CALFRAC WELL SERVICES LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2007

March 27, 2008

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FORWARD-LOOKING INFORMATION

Certain statements contained in this annual information form, including statements that contain words such as "anticipates", "can", "may", "expect", "believe", "intend", "forecast", "will", or similar words suggesting future outcomes, are forward-looking statements. These statements include, but are not limited to, future capital expenditures, future financial resources, future oil and gas well activity, outcome of specific events, trends in the oil and natural gas industry and the Corporation's growth prospects, including, without limitation, its international growth strategy and prospects. These statements are derived from certain assumptions and analyses made by the Corporation based on its experience and interpretation of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances. These statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Corporation's expectations, such as prevailing economic conditions; commodity prices; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; regional competition; and other factors, many of which are beyond the control of the Corporation. Readers are cautioned that the foregoing list of risks and uncertainties is not exhaustive. Further information about these risks and uncertainties may be found under the heading "Risk Factors" in this annual information form.

Consequently, all of the forward-looking statements made in this annual information form are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Corporation will be realized, or that they will have the expected consequences or effects on the Corporation or its business or operations. The Corporation assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

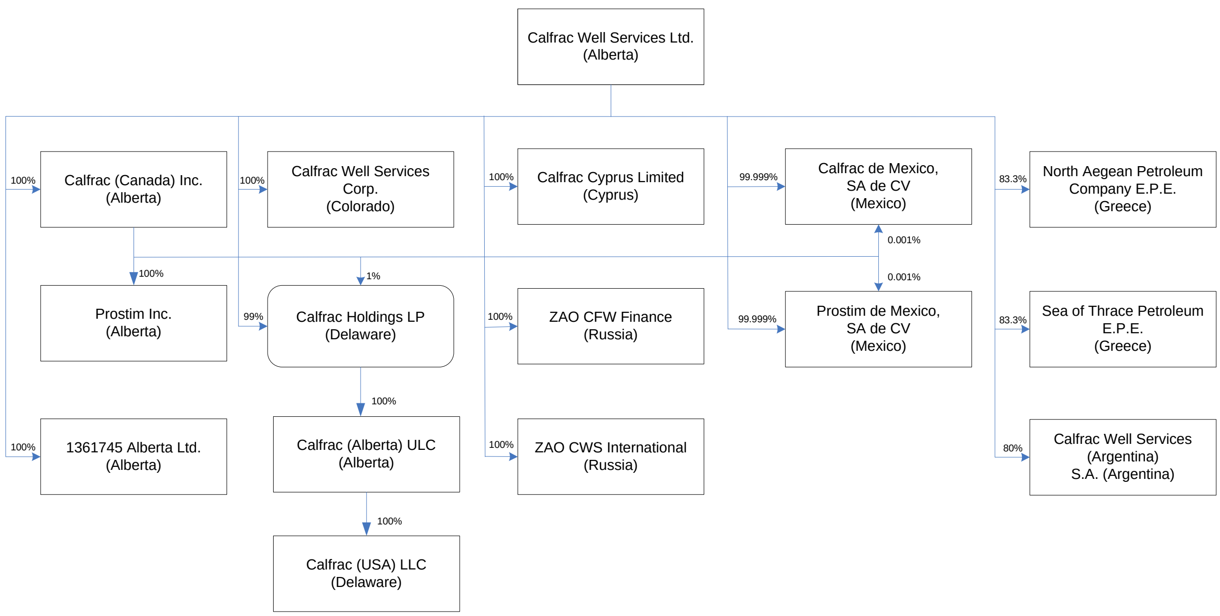
CALFRAC WELL SERVICES LTD.

Calfrac Well Services Ltd. (the "Corporation") was formed under the *Business Corporations Act* (Alberta) on March 24, 2004, by the amalgamation of Denison Energy Inc. ("Denison") and a private corporation known as Calfrac Well Services Ltd. ("CWSL"). On March 8, 2004, Denison 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. In this annual information form, references to the Corporation as at dates or for periods prior to March 24, 2004, relate to CWSL as it existed prior to its acquisition by and amalgamation with Denison.

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

Intercorporate Relationships

The following is an organizational chart of Calfrac Well Services Ltd. and its material subsidiaries as at December 31, 2007, showing each entity's jurisdiction of incorporation, continuation or formation, as applicable, and the Corporation's ownership interest therein.



GENERAL DEVELOPMENT OF THE BUSINESS

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

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

The Corporation completed construction of a coiled tubing unit designed specifically to perform fracturing through coiled tubing in early 2003. In addition, due to the increasing requirement to use coiled tubing units in conventional fracture jobs as well as natural gas from coal, or coalbed methane ("CBM") fracture jobs, the Corporation signed a three-year contract in February 2004 with a major supplier of coiled tubing unit services in Alberta under which the Corporation was granted a right of first call on six coiled tubing units used for fracturing operated by this supplier in 2004 and a right of first call for a maximum of twelve coiled tubing units thereafter, with an option to renew the contract for an additional year on each anniversary of the contract date commencing in February 2006. The Corporation's right of renewal has been exercised twice, most recently in January of 2008, and as a result of such renewals, the term of the contract has been extended to February 15, 2010.

In April 2003, the Corporation entered into a two-year fracturing contract with a major explorer and developer of CBM. In order to satisfy its obligations under this contract, the Corporation developed and commissioned unique fracturing equipment specifically designed to fracture CBM wells, including the first quint nitrogen pumper built for use in the fracturing of CBM by any fracturing company. This equipment was placed into service in February 2004 and was the Corporation's eleventh spread.

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

On June 1, 2004, the Corporation acquired 70% of the shares of 1108325 Alberta Ltd., which owned all of the shares of Ram Cementers Inc. ("Ram"). At the date of acquisition, the major assets of Ram consisted of one twin and three single pumping units. On February 10, 2005, the Corporation acquired the remaining minority interest in Ram, which was wound up into the Corporation and dissolved.

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

In 2005, the Corporation entered into long-term fracturing contracts with one of the leading oil and natural gas companies operating in western Canada. The contracts resulted in the allocation of three fracturing spreads to this customer for contracted terms of four years and contain minimum work commitments for each spread. One of these spreads is focused on the completion of high rate nitrogen fractures on CBM wells, with the remaining two spreads dedicated to shallow gas activity in southern Alberta. The contracts are consistent with the Corporation's philosophy of maintaining a prescribed level of its equipment fleet operating under long-term commitments.

In June 2005, the Corporation entered into contracts for the supply of two deep coiled tubing units including nitrogen, fluid pumping and related well service equipment to the Russian well service market. The contracted units were put into field service in Western Siberia in the fourth quarter of 2005. The entry into the Russian market signaled an intention by the Corporation to review other supply-based opportunities in Russia with the mandate to grow its Russian operations by diversifying its customer base and expanding its service offerings to include fracturing, acidizing and cementing. Management of the Corporation believes that the demand for Western technology in this developing market, coupled with the extensive Russian well service industry experience that certain of the Corporation's senior executives and management possess, leaves the Corporation well positioned to effectively and profitably operate and grow in this market.

In September 2005, the Corporation opened its Grand Junction operations facility that services both the Piceance Basin of western Colorado and the Uintah Basin of eastern Utah and transferred a deep fracturing spread from Platteville to this new facility. Also in September 2005, the Corporation opened its fourth Canadian district office in Strathmore, Alberta to support the Corporation's CBM fracturing operations in east central Alberta as well as cement operations in southern Alberta.

In 2005, the Corporation added seven fracturing spreads to the 14 fracturing spreads it had operating at the end of 2004. Two of the fracturing spreads were added in the first quarter of 2005, one was added in the second quarter and four were added in the fourth quarter. In 2005, the high rate nitrogen spreads designed for stimulating Canadian CBM wells increased from two to four, conventional sand fracturing spreads in Canada increased from ten to 14 and the U.S. fleet increased from two conventional sand fracturing spreads to three. The Corporation's cementing fleet increased from four pumpers to nine in 2005, and its coiled tubing well servicing fleet remained at eleven.

In 2006, the Corporation completed the construction of a conventional fracturing spread, which was deployed to the Rocky Mountain region of the United States, and a fracturing spread that was deployed to the Russian well service market during the second quarter of 2006. The Corporation also completed the construction of three coiled tubing and two cementing units, which were deployed during the first half of the year. The remaining portion of the capital expenditures related to the 2006 capital program, which included the construction of four additional fracturing spreads, two deep coiled tubing units, six cementing units, high pressure fracturing and nitrogen pumpers, transportation equipment, as well as additional infrastructure required to support the operations of the Corporation. One of the fracturing spreads is operating in the intermediate conventional fracturing market in Alberta and the three remaining fracturing spreads are focused on deeper, more technical markets. Of these fracturing spreads, one is operating in the Canadian market, the second spread was deployed to the United States and the third spread was deployed to the Russian well services market. The majority of the additional equipment became operational late in the fourth quarter of 2006, and the Russian fracturing spread and coiled tubing unit were deployed during the first half of 2007.

In April 2006, the Corporation negotiated a four year take-or-pay contract with a major oil and natural gas operator for a multi pumper high rate deep fracturing spread to be dedicated to the northwestern Alberta/northeastern British Columbia operating area.

In December 2006, the Corporation approved a capital program of $76 million for 2007, which, together with approximately $20 million carried over from 2006, totaled capital expenditures of $96 million for 2007. The majority of the 2007 capital program was focused on supplementing the pumping capacity of the Corporation's existing North American fracturing fleet servicing the deeper basin in Canada, as well as providing the necessary equipment for geographic expansion in the United States. In addition, the 2007 capital program included capital related to the Corporation's expansion in the Russian well service markets as well as the construction of two new coiled tubing units. The 2007 capital program also included additional infrastructure required to support the Corporation's expanding operations. The 2007 capital budget was funded by the Corporation's cash flow and proceeds from the offering of senior notes by Calfrac Holdings LP completed on February 13, 2007, as discussed in greater detail below.

Also in December 2006, the Corporation concluded documentation related to an increase in its available credit facilities to $150.0 million with a syndicate of Canadian chartered banks.

In 2007, the Corporation expanded its U.S. presence into Arkansas as a result of a contract with one of the leading oil and natural gas companies in the United States. The contract, which expires in February of 2011, provides a base level of work commitments for one multi-pumper fracturing spread and further expands the scale of the Corporation's operations in the U.S. for the provision of fracturing services in Arkansas and potentially eastern Oklahoma.

In January 2007, the Corporation commenced operations out of its fifth Canadian district office in Edson, Alberta to principally support its cementing operations in the area, and to provide secondary support to the Grand Prairie and Red Deer conventional fracturing and coiled tubing operations.

On February 13, 2007, Calfrac Holdings LP closed a private offering of US$135.0 million aggregate principal amount of 7.75% Senior Notes due 2015. Fixed interest on the notes is payable on February 15 and August 15 of each year beginning on August 15, 2007. The notes will mature on February 15, 2015. In connection with the issuance of the senior notes, the Corporation reduced its available credit facilities to $90.0 million.

In July 2007, the Corporation was awarded a three-year contract with Pemex Exploracion y Produccion for the provision of hydraulic fracturing services in the Burgos field of northern Mexico. The Burgos field borders the United States along the Rio Grande river, running from Laredo through McAllen, Texas. Calfrac set up a district base in Reynosa, Mexico and began fracturing operations during November of 2007. The equipment required to fulfill the contractual commitments was supplied from Calfrac's existing North American operating fleet. Over the term of the contract, estimated gross revenue is expected to be approximately US$75 million, including subcontracted services.

In November 2007, the Corporation negotiated the acquisition of the fracturing assets of a Canadian competitor for total consideration of $27.6 million. The acquisition closed in two tranches on November 21, 2007 and January 4, 2008. The purchase price for the acquisition was satisfied through the payment of an aggregate of approximately $15.2 million in cash and the issuance of 676,105 common shares. In addition, the Corporation approved a capital program for 2008 of approximately $29 million. This capital program includes the construction of a multi-pumper fracturing spread for the Corporation's U.S. operations, additional pumping capacity for its U.S. and Russian fracturing fleet and new infrastructure to support its expanding international operations.

On January 11, 2008, the Corporation acquired the remaining 70 percent of the common shares of ChemErgy Ltd. ("ChemErgy") that it did not previously own for aggregate consideration of approximately $6.6 million. The purchase price was satisfied through the payment to the vendors of approximately $4.8 million in cash, the transfer of real property previously owned by ChemErgy at a value of approximately $0.5 million and the issuance of 71,581 common shares of the Corporation at a deemed value of approximately $1.3 million. ChemErgy's operations were subsequently wound up into the Corporation's and ChemErgy was dissolved on January 31, 2008. The acquisition of ChemErgy is expected to generate synergies associated with bringing the Corporation's chemical supply and development requirements in-house.

In Argentina, the Corporation plans to commence cementing operations early in the second quarter of 2008, anchored by a negotiated arrangement with a leading oil and natural gas company in that country. The Corporation has redeployed certain cementing equipment from its Canadian operations and constructed the remaining support equipment locally.

BUSINESS OF THE CORPORATION

The Corporation is an independent provider of specialized oilfield services, including fracturing, coiled tubing, cementing and other well stimulation services, which are designed to increase the production of hydrocarbons from wells. The Corporation's operations are focused in western Canada, the United States, Russia and Mexico. The Corporation anticipates commencing cementing operations in Argentina in the second quarter of 2008.

The Corporation has established this leadership in a dynamic market through an expanding geographic network, increased operating fleet and rapidly growing customer base. The Corporation's goal is to safely and efficiently provide the highest degree of expertise, innovation and service to its customers by maintaining its focus on people, equipment and technology with the stability provided by a strong financial foundation. The Corporation's success thus far in achieving this goal is attributable to its ability to meet the needs of its customers by providing superior service and technologies that work in the field, which has led to strong relationships with a number of the world's leading oil and natural gas exploration and production companies.

The Corporation's business is comprised of the following service lines:

Fracturing Services

The principal focus of the Corporation's business is the provision of hydraulic fracturing services to oil and natural gas exploration and production companies. The objective of hydraulic fracturing is to increase the conductivity of an oil or natural gas zone within a reservoir to the wellbore, thus increasing the flow of hydrocarbons, allowing a greater proportion of hydrocarbons to be extracted or produced from that zone. The Corporation provides both conventional hydraulic fracturing and unconventional fracturing to produce natural gas found in coal, also known as CBM fracturing. Deep fracturing is a technically and operationally challenging segment of the fracturing market that is currently experiencing strong growth worldwide. The Corporation has become a leading service provider in the deeper, more technical areas of northern Alberta, northeastern British Columbia, western Colorado and Arkansas by offering innovative equipment, technology solutions and highly trained personnel to execute these difficult projects. The Corporation currently has 18 Canadian fracturing spreads dispersed amongst five facilities located in Grand Prairie, Red Deer, Strathmore, Medicine Hat and Edson, Alberta, six U.S. crews from three facilities located in Platteville and Grand Junction, Colorado and Beebe, Arkansas, one Mexican crew from a facility located in Reynosa, Mexico and three Russian crews from two facilities located in Noyabrsk and Khanty-Mansiysk. For the years ended December 31, 2007 and 2006, fracturing services accounted for 88% of the Corporation's revenue.

Conventional Hydraulic Fracturing Services

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

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

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

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

The traditional or stage fracture procedure for stimulating a multi zone well involves numerous trips to the well location, with each trip stimulating only one or two of the zones. In recent years, procedures have been developed so that all of the zones for a particular well can be fractured in just one trip to the well location. This procedure, using snubbing units for deeper, more highly pressurized wells and coiled tubing units for shallower wells, involves accessing the target zone up or down the wellbore by raising or lowering tubing and requires the use of specialized tools that can isolate the target zone for treatment. The ability to complete the fracturing services for a multi zone well in one trip to the well location has become increasingly attractive to customers, as it reduces the traffic to the well location and the resulting disturbance to the landowners and allows the well to be brought into production more quickly. In addition, this procedure simplifies the coordination of the logistics of the fracturing completion.

CBM Fracturing Services

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

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

The Corporation has developed a significant level of expertise and experience in fracturing CBM wells and has become a leading independent provider of hydraulic fracturing services to customers who stimulate CBM wells in Canada. Approximately 1,840 CBM wells were drilled in western Canada in 2007. The Corporation has four fracturing spreads specifically designed to provide high rate nitrogen stimulation services to CBM wells.

Coiled Tubing Services

The Corporation provides coiled tubing services by injecting coiled tubing into wells to perform various well servicing operations. Coiled tubing units are often used together with the appropriate support equipment to pump nitrogen, acid or air into wells in order to remove unwanted solids, gels and fluids from the wellbore and producing zone. Coiled tubing units can also be used to set and remove tools, perform well drillouts and set siphon or velocity strings, which promote the production of natural gas without the accumulation of fluid in the wellbore. Since 1999, the Corporation has successfully developed innovative equipment and treating procedures required to effectively complete coiled tubing assignments, from relatively simple shallow natural gas operations to the high tech, deep natural gas projects. The Corporation's shallow and deep natural gas coiled tubing operations are currently conducted in Canada with 13 units and in Russia with five units. For the years ended December 31, 2007 and 2006, coiled tubing services accounted for 8% and 7% of the Corporation's revenue, respectively.

Cementing Services

Drilling for oil and natural gas involves penetrating numerous geological layers, many of which may be saturated with fresh or salt water, oil, natural gas, or combinations of all three. To accomplish segregation between layers after a hole is drilled, steel casing is run into the bottom of the well and cemented in place. Once the cement has hardened, all of the geological formations that have been penetrated are isolated from each other and the completion of the well can proceed. The Corporation reaffirmed its long term commitment to grow this service line by acquiring the remaining 30% interest in Ram Cementers Inc. in 2005 and subsequently adding new equipment. In the fourth quarter of 2007 the Corporation incorporated a majority owned subsidiary in Argentina to perform cementing services in that jurisdiction. Operations in Argentina are anticipated to commence early in the second quarter of 2008. The Corporation currently operates 12 cementing units stationed throughout Alberta, Canada and two cementing units in Beebe, Arkansas, and plans to operate two twin cementing units out of its operating base in Catriel, Argentina. For the years ended December 31, 2007 and 2006, cementing services accounted for 4% and 5% of the Corporation's revenue, respectively.

Demand for Hydraulic Fracturing Services

Demand for well services in the Corporation's industry is primarily influenced by the level of drilling activity and development by oil and natural gas companies, which, in turn, depends largely on current and anticipated future crude oil and natural gas prices as well as production depletion rates.

Current industry forecasts suggest that demand for oil and natural gas will increase and will be coupled with a flat or declining production curve, which the Corporation believes will result in a continuation of historically high crude oil and natural gas commodity prices. The U.S. Energy Information Administration has forecasted that oil and natural gas consumption will increase in Canada, the United States and worldwide at an average annual rate of 1.2%, 1.0%, and 1.8%, respectively, from 2003 through 2030. Meanwhile, oil and natural gas production is expected to decline in Canada at an average annual rate of 0.8% during the same period. Additionally, oil and natural gas exploration and production companies within the United States and worldwide seem to demonstrate a flat production profile, as, according to the U.S. Energy Information Administration, production of oil and natural gas is expected to increase at an average approximate annual rate of 0.3% and 1.8%, respectively, from 2003 to 2030.

As a result, the Corporation anticipates that oil and natural gas production companies will continue to increase their capital spending in order to respond to an increasing demand for these commodities. According to Baker Hughes rig count data, the average total rig count in the United States increased 43% from 1,156 in 2001 to 1,649 in 2007. Moreover, worldwide average total rig count, excluding Canada and the United States, increased 35% from 745 in 2001 to 1,005 in 2007.

Competitive Strengths

Strategic position in key fracturing markets. The Corporation believes that it is very well positioned in the three most significant fracturing markets in the world: Canada, the United States and Russia, and has made a strategic entry into the Mexican fracturing market through its three-year contract with Pemex Exploracion y Produccion which was announced in July of 2007. The Corporation is one of the leading companies in the Canadian market in providing innovative conventional hydraulic and CBM fracturing services throughout the shallow and unconventional natural gas markets as well as the deeper, more technical areas of the Western Canada Sedimentary Basin. The Corporation continues to expand its presence in the United States, where oil and natural gas exploration and development activity has reached its highest levels since the 1980s. The Corporation now services both the western and eastern slopes of the Rocky Mountains in the United States, including the Piceance and Denver Julesburg Basins, as well as the Fayetteville shale area in Arkansas and the Arkoma basin of eastern Oklahoma, and is well positioned for the growing demand for its services in these regions where fundamentals remain strong. In 2005, the Corporation successfully commenced operations in Russia, the world's third largest fracturing market after the United States and Canada. The Corporation's management team has extensive Russian well service industry experience, which, together with strong demand in this market for Western technology, enhances its position to effectively and profitably operate and grow in this robust market. The entry into the Mexican well service market late in 2007 represents another strategic market which the Corporation believes offers significant growth opportunities. The Corporation intends to exploit such opportunities through the assembly of a strong local management team combined with state-of-the-art equipment, technology and engineering, and expects that this formula, which has been the hallmark of its successes in Canada, the U.S. and Russia, will provide the foundation for growth in Mexico as well. By establishing a presence in each of these key markets, the Corporation believes it is well positioned for significant future global growth.

Field proven technologies and specialty equipment. With a comprehensive fleet of specially designed fracturing, well servicing and cementing units, the Corporation is able to respond quickly to customer demand and new opportunities by mobilizing equipment and personnel to geographic regions as required with minimal time and cost. A considerable amount of technology and engineering expertise is incorporated into the fluid chemistry and the design of fracturing programs. The Corporation has developed proprietary technologies that provide viscosities with minimum additives that optimize proppant placement and enhance fracturing fluid recovery. The Corporation has also developed highly innovative and specially designed field equipment that allows it to combine functions, resulting in less equipment being required at a particular well location, thereby reducing the "footprint" of the equipment. The Corporation has considerable and valuable experience with performing concurrent multi zone hydraulic fractures through coiled tubing rigs or snubbing units, which avoids multiple trips to the well location and brings the well into production faster for its customers, while allowing the Corporation to achieve higher rates of equipment utilization.

Strong relationships with a diversified customer base. The Corporation recognizes that the success of its business is based on high levels of customer satisfaction and strong business relationships. The Corporation has experienced field operations staff that are supported by highly qualified technical personnel, which enable it to develop an understanding of each customer's specific needs, then tailor innovative, practical and cost effective solutions to meet those needs. The Corporation has strong relationships with approximately 300 active customers, comprised of a diverse and balanced mix of large, intermediate and small oil and natural gas exploration and production companies. The Corporation's largest customers include EnCana Corporation, Chesapeake Energy Corporation, Gazpromneft –

Khantyos and Duvernay Oil Corp. For the year ended December 31, 2007, the Corporation's ten largest customers collectively represented 61% of the Corporation's revenue.

Prudent financial management and conservative capital structure. The Corporation's business philosophy places importance on its financial flexibility and the strength of its balance sheet and it operates, finances its growth and manages its capital structure in accordance with this philosophy. Historically, the Corporation has operated with minimal leverage and has tied major initiatives and capital investment with specific contracts. The Corporation's ability to successfully execute a measured and profitable growth strategy is primarily attributable to its adherence to strict operating and financial criteria that include rigorously focusing on the Corporation's core businesses, maintaining an edge over its competition through innovative technologies and equipment, optimizing its assets and securing unique, long term contracts with its customers that minimize the Corporation's financial risk.

Highly experienced and committed senior management team. The Corporation draws on the global experience of its management team to maintain its leading market position and strong relationships with its customers. Members of the Corporation's senior executive management team have up to 30 years of relevant industry experience, with a demonstrated track record. The Corporation believes that their significant experience in and knowledge of the Corporation's specialized business strengthens the Corporation's ability to compete and prudently manage its business throughout industry cycles. The Corporation's board of directors includes members recognized individually for their accomplishments in the fields of energy, law, investment banking and private investment. Key members of the Corporation's senior management team and board of directors own or control approximately 35% of the Corporation's outstanding common shares.

Business Strategy

Service First: Provide the highest degree of expertise and service. Central to the Corporation's business strategy and corporate mission is its goal to safely and efficiently provide the highest degree of expertise, innovation and service to its customers by maintaining the Corporation's focus on people, equipment and technology with the stability provided by a strong financial foundation. To create new value for the Corporation's customers and greater opportunities for its employees, the Corporation continues to strive for operational excellence under its key principle, Service First. From technology investments to customer care to employee achievement, the Corporation seeks to maintain its leadership position as the preferred provider to its customers by delivering the Corporation's services with the highest degree of quality, efficiency and integrity.

Technologies That Work In The Field: Invest in technologically advanced assets and chemistry. The quality of the Corporation's assets and chemistry is fundamental to the viability of a long life, specialized oilfield service company that serves a global market. Hydraulic fracturing operations are constantly improving through advances in technology, which are intended to translate into cost savings and enhanced production for the Corporation's customers. The importance of technology in delivering value added solutions begins in the Corporation's own operations with the ability to share ideas and best practices, support regional and global customers, improve productivity, increase efficiency, reduce environmental impact and drive continuing growth. The Corporation will continue to invest in technology and engineering to maintain its leading market position and serve its customers in innovative and efficient ways.

Service Line Expansion: Expand and diversify the Corporation's products and services. The Corporation has invested heavily in specially designed fracturing, coiled tubing, cementing and other well servicing solutions. Each of these growing service lines offers new opportunities for the Corporation to add value through new innovative technologies and equipment designs that improve operating efficiency, reduce environmental impact, lower finding costs for its clients and deliver results. The Corporation remains focused on adding complementary service lines and maintaining a prescribed level of its equipment fleet operating under long term commitments, thereby helping to minimize localized weather related issues while responding to industry and market conditions, fluctuations in regional activity levels and customer demand. The Corporation expects to continue to diversify its activities so that the Corporation's personnel and equipment can operate at near full capacity year round.

Geographic Expansion: Expand the Corporation's global presence and network. The Corporation believes that through its presence in the world's top fracturing markets, it is well positioned to serve customers in their major operating areas. The Corporation is optimistic about its continuing growth in Canada, the United States and Russia.

In 2008, the Corporation will continue to expand its U.S. operations, as well as internationally with its operations in Mexico and Argentina. The Corporation believes that its established operating bases located in Canada, the United States and Russia, together with its recent entries into Mexico and Argentina, will act as a springboard for its future growth by leveraging off the Corporation's experience, technological advantages and established customer base. Backed by thorough and detailed research, forecasts and market analysis, the Corporation will continue to prudently enhance its geographic footprint through customer driven opportunities in areas it deems to have an advantage either technically or politically.

Internal Expansion: Strengthen the Corporation's Workforce. A significant challenge facing the oilfield service industry today is securing a reliable, qualified and dedicated workforce. Employee development is a vital part of the Corporation's efforts to strengthen its organization and assure that it has the right people in place at the right time. The Corporation has a dedicated facility in Calgary focused on training, research and development that has been staffed with experienced training professionals of various specialties. By providing an environment for ongoing exceptional learning in both the classroom and the field, the Corporation increases productivity, efficiency and performance through its people. The Corporation remains committed to building long term relationships with its employees through continuous training, diverse skills development and incentive programs.

Customers

The Corporation's customer base consists of approximately 300 oil and natural gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding Calfrac's broad customer base, it has two significant customers that individually accounted for 23 percent and 11 percent of its revenue in the year ended December 31, 2007. The Corporation currently has four multi-year agreements to provide fracturing services to these customers, which expire in February 2009, March 2009, February 2010 and February 2011. Each of these agreements includes a base level of commitments by these customers.

Contracts

Based on the Corporation's expertise in providing hydraulic fracturing services and its strong business relations with its customers, the Corporation has four multi year agreements to provide fracturing services with two customers. As discussed above, these agreements specify a minimum quantity of fracturing services to be provided by the Corporation and expire in stages over the next three years.

The Corporation has two one year contracts with one of the largest oil and natural gas producers in Russia for the provision of fracturing and coiled tubing services.

The Corporation also has a three-year contract with Pemex Exploracion y Produccion for the provision of hydraulic fracturing services in the Burgos field of northern Mexico.

Suppliers

The Corporation sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide, diesel fuel, and component parts, such as coiled tubing, from a variety of suppliers in North America and Russia.

On January 11, 2008, the Corporation acquired the 70% interest in ChemErgy that it did not previously own. Prior to the acquisition, ChemErgy supplied the Corporation with all of the chemicals the Corporation used in its operations and performed research and development for the Corporation on an exclusive basis. The acquisition of ChemErgy secures for the Corporation exclusive control over the proprietary technology developed jointly by the Corporation and ChemErgy during the tenure of the relationship between the two companies.

The Corporation also has a three year contract with an Alberta based oilfield service company for the provision by that company of coiled tubing rigs designed specifically to perform fracturing through coiled tubing. The agreement was signed in February 2004 and includes the option to renew the agreement for an additional year on each upcoming anniversary of the contract, which option was exercised by the Corporation in January of 2008 to extend the contract to February 2010.

Competition

The markets in which the Corporation operates are highly competitive. The Corporation currently operates in Canada, the United States, Russia and Mexico, and anticipates that it will commence operations in Argentina in the second quarter of 2008. In each of these geographic jurisdictions, the Corporation competes against a large number of companies that offer services that overlap and are competitive with the Corporation's services and products. The Corporation's competition includes multinational oilfield service companies as well as regional competitors. The Corporation's major multinational competitors include Schlumberger Ltd., Halliburton Company and BJ Services Company. The Corporation also competes against Trican Well Services Ltd. in Canada, the United States and Russia. In addition, the Corporation competes against a number of smaller and locally oriented businesses in Canada and the United States, which provide products and services similar to the Corporation's.

Regulation

The Corporation operates under the jurisdiction of a number of regulatory bodies that regulate worker safety standards, the handling of hazardous materials and the protection of the environment. Environmental laws and regulations that the Corporation is subject to have become more stringent in recent years and have generally sought to impose greater liability on a larger number of potentially responsible parties. Because the Corporation provides services to companies producing oil and natural gas, it may become subject to claims relating to the release of such substances into the environment.

Currently, the oil and natural gas industry is facing negative public perception regarding the consequences of CBM development on nearby groundwater wells. Although new regulations have been put in place in Canada to restrict fracturing activities to zones below groundwater supplies and to provide for the monitoring of adjacent water wells before and after development activities, these new regulations have not alleviated public concern. Accordingly, negotiating surface rights and obtaining well licenses for CBM development is currently relatively more difficult for the Corporation's customers.

On October 25, 2007, in response to a report authored by the Alberta Royalty Review Panel which called for dramatic changes to Alberta's royalty regime, the Government of Alberta released a report detailing a new framework for conventional petroleum and the oilsands. The new structure is proposed to be in effect January 1, 2009, and the proposed changes are designed to increase the revenues of the Alberta government in 2010 by $1.4 billion in estimated royalties. In January of 2008, following harsh criticism of the plan by energy industry participants and several significant announcements of reductions in capital spending in the province, the government announced that the plan would be amended to address certain "unintended consequences" of the new regime. Although the Corporation has diversified operations in both domestic and international markets outside of Alberta, any material reductions in the capital budgets of the Corporation's clients in Alberta may have a negative effect on the Corporation's business, financial condition, results of operations and cash flows.

Intellectual Property

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

The Corporation historically conducted a significant amount of its research and development in conjunction with ChemErgy, which prior to its acquisition by the Corporation was engaged in research and development relating to new systems and chemicals in connection with oilfield services. ChemErgy also supplied chemical products and provided quality control and logistical services for the products supplied. Calfrac retained the majority of the employees of ChemErgy following the acquisition, which employees are experienced in developing technologies to be used in oilfield operations and implementing these procedures in the field. The Corporation and ChemErgy historically undertook whenever possible to protect intellectual property that they developed through joint applications for patent protection, a practice which the Corporation intends to sustain. The Corporation currently has three patents pending or issued on treatment fluids and an isolation tool used to deliver fracturing services.

Facilities and Operating Assets

The Corporation provides hydraulic fracturing and well stimulation services from its corporate head office in Calgary, Alberta, regional offices in Denver, Colorado, Mexico City, Mexico, Buenos Aires, Argentina and Moscow, Russia, and 12 operating bases located in Medicine Hat, Strathmore, Red Deer, Grande Prairie and Edson, Alberta, Platteville and Grand Junction, Colorado, Beebe, Arkansas, Reynosa, Mexico, Catriel, Argentina and Noyabrsk and Khanty Mansiysk in Russia.

As at December 31, 2007, the Corporation was operating 24 conventional fracturing spreads. In addition to the conventional fracturing spreads, it was also operating four CBM fracturing spreads. The Corporation's well servicing equipment includes 17 coiled tubing units and one fracturing through coil rig. The Corporation's cementing equipment consists of 16 cementers.

Employees

As at December 31, 2007, the Corporation had approximately 1,500 employees in its operating regions. None of the Corporation's employees are unionized.

RISK FACTORS

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

The Corporation's business depends on the oil and natural gas industry and particularly on the level of exploration and development for North American and Russian oil and natural gas, which is volatile.

The demand, pricing and terms for fracturing, coiled tubing, cementing and other well stimulation services largely depend on the level of exploration and development activity for North American and Russian natural gas and, to a lesser extent, oil. Industry conditions are influenced by numerous factors over which the Corporation has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, the cost of exploring for, producing and delivering oil and natural gas, the decline rates for current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, military, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing. A material decline in global oil and natural gas prices or North American and Russian activity levels as a result of any of the above factors could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.

The Corporation's financial results are directly affected by the seasonal nature of the North American oil and natural gas industry. The first quarter incorporates most of the winter drilling season when a disproportionate amount of the activity takes place in western Canada. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Corporation's Canadian operating areas such that many rigs are unable to move due to road bans. This period of spring breakup occurs earlier in southeast Alberta than in northern Alberta and northeast British Columbia. Consequently, the second quarter is normally the Corporation's weakest three month revenue period in western Canada. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Corporation may not be able to access wellsites during the peak winter season and, as a result, its operating results and financial condition may be adversely affected. The demand for fracturing and other well stimulation services may also be affected by severe winter weather in North America and Russia. In addition, during excessively rainy periods in any of the Corporation's operating areas, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation's customer base is concentrated and loss of a significant customer could cause its revenue to decline substantially.

The Corporation's customer base consists of approximately 300 oil and natural gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding the Corporation's broad customer base, it has two significant customers that individually accounted for 23% and 11% of its revenue in the year ended December 31, 2007. The Corporation currently has four multi year agreements to provide fracturing services to these customers, which expire in February 2009, March 2009, February 2010 and February 2011. Each of these agreements includes a base level of commitments by these customers. However, there can be no assurance that the Corporation's relationship with these customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, would have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation's industry is intensely competitive.

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

If the Corporation is unable to obtain raw materials, diesel fuel and component parts from its current suppliers it could have a material adverse effect on its business.

The Corporation sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and diesel fuel, and component parts, such as coiled tubing, from a variety of suppliers in North America and Russia. Should the Corporation's current suppliers be unable to provide the necessary raw materials and component parts at a price acceptable to the Corporation, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation is subject to extensive government regulations that may require it to take actions that will adversely affect its results of operations.

The Corporation's operations are subject to a variety of federal, provincial, state and local laws, regulations and guidelines, including laws and regulations relating to health and safety, the conduct of operations, taxation, the protection of the environment and the manufacture, management, transportation and disposal of certain materials used in its operations. The Corporation has invested financial and managerial resources to ensure such compliance and expects to continue to make such investments in the future. Such laws or regulations are subject to change and could result in material expenditures that could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. It is impossible for the Corporation to predict the cost or impact of such laws and regulations on its future operations.

The tax attributes available for use by the Corporation have not been audited by governmental authorities and are almost fully utilized.

The Corporation has reduced its Canadian income tax liabilities from March 2004 through the end of 2007 by using tax attributes estimated at $220 million for federal income tax purposes and $170 million for provincial income tax purposes arising from the reorganization of Denison. The Canada Revenue Agency has not audited any of the tax returns in which the above mentioned tax attributes were used to reduce the incurrence of Canadian current and future income tax liabilities. Once these attributes are fully realized, Canadian income for future periods will be subject to statutory income tax rates in Canada.

The Corporation's operations are subject to hazards inherent in the oil and natural gas industry.

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

Demand for the Corporation's services may be adversely impacted by regulations affecting the oil and natural gas industry.

The operations of the Corporation's customers are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate. As a result of changes in regulations and laws relating to the oil and natural gas industry, the Corporation's customers' operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations may cause customers to discontinue or limit their operations and may discourage companies from continuing development activities. As a result, demand for the Corporation's services could be substantially affected by regulations adversely impacting the oil and natural gas industry.

Fluctuations in currency exchange rates could adversely affect the Corporation's business.

The Corporation incurs a significant amount of its expenses in U.S. dollars and these expenditures are directly affected by the Canadian/U.S. dollar exchange rate, which fluctuates over time. Net income from the Corporation's U.S. operations is denominated in U.S. dollars, so that a decrease in the value of the U.S. dollar will decrease the Canadian dollar amount of net income from U.S. operations. Russian and Mexican revenue is earned in U.S. dollars, but is paid in Russian rubles and Mexican pesos, respectively. Conversion rates of the Russian ruble and the Mexican peso to or from U.S. dollars will also affect the Corporation's net income. The Corporation also incurs expenses in Russian rubles and Mexican pesos for its operations in those countries.

The Corporation may become subject to claims or liabilities relating to its transaction with Denison.

From time to time, there may be legal proceedings pending or threatened against the Corporation relating to the business of Denison prior to its reorganization and subsequent acquisition of the Corporation. In March 2004, the Canadian petroleum and natural gas assets and the mining leases, mining environmental services and related assets and liabilities of Denison were transferred to two new corporations that provided indemnities to the Corporation for all claims or losses relating to Denison's prior business, except for matters related to specific liabilities retained by the Corporation. Despite these indemnities, it is possible that the Corporation may be found responsible for claims or losses relating to the assets and liabilities transferred by Denison and that the claims or losses may not be within the scope of the indemnities or the indemnifying party may lack sufficient financial resources to satisfy its obligations pursuant to the indemnities. Because of the nature of Denison's former operations (oil and natural gas exploration and production, mining and environmental services), these claims and losses could include substantial environmental claims. The Corporation cannot predict the outcome or ultimate impact of any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

The Corporation is subject to several legal actions in Greece relating to the operations of Denison and is unable to predict the consequences of these actions.

The Corporation is involved in several legal proceedings with former employees of Denison Mines Inc. relating to the cessation of its oil and natural gas operations in Greece during 1998 and 1999. The Corporation intends to defend itself against the claims of the former employees; however, the direction and financial consequences of decisions in these proceedings cannot be determined at this time.

The Corporation's executive officers and key employees are critical to its business and these individuals may not remain with the Corporation in the future.

The successful operation of the Corporation's business depends upon the abilities, expertise, judgment, discretion, integrity and good faith of its executive officers, employees and consultants. In addition, the Corporation's ability to expand its services depends upon its ability to attract qualified personnel as needed. The demand for skilled oilfield employees is high and the supply is limited. If the Corporation loses the services of one or more of its executive officers or key employees, it may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation's business is capital intensive and it may not be able to finance future growth or expansion of its operations.

The Corporation's business plan is subject to the availability of additional financing for future costs of operations or expansion that may not be available, or may not be available on favourable terms. The Corporation's activities may also be financed partially or wholly with debt, which may increase its debt levels above industry standards. The level of the Corporation's indebtedness from time to time could impair its ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. If the Corporation's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms.

The Corporation's foreign operations will expose it to risks from abroad, which could negatively affect its results of operations.

Some of the Corporation's operations and related assets are located in countries outside of Canada and the United States, some of which may be considered to be politically and economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations, such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, governmental regulation and the risk of actions by terrorist or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Corporation's services, which may have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Kyoto Protocol has come into effect and the Corporation is unable to predict the impact of the Kyoto Protocol on its operations.

Canada is a signatory to the United Nations Framework Convention on Climate Change and has adopted the Kyoto Protocol established thereunder to set legally binding targets to reduce nation wide emissions of carbon dioxide, methane, nitrous oxide and other so called greenhouse gases. On April 26, 2007 the Government of Canada released the Regulatory Framework for Air Emissions which outlines proposed new requirements governing the emission of greenhouse gases and industrial air pollutants in accordance with the government's Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emission released on October 19, 2006. The framework introduces further, but not full, detail on new greenhouse gas and industrial air pollutant limits and compliance mechanisms that will apply to various industrial sectors, including oil and natural gas producers. Future federal legislation, together with provincial emission reduction requirements, such as those in effect in Alberta's Climate Change and Emissions Management Act, may require the reduction of emissions or emissions intensity from the Corporation's operations and facilities. Mandatory emissions reductions may result in increased operating costs and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Corporation's services. The mandatory emissions reductions may also impair the Corporation's ability to provide its services economically. The Corporation is unable to predict the impact of current and pending emission reduction legislation on the Corporation and it is possible that it may have a material adverse effect on its business, financial condition, results of operations and cash flows.

Conservation measures and technological advances could reduce demand for oil and natural gas.

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

MARKET FOR SECURITIES

The Corporation's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "CFW". The following table sets forth the monthly price ranges and volumes of trading of the common shares on the TSX during 2007.

Period	High $	Low $	Volume
January	22.10	18.70	2,940,192
February	19.49	18.01	2,787,617
March	19.49	17.17	3,421,777
April	23.25	18.83	2,321,631
May	25.58	20.66	2,424,724
June	23.91	20.76	2,773,337
July	21.50	17.61	3,342,266
August	21.00	17.01	2,717,050
September	23.10	19.37	2,181,073
October	22.79	19.76	1,574,355
November	21.50	18.86	1,368,136
December	19.21	16.00	1,779,201

DESCRIPTION OF COMMON SHARES

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

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of any issue of securities. The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities, as such ratings do not comment as to market price or suitability for a particular investor. Any rating may not remain in effect for any given period of time or may be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant.

The following table outlines the credit ratings received by the Corporation in connection with the issuance by Calfrac Holdings LP of senior notes on February 13, 2007.

	Standard & Poor's Ratings Services ("S&P")	Moody's Investors Service ("Moody's")
Corporate Credit Rating	B+	Ba3
Calfrac Holding LP Senior Unsecured Debt	B+	B1
Outlook	Stable	Stable

S&P's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of B+ by S&P represents the sixth highest of ten categories and indicates that the obligor is more vulnerable to nonpayment than obligors in higher-rated categories, but currently has the capacity to meet its financial commitment on an obligation, although adverse business, financial or economic conditions are considered likely to impair the obligor's capacity or willingness to meet its financial commitment on an obligation. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category. The stable outlook implies that the rating is not likely to change.

Moody's long-term credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. Ratings of Ba3 and B1 by Moody's are the fifth and sixth highest of nine categories, respectively. Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk. Obligations rated B are considered speculative and are subject to high credit risk. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

DIVIDENDS

The Corporation adopted a semi-annual dividend policy in May 2005, and an initial dividend of $0.05 per share was paid on June 15, 2005. Additional dividends in the amount of $0.05 per share were paid on January 12 and June 15 of 2006, on January 5 and July 19 of 2007 and on January 9, 2008. The payment of any dividend is at the discretion of the board of directors and depends on the financial condition of the Corporation and other factors.

DIRECTORS AND OFFICERS

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

Name and Residence	Position with the Corporation	Director Since	Principal Occupation During the Last Five Years
Ronald P. Mathison [(1) (2)] Alberta, Canada	Chairman of the Board and a Director	March 8, 2004 [(5)]	President, Matco Investments Ltd. (a private investment company).
Douglas R. Ramsay[(4)] Alberta, Canada	President and Chief Executive Officer and a Director	March 24, 2004	President and Chief Executive Officer of the Corporation. Prior to March 24, 2004, President and Chief Executive Officer of CWSL.
Gordon A. Dibb Alberta, Canada	Chief Operating Officer		Chief Operating Officer since April 24, 2006. From January 28, 2004 until September 1, 2007, Executive Vice President and, prior to December 14, 2004, Chief Financial Officer of the Corporation. Prior to March 24, 2004, Vice President and Chief Financial Officer of CWSL.
Tom J. Medvedic Alberta, Canada	Senior Vice President, Finance and Chief Financial Officer		Chief Financial Officer since December 14, 2004 and Senior Vice President, Finance since September 1, 2007. Prior thereto, Vice President, Finance of the Corporation from July 12, 2004 and prior thereto, Treasurer of Ensign Resource Service Group Inc.

Name and Residence	Position with the Corporation	Director Since	Principal Occupation During the Last Five Years
Donald R. Battenfelder Alberta, Canada	President, Canadian Operating Division		President, Canadian Operating Division since September 1, 2007. Prior thereto, Vice President, Operations of the Corporation since January 28, 2004, and prior thereto, Manager, Operations of the Corporation.
James S. Blair (3)(4) Alberta, Canada	Director	May 8, 2002 (5)	President and Chief Executive Officer of Glenogle Energy Inc. (a private oil and gas exploration and development company). Prior thereto, Chairman and Chief Executive Officer, ExAlta Energy Inc. (a public oil and gas exploration and development company) from 2002 to January 2008.
Dwight M. Bobier Alberta, Canada	Senior Vice President, Technical Services		Senior Vice President, Technical Services since September 1, 2007. Prior thereto, Vice President, Technical Services.
Stephen T. Dadge Alberta, Canada	Senior Vice President, Corporate Services		Senior Vice President, Corporate Services since September 1, 2007. Prior to September 1, 2007, Vice President, Corporate Services since January 28, 2004, and prior thereto, Manager, Corporate Services.
Gregory S. Fletcher (1)(2) Alberta, Canada	Director	May 8, 2002 (5)	President, Sierra Energy Inc. (a private energy company).
John L. Grisdale Colorado, United States	President, Canadian Operating Division		President, United States Operating Division since September 1, 2007. Prior to September 1, 2007, Vice President, Business Development since January 28, 2004, and prior thereto, Manager, Sales.
Martin A. Lambert (3)(4) Alberta, Canada	Director	March 8, 2004 (5)	Managing Director, Matco Capital Ltd. (a private investment company).
B. Mark Paslawski Alberta, Canada	Vice President, General Counsel and Corporate Secretary		Vice President, General Counsel and Corporate Secretary since January 1, 2008. Prior to January 1, 2008, General Counsel of the Corporation since September 4, 2008. Prior thereto, Associate, Bennett Jones LLP (barristers and solicitors).
Robert L. Sutherland Alberta, Canada	President, Russian Operating Division		President, Russian Operating Division since September 1, 2007. Prior to September 1, 2007, Division Manager, Russia since September 8, 2004. Prior thereto, Operations Manager, Russia, BJ Services Company (a public oil and gas services company).
R.T. (Tim) Swinton (1)(2) Alberta, Canada	Director	March 24, 2004	President, Western Provinces Resources Ltd. (a private investment company).

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance and Nominating Committee.

(4) Member of the Health, Safety and Environment Committee.

(5) Service prior to March 24, 2004, was as a director of Denison.

(6) Each director holds office until the close of the annual meeting to be held on May 12, 2008.

As at March 27, 2007, the directors and executive officers of the Corporation beneficially owned, or controlled and directed, directly or indirectly, an aggregate of 13,312,977 common shares, representing approximately 35% of the 37,686,306 issued and outstanding common shares.

LEGAL PROCEEDINGS

As a result of the acquisition and amalgamation with Denison in 2004, the Corporation assumed certain legal obligations relating to Denison's Greek operations.

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

In 1999, the largest group of plaintiffs received a ruling from the Athens Court of First Instance that their termination was invalid and that compensation amounting to approximately $12.4 million was due to the former employees. The Company appealed this decision to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the above-mentioned decision of the Athens Court of First Instance. The said group of former employees filed an appeal with the Supreme Court of Greece, which was heard on May 29, 2007. The Supreme Court of Greece allowed the appeal and has sent the matter back to the Athens Court of Appeal for the consideration of damages. On February 12, 2008 the scheduled hearing date for the appeal was postponed until June 3, 2008 to enable counsel to the Company to seek a judicial order entitling the Company to obtain certain employment information in respect of the plaintiffs which is required in order to assess the extent to which the plaintiffs have mitigated any damages which may otherwise be payable. The Corporation intends to vigorously defend the appeal decision before the Athens Court of Appeal both in relation to the merits of the plaintiffs' case as well as in respect of the quantum of any damages which may be awarded. In the event that an adverse ruling is issued by the Court of Appeal, the Corporation intends to assess its rights of appeal to the Supreme Court of Greece as well as any other levels of court in any jurisdiction where such an appeal is warranted.

Several other smaller groups of former employees have filed similar lawsuits in various courts in Greece. One of these lawsuits was heard by the Athens Court of First Instance on January 18, 2007. By judgment rendered November 23, 2007, the plaintiff's allegations were partially accepted, and the plaintiff was awarded damages of approximately $50,000 before interest. The Corporation has appealed this decision, but no date has been set for the hearing of such appeal. Another one of the lawsuits was heard by the Supreme Court of Greece on November 6, 2007, at which date the appeal of the plaintiffs was denied for technical reasons related to improper service. The remaining action has been postponed indefinitely pending the outcome of the lawsuit involving the largest group of plaintiffs discussed above.

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

TRANSFER AGENT AND REGISTRAR

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

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP has prepared the auditor's report on the consolidated financial statements of the Corporation for the year ended December 31, 2007. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Corporation's Audit Committee charter sets out the committee's purpose, organization, duties and responsibilities. A copy of the charter is attached hereto as Appendix "A".

Composition of Audit Committee

The Corporation's Audit Committee is comprised of Ronald P. Mathison, Gregory S. Fletcher and R.T. (Tim) Swinton, all of whom are financially literate and independent, as such terms are defined in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110").

Relevant Education and Experience

Ronald P. Mathison

Mr. Mathison is one of the Corporation's founders and has served as a member of its board of directors and as Chairman since the Corporation's 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 the restructuring of financially troubled companies as well as providing capital and management expertise to such companies. Mr. Mathison has extensive experience in restructuring and financing corporations in both the public and private markets. Until October 2000, Mr. Mathison was a director of Peters & Co. Limited, an investment firm specializing in the oil and natural gas industry, and prior to 1999 was also a principal of Peters & Co. Limited's corporate finance department. 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 successful restructurings of oil and natural gas exploration and production companies and oilfield service companies. Mr. Mathison received a B.Comm. (Honours) from the University of Manitoba in 1979 and obtained his Chartered Accountant designation in 1982. Mr. Mathison also holds the designation of Chartered Business Valuator, obtained in 1989, and of Chartered Financial Analyst, obtained in 1990.

Gregory S. Fletcher

Mr. Fletcher has served as a member of the Corporation's board of directors since May 2002. Mr. Fletcher is an independent businessman involved in the oil and natural gas industry in western Canada. He has considerable business experience in the junior sector of the oil and natural gas industry and is currently President of Sierra Energy Inc., a private oil and natural gas company that he founded in 1997. From June 1998 to May 1999, he was also President, Chief Executive Officer and a director of Canadian Conquest Exploration Inc. and prior to 1997 he was President, Chief Executive Officer and a director of Aztec Resources Ltd. Mr. Fletcher is also a director of the general partner of Diamond Energy Services LP, a private oilfield service limited partnership, Peyto Energy Trust, a public oil and natural gas income trust, and a director of Total Energy Services Ltd., a wholly owned subsidiary of Total Energy Services Trust, a public oilfield service trust. In these roles, Mr. Fletcher has acquired significant experience and exposure to accounting and financial reporting issues. Mr. Fletcher holds a BSc. in geology from the University of Calgary.

R.T. (Tim) Swinton

Mr. Swinton has served as a member of the Corporation's board of directors since March 2004. Mr. Swinton is the President of Western Provinces Resources Ltd., a private investment company. He has considerable business experience in the junior and service sectors of the oil and natural gas industry in western Canada. From 1999 to 2001, he was the Executive Chairman of IPEC Ltd., a Canadian pipeline and oilfield construction company. Prior thereto, Mr. Swinton was Chairman and Chief Executive Officer of Kenting Energy Services Inc., and Chairman, President and Chief Executive Officer of EnServ Corporation. Mr. Swinton has also served on the boards of directors of a number of energy services and other energy-related public companies, including Koch Pipelines Canada Limited, Enserco Energy Service Company Inc. and Anderson Exploration Ltd. In these roles, Mr. Swinton has acquired significant experience and exposure to accounting and financial reporting issues. Mr. Swinton holds a B.A. in Economics from York University and a Masters of Business Administration from York University.

Pre-Approval Policies and Procedures

The Corporation's Audit Committee mandate requires the Audit Committee to pre-approve all non-audit services to be provided to the Corporation or any of its subsidiary entities by the Corporation's external auditor or the external auditor of the Corporation's subsidiary entities, provided that the Audit Committee may satisfy the pre-approval requirement by either delegating to one or more members of the Audit Committee the authority to pre-approve non-audit services or adopting specific policies and procedures for the engagement of non-audit services.

External Audit Fees by Category

PricewaterhouseCoopers LLP has served as the Corporation's external auditor since its formation in 1999. The following table lists the fees paid to PricewaterhouseCoopers LLP, by category, for the last two fiscal years.

	Year Ended	
	December 31, 2006	**December 31, 2007**
Audit fees	$95,000	$145,000
Audit-related fees	35,200	197,100
Tax-related fees	218,100	499,800
All other fees	-	-
Total fees	$348,300	$841,900

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Corporation's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Corporation's interim financial statements.

Audit-related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above. These services included quarterly reviews of interim financial statements, audit services related to issuances by the Corporation of debt and equity, the review of incentive bonus calculations as well as accounting consultations and advice relating to variable interest entities, lease accounting and accounting for future income taxes.

Tax-related Fees

Tax-related fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of tax compliance including the review of original and amended tax returns, tax planning and advisory services relating to common forms of taxation including income tax, large corporations tax, goods and services tax, sales tax and tax consulting related to employee benefit programs, as well as tax advice and tax planning related to issuances by the Corporation of debt and equity and its recent international initiatives.

All Other Fees

All other fees were paid for products or services other than the audit fees, audit-related fees and tax fees described above.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, principal holders of the Corporation's securities and securities authorized for issue under equity compensation plans, is contained in the Corporation's management information circular for the annual meeting of shareholders held on May 9, 2007. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2007.

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

APPENDIX "A"

CALFRAC WELL SERVICES LTD.

AUDIT COMMITTEE CHARTER

1. **Calfrac Audit Committee**: The board of directors (the "Board") of Calfrac Well Services Ltd. ("Calfrac") shall appoint an audit committee (the "Committee") that shall have the mandate and responsibilities set out in this charter.

2. **Membership**: The Committee shall be constituted as follows.

(a) The Committee shall be composed of not less than three members.

(b) All members of the Committee shall be independent within the meaning set forth in Multilateral Instrument 52-110 – Audit Committees ("MI 52-110").

(c) Each member of the Committee shall be financially literate, as defined in MI 52-110. At the date of adoption of this charter, a member is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Calfrac's financial statements.

(d) Members shall be appointed annually from among members of the Board. A member of the Committee shall cease to be a member of the Committee upon ceasing to be a director of Calfrac.

3. **Mandate**: The mandate of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to

(a) Calfrac's financial statements and other financial information disclosed by Calfrac to the public,

(b) Calfrac's compliance with legal and regulatory requirements, and

(c) the performance of Calfrac's external auditor.

The external auditor shall report directly to the Committee but is ultimately accountable to the Board, which has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditor (or to nominate the external auditor to be appointed by the shareholders of Calfrac).

4. **Oversight Responsibility**: Subject to the powers and duties of the Board and in addition to any other duties and responsibilities assigned to the Committee from time to time by the Board, the Committee shall have responsibility for overseeing

(a) the accounting and financial reporting processes of Calfrac, and

(b) audits of the financial statements of Calfrac.

5. **Specific Duties and Responsibilities**: The Committee shall meet with the external auditor and the senior management of Calfrac to review all financial statements of Calfrac that require approval by the Board and shall have authority and responsibility for the following matters.

(a) Review Calfrac's financial statements, management's discussion and analysis of financial condition and results of operations ("MD&A") and interim earnings press releases before Calfrac publicly discloses this information.

(b) Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Calfrac, including the resolution of disagreements between management and the external auditor regarding financial reporting.

(c) Review annually and recommend to the Board

(i) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for Calfrac, and

(ii) the compensation of the external auditor.

(d) Discuss with the external auditor

(i) the scope of the audit, in particular the external auditor's view of Calfrac's accounting principles as applied in the financial statements in terms of disclosure quality and evaluation methods, inclusive of the clarity of Calfrac's financial disclosure and reporting, degree of conservatism or aggressiveness of Calfrac's accounting principles and underlying estimates, and other significant decisions made by management in preparing the financial statements reviewed by the external auditor,

(ii) significant changes in Calfrac's accounting principles, practices or policies, and

(iii) new developments in accounting principles, reporting matters or industry practices that may materially affect Calfrac.

(e) Review with the external auditor and Calfrac's senior management the results of the annual audit regarding

(i) the financial statements,

(ii) MD&A and related financial disclosure contained in continuous disclosure documents,

(iii) significant changes, if any, to the initial audit plan,

(iv) accounting and reporting decisions relating to significant current year events and transactions,

(v) the management letter, if any, outlining the external auditor's findings and recommendations, together with management's response, with respect to internal controls and accounting procedures, and

(vi) any other matters relating to the conduct of the audit, including such other matters as should be communicated to the Committee under generally accepted auditing standards.

(f) Subject to the Board assuming such responsibility from time to time, review, discuss with Calfrac's senior management and, if requested by the Board, the external auditor, and approve

(i) the interim financial statements and interim MD&A of Calfrac, and

(ii) any other matters, including all press releases, relating to the interim financial statements and interim MD&A, including any significant adjustments, management judgements or estimates and new or amended accounting policies.

(g) Receive from the external auditor a formal written statement delineating all relationships between the external auditor and Calfrac, consider whether the advisory services performed by the external auditor during the course of the year have affected its independence, and ensure that no relationship or service between the external auditor and Calfrac is in existence that may affect the objectivity and independence of the external auditor or recommend appropriate action to ensure the independence of the external auditor.

(h) Pre-approve all non-audit services to be provided to Calfrac or its subsidiaries by the external auditor or the external auditor of Calfrac's subsidiaries, provided that the Committee may satisfy the pre-approval requirement either by delegating to one or more members of the Committee the authority to pre-approve non-audit services or by adopting specific policies and procedures for the engagement of non-audit services.

(i) Satisfy itself that adequate procedures are in place for the review of Calfrac's disclosure of financial information extracted or derived from Calfrac's financial statements, other than the public disclosure referred to in subsection (a) above, and periodically assess the adequacy of those procedures.

(j) Review with the external auditor the adequacy of management's internal control over financial reporting and management information systems, discuss with management and the external auditor any significant risks and exposures to Calfrac that may have a material adverse effect on Calfrac's financial statements, and review with the external auditor the efforts of management to mitigate such risks and exposures.

(k) Present a report to the Board regarding Calfrac's audited financial statements for each fiscal year and indicate in that report whether

(i) management has reviewed Calfrac's audited financial statements with the Committee, including a discussion of the quality of the accounting principles applied and significant judgments affecting the financial statements,

(ii) the external auditor and the Committee have discussed the external auditor's judgments of the quality of the accounting principles applied and the judgments made with respect to Calfrac's financial statements,

(iii) the Committee has, without the presence of management or the external auditor, considered and discussed all the information disclosed to the Committee by Calfrac's management and the external auditor, and

(iv) in reliance on review and discussions conducted with senior management and the external auditor, the Committee believes that Calfrac's financial statements are fairly presented in conformity with generally accepted accounting principles in all material respects and that the financial statements fairly reflect the financial condition of Calfrac.

(l) Establish procedures for

(i) the receipt, retention and treatment of complaints received by Calfrac regarding accounting, internal accounting controls, or auditing matters, and

(ii) the confidential, anonymous submission by employees of Calfrac of concerns regarding questionable accounting or auditing matters.

(m) Review and approve Calfrac's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

(n) Review annually and report to the Board on the adequacy of the Committee's charter.

6. **Administrative Matters**: The following provisions shall apply to the Committee.

(a) The quorum for meetings of the Committee shall be two members thereof. Business may be transacted by the Committee at a meeting of its members at which a quorum is present or by a resolution in writing signed by all the members of the Committee.

(b) Any member of the Committee may be removed or replaced at any time by the Board. If a vacancy exists on the Committee, the remaining members may exercise all of the powers of the Committee so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold office until the close of the next annual meeting of shareholders following the date of appointment as a member or until a successor is duly appointed.

(c) The Committee may invite such officers, directors and employees of Calfrac and other persons as it may see fit from time to time to attend at meetings of the Committee and to assist thereat in the discussion of matters being considered by the Committee. The external auditor is to appear before the Committee when requested to do so by the Committee.

(d) The Committee shall determine the time and place at which the Committee meetings shall be held and the procedure for calling and conducting business at such meetings, having regard to the by-laws of Calfrac.

(e) The chair of the Committee shall preside at all meetings of the Committee. In the absence of the chair, the members of the Committee present at a meeting shall appoint one of those members to act as chair for that particular meeting.

(f) Notice of meetings of the Committee may be given to the external auditor and shall be given in respect of meetings relating to the annual financial statements. Upon the request of the external auditor, the chair of the Committee shall convene a meeting of the Committee to consider any matters that the external auditor indicates should be brought to the attention of the directors of Calfrac.

(g) The Committee shall report to the Board on such matters and questions relating to the financial position of Calfrac or any subsidiaries of Calfrac as the Board may from time to time refer to the Committee.

(h) The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of Calfrac and its subsidiaries, and to discuss such books and records as are in any way related to the financial position of Calfrac with the officers, employees and external auditor of Calfrac and its subsidiaries.

(i) Minutes of Committee meetings shall be recorded and maintained. The chair of the Committee shall report to the Board on the activities of the Committee and the minutes of Committee meetings will be promptly circulated to the directors who are not members of the Committee or, if that is not practicable, shall be made available at the next meeting of the Board.

(j) The Committee shall have the authority

(i) to engage independent counsel and other advisers that it determines to be necessary to permit it to carry out its duties,

(ii) to set and pay the compensation for any advisers engaged by the Committee, and

(iii) to communicate directly with the internal (if any) and external auditors.