which such shares are changed, reclassified, subdivided, consolidated or converted or which is substituted for such shares, or as such shares in the capital of the Corporation may further be changed, reclassified, subdivided, consolidated, converted or substituted;

"Stock Exchange Rules" means the applicable rules of any stock exchange upon which Shares of the Corporation are listed, as amended;

"Termination Date" means the date a Participant ceases active service as an officer or employee of any member of the Corporate Group not including, for greater certainty, any notice or period in lieu of notice provided or required pursuant to contract, statute or common law;

"Trust" means any trust established from time to time by the Corporation in relation to the Plan;

"Trustee" means the person who is appointed as trustee of the Trust; and

"Vested Performance Share Units" has the meaning set out in Section 6.2;

- 2.2 In this Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.

PART II

GRANT OF UNITS

3. GRANT OF UNITS

- 3.1 The Corporation may grant Performance Share Units to Participants in such number as the Board may, in its sole discretion, determine.
- 3.2 At such time or times as the Board may, in its sole discretion, determine, the Corporation shall provide an Award Agreement to each applicable Participant in the Plan setting out the awards of Performance Share Units to such Participant at such time.
- 3.3 Notwithstanding any other provision herein, unless otherwise provided in the applicable Award Agreement, the granting of Performance Share Units to any Participant under the Plan in any fiscal year will be awarded solely in respect of performance of such Participant in the same fiscal year as the Date of Grant (the "Service Year"). Any such grant shall be in addition to, and not in substitution or in lieu of regular salary or wages.
- 3.4 Notwithstanding any other provision of the Plan, no amount will be paid to, or in respect of, a Participant under this Plan or pursuant to any other arrangement, and no Performance Share Units will be granted to such Participant to compensate for a downward fluctuation in the value of any Shares in the capital of the Corporation nor will any other form of benefit be conferred upon or in respect of a Participant for such purpose.
- 3.5 Subject to the terms of this Plan, the Corporation may determine other terms or conditions of any Performance Share Units.
- 3.6 All grants of Performance Share Units under this Plan will be evidenced by an Award Agreement. Award Agreements will be subject to the applicable provisions of this Plan and will contain such provisions as are required by this Plan and any other provisions that the Board may direct. Any one director or executive officer of the Corporation is authorized and empowered to execute and deliver (electronically or otherwise), for and on behalf of the Corporation, an Award Agreement to each Participant granted Performance Share Units pursuant to the Plan.

4. FORFEITED UNITS

- 4.1 No cash or other compensation shall at any time be paid in lieu of any Performance Share Units which have been forfeited under this Plan.

PART III

PERFORMANCE SHARE UNITS

5. PERFORMANCE SHARE UNIT GRANTS AND ACCOUNTS

- 5.1 An account, to be known as a "Performance Share Unit Account", shall be maintained by the Corporation or its agent for each Participant. On the Date of Grant, the Performance Share Unit Account will be credited with the Performance Share Units granted to a Participant on that date.
- 5.2 If determined to be appropriate by the Committee in its sole discretion, whenever cash dividends are paid on the Shares, additional Performance Share Units will be credited to the Participant's Performance Share Unit Account as a bonus for services rendered in the year of crediting. The number of such additional Performance Share Units shall be calculated by dividing:

- (a) the amount determined by: multiplying (i) the number of Performance Share Units in such Participant's Performance Share Unit Account on the record date for the payment of such dividend by (ii) the dividend paid per Share; by
- (b) the Market Value of a Share on the dividend payment date for such dividend, in each case, with fractions computed to three decimal places.

Such additional Performance Units shall vest on the basis set out in Section 6.1 from the Date of Grant of the underlying Performance Share Units and shall be forfeited or redeemed on the same basis as the underlying Performance Share Units.

6. VESTING

- 6.1 The Corporation shall designate, at the time of grant or credit of Performance Share Units, the date or dates on which all or portion of the Performance Share Units shall vest and any conditions to such vesting including, without limitation, conditions related to performance factors, provided that no such condition shall cause the Performance Share Units to cease to comply with the exception to the definition of salary deferral arrangement contained in paragraph (k) of subsection 248(1) of the Income Tax Act (Canada) or any successor provision thereto. Any conditions to such vesting shall be set out in the applicable Award Agreement.
- 6.2 All Performance Share Units recorded in a Participant's Performance Share Unit Account which have vested in accordance with Section 6.1 above and any Performance Share Units which vest as contemplated in Sections 6.5 and 9.1 are referred to herein as "Vested Performance Share Units".
- 6.3 Unless otherwise determined by the Corporation, and subject to Article 8, on a Participant's Termination Date, any Performance Share Units credited to such Participant's Performance Share Unit Account which are not Vested Performance Share Units shall terminate and be forfeited, and any Vested Performance Share Units shall be redeemed pursuant to Article 7.
- 6.4 For greater certainty, no Participant nor any Beneficiary or other person claiming through a Participant shall be entitled to any benefit hereunder in respect of any Performance Share Units that are not Vested Performance Share Units.
- 6.5 Notwithstanding anything else herein contained, the Board may, in its discretion, at any time (including, without limitation, in the event of a Control Change) permit the acceleration of vesting of any or all Performance Share Units, all in the manner and on the terms as may be authorized by the Board.

7. REDEMPTION OF PERFORMANCE SHARE UNITS

- 7.1 Subject to Section 6.3, Section 7.2, Section 7.3, Section 7.4 and Article 8, on a date which is no later than 30 days after Performance Share Units become Vested Performance Share Units, such Vested Performance Share Units shall be redeemed and a payout made to the Participant or the Participant's Beneficiary, as applicable. For greater certainty, the payout date for Vested Performance Share Units may take place after the redemption date for Vested Performance Share Units so long as both such dates take place no later than 30 days after Performance Share Units become Vested Performance Share Units. The Market Value of the Vested Performance Share Units so redeemed, determined as at the date of redemption, shall, after deduction of any applicable taxes and other source deductions required to be withheld by the Corporation or the Employer, be paid in cash. Notwithstanding any other provisions of this Plan, if a redemption date or payout date would otherwise occur during or within ten (10) business days after the end of a black out period imposed by the Corporation, then the period during which such Performance Share Unit may be redeemed and paid out shall be extended automatically to 5:00 p.m. (Calgary time) on the tenth business day after the last day of such black out period.

- 7.2 The Corporation or Employer may, at its sole discretion, choose to satisfy its payment obligation under Section 7.1 (without the agreement of applicable Participant) by:
- (a) subject to the receipt of all necessary shareholder approvals as required under the rules, regulations and policies of the Toronto Stock Exchange and any other applicable stock exchange on which Shares are listed, issuing or causing to be issued to the Participant the number of whole Shares that is equal to the number of whole Vested Performance Share Units recorded in the Participant's Performance Share Unit Account as at the date of redemption (less any amounts necessary to satisfy applicable withholding taxes);
 - (b) by instructing an independent broker, where the fees of such independent broker shall be for the account of the Corporation or the Employer, to (i) acquire a number of fully paid Shares on the open market on behalf of the Participant or the Participant's Beneficiary, as applicable, the number of such Shares being the result obtained when the amount of cash which would otherwise be paid pursuant to Section 7.1 (less any amounts necessary to satisfy applicable withholding taxes) is divided by the Market Value of a Share on the date of redemption and (ii) delivering such Shares to the Participant or the Participant's Beneficiary, as applicable; or
 - (c) by instructing the Trustee (if any) to distribute an applicable number of Shares (less any amounts necessary to satisfy applicable withholding taxes) held by the Trust to the Participant or the Participant's Beneficiary, as applicable.

7.3 Notwithstanding any other provision of the Plan, all amounts payable to, or in respect of, a Participant under this Article 7 shall be paid (or issued, as applicable) within three years following the end of the applicable Service Year.

7.4 No fractional Shares will be delivered pursuant to the Plan and the Committee will determine whether cash, other securities, or other property will be paid or transferred in lieu of any fractional Shares or whether any entitlement or rights to those fractional Shares will be canceled, terminated, or otherwise eliminated.

8. TERMINATION, DEATH, DISABILITY OR RETIREMENT OF PARTICIPANT

8.1 Subject to the applicable Award Agreement providing otherwise, if a Participant who is an officer or employee of the Corporation or a subsidiary of the Corporation ceases to be an active officer or employee of the Corporation or a subsidiary of the Corporation for any reason other than death, Permanent Disability or Normal Retirement all Performance Share Units previously granted to him or her shall immediately terminate and be forfeited on his or her Termination Date.

8.2 Subject to the applicable Award Agreement providing otherwise, in the event of the death, Permanent Disability or Normal Retirement of a Participant, any Performance Share Units previously granted to him or her shall continue to vest in accordance with the terms and conditions of such Performance Share Units and shall be redeemable in accordance with Article 7 hereof until the expiration of such Performance Share Units or until the expiration of 12 months after the date of death, Permanent Disability or Normal Retirement of such Participant (or, in the case of Normal Retirement, for so long as the Participant does not commence Post-Retirement Work), whichever is earlier.

8.3 Notwithstanding the foregoing, where at any time within 12 months of the Participant ceasing to be an active officer or employee of the Corporation or a subsidiary of the Corporation, the Participant commences Post-Retirement Work, his or her unvested Performance Share Units will terminate and be forfeited at 5:00 p.m. (Calgary time) on the earlier of the date of expiration of such Performance Share Units and the ninetieth (90th) day after the date on which the Participant commenced Post-Retirement Work. During such period, such Participant's Performance Share Units shall be redeemable only to the extent that such Performance Share Units were redeemable as at the day prior to the day that the Participant commenced Post-Retirement Work.

PART IV

CORPORATE TRANSACTIONS

9. CONTROL CHANGE

9.1 In the event of a Control Change or a determination by the Board that a Control Change is expected to occur, the Board shall have the authority to take all necessary steps so as to ensure the preservation of the economic interests of the Participants in, and to prevent the dilution or enlargement of, any unvested Performance Share Units, including, without limitation ensuring that the Corporation or any entity which is or would be the successor to the Corporation or which may issue securities in exchange for Shares upon the Control Change becoming effective will provide each Participant with new or replacement or amended Performance Share Units which will continue to vest and be exercisable following the Control Change on similar terms and conditions as provided in this Plan provided that:

- (a) if the Participant shall cease to be an officer or employee of the Corporate Group following the Control Change by reason of termination:
 - (i) by the Employer or by the entity that has entered into a valid and binding agreement with a member of the Corporate Group to effect the Control Change at any time during the Control Period and such termination was for any reason other than for Cause; or
 - (ii) by the Participant by resignation for Good Reason, provided such resignation occurs during the Control Period; or
- (b) the Board, in its sole discretion, determines that it would not be practicable to cause the provision of such new or replacement or amended Performance Share Units,

then, all Performance Share Units credited to the Participant and then outstanding shall (whether otherwise vested or not at such time) become Vested Performance Share Units at the time of such termination, in the case of Section 9.1(a), or upon the Control Change, in the case of Section 9.1(b), and such Participant shall be entitled to payouts in accordance with Article 7.

10. SHARES SUBJECT TO PLAN AND CHANGES IN SHARE CAPITAL

10.1

- (a) The maximum number of Shares issuable under this Plan and any other share based compensation arrangements of the Corporation at any time shall not exceed 10% of the total number of issued and outstanding Shares at that time.
- (b) If any Performance Share Unit granted under this Plan shall expire, terminate or be cancelled for any reason without having been redeemed in full, any Shares to which such Performance Share Unit relates shall be available for the purposes of the granting of Performance Share Units under this Plan.
- (c) The number of Shares issuable to insiders (as that term is defined in the Company Manual of the Toronto Stock Exchange (the "TSX")) at any time under this Plan and any other share compensation arrangements of the Corporation shall not exceed 10% of the total number of issued and outstanding Shares.
- (d) The number of Shares issued to insiders under this Plan and any other share compensation arrangements of the Corporation, within any one-year period, shall not exceed 10% of the total number of issued and outstanding Shares.

- (e) The number of Shares issuable to any one insider and such insider's associates (as that term is defined by the *Securities Act* (Ontario)) under this Plan and any other share compensation arrangements of the Corporation, within a one-year period, shall not exceed 5% of the total number of issued and outstanding Shares.
- 10.2 If the number of outstanding Shares of the Corporation is increased or decreased as a result of a subdivision, consolidation, reclassification or recapitalization and not as a result of the issuance of Shares for additional consideration or by way of a Share dividend in the ordinary course, the Corporation shall make appropriate adjustments to the number of Performance Share Units outstanding under the Plan provided that the dollar value of Performance Share Units credited to a Participant's Performance Share Unit Account immediately after such an adjustment shall not exceed the dollar value of the Performance Share Units credited to such Participant's Performance Share Unit Account immediately prior thereto. Any determinations by the Corporation as to the adjustments shall be made in its sole discretion and all such adjustments shall be conclusive and binding for all purposes under the Plan subject to, if required, approval by the TSX.

PART V

ADMINISTRATION

11. ADMINISTRATION

- 11.1 The Plan shall be administered by the Corporation in accordance with its provisions. All costs and expenses of administering the Plan will be paid by the Corporation. The Corporation may, from time to time, establish administrative rules and regulations and prescribe forms or documents relating to the operation of the Plan as it may deem necessary to implement or further the purpose of the Plan and amend or repeal such rules and regulations or forms or documents. The Corporation, in its discretion, may appoint a committee for the purpose of interpreting, administering and implementing the Plan. In administering the Plan, the Corporation or the committee may seek recommendations from the Chairman or from the Chief Executive Officer of the Corporation. The Corporation may also delegate to the committee or any director, officer or employee of the Corporation such duties and powers relating to the Plan as it may see fit. The Corporation may also appoint or engage a trustee; custodian or administrator to administer or implement the Plan.
- 11.2 The Corporation or its agent shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties. At such times as the Corporation shall determine, the Corporation shall furnish the Participant with a statement setting forth the details of his or her Performance Share Units including Date of Grant and the Vested Performance Share Units held by each Participant.
- 11.3 Any payment, notice, statement, certificate, agreement or other instrument required or permitted to be given to a Participant or any person claiming or deriving any rights through him or her shall be given by:
- (a) delivering it personally to the Participant or to the person claiming or deriving rights through him or her, as the case may be;
 - (b) mailing it postage paid (provided that the postal service is then in operation) or delivering it to the address which is maintained for the Participant in the Corporation's personnel records; or
 - (c) delivering it electronically, by electronic mail or otherwise, to the Participant.
- 11.4 Any payment, notice, statement, certificate, agreement or other instrument required or permitted to be given to the Corporation shall be given in such manner as the Corporation, in its discretion, advises the Participant from time to time (where the manner advised by Corporation may include, without limitation, by mailing it postage paid (provided that the postal service is then in operation), delivering it to the

Corporation at its principal address, or (other than in the case of a payment) sending it by means of facsimile, electronic mail or similar means of electronic transmission, to the attention of the Corporation).

- 11.5 Any payment, notice, statement, certificate, agreement or other instrument referred to in section 11.3 or 11.4, if delivered, shall be deemed to have been given or delivered on the date on which it was delivered, if mailed (provided that the postal service is then in operation), shall be deemed to have been given or delivered on the second business day following the date on which it was mailed and if by facsimile, electronic mail or similar means of electronic transmission, shall be deemed to have been given or delivered on the next business day following transmission.

12. CURRENCY

- 12.1 All payments under the Plan for a particular Participant shall be paid in the lawful currency of the jurisdiction in which such Participant's Employer is incorporated, formed or organized, unless otherwise determined by the Corporation.

13. BENEFICIARIES AND CLAIMS FOR BENEFITS

- 13.1 Subject to the requirements of Applicable Law, a Participant shall designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in such form and executed and filed in such manner as the Corporation may from time to time determine.

14. GENERAL

- 14.1 The transfer of an employee from the Corporation to a subsidiary, from a subsidiary to the Corporation, or from one subsidiary to another subsidiary, shall not be considered a termination of employment for the purposes of the Plan, nor shall it be considered a termination of employment if a Participant is placed on such other leave of absence which is considered by the applicable Employer as continuing intact the employment relationship; in such a case, the employment relationship shall be continued until the later of the date when the leave equals ninety days or the date when a Participant's right to reemployment shall no longer be guaranteed either by law or by contract, except that in the event active employment is not renewed at the end of the leave of absence, the employment relationship shall be deemed to have ceased at the beginning of the leave of absence.

14.2

- (a) The Board may, at any time, suspend or terminate this Plan.
- (b) The Board may at any time, without shareholder approval, amend or revise the terms of this Plan or any Performance Share Units, subject to any required regulatory approval, and without limiting the generality of the foregoing the Board may at any time add to or repeal any of the terms of this Plan or any Performance Share Unit and may make the following changes, deletions, revisions or amendments ("amendments"):
 - (i) any amendment to the vesting provisions of this Plan or any Performance Share Unit;
 - (ii) any amendment to the termination provisions of this Plan or any Performance Share Unit which does not entail an extension beyond the original expiry date of the applicable Performance Share Unit;
 - (iii) any amendment to the persons eligible to receive Performance Share Units or otherwise relating to the eligibility of anyone to receive Performance Share Units other than an

amendment which would have the potential of broadening or increasing insider participation;

- (iv) any amendment with respect to the method or manner of redemption of any Performance Share Unit;
- (v) any amendment of a "housekeeping" nature; and
- (vi) any other amendment that under the rules of the TSX (or such other stock exchange on which the Shares may be listed) does not require shareholder approval;

provided that no such addition, repeal, or amendment shall in any manner materially adversely affect the rights of any Participant under any Performance Share Unit theretofore granted under this Plan without such Participant's consent.

- (c) Notwithstanding subsection 14.2(b), shareholder approval will be required, in accordance with the policies of the TSX, in order for the Corporation to:
 - (i) amend the determination of Market Value under the Plan in respect of any Performance Share Unit;
 - (ii) increase the maximum number of Shares reserved for issuance under the Plan;
 - (iii) expand the circumstances under which Performance Share Units may be assigned or transferred;
 - (iv) amend this section 14.2;
 - (v) add to the categories of eligible participants under the Plan;
 - (vi) amend the Plan to remove or increase the insider participation limits set out in section 10.1;
 - (vii) grant additional powers to the Board to amend the Plan or any Performance Share Unit without shareholder approval; and
 - (viii) make any other amendment to the Plan where shareholder approval is required by the TSX.

14.3 The determination by the Corporation of any question which may arise as to the interpretation or implementation of the Plan or any of the Performance Share Units granted hereunder shall be final and binding on all Participants and other persons claiming or deriving rights through any of them.

14.4 The Plan shall enure to the benefit of and be binding upon the Corporation, all Employers and their successors and assigns. The interest of any Participant under the Plan or in any Performance Share Unit shall not be transferable or alienable by him or her either by pledge, assignment or in any other manner whatever, otherwise than by testamentary disposition or in accordance with the laws governing the devolution of property in the event of death or incapacity; and after his or her lifetime shall enure to the benefit of and be binding upon the Participant's Beneficiary.

14.5 The Corporation's issuance of any Performance Share Units or the Corporation's or Employer's obligation to make any payments hereunder is subject to compliance with Applicable Law. As a condition of participating in the Plan, each Participant agrees to comply with all such Applicable Law and agrees to furnish to the Corporation all information and undertakings as may be required to permit compliance with such Applicable Law.

- 14.6 The Corporation or the Employer may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Corporation or the Employer, as the case may be, will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant.
- 14.7 A Participant shall not have the right or be entitled to exercise any voting rights, receive dividends or have or be entitled to any other rights as a shareholder in respect of any Performance Share Units.
- 14.8 Neither designation of an officer or employee of the Corporate Group as a Participant nor the grant of any Performance Share Units to any Participant entitles any Participant to any additional grant of any Performance Share Units under the Plan.
- 14.9 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect any Participant's status as an officer or employee of the Corporate Group, as the case may be.
- 14.10 The Plan shall be an unfunded obligation of the Corporation and its subsidiaries. Unless otherwise expressly specified, neither the establishment of the Plan nor the grant of any Performance Share Units or the setting aside of any funds by the Corporation (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. Amounts payable to any Participant under the Plan shall be a general, unsecured obligation of the Corporation. The right of the Participant or Beneficiary to receive payment pursuant to the Plan shall be no greater than the right of other unsecured creditors of the Corporation.
- 14.11 This Plan is established under the laws of the Province of Alberta and the rights of all parties and the construction of each and every provision of the Plan and any Performance Share Units granted hereunder shall be construed according to the laws of the Province of Alberta.

