CALFRAC WELL SERVICES LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2005

February 28, 2006

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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", "believes" and "will" and similar expressions, 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, and trends in the oil and gas industry. These statements are derived from certain assumptions and analyses made by the Corporation based on its experience and interpretation of historical trends, current conditions and 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. 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. Although the former shareholders of Denison received a majority of the shares of the amalgamated corporation, under Canadian generally accepted accounting principles the amalgamation was considered to be a reverse takeover of Denison by CWSL. As a result, all financial and operating information reported by the Corporation for periods prior to March 24, 2004, is that of CWSL as it existed prior its acquisition by and amalgamation with Denison. Financial and operating information with respect to Denison as it existed prior to March 24, 2004, is not provided because it is not meaningful and it is inconsistent with the accounting treatment and disclosure prescribed by Canadian generally accepted accounting principles.

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

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

Intercorporate Relationships

At December 31, 2005, the Corporation owned (i) all of the shares of Calfrac Well Services Corp., a Colorado corporation that provides pressure pumping services to oil and gas customers in the Rocky Mountain region of the United States, (ii) all of the shares of ZAO CFW Finance, a Russian corporation that engages in the financing and leasing of pressure pumping equipment in the Russian well servicing market, (iii) all of the shares of ZAO CWS International, a Russian corporation that provides pressure pumping services to oil and gas customers in western Siberia in the Russian Federation, and (iv) 83.3% of the shares of North Aegean Petroleum Company E.P.E. and Sea of Thrace Petroleum E.P.E., which are Greek companies that, together with the Corporation, collectively hold a 75% interest in certain hydrocarbon exploration rights in the Sea of Thrace in northern Greece on which no active exploration is being conducted because they are subject to a force majeure due to territorial disputes between Greece and Turkey. The Corporation also owns 30% of the shares of ChemErgy Ltd. ("ChemErgy"), a company engaged in the research and development of new systems and chemicals in connection with oilfield services.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation was incorporated under the *Business Corporations Act* (Alberta) in June 1999 by Messrs. Mathison, Ramsay, Dibb and Roberts. The Corporation commenced operations in August 1999 from its field station in Medicine Hat, Alberta, with a coiled tubing unit. In September 1999, the Corporation acquired its first fracturing spread and successfully completed its first hydraulic fracturing treatment. By December 31, 2001, the Corporation had expanded its fleet of equipment to seven fracturing spreads and 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, Colorado was the Corporation's first significant presence in the United States. In addition, the Corporation put into operation its eighth and ninth fracturing spreads during the year and in early 2003.

The Corporation completed construction of a coiled tubing 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 and natural gas from coal ("NGC") fracture jobs, the Corporation signed a three year contract in February 2004 with a major supplier of coiled tubing 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. In December 2005, this contract was renewed for one additional year to February 15, 2008.

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

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

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

On June 1, 2004, the Corporation acquired 70% of the shares of 1108325 Alberta Ltd., which owned all of the shares of Ram Cementers Inc. ("Ram"). At the date of acquisition, the major assets of Ram consisted of three single and one twin pumping units. On February 10, 2005, the Corporation acquired the remaining 30% of the shares of 1108325 Alberta Ltd., and on March 1, 2005, that corporation and Ram Cementers Inc. were dissolved into the Corporation. The Corporation added a further five cementing units in 2005 and plans to add eight cementing units in 2006 as part of its 2006 capital program.

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 the first half of 2005, the Corporation signed two long-term contracts with a major customer. The first of these contracts has a four-year term which commenced on March 1, 2005, and calls for the provision of two shallow gas spreads for a specified minimum number of contract or work days over the term of the contract. The contract obligates the Corporation to provide the customer with two additional shallow gas spreads for one year with no minimum work guarantee, and the customer has an option to extend its first right of utilization for the two additional spreads for three annual renewal periods provided it has provided a specified minimum amount of work for these spreads in the preceding year. The contract also has a provision for a fifth conventional fracturing spread to be made available to the customer from the Corporation's Strathmore base to be used by the customer as may be mutually agreed upon from time to time.

A second long-term contract which commenced on April 30, 2005, relates to the provision of a fracturing spread specifically designed for fracturing NGC wells with high rate nitrogen gas. This contract also has a term of four years and contains a specified minimum number of contract days over the term of the contract.

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. This facility will support the Corporation's shallow gas fracturing operations in southern Alberta and NGC fracturing operations in east central 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 NGC 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 plans to add six conventional sand fracturing spreads to its fleet. Two will be allocated to the Corporation's Canadian operations, two to its U.S. operations and two to its Russian operations. However, the second spread planned for Russia could be reallocated to the Corporation's U.S. or deep Canadian operations should a suitable contract in Russia not be negotiated. Similarly, the Corporation has budgeted for its cementing fleet to increase to 17 units and its coiled tubing well service fleet to 18 by the end of the year.

Formation of the Corporation

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

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

BUSINESS OF THE CORPORATION

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

Fracturing Services

The principal focus of the Corporation's business is the provision of hydraulic fracturing services to exploration and production companies, which services accounted for 94% of the Corporation's revenue in 2005 and 92% of the Corporation's revenue in 2004. The objective of hydraulic fracturing is to increase the conductivity of an oil or gas zone within a reservoir to the wellbore, thus increasing the flow of hydrocarbons, allowing a greater proportion of hydrocarbons to be extracted or produced from that zone.

Conventional Hydraulic Fracturing

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

A considerable amount of technology is incorporated into the design of the fracturing fluid, which normally consists of proprietary chemicals that are combined with a base fluid. The final fluid can be gelled, emulsified or foamed and can be preceded by acid. In Canada, most fluids are energized by the introduction of liquid carbon dioxide or nitrogen gas. In addition to the complex chemical technology used for making the fracturing fluid, 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.

Fracturing for Natural Gas Found in Coal

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

As a result of its extensive involvement in various pilot projects evaluating the viability of NGC production in western Canada, the Corporation, along with its customers, has developed an unconventional method of fracturing multi-zone NGC wells by pumping nitrogen gas through coiled tubing 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 NGC wells and has become a leading provider of hydraulic fracturing services to customers who stimulate NGC wells. Approximately 3,000 NGC wells were drilled in western Canada in 2005. The Corporation completed fracturing treatments on approximately 32% of these wells. The Corporation deployed its third and fourth NGC fracturing spreads during the second and third quarter of 2005. The Petroleum Services Association of Canada estimates that approximately 3,500 NGC wells will be drilled in 2006.

Stimulation and Other Well Services

The Corporation provides stimulation and other well services to exploration and production companies in western Canada. Revenues from well stimulation services and cementing accounted for 6% of the Corporation's revenue in 2005 and 8% of the Corporation's revenue in 2004.

Coiled Tubing Services

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

Acidizing Services

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

Nitrogen Services

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

Cementing Services

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

Demand for Hydraulic Fracturing Services

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

The Corporation believes that the number of natural gas wells completed each year is a good indicator of the potential level of fracturing activity. There has been a substantial increase in the number of natural gas wells completed during the last ten years, from approximately 3,700 in 1996 to approximately 16,700 in 2005, and in recent years the number of natural gas wells completed has become a larger proportion of the total number of wells completed each year in western Canada.

Although the Corporation provides fracturing services to all segments of the oil and gas industry, the Corporation has historically focused on the shallow natural gas well segment located in southern and eastern Alberta. For the past five years, the average depth of the wells completed in Canada has averaged less than 1,200 metres. Wells of this depth are generally classified as shallow and are located mainly in southern and eastern Alberta. This segment is, and the Corporation believes it will continue to be, an important and consistent source of revenue to the Corporation. The Corporation has recently embarked on expanding its presence in the deeper, more technical areas of northern Alberta and northeast British Columbia. With strong natural gas commodity price fundamentals, the Corporation expects this market to continue to expand.

Business Objectives

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

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

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

Intellectual Property

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

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

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

Facilities, Equipment and Personnel

The Corporation provides hydraulic fracturing and well stimulation services from its corporate head office in Calgary, regional offices in Denver, Colorado and Moscow, Russia, and seven operating bases located in Medicine Hat, Strathmore, Red Deer and Grande Prairie, Alberta, Platteville and Grand Junction, Colorado and Noyabrsk in western Siberia.

As at December 31, 2005, the Corporation was operating 17 conventional fracturing spreads. In addition to the conventional fracturing spreads, the Corporation was also operating four NGC fracturing spreads. The Corporation's well servicing equipment includes two deep coiled tubing units, eight shallow coiled tubing units, two low rate nitrogen/fluid pumpers, one ambient nitrogen unit, two acid pumpers and one fracturing through coil rig. The Corporation's cementing equipment consists of seven single and two twin cementers.

As at December 31, 2005, the Corporation had two conventional fracturing spreads, two twin cementers, two high rate quintuplex nitrogen pumpers and three coiled tubing units yet to be put into service from the 2005 capital program. The manufacturing of this equipment is expected to be completed before the end of June 2006. Upon the completion of the Corporation's 2006 capital program, the Corporation expects to have 27 fracturing spreads, 18 coiled tubing units and 17 cement pumpers.

As at December 31, 2005, the Corporation had 680 employees in Canada, 94 employees in the United States and 112 employees in the Russian Federation. None of the employees are unionized.

Risk Factors

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

Volatility of Industry Conditions

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

Seasonality

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

Dependence on Major Customers

The Corporation's customer base consists of more than 200 oil and gas exploration and production companies, ranging from large multinational public companies to small private companies. Notwithstanding its broad customer base, a portion of the Corporation's sales revenue comes from fracturing services provided to two exploration and production companies. These two customers provided 38% of the Corporation's revenue for the year ended December 31, 2005, and 45% of the Corporation's revenue for the year ended December 31, 2004. A merger or sale of either of these customers could result in a reduction of the Corporation's revenue.

Sources, Pricing and Availability of Raw Materials and Component Parts

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

Government Regulation

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

Tax Matters

The Corporation had estimated tax attributes of $220.0 million for federal income tax purposes and $170.0 million for provincial income tax purposes arising from the reorganization of Denison. At December 31, 2005, the Corporation had tax attributes of approximately $254 million for federal income tax purposes and approximately $200 million for provincial income tax purposes. The income tax authorities have not yet audited any of these tax attributes.

Kyoto Protocol

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

Operating Risks and Insurance

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

Alternatives to and Changing Demand for Petroleum Products

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

Liabilities from Prior Operations

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

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

Key Personnel

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

Competition

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

Currency Exchange Rate Risk

The Corporation's expenditures for equipment and a significant proportion of proppant are denominated in United States dollars and these expenditures are therefore directly affected by the Canadian/United States dollar exchange rate, which fluctuates over time. Net income from the Corporation's United States operations is denominated in United States dollars, so that a decrease in the value of the Canadian dollar will increase the Canadian dollar amount of net income from U.S. operations. Russian net income will also be expatriated in the form of U.S. dollars.

Additional Financing

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

MARKET FOR SECURITIES

The Corporation's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "CFW". The following table sets forth, after adjusting for the Stock Split, the monthly price ranges and volumes of trading of the common shares on the TSX during 2005.

Period	High $	Low $	Volume
January	27.50	22.51	2,077,656
February	33.50	27.05	2,201,680
March	37.40	29.25	3,517,908
April	35.45	30.05	1,567,522
May	33.95	26.70	1,975,977
June	33.70	29.50	1,804,975
July	37.79	31.00	2,007,149
August	39.82	33.76	2,927,692
September	39.91	37.06	1,856,691
October	39.90	32.50	1,867,392
November	36.75	33.00	2,504,662
December	41.00	35.71	1,662,691

DESCRIPTION OF COMMON SHARES

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

DIVIDENDS

In May 2005, the Corporation adopted a semi-annual dividend policy and declared an initial dividend under this policy of $0.05 per share, which was paid on June 15, 2005. In December 2005, an additional dividend of $0.05 per share was declared to all shareholders of record on December 29, 2005, and paid on January 12, 2006. 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 (4)	President, Matco Investments Ltd. (a private investment company).
Douglas R. Ramsay Alberta, Canada	President and Chief Executive Officer and a Director	March 24, 2004	President and Chief Executive Officer of the Corporation. Prior to March 24, 2004, President and Chief Executive Officer of CWSL.
Gordon A. Dibb Alberta, Canada	Executive Vice President		Executive Vice President and, prior to December 14, 2004, Chief Financial Officer of the Corporation. Prior to March 24, 2004, Vice President and Chief Financial Officer of CWSL.

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

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee
(3) Member of the Corporate Governance and Nominating Committee.
(4) Service prior to March 24, 2004, was as a director of Denison.
(5) Each director holds office until the close of the annual meeting to be held on May 9, 2006.

As at February 28, 2006, the directors and executive officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 15,033,702 common shares, representing 41.33% of the 36,378,008 issued and outstanding common shares.

LEGAL PROCEEDINGS

Legal proceedings are pending against the Corporation in relation to certain of Denison's prior operations. The proceedings include labour and employment claims related to Denison's former oil and gas operations in Greece and, as described below, the Corporation considers such proceedings to be routine litigation incidental to Denison's prior business. The Corporation believes that the resolution of these proceedings will not have a material effect on the business, financial condition, results of operations or cash flows of the Corporation. However, the Corporation cannot predict the outcome or ultimate impact of any legal or regulatory proceedings pending against the Corporation or affecting the business of the Corporation or any legal or regulatory proceedings that may relate to the Corporation's prior ownership or operation of assets.

Greek Operations

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

In 1999, the largest group of employees received a ruling from the Athens Court of First Instance that their termination was invalid and that compensation was due to the employees. This decision was appealed to the Athens Court of Appeal, which allowed the appeal in 2001 and annulled the decision of the Athens Court of First Instance. This group of employees has filed an appeal with the Supreme Court of Greece, which is scheduled to be heard on November 14, 2006.

Several other smaller groups of employees have filed similar cases in various courts in Greece. Some of these cases were heard in 2004. In general, the courts have determined that the termination of these employees was valid, but in some instances the courts have awarded the employees immaterial amounts of additional compensation and in one case have referred the matter back to a lower court to be reheard based on more specific grounds. A majority of these employees have received payment of the immaterial amounts awarded to them and waived their right of recourse to the Supreme Court of Greece. The remainder have filed an appeal with the Supreme Court of Greece or have advised that they are waiting for the outcome of the November 14, 2006, hearing of the Supreme Court of Greece before proceeding further.

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

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, 2005. PricewaterhouseCoopers LLP is independent in accordance with the auditor's rules of professional conduct in Canada.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Corporation's Audit Committee mandate sets out the committee's purpose, organization, duties and responsibilities. A copy of the mandate 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 Timothy 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 the President and Chief Executive Officer of Matco Investments Ltd., a private investment company specializing 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 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 gas and oil and gas 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. Mr. Mathison was a founder of the Corporation and has been the Chairman of the Corporation since its formation in 1999.

Gregory S. Fletcher

Mr. Fletcher has considerable business experience in the junior sector of the oil and gas industry and is currently President of Sierra Energy Inc., a private oil and 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 Diamond General Partners Ltd., a private oilfield service limited partnership, a trustee of Total Energy Services Trust, a public oilfield services trust, and a director of Valiant Energy Inc., a public oil and gas exploration and production company. 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. Timothy Swinton

Mr. Swinton is the President of Western Provinces Resources Ltd, a private investment company, and a director of Anderson Energy Ltd., a public oil and natural gas exploration and production company. 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 Calfrac'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, 2004	December 31, 2005
Audit fees	$55,000	$68,000
Audit-related fees	34,000	32,500
Tax-related fees	57,000	82,000
All other fees	0	18,000
Total fees	$146,000	$200,500

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 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.

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. These services included advice related to Bill 198 compliance.

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 12, 2005. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2005.

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.