# CALFRAC WELL SERVICES LTD.

**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2016**

**March 27, 2017**

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## FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form constitute forward-looking statements. These statements relate to future events or the future performance of the Corporation (as hereinafter defined). All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form. Other than as required by applicable laws, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements.

In particular, this annual information form contains forward-looking statements pertaining to the following:

- supply and demand for oilfield services;
- expectations regarding trends in, and the growth prospects of, the global oil and gas industry;
- commodity prices;
- expectations regarding the Corporation's financing activities and restrictions, including with regard to the use of proceeds from the 2015 Offering (as hereinafter defined) and the 2016 Offering (as hereinafter defined), the Credit Agreement (as hereinafter defined), the Term Loan Agreement (as hereinafter defined) and the Indenture (as hereinafter defined), and the Corporation's ability to raise capital;
- the Corporation's growth strategy and prospects;
- operating strategies;
- capital expenditure programs;
- the impact of environmental regulations and economic reforms and sanctions on the Corporation's business;
- exposure under existing legal proceedings;
- projections of market prices and costs;
- expectations regarding the Corporation's ability to maintain its competitive position;
- treatment under governmental regulatory regimes; and
- results of acquisitions.

The forward-looking statements contained herein are based on certain assumptions and analyses made by the Corporation in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following:

- the economic and political environment in which the Corporation operates;
- the Corporation's expectations for its customers' capital budgets and geographical areas of focus;
- the effect unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas;
- the Corporation's existing contracts and the status of current negotiations with key customers and suppliers;
- the effectiveness of the cost reduction measures instituted by the Corporation; and
- the likelihood that the current tax and regulatory regime will remain substantially unchanged.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this annual information form:

- global economic conditions;
- the level of exploration, development and production for oil and natural gas in Canada, the United States, Russia, Argentina and Mexico;
- the demand for fracturing and other stimulation services during drilling and completion of oil and natural gas wells;
- volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally;
- excess oilfield equipment levels;
- regional competition;
- the availability of capital on satisfactory terms;
- restrictions resulting from compliance with debt covenants and risk of acceleration of indebtedness;
- direct and indirect exposure to volatile credit markets, including credit rating risk;
- sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel;
- currency exchange rate risk;
- risks associated with foreign operations;
- operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment;
- changes in legislation and the regulatory environment;
- dependence on, and concentration of, major customers;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed;
- liabilities and risks associated with prior operations;
- liabilities relating to legal and/or administrative proceedings;
- failure to maintain the Corporation's safety standards and record;
- failure to realize anticipated benefits of acquisitions and dispositions;
- the ability to integrate technological advances and match advances from competitors;
- intellectual property risks;
- third party credit risk; and
- the other factors considered under "Risk Factors".

## CALFRAC WELL SERVICES LTD.

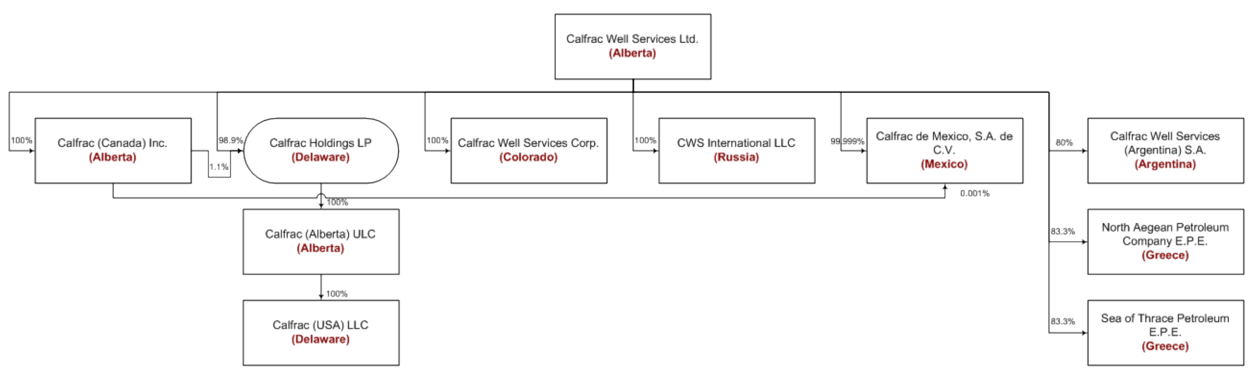
Calfrac Well Services Ltd. (the "Corporation") is the corporation resulting from the amalgamation of Calfrac Well Services Ltd. (the pre-amalgamation predecessor of the Corporation) and Dominion Land Projects Ltd. under the *Business Corporations Act* (Alberta) ("ABCA") on January 1, 2011. A pre-amalgamation predecessor of the Corporation amalgamated with Century Oilfield Services Inc. ("Century") under the ABCA on January 1, 2010, and a pre-amalgamation predecessor of that entity also named Calfrac Well Services Ltd. was formed under the ABCA 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 (i) as at dates or for periods prior to March 24, 2004, relate to CWSL as it existed prior to its acquisition by and amalgamation with Denison, (ii) as at dates or for periods following March 24, 2004 but prior to January 1, 2010, relate to Calfrac Well Services Ltd. as it existed prior to its amalgamation with Century and (iii) as at dates or for periods following January 1, 2010 but prior to January 1, 2011, relate to Calfrac Well Services Ltd. as it existed prior to its amalgamation with Dominion Land Projects Ltd.

On February 7, 2005 and again on May 8, 2014, the Corporation filed Articles of Amendment to split its common shares on a two-for-one basis.

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 certain of its subsidiaries as at January 1, 2017, showing each entity's jurisdiction of incorporation, continuation or formation, as applicable, and the Corporation's ownership interest therein. Unless the context requires otherwise, references to the Corporation include its subsidiary entities set forth below.




## GENERAL DEVELOPMENT OF THE BUSINESS

### The Corporation

The Corporation is a leading independent global 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, Argentina and Mexico.

The Corporation has established itself as a key energy services provider in the markets where it operates and has a reputation for high quality, safe operations and flawless execution. With a diverse geographic network and an active operating fleet sized correctly to service the markets where it operates, the Corporation's goal is to safely and efficiently provide the highest degree of expertise, innovation and service to its customers. The Corporation's success thus far in achieving this goal is attributable to a broad customer base and strong relationships with a number of the world's leading oil and natural gas exploration and production companies. Based on horsepower ("HP"), the Corporation is one of the largest hydraulic fracturing companies in the world with a combined fleet at December 31, 2016 of approximately 1,222,000 HP, which figure excludes 92,500 HP that had not been commissioned at December 31, 2016. In addition, the Corporation had 32 coiled tubing units and 25 cementing units at December 31, 2016.

**Development of the Business**

***Growth of the Corporation***

Since its incorporation in 1999, the Corporation has focused on growing its operations organically during periods of high activity levels, and executing counter-cyclical and strategic acquisitions during commodity and financial market downturns. This strategy has been evident in the acquisitions that the Corporation completed in August 2009, November 2009 and October 2013 which increased its pumping capacity, generated synergies associated with the utilization of the Corporation's in-house supply chain and logistical planning, expanded its infrastructure and provided it with additional experienced personnel required to come out of each of the previous downturns stronger than it entered. The timing of the acquisitions allowed the Corporation to acquire tangible assets at significant discounts to replacement cost, and its geographic diversification and scope of operations allowed it to efficiently deploy the acquired assets, including to regions with higher activity or better operating fundamentals, with minimal delay.

In August 2009, the Corporation completed the acquisition of the fracturing assets of a competitor, Pure Energy Services Ltd. ("Pure"), for a total purchase price of approximately $44.5 million (including transaction costs and the assumption of approximately $3.4 million of debt). The price represented a discount to net book value and replacement cost and was paid in cash. The assets included approximately 45,000 HP, high-rate blenders and related sand-handling equipment. The Corporation also acquired certain land, a rail car lease and a rail spur associated with Pure's fracturing operations, as well as a re-negotiated sand supply agreement.

In November 2009, the Corporation completed the acquisition of Century for a total purchase price for accounting purposes of $100.9 million, including transaction costs of $5.2 million, and assumed $29.0 million of indebtedness and other liabilities, net of working capital. In connection therewith, 5,144,344 of the Corporation's common shares were issued and approximately $13.5 million in cash was paid for the acquisition of all the common shares of Century. Century, founded in 2005, was a provider of fracturing services in the Western Canadian Sedimentary Basin (the "WCSB") at the time it was acquired by the Corporation. Century had approximately 70,000 HP, 12 blenders, 10 coiled tubing units as well as other related equipment and real property assets in Alberta and Saskatchewan. Subsequent to the closing of the Century transaction, the Corporation's Canadian division rationalized its real property portfolio by selling redundant properties in Grande Prairie, Red Deer and Medicine Hat for aggregate gross proceeds of approximately $4.8 million. A business acquisition report on Form 51-102F4 was filed on January 25, 2010 in respect of the Century acquisition and can be accessed via SEDAR at www.sedar.com.

In October 2013, the Corporation completed the acquisition of all of the operating assets (the "Mission Assets") of Mission Well Services, LLC ("Mission"), a privately-held hydraulic fracturing and coiled tubing services provider focused in the Eagle Ford shale region of Texas (the "Mission Asset Acquisition"), for a total purchase price of approximately $150.7 million (including transaction costs), which included certain working capital associated with the ongoing operations of the business. The purchase price was approximately equal to the net book value of the Mission Assets and represented a discount to replacement value. The Mission Assets included approximately 157,500 HP, along with high-rate blenders, related sand-handling and auxiliary equipment, three deep capacity coiled tubing units with related fluid and nitrogen pumping units and a modern district facility in San Antonio, Texas. As a result of the Mission Asset Acquisition, the Corporation gained a foothold in the Texas market with the addition of locations in Houston and San Antonio. The Corporation also assumed certain commitments with key suppliers of Mission and employed substantially all of Mission's operating employees in order to continue to serve Mission's customers following the completion of the acquisition.

The Pure and Century acquisitions completed in 2009 and the Mission Asset Acquisition completed in 2013 have assisted the Corporation in growing its operations in North America. The Pure acquisition contributed to the expansion of the Corporation's scope of operations in Arkansas and its entry into the Marcellus shale play in 2010 as well as the Bakken shale play in North Dakota and Montana and the Niobrara shale formation in the Denver-Julesburg basin in 2011. In addition, the Mission Asset Acquisition enabled the Corporation to expand its presence into the Eagle Ford shale play of Texas in 2013. Similarly, the Century acquisition provided the equipment, personnel and infrastructure needed to allow the Corporation's Canadian operating division to expand its presence in the Deep Basin, Montney and Horn River plays and establish a significant presence in the Viking, Cardium and Bakken plays. Late in the third quarter of 2012, the Corporation completed its new district facility in Smithfield, Pennsylvania, allowing the Corporation to efficiently service the southwest portion of the Marcellus shale play and most of the emerging Utica shale play. In addition, the Corporation completed a new district facility in Williston, North Dakota in 2013, which serves the Corporation's operating presence in that region.

In Russia, the Corporation has continued to increase its scope of operations, which commenced in 2005 with two deep coiled tubing units and has been augmented to comprise seven deep coiled tubing units and six fracturing spreads. In September 2012, the Corporation began executing multi-stage hydraulic fracturing jobs on horizontal wells in Russia and since then the number of such jobs in Russia has steadily increased. In addition, in August 2013 the Corporation introduced two-inch coiled tubing services into its Russian service offering which provides another platform for growth in this market segment. The Corporation also increased its presence in Russia by establishing an operating base in Usinsk, Russia in August 2013 in order to provide pressure pumping services for a new customer in that region. Given Russia's position as one of the top three largest producers of both oil and natural gas and one of the largest fracturing markets in the world, management of the Corporation continues to be of the view that the demand for Western technology in this market, coupled with the extensive Russian well service industry experience that certain of the Corporation's senior management possess, leaves the Corporation well-positioned to effectively and profitably operate and grow in this market. The economic sanctions applied by Canada, the United States and certain other jurisdictions against Russia have not impacted the Corporation's existing conventional operations to date, however, the sanctions have limited the Corporation's ability to pursue unconventional development opportunities that are emerging in Russia. The Corporation believes that it is well-positioned to take advantage of such unconventional opportunities if and when the economic sanctions are removed.

In 2007, the Corporation expanded its geographic footprint from Canada, the United States and Russia to include Mexico by executing a contract with Pemex Exploracion y Produccion ("Pemex") for the provision of hydraulic fracturing services in the Burgos field of northern Mexico. Mexican operations commenced from a district base in Reynosa, Mexico, and subsequently expanded to include additional operating bases in Poza Rica and Villahermosa. Given that activity levels currently remain low while the national reform of the Mexican energy industry continues to be implemented, the Corporation has reduced the size of its Mexican workforce and idled operating equipment in order to reduce costs. The Corporation intends to continue monitoring the impact of the reforms and maintain its small scale operating presence in Mexico in order to be positioned for new opportunities that may arise as a result of the energy reforms.

In the fourth quarter of 2007, the Corporation incorporated a majority-owned subsidiary in Argentina and established a district operating base in Catriel with the support of a local management team. The Corporation's Argentinean operations have since grown to include additional operating bases in Neuquén, Las Heras and Comodoro Rivadavia. Cementing operations in Argentina commenced in the second quarter of 2008, anchored by an arrangement with a leading oil and natural gas company in that country, and fracturing operations commenced in Argentina in May 2013. In 2014, the Corporation added an additional 32,000 HP in Argentina to assist its expansion into the Vaca Muerta unconventional shale play and it expanded its Argentinean coiled tubing fleet to six units from three and its cementing fleet to eight units from seven. In 2015, the Corporation added an additional 40,000 HP in Argentina to service the conventional and unconventional plays in the Comodoro Rivadavia area and to service the Vaca Muerta unconventional shale play, and it further expanded its Argentinean cementing fleet to 11 units.

The Corporation's Mexican and Argentinean operations were consolidated in 2009 by establishing a Latin America operating division effective January 1 of that year. The Corporation has assembled an experienced management team for its Latin America division which is expected to continue to drive future operational and financial performance improvements within the division.

***Current Business Environment***

Last year was one of the most challenging years experienced by the North American pressure pumping industry. The U.S. land rig count fell to 380 rigs while the Canadian rig count dropped to as low as 34 rigs in 2016. As a result of this lack of activity, pricing in the pressure pumping sub-sector fell to unsustainable levels and, consequently, drove several North American competitors into bankruptcy or to undertake significant financial restructuring measures. In 2016, the Corporation was focused on managing its cost structure and preserving liquidity which resulted in significant headcount reductions, the introduction of structural changes in Canadian field labour compensation, further idling of assets and the closure of certain districts both on a permanent and temporary basis. While difficult decisions had to be made over the course of the last two years, the Corporation was able to navigate through the downturn and is optimistic for an industry recovery. As evident in the rebound in the North American rig count and the recent strength in crude oil prices and relative strength in natural gas prices, the Corporation believes that the market has begun to improve. Activity has experienced positive momentum over the last few months and utilization of the Corporation's active fleet has meaningfully increased in North America while the Corporation's international operations have stabilized. Although the Corporation believes that 2017 will be an improvement from 2016, the Corporation expects the first half of the year to be a transition period as the pressure pumping industry begins to recover in Canada and the United States.

The Corporation's 2017 capital program is anticipated to be approximately $25.0 million which is comprised entirely of sustaining capital expenditures.

***Financing and Capital Markets Activity***

The Corporation's growth outlined above has been financed through a combination of cash flow, working capital, common share issuances, available credit facilities and the issuance of four separate tranches of senior notes, as discussed in further detail below.

In February 2007, Calfrac Holdings LP ("Calfrac Holdings") closed a private offering of US$135.0 million aggregate principal amount of 7.75% senior notes due 2015, and on December 16, 2009, Calfrac Holdings closed a second private offering of US$100.0 million aggregate principal amount of 7.75% senior notes due 2015. Both tranches of the 7.75% senior notes have been redeemed in accordance with their terms.

In September 2009, and in conjunction with the Century and Pure acquisitions, the Corporation negotiated an increase in the credit facilities ("Credit Facilities") available to it from $90.0 million to $170.0 million. In December 2009, the Corporation executed an amendment to the credit agreement governing its Credit Facilities (the "Credit Agreement") which provided for the addition of another Canadian financial institution to the syndicate and increased the Corporation's available Credit Facilities to $175.0 million.

In November 2010, Calfrac Holdings closed a private offering of US$450.0 million aggregate principal amount of 7.50% senior notes due 2020. Fixed interest on the notes is payable on June 1 and December 1 of each year, and the notes will mature on December 1, 2020. Calfrac Holdings used a portion of the net proceeds of the offering to repay indebtedness, including to fund the redemption of both tranches of its 7.75% senior notes that were due in 2015 as discussed above.

In September 2011, the Corporation increased its available Credit Facilities to $250.0 million and extended the term of these facilities to four years and in October 2012, the Corporation increased its available Credit Facilities to $300.0 million and extended the term to September 27, 2016. During 2013, the Corporation negotiated amendments to the Credit Agreement to extend the term of its Credit Facilities to September 27, 2017, increase the maximum outstanding principal letters of credit permitted under its syndicated facility and to provide for an add-on private offering of US$150.0 million aggregate principal amount of 7.50% senior notes due 2020. In October 2014, the

Corporation extended the term of its Credit Facilities to September 27, 2018 and in February 2015, the Corporation increased its available Credit Facilities to $400.0 million.

In December 2011, the Corporation adopted a Dividend Reinvestment Plan (the "DRIP") which allows shareholders to direct that cash dividends paid on all or a portion of their common shares be reinvested in additional common shares which will be issued at 95% of the volume weighted average price of the common shares traded on the Toronto Stock Exchange during the last five trading days preceding the relevant dividend payment date. On September 24, 2015, the Corporation announced the suspension of the DRIP until further notice. If the Corporation elects to reinstate the DRIP in the future, shareholders that were enrolled in the DRIP at suspension and remained enrolled at reinstatement will automatically resume participation in the DRIP.

In October 2013, Calfrac Holdings closed an add-on private offering of US$150.0 million aggregate principal amount of 7.50% senior notes due 2020 (together with the US$450.0 million aggregate principal amount of 7.50% senior notes due 2020 issued in November 2011, the "Notes"). The net proceeds of the offering were used to repay indebtedness under the Corporation's Credit Facilities that was incurred in connection with the Mission Asset Acquisition.

In June 2015, the Corporation negotiated amendments to the Credit Agreement to, among other things: (a) revise the maximum funded debt-to-EBITDA ("Leverage Ratio") covenant to apply during the following two years; and (b) increase the maximum total debt-to-capitalization covenant from 60% to 70%. In December 2015, the Corporation negotiated further amendments to the Credit Agreement to, among other things: (a) reduce its available Credit Facilities to $300.0 million; (b) revise the Leverage Ratio covenant to apply over the following two years; (c) remove the prior maximum total debt-to-capitalization covenant (previously 70%); (d) add a new covenant of 30% governing the Corporation's funded debt-to-capitalization ratio (removing the Notes from the calculation of debt in the debt-to-capitalization ratio covenant); (e) conditionally increase the accordion feature of its syndicated facility (from $100.0 million to $200.0 million); and (f) add a new equity cure provision which allows the Corporation to apply the proceeds of equity offerings in the calculation of EBITDA towards the Leverage Ratio, subject to certain conditions. Additional information regarding the amendments to the Credit Agreement in December 2015 can be found in the Corporation's press release dated December 14, 2015 and in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2016.

On December 22, 2015, the Corporation completed a bought deal private placement of 20,370,370 common shares at a price of $1.35 per share for total gross proceeds of approximately $27.5 million (the "2015 Offering"). Of the net proceeds of the 2015 Offering, $25.0 million is being held in a segregated account which enables such amount to be utilized in the calculation of EBITDA towards the Leverage Ratio. The application of new equity issue proceeds in this manner, referred to as an "Equity Cure", may take place in any of the quarters ending prior to and including December 31, 2017, subject to certain conditions.

On June 10, 2016, the Corporation announced that Alberta Investment Management Corporation ("AIMCo"), on behalf of certain of its clients, provided it a $200.0 million term loan facility (the "Term Loan") pursuant to a senior secured second lien term loan credit agreement (the "Term Loan Agreement"). The Term Loan, which is secured by the Canadian and U.S. assets of the Corporation on a second priority basis, will mature on September 30, 2020, and bears interest at the rate of 9% per annum, paid quarterly. Amortization payments equal to 1% of the original principal amount are payable annually, in equal quarterly installments, with the balance due on the final maturity date. The Corporation may elect to pay interest "in kind" or defer payment of interest for up to eight quarterly periods over the term of the loan, with such "in kind" or deferred interest then carrying a 12% per annum interest rate. The proceeds from the Term Loan were made available in a single draw, and amounts borrowed under the Term Loan that are repaid or prepaid will not be available for reborrowing. In conjunction with the funding of the Term Loan, an aggregate of 6,934,776 warrants to purchase common shares of the Corporation were issued to AIMCo, entitling it to acquire up to 6,934,776 common shares at a price of $4.14 per common share at any time prior to June 10, 2019. The proceeds of the Term Loan were used by the Corporation for working capital and general corporate purposes, including the repayment of all of the Corporation's bank indebtedness under its Credit Facilities on the date of closing, and the repayment of the borrowings of Calfrac Well Services (Argentina) S.A. No amendments were made to the available commitment, term, covenants or interest rates payable under the Corporation's Credit Facilities as part of the required approvals for the Term Loan. Additional information regarding the Term Loan can be found in the Corporation's press release dated June 10, 2016.

On December 6, 2016, the Corporation completed a private placement of 21,055,000 common shares at a price of $2.85 per share for total gross proceeds of approximately $60.0 million (the "2016 Offering"). Of the net proceeds from the 2015 Offering and the 2016 Offering, $50.0 million is being held in a segregated account in accordance with the Credit Agreement pending an election to utilize such proceeds as an "Equity Cure", as described above. When the funds are removed from the segregated account, as an Equity Cure or otherwise, they are expected to be used to fund capital expenditures, to reduce outstanding indebtedness and/or to be used for general working capital and corporate purposes.

***Other Recent Developments***

Michael J. McNulty retired as Chief Financial Officer on March 4, 2016 and Michael D. Olinek, Vice President, Finance of the Corporation since April 2011, assumed the role of Interim Chief Financial Officer effective upon Mr. McNulty's retirement. On February 23, 2017, Mr. Olinek was appointed Chief Financial Officer of the Corporation.

**Description of Services**

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 completion of "unconventional reservoirs", including unconventional oil and gas shales, siltstones, mudstones and other traditionally bypassed reservoirs is a technically and operationally challenging segment of the fracturing market that has experienced strong growth worldwide until the recent downturn in activity due to the decline in commodity prices, and is characterized by increasing numbers of horizontal wells, multi-stage fracture treatments and elevated pumping pressure demands. The Corporation has become a leading service provider in the deeper, more technically challenging plays in Alberta, northeast British Columbia, Saskatchewan, Colorado, North Dakota, Montana, Utah, Arkansas, Ohio, Pennsylvania, Wyoming and West Virginia by offering innovative equipment, technology solutions and highly trained personnel to execute these difficult projects. As of December 31, 2016, the Corporation's HP fleet consisted of:

- approximately 394,000 HP in Canada, of which approximately 206,000 HP is active and approximately 188,000 HP has been temporarily idled;
- approximately 627,000 HP in the United States, of which approximately 252,000 HP is active and approximately 375,000 HP has been temporarily idled;
- approximately 70,000 HP in Russia, all of which is active;
- approximately 108,500 HP in Argentina, all of which is active; and
- approximately 22,500 HP in Mexico, all of which is active. The 22,500 HP constitutes one fracturing fleet. Due to the intermittent nature of activity in Mexico, the entire fleet is either active or idle but it is always available to go to work. The idle status of equipment in Mexico is different than in Canada and the United States where equipment has been parked with the intention that it will not go back to work until activity and pricing levels warrant reactivating the equipment.

For the years ended December 31, 2016 and 2015, fracturing services accounted for 85% and 89%, respectively, of the Corporation's revenue.

The Corporation provides 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 by reservoir 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 may 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 within the producing zone which is fractured. The Corporation's engineering and asset enhancement teams provide technical evaluation and job design recommendations as an integral component 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 hydraulic fracturing job normally consists of the following:

- a blender to combine chemicals, base fluid and proppant into specific mixtures of fracturing fluids;
- one or more high horsepower fracturing pumpers, with the number dependent upon the pumping pressure and rate required for the fracture;
- a chemical additive unit to transport and inject each chemical in controlled quantities to create 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), if the job is programmed to include an energizer; 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. 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 and reduces overall costs.

***Coiled Tubing Services.*** The Corporation provides coiled tubing services by running 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 other fluids into wells 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 oil and natural gas without the accumulation of fluid in the wellbore. Coiled tubing remains the preferred completion tool for drilling out composite plugs and ball seats in horizontal wells after multi-stage fracturing jobs. Since 1999, the Corporation has successfully developed innovative equipment and treating procedures required to effectively complete coiled tubing assignments, from relatively simple shallow oil and natural gas operations to deeper, more technically challenging horizontal wells. As of December 31, 2016, the Corporation had:

- 13 coiled tubing units in Canada, of which 7 are active and 6 are temporarily idled;
- 5 coiled tubing units in the United States, all of which are temporarily idled;

- 7 coiled tubing units in Russia, of which 6 are active and 1 is temporarily idled;
- 6 coiled tubing units in Argentina, all of which are active; and
- 1 coiled tubing unit in Mexico, which unit is active.

For the years ended December 31, 2016 and 2015, coiled tubing services accounted for 10% and 6%, respectively, of the Corporation's revenue.

***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 protect groundwater from contamination emanating from the wellbore, surface casing is run to a depth below the level of groundwater and fresh water aquifers and cemented in place. In many wells, intermediate and production casing is also run below the level of surface casing 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 has grown this service line through acquisitions and capital investment. As of December 31, 2016, the Corporation had:

- 11 cementing units in the United States, all of which are temporarily idled;
- 13 cementing units in Argentina, all of which are active; and
- 1 cementing unit in Mexico, which unit is active.

For each of the years ended December 31, 2016 and 2015, cementing services accounted for 5% of the Corporation's revenue.

**Industry**[1]

While 2015 saw a rapid and unexpected fall in commodity prices, 2016 was marked by a continued fall in oil prices in the first half followed by a slow recovery in the second half. Since the middle of February 2016 when oil prices bottomed out, drilling activity has picked up significantly with U.S. land drilling leading the improvement. Although certain drilling segments such as offshore have continued to decline, there has been increased optimism across the industry. While global oil supplies remained near historic highs at the end of 2016, the decision by the Organization of Petroleum Exporting Countries ("OPEC") to cut oil production, along with major non-OPEC producers such as Russia following suit in late 2016, has improved the industry's outlook on oil prices moving forward. Since the OPEC announcement to cut oil production, OPEC production is down over 1 million barrels per day ("MMBpd"). According to the Energy Information Administration, United States crude oil production averaged an estimated 9.4 MMBpd in 2015 before falling to an average of 8.9 MMBpd in 2016. Domestic oil production is forecast to remain flat at an average of 8.9 MMBpd in 2017 and see a rise to 9.5 MMBpd in 2018. Natural gas had a very strong second half of 2016, also improving expectations for 2017. Natural gas prices neared $4 per thousand cubic feet ("Mcf") in late-2016 due to cold weather in North America which reduced the natural gas glut that has plagued the market over the past two years.

The S&P oilfield service index (the "OSX") has substantially underperformed the S&P 500 since mid-2014. Since August 2014, the S&P 500 has increased by 23% while the OSX has fallen by 42%. The main factor influencing demand for fracturing services is the level of horizontal drilling activity by exploration and production companies and the associated completions activity. At the beginning of 2000, according to Baker Hughes' rig count, 51 horizontal drilling rigs were operating in North America, representing 6.5% of the total North American operating rig count. This figure increased to a peak of 1,372 (71% of total North American drilling rigs) in November 2014 as unconventional opportunities gained favor throughout North America. However, by the end of 2015, North America's horizontal rig count decreased by 60% to 549 drilling rigs, and decreased by another 3% in 2016 to 532

[1] The market data in this section is provided as of March 21, 2017.

drilling rigs. The first part of 2017 has seen a rise by 12% from year-end 2016 levels, with 658 horizontal drilling rigs comprising 83% of the North American operating rig count as of mid-March. According to Spears & Associates, between 2006 and 2016 the compound annual growth rate of the global oilfield services industry was flat. Between 2010 and 2014 this market grew by 58% to its peak of US$457 billion in revenue, dropping by 51% from 2014 levels to its trough of $221 billion in 2016 revenue. With improving commodity prices in the second half of 2016, many operators have increased their drilling activity and have increased capital expenditure plans for 2017. The trend of longer laterals, higher proppant use and more fracturing stages have also contributed to a higher utilization for the pressure pumping sector for 2016 over 2015. Also, there was an estimated 885,000 HP reduction in the market in 2016 due to cannibalization. These trends are expected to continue into 2017 leading to higher usage rates for equipment as well as higher realized prices and improved margins for pressure pumpers.

Looking ahead, the Energy Information Administration forecasts that crude prices will average US$53.49 per barrel in 2017 and US$56.18 per barrel in 2018. Stalling global trade, weak investment, and heightened policy uncertainty have depressed world economic activity. Global trade growth in 2016 fell to 2.3%, its weakest level since the global financial crisis. The sharp drop in oil prices from mid-2014 to early 2016 is expected to have contributed to the weakness in global trade, as income losses were concentrated among a few countries, while gains were diffused among many countries. According to the International Monetary Fund, global growth is currently estimated to increase modestly to 2.7% in 2017 and 2.9% in both 2018 and 2019. Uncertainty remains regarding global economic stability going forward given European and U.S. political environments, as restrictions on global trade seem imminent.

According to the World Bank, annual gross domestic product growth in China, the second largest consumer of oil in the world, slowed from an average of 7.3% over the 2011-2015 period to 6.7% in 2016 and is projected to grow at an average of 6.4% from 2017 through 2019. The slowing economic growth by some of the major economic countries resulted in lower than expected demand. Overall United States crude inventories rose in February 2017, bringing total United States commercial crude stocks to 508 million barrels, up 8.1% from the year prior.

The pressure pumping industry provides hydraulic fracturing and other well stimulation services to exploration and production companies. Over the last two decades, the pressure pumping market has evolved from an industry dominated by three major players to an industry where smaller, independent operators have made significant strides with technological advances. In 1999, the top three pressure pumping companies held a vast majority of the market share at 87%. By 2014, independent fracturing companies, like the Corporation, captured 49% of the global market share. In terms of revenue growth, the market grew at a compound annual growth rate of 21% from 1999 through 2008. In the midst of the 2008-2009 downturn in the commodity cycle, the pressure pumping market declined by 31%. On the heels of a market turnaround, renewed growth came back to the market from 2010 to 2014, growing by 33%. The share of this market held by independent companies, however, is expected to have shrunk through 2016 to 37% as the collapse in commodity prices impacted many of the pressure pumping companies.

Spears & Associates estimates that the hydraulic fracturing market grew 68% in 2011 before falling to a growth rate of 6% in 2012, 1% in 2013 and 20% in 2014. This market saw drastic decreases in 2015 and 2016, with Spears & Associates estimating that the market dropped by 43% each respective year. As many shale plays are in tight, high pressure reservoirs, drilling these plays requires an increasing number of fracturing stages and more pounds of proppant per fracturing stage. Given the improvement in drilling activity in the second half of 2016, exploration and production companies have started to increase demand for pressure pumping services. Spears & Associates estimates the hydraulic fracturing market, of which North America represents 53%, fell by 43% in 2016, reaching US$14 billion, down from the 2014 record of US$44 billion. Hydraulic fracturing is estimated to comprise roughly 75% of the pressure pumping market and is estimated to see a rebound with 22% growth in 2017.

Coiled tubing remains the preferred completion tool for drilling out composite plugs and ball seats in horizontal wells after multi-stage fracturing jobs. According to Spears & Associates, revenue growth in the North American coiled tubing market increased by 16%, from US$7.9 billion in 2013 to a peak of US$9.1 billion in 2014. However in 2015 and 2016 the coiled tubing market fell by roughly 40% each year to an estimated $3.3 billion in 2016. Spears & Associates anticipates that the coiled tubing market will grow by 20% in 2017 as demand picks up.

Cementing is a principal component of pressure pumping services and it remains a critical step in the overall well completion process. Between 2010 and 2014, the cementing market grew from US$6 billion to a peak of US$12 billion. The United States land market exhibited strong growth over this period as horizontal wells continued to be drilled at greater lateral lengths. However, the main factor influencing demand for cementing services is the amount of new well construction. With drilling activity falling in 2015, the cementing market respectively fell by 35% from its 2014 revenue of US$12 billion. In 2016, Spears & Associates estimates the market fell by another 38% to US$4.9 billion. This market is expected to increase by 20% in 2017, in line with its 2010 size, reaching US$5.8 billion.

Given OPEC's and other participants' commitment to production cuts, stability in commodity prices and increased capital expenditure guidance of North American producers, the Corporation expects that 2017 will be an improvement over 2016.

**Competitive Strengths**

***Strategic position in four of the top five fracturing markets.*** The Corporation believes that it is very well-positioned in the markets where it operates. The Corporation is one of the leading companies in the Canadian market in providing innovative hydraulic fracturing services throughout the unconventional oil and natural gas markets, and specifically, the deeper, more technical areas of the WCSB. The Corporation has expanded its presence in the United States to service both the western and eastern slopes of the Rocky Mountains in the United States, including the Piceance, Uintah and Denver-Julesburg basins (which includes the Niobrara oil play of northern Colorado), the Marcellus and Utica shale plays in Pennsylvania, West Virginia and Ohio, the Bakken shale play in North Dakota and Montana, and the Eagle Ford shale play in Texas, and is well-positioned for the expected growth in demand for the Corporation's services in these regions as commodity prices strengthen. In 2005, the Corporation successfully commenced operations in Russia, the world's fourth largest fracturing market after the United States, Canada and China. The Corporation's management team has extensive Russian well service industry experience, which, together with strong demand in Russia for Western technology, enhances its position to effectively and profitably operate and grow in that market. The Corporation also operates in Argentina, which is currently the fifth largest fracturing market in the world. The Corporation expects unconventional oil and gas activity in Argentina will continue to develop significantly in the future given the recently announced plan by the Argentinean government to boost the exploration and development of unconventional resources in the Neuquén area.

***Field-proven technologies and specialty equipment.*** With a comprehensive fleet of specially designed fracturing, coiled tubing 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. A considerable amount of technology and engineering expertise is incorporated into the fluid chemistry and the design of fracturing programs, and has been an integral part of the recent successes in the exploration and development of emerging unconventional oil and natural gas plays. In addition to its high-tech laboratories located at the Technology and Training Centre in Calgary, Alberta and the Technology and Training Center in Louisville, Colorado, the Corporation operates district laboratories in Grande Prairie, Alberta; Grand Junction, Colorado; Williston, North Dakota; Smithfield, Pennsylvania; Noyabrsk, Khanty-Mansiysk and Usinsk, Russia; Neuquén, Las Heras and Comodoro Rivadavia, Argentina; and Reynosa and Poza Rica, Mexico. The Corporation has developed proprietary chemistries that provide viscosities with minimum additives that optimize proppant placement and enhance fracturing fluid recovery. In addition, the Corporation remains focused on the ongoing development of environmentally friendly fluid systems, including systems which contain no hazardous materials, and systems that can be used with high saline produced and recycled waters, thereby reducing fresh water demand. The Corporation has also developed highly innovative and specially designed field equipment and equipment configurations that allow 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, 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 supported by highly qualified technical personnel, which enable it to develop an understanding of each customer's specific needs, and then tailor innovative, practical and cost-effective solutions to meet those needs. The Corporation has strong relationships with its customers, comprised of a diverse and balanced mix of large, intermediate and small oil and natural gas exploration and production companies, and counts among its client base many of the most active exploration and production companies in the countries in which it operates. For the year ended December 31, 2016, the Corporation's five largest customers collectively represented approximately 42% of the Corporation's revenue with its largest customer accounting for approximately 12% of the Corporation's revenue. The Corporation's customer base consists of approximately 113 oil and natural gas exploration and production companies, ranging from large multi-national public companies and national oil and gas companies to small private companies.

***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 management team have a demonstrated track record and an abundance of relevant industry experience. 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. The Corporation's directors and executive officers own or control approximately 24% of the Corporation's outstanding common shares.

***Supply chain and logistics.*** The Corporation believes it has created a competitive advantage through its in-house supply chain and logistical planning experts. The Corporation has strategically invested in infrastructure and optimized its logistic networks to ensure an uninterrupted supply of goods and materials so that non-productive time is minimized for the Corporation's customers. This approach is illustrated with the recent investments in four exclusive proppant storage and transloading facilities strategically located in Taylor, British Columbia; Kuusamo and Whitecourt, Alberta; and Glidden, Saskatchewan. The facilities have increased the Corporation's basin storage and transload access across the key plays in Canada. The Corporation continues to analyze and identify ways in which it can optimize its supply chain and logistical network across its operations. The Corporation expects that these and other logistical initiatives will leave it well situated from a logistics perspective to continue navigating the current challenging market conditions and to capitalize on the increasing demand for its services that is expected to result from the recent strengthening of commodity prices.

**Business Strategy**

***Safely provide the highest degree of expertise and service.*** Central to the Corporation's business strategy and long-term vision is its goal to safely and efficiently provide the highest degree of expertise, innovation, quality and service to its customers. To create value for the Corporation's customers and greater opportunities for its employees, the Corporation continues to strive for operational excellence through flawless execution. The Corporation seeks to maintain its position as the preferred provider to its customers through its unique combination of an entrepreneurial approach to solving problems, the energy of the employees, a commitment to continuous improvement through innovation and an ethical approach to business.

***Expand the Corporation's global presence and network.*** The Corporation believes that, through its presence in four of the world's top five fracturing markets, it is well-positioned to serve customers in their major operating areas. Despite the current challenges of the commodity markets, the Corporation is optimistic about its long-term growth prospects in Canada, the United States, Russia and Latin America. The Corporation believes that when industry activity recovers, its established operating bases located in Canada, the United States, Russia, Argentina and Mexico will act as a springboard for the Corporation's future growth given its customer relationships, geographic footprint and focus on top-tier safety, service quality, logistics management and technology.

***Advanced technologies and chemistries.*** 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 and a reduced environmental footprint. 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.

***Commitment to quality.*** The Corporation's commitment to quality is evident in the investment made to become certified under American Petroleum Institute's Specification Q2 ("API Q2"), which is the first quality management system certification for energy services companies in the oil and gas industry. The standard defines a quality management system of procedures and processes that foster continuous improvement in substantive capabilities, quality control and reporting. The Corporation's progress toward certification is on schedule and, in 2016, in addition to the six locations in the United States and Canada that were awarded API Q2 certification in 2015, the Corporation achieved certification in Platteville, Colorado. Certification audits for additional districts are planned for 2017 and 2018.

***A talented, dedicated workforce.*** The Corporation has secured a reliable, talented and dedicated workforce and it has processes in place to temporarily mobilize its workforce between operating districts. These temporary assignments maximize utilization during periods in which the demand for services decreases, such as Canada's spring break-up, and facilitate knowledge transfer. In addition, in order to strengthen its workforce, the Corporation has facilities and programs in place which provide an environment for ongoing learning. The Corporation has dedicated facilities in Grande Prairie and Calgary, Alberta and Louisville, Colorado which are focused on training, research and development and which have been staffed with experienced training professionals of various specialties. The Corporation's in-depth and award-winning field training program for all new field employees has been rolled out across North American operations. The program includes classroom instruction, on-line learning programs and hands-on field and equipment training to ensure that new hires have the skills required to safely perform in the demanding environment in which the Corporation operates. In addition, the Corporation has established a Supervisor Essential Skills training program, which covers topics such as project management, safety management, customer relations, leadership training and time management. By providing an environment for ongoing learning in both the classroom and the field, the Corporation increases productivity, efficiency and performance through its people.

***Cost management.*** During the low commodity price environment experienced in 2015 and 2016, the Corporation demonstrated its ability to aggressively manage its cost structure, as it implemented several cost reduction initiatives designed to maintain the Corporation's competitiveness. This included idling equipment, scaling back operations in order to match costs with anticipated revenue, reducing its headcount and introducing changes to employee compensation. In addition, in working with the Corporation's key suppliers, the supply chain and logistics group significantly reduced costs for key products, including proppant and chemicals, as well as third party subcontractors. The Corporation continues to analyze all measures it can employ to further lower its cost structure including process efficiencies and further cost mitigation strategies. By prudently managing its cost structure, the Corporation will be able to provide a sustainable business model for long-term growth.

**Customers**

The Corporation's customer base consists of approximately 113 oil and natural gas exploration and production companies, ranging from large multi-national public companies and national oil and gas companies to small private companies. The Corporation enjoys strong relationships with its customers, comprised of a diverse and balanced mix of large, intermediate and small oil and natural gas exploration and production companies, and count amongst its client base many of the most active exploration and production companies in the countries in which it operates. For the year ended December 31, 2016, the Corporation's five largest customers collectively represented approximately 42% of its revenue and its largest customer accounted for approximately 12% of its revenue.

**Contracts**

Oil and gas operators in North America have become increasingly reluctant to sign long-term minimum commitment contracts given the recent volatility of commodity prices and the excess capacity of HP in North America. However, the Corporation has entered into a number of "right of first call" contracts, wherein certain clients have committed to providing the Corporation with the first right to perform fracturing, coiled tubing and/or cementing services required in certain operating areas, as well as a number of pricing contracts.

The Corporation has traditionally operated in Russia under a mix of short-term and long-term contracts. A contract award process is typically carried out during the last half of the year for periods covering the following year(s). The Corporation is currently working in three operating areas in Russia pursuant to three one-year contracts and four three-year contracts with three of that country's largest oil and natural gas companies. The one-year contracts will expire at the end of 2017, one of the three-year contracts will expire in January 2018 and three of the three-year contracts will expire at the end of 2019. On the strength of these contractual arrangements, the Corporation is optimistic that its Russian assets will be well utilized in 2017.

In Argentina, the Corporation is currently operating under contracts with large customers such as YPF S.A., Pan American Energy and Total S.A. Based on the Corporation's strong operational performance, it should be well-positioned to continue working with these customers in the future.

**Suppliers**

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

The Corporation has a contract with a leading supplier for carbon dioxide and nitrogen to support the Corporation's Canadian operations. The contract includes a volume allocation and an annual expenditure commitment. The contract expires on December 31, 2017.

The Corporation has a number of contracts with four leading United States based suppliers of sand. Such contracts generally provide for minimum purchase commitments and maximum annual price increases. Due to the challenging market conditions in 2015 and 2016 resulting from historically low oil and gas prices, temporary pricing concessions have been negotiated for these contracts in exchange for term extensions. As a result, the average remaining term of such contracts as at the date hereof has increased year-over-year to approximately 30 months.

**Competition**

The markets in which the Corporation operates are 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 currently operates in Canada, the United States, Russia, Argentina and Mexico. 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 multi-national oilfield service companies as well as regional competitors. The Corporation's major multi-national competitors include Schlumberger Limited, Halliburton Company and BJ Services Company. The Corporation also competes against Trican Well Service Ltd., Canyon Services Group Inc. and STEP Energy Services Ltd. in Canada. In addition, the Corporation competes against a number of smaller and domestically oriented businesses in Canada, the United States and Russia which provide products and services similar to those provided by the Corporation.

**Regulation**

The Corporation is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of workers and the environment, including laws and regulations governing occupational safety standards, air emissions, chemical usage, water discharges and waste management. The Corporation incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Corporation's social license to operate, loss of access to markets and substantial fines and penalties.

The Corporation has made significant progress in reducing the use of hazardous substances and the generation of wastes in its operations, but to date has been unable to eliminate them completely. The Corporation takes great care to ensure that no hazardous substances are released to the environment at the well site or during transportation, storage or handling. The Corporation's customers protect groundwater from contamination by substances pumped downhole by installing and cementing layers of steel piping, called casing, in every well serviced by the Corporation. Notwithstanding these precautions, the Corporation may be subject to claims regarding the release of hazardous substances into the environment. In addition, some of the Corporation's current properties are, or have been, used for industrial purposes. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages without regard to negligence or fault on the part of the party. Accordingly, the Corporation could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Corporation to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Changes in environmental requirements could negatively impact demand for the Corporation's services. For example, oil and natural gas exploration and production may decline as a result of environmental and regulatory requirements (including land use policies responsive to environmental concerns). A decline in exploration and production, in turn, could materially and adversely affect the Corporation.

The Canadian federal government, the United States Congress, the United States Environmental Protection Agency and other regulatory agencies in the United States continue to conduct investigations regarding the use and lifecycle of stimulation water and chemicals in the hydraulic fracturing process and the potential impacts on human health and the environment. In addition, most provincial, state and local governments with jurisdiction over oil and gas development have undertaken similar investigations and have implemented various rules, regulations, conditions and restrictions on hydraulic fracturing operations. Petitions and bills that assert that the fracturing process could adversely affect surface and/or ground water supplies, air quality and seismic events have been introduced in Congress and state legislatures. The proposed statutes have historically aimed to repeal the exemption for hydraulic fracturing under the Safe Drinking Water Act or enact moratoriums and/or bans on the use of hydraulic fracturing in the hydrocarbon extraction process.

Legislative and regulatory requirements currently in place or scheduled to become effective in certain provinces and/or states in 2017 include requirements regarding local government consultation, wellhead and pad setbacks, public and landowner notifications and involvement, withdrawal of water for use in hydraulic fracturing of horizontal wells, disposal of flowback or produced water, baseline testing of nearby water wells and restrictions on which additives may be used, reporting with respect to spills, mandatory visual and noise mitigation measures as well as temporary or permanent bans on hydraulic fracturing. These types of requirements could subject the Corporation to increased costs, delays, limits on the productivity of certain wells and, possibly, limits on its ability to deploy its technology. The adoption of any future federal, provincial, state or local laws or implementing regulations in any of the jurisdictions in which the Corporation operates which impose additional permitting, disclosure or regulatory obligations related to, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells and could affect the Corporation's ability to utilize proprietary technological developments to compete effectively in the pressure pumping industry.

**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 currently has 12 issued patents in respect of treatment fluids and treatment methods, as well as a number of pending patent applications.

**Facilities and Operating Assets**

The Corporation provides hydraulic fracturing and well stimulation services from its operating districts located in Red Deer, Grande Prairie, Edson, Alberta; Kindersley, Saskatchewan; Platteville and Grand Junction, Colorado; Williston, North Dakota; Smithfield, Pennsylvania; San Antonio, Texas; Noyabrsk, Khanty-Mansiysk, Nefteugansk and Usinsk, Russia; Neuquén, Catriel, Las Heras and Comodoro Rivadavia, Argentina; and Reynosa, Villahermosa, and Poza Rica, Mexico. The Corporation's head office is located in Calgary, Alberta and its regional offices are located in Denver, Colorado; Houston, Texas; Moscow, Russia; Buenos Aires, Argentina; and Mexico City, Mexico.

As at December 31, 2016, the Corporation's hydraulic fracturing fleet was approximately 1,222,000 HP (which figure excludes 92,500 HP that had not been commissioned at December 31, 2016), and its well servicing equipment included 32 coiled tubing units and 25 cementing units. On the completion of the Corporation's 2017 capital program, its hydraulic fracturing fleet will be approximately 1,322,000 HP.

**Employees**

As at December 31, 2016, the Corporation had approximately 2,800 employees in its operating regions. With the exception of a portion of the employees in Mexico and Argentina, none of the Corporation's employees are unionized.

## RISK FACTORS

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

The demand, pricing and terms for the Corporation's services largely depend upon the level of expenditures made by oil and gas companies on exploration, development and production activities in North America, Russia and Latin America. Expenditures by oil and gas companies are typically directly related to the demand for, and price of, oil and gas. Generally, when commodity prices and demand are predicted to be, or are relatively, high, demand for the Corporation's services is high. The converse is also true.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of OPEC to set and maintain production levels for oil; oil and gas production by non-OPEC countries; the decline rates for current production; global and domestic economic conditions, including currency fluctuations; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering oil and gas; technological advances affecting energy consumption; weather conditions; the effect of worldwide energy conservation and greenhouse gas reduction measures; and government regulations. Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in oil and gas exploration, development and production activities and, in turn, decrease the demand for the Corporation's services.

In addition to current and expected future oil and gas prices, the level of expenditures made by oil and gas companies are influenced by numerous factors over which the Corporation has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering oil and gas; the expected rates of current production; the discovery rates of new oil and gas reserves; cost and availability of drilling equipment; availability of pipeline and other oil and gas transportation capacity; natural gas storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation; environmental regulation; ability of oil and gas companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American, Russian and Latin American 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's industry is affected by excess equipment levels.***

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Corporation's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could 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 multi-national oilfield service companies that have extensive financial and other resources. 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.

***The Corporation's access to capital may become restricted or repayment could be required.***

The Corporation's business plan is subject to the availability of additional financing for future costs of operations or expansion that might not be available, or may not be available on favourable terms. 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 on terms acceptable to the Corporation or at all, particularly if the Corporation's debt levels are above industry standards. The Corporation's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition, results of operations and cash flows of the Corporation.

The Corporation is required to comply with covenants under the Credit Agreement, the Term Loan Agreement and the Indenture, including covenants relating to financial ratios and capital asset values which affect the availability and/or price of funding. In the event that the Corporation does not comply with such covenants, the Corporation's access to capital could be restricted or repayment could be required. Such non-compliance could result from an impairment charge to the Corporation's capital assets, which is determined based on management's estimates and assumptions when certain internal and external factors indicate the need for the Corporation to assess its capital assets balance for impairment. If realized, these risks could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under the Credit Agreement, the Term Loan Agreement or the Indenture, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, operating and financial restrictions exist under the Credit Agreement, the Term Loan Agreement and the Indenture, which include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurrence of additional indebtedness, provision of guarantees, making of capital expenditures and entering into of certain transactions, among others.

***The Corporation's direct and indirect exposure to volatile credit markets could adversely affect the Corporation's business.***

The ability to make scheduled debt repayments, refinance debt obligations and access financing depends on the Corporation's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. In addition, the Corporation's ability to refinance debt obligations and access financing is affected by credit ratings assigned to the Corporation and its debt. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Corporation, or third parties it seeks to do business with, to access those markets.

In addition, access to further financing for the Corporation or its customers remains uncertain. This condition could have an adverse effect on the industry in which the Corporation operates and its business, including future operating results. The Corporation's customers may curtail their drilling and completion programs, which could decrease demand for the Corporation's services and could increase downward pricing pressures. Further, certain customers could become unable to pay suppliers, including the Corporation, in the event they are unable to access the capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***Any difficulty in retaining, replacing or adding personnel could adversely affect the Corporation's business.***

The Corporation may not be able to find enough skilled labour to meet its needs, and this could limit growth. The Corporation may also have difficulty finding enough skilled and unskilled labour in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services and as new HP is brought into service. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect the Corporation's ability to find enough workers to meet its needs. The nature of the Corporation's work requires skilled workers who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Corporation's. The Corporation's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If the Corporation is unable to do so, it could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

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

The Corporation sources its raw materials, such as proppant, chemicals, nitrogen, carbon dioxide and diesel fuel, and its component parts from a variety of suppliers in North America, Russia and Argentina. 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 cost increases or delays in the provision of services to the Corporation's clients could have a material adverse effect on its business, financial condition, results of operations and cash flows.

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

The Corporation's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Corporation's foreign operations are directly affected by fluctuations in the exchange rates for United States, Russian, Argentinean and Mexican currencies. For example, financial results from the Corporation's United States operations are denominated in United States dollars, so a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. In addition, the majority of the Corporation's debt is denominated in United States dollars, so a decline in the value of the Canadian dollar would increase the amount of reported debt in the Corporation's consolidated financial statements. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Corporation does not have any hedging positions.

***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 politically or economically unstable. Activities in such countries may require protracted negotiations with host governments, national oil and gas 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, restrictions on the repatriation of income or capital, governmental regulation and the risk of actions by terrorist, criminal or insurgent groups, any of which could adversely affect the economics of exploration or development projects and the demand for the Corporation's well stimulation services which, in turn, could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Additionally, operations outside of Canada could also expose the Corporation to trade and economic sanctions or other restrictions imposed by the Canadian government or other governments or organizations, such as the sanctions issued by the Canadian and U.S. governments against Russia. Although management has implemented internal controls, procedures and policies that it believes to be adequate and customary in the industry and the countries where the Corporation operates, federal agencies and authorities may seek to impose a broad range of criminal or civil penalties against the Corporation or its representatives for violations of securities laws, foreign corrupt practices laws or other federal statutes, any of which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***Federal, provincial and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.***

The Canadian federal government, the United States Congress, the United States Environmental Protection Agency and other regulatory agencies in the United States continue to conduct investigations regarding the use and lifecycle of stimulation water and chemicals in the hydraulic fracturing process and the potential impacts on human health and the environment. In addition, most provincial, state and local governments with jurisdiction over oil and gas development have undertaken similar investigations and have implemented various conditions, rules, regulations and restrictions on hydraulic fracturing operations rather than waiting for federal implementation. Petitions and bills that assert that the fracturing process could adversely affect surface and/or ground water supplies, air quality and seismic events have been introduced in Congress and state legislatures. The proposed statutes have historically aimed to repeal the exemption for hydraulic fracturing under the Safe Drinking Water Act or enact moratoriums and/or bans on the use of hydraulic fracturing in the hydrocarbon extraction process.

Legislative and regulatory requirements currently in place or scheduled to become effective in certain provinces and/or states in 2017 include requirements regarding local government consultation, wellhead and pad setbacks, public and landowner notification and involvement, withdrawal of water for use in hydraulic fracturing of horizontal wells, baseline testing of nearby water wells, restrictions on which additives may be used, reporting with respect to spills, mandatory visual and noise mitigation measures as well as temporary or permanent bans on hydraulic fracturing. These types of requirements could subject the Corporation to increased costs, delays, limits on the productivity of certain wells and, possibly, limits on its ability to deploy its technology. The adoption of any future federal, provincial, state or local laws or implementing regulations in any of the jurisdictions in which the Corporation operates which impose additional permitting, disclosure or regulatory obligations related to, or otherwise limiting, the hydraulic fracturing process could make it more difficult to complete oil and natural gas wells and could affect the Corporation's ability to utilize proprietary technological developments to compete effectively in the pressure pumping industry. Such results could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The operations of the Corporation's customers are also 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, customers' operations could be disrupted or curtailed by governmental authorities. The 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.

Changes in environmental requirements may reduce demand for the Corporation's services. For example, oil and natural gas exploration and production could become less cost-effective and decline as a result of increasingly stringent environmental requirements (including land use policies responsive to environmental concerns and delays or difficulties in obtaining environmental permits). A decline in exploration and production, in turn, could materially and adversely affect the Corporation's business, financial condition, results of operations and cash flows.

***The Corporation is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.***

The Corporation is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of workers and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. The Corporation incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Corporation's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

The Corporation uses and generates hazardous substances and wastes in its operations. Because the Corporation provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. In addition, some of the Corporation's current properties are, or have been, used for industrial purposes. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Corporation could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Corporation to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

***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 113 oil and natural gas exploration and production companies, ranging from large multi-national public companies to small private companies. Notwithstanding the Corporation's broad customer base, it had ten significant customers that collectively accounted for approximately 60% of its revenue for the year ended December 31, 2016 and, of such customers, five accounted for approximately 42% of the Corporation's revenue for the year ended December 31, 2016. 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.

***Merger and acquisition activity among the Corporation's clients may constrain demand for the Corporation's services.***

Merger and acquisition activity amongst oil and natural gas exploration and production companies may constrain demand for the Corporation's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than the Corporation.

***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 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 natural gas production, pollution, contamination of drinking water 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. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may 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, particularly in portions of western Canada and North Dakota. The first quarter incorporates the winter drilling season when a disproportionate amount of the activity takes place in western Canada and North Dakota. During the second quarter, soft ground conditions typically curtail oilfield activity in all of the Corporation's Canadian operating areas and its operating areas in North Dakota such that many rigs are unable to be moved due to road weight restrictions. This period, commonly referred to as "spring break-up", occurs earlier in the year in North Dakota and southeast Alberta than it does in northern Alberta and northeast British Columbia. Consequently, this is the Corporation's weakest three-month revenue period. Additionally, if an unseasonably warm winter prevents sufficient freezing, the Corporation might not be able to access well sites and its operating results and financial condition could therefore be adversely affected. The demand for fracturing and 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 revenue. The volatility in the weather adds a further element of unpredictability to 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 is subject to legal and administrative proceedings which could have a material adverse effect on its business, financial condition and results of operations.***

From time to time, the Corporation is involved in legal and administrative proceedings which are usually related to normal operational or labour issues. The results of such proceedings or related matters cannot be determined with certainty. The Corporation's assessment of the likely outcome of such matters is based on advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal or administrative framework, precedents, relevant financial and operational information and other evidence and facts specific to the matter as known at the time of the assessment. If these matters, or any matters which the Corporation may be subject to in the future, were to be determined in a manner adverse to the Corporation or if the Corporation elects to settle one or more of such matters, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***Failure to maintain the Corporation's safety standards and record could lead to a decline in the demand for services.***

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, customer specific safety requirements and health and safety legislation. In order to ensure compliance, the Corporation has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by customers in retaining oilfield service providers is safety. Deterioration of the Corporation's safety performance could result in a decline in the demand for the Corporation's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***The loss of one or more of the Corporation's key employees could have a material adverse effect on the Corporation's business.***

The Corporation's success depends in large measure on certain key personnel. Many critical responsibilities within the Corporation's business have been assigned to a small number of employees. The loss of their services could disrupt the Corporation's operations. In addition, the Corporation does not maintain "key person" life insurance policies on any of its employees, so the Corporation is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

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

From time to time, there may be legal proceedings underway, 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 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 could 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 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 pending against Denison or affecting the Corporation's business or any legal or regulatory proceedings that may relate to Denison's prior ownership or operation of assets.

See the heading "Legal Proceedings" for particulars of the legal actions in Greece relating to the operations of Denison. The direction and financial consequence of the potential decisions in these actions cannot be determined at this time. If these actions were to be determined in a manner adverse to the Corporation or if the Corporation elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Corporation's results of operations.***

The Corporation considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Corporation completes could have unforeseen and potentially material adverse effects on the Corporation's financial position and operating results. Some of the risks involved with acquisitions include: unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and customers of the acquired company; and increased expenses and working capital requirements.

The Corporation may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Corporation's results of operations and financial condition and the issuance of additional equity could be dilutive to the Corporation's shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Corporation to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***Failure to continuously improve operating equipment and proprietary fluid chemistries could negatively affect the Corporation's results of operations.***

The ability of the Corporation to meet its customers' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary fluid chemistries. There can be no assurance that the Corporation will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Corporation to do so could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Corporation's business, operations and financial results.***

Future federal legislation, including potential international or bilateral requirements enacted under Canadian law, together with mandatory carbon pricing programs and emission reduction requirements, such as those contemplated by the federal government's Pan Canadian Framework on Clean Growth and Climate Change and in effect under Alberta's *Specified Gas Emitters Regulation* and *Climate Leadership Act*, and potential further federal or provincial requirements may impose additional costs on the Corporation's operations and require the reduction of emissions or emissions intensity from the Corporation's operations and facilities. Taxes on greenhouse gas emissions and mandatory emissions reduction requirements 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 Alberta carbon levy, mandatory emissions reduction programs and the new industry emissions cap in Alberta may also impair the Corporation's ability to provide its services economically and reduce the demand for the Corporation's services. The Corporation is unable to predict the impact of current and pending climate change and emissions reduction legislation on the Corporation and it is possible that such legislation would have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***There can be no assurance that the steps the Corporation takes to protect its intellectual property rights will prevent misappropriation or infringement.***

The success and ability of the Corporation to compete depends on the proprietary technology of the Corporation, proprietary technology of third parties that has been, or is required to be, licensed by the Corporation and the ability of the Corporation and such third parties to prevent others from copying such proprietary technology. The Corporation currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. The Corporation also relies on third parties from whom licences have been received to protect their proprietary technology. The Corporation may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Corporation is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Corporation or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Corporation. Furthermore, others may develop technology that is similar or superior to the technology of the Corporation or such third parties or design technology in such a way as to bypass the patents owned by the Corporation and/or such third parties.

Despite the efforts of the Corporation or such third parties, the intellectual property rights, particularly existing or future patents, of the Corporation or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Corporation or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Corporation's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

***Improper access to confidential information could adversely affect the Corporation's business.***

The Corporation's efforts to protect its confidential information, as well as the confidential information of its customers, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. If any of these events occur, this information could be accessed or disclosed improperly. Any incidents involving unauthorized access to confidential information could damage the Corporation's reputation and diminish its competitive position. In addition, the affected customers could initiate legal or regulatory action against the Corporation in connection with such incidents, which could cause the Corporation to incur significant expense. Any of these events could have a material adverse effect on the Corporation's 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 hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

***There can be no assurance of the amount of cash available to pay dividends or whether the board of directors will elect to pay dividends.***

The Corporation's dividend policy is at the discretion of the board of directors and is subject to change. The Corporation's ability to pay dividends and the amount of such dividends is dependent upon a variety of factors including, without limitation, the Corporation's profitability, historical and future business trends, the expected sustainability of those trends, enacted tax legislation which affects future taxes payable, cash required for debt repayments, restrictions on the Corporation's ability to pay dividends under the Credit Agreement, the Term Loan Agreement and the Indenture, the amount of capital expenditure required to sustain the Corporation's performance, the amount of capital expenditure required to fund the Corporation's growth, the effect of acquisitions or dispositions on the Corporation's business and cash requirements and other factors that may be beyond the Corporation's control or not anticipated by management.

***A successful reassessment by tax authorities of the Corporation's income (loss) calculations could have a material adverse effect on the Corporation's financial condition and cash flows.***

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over the Corporation may disagree with how the Corporation calculates its income (loss) for tax purposes or could change administrative practices to the Corporation's detriment. A successful reassessment of the Corporation's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Corporation's financial condition and cash flows.

***The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls.***

The Corporation's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Corporation proved unable to deal with this growth, it could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***The Corporation's reliance on equipment suppliers and fabricators exposes it to risks relating to the timing of delivery and quality of the equipment.***

The Corporation's ability to expand its operations may, in part, depend upon timely delivery of new equipment. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high quality working equipment may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

***The Corporation is exposed to third-party credit risk.***

The Corporation's accounts receivable are with oil and natural gas exploration and production companies, whose revenues may be impacted by fluctuations in commodity prices. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation's 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 2016.

| Period | High $ | Low $ | Volume |
|---|---|---|---|
| January | 2.32 | 1.11 | 15,943,223 |
| February | 1.44 | 1.06 | 11,370,117 |
| March | 2.01 | 1.16 | 20,195,642 |
| April | 2.08 | 1.19 | 14,089,988 |
| May | 2.47 | 1.58 | 9,438,369 |
| June | 3.94 | 2.01 | 19,057,275 |
| July | 4.17 | 2.73 | 9,837,692 |
| August | 3.54 | 2.63 | 8,465,923 |
| September | 3.12 | 2.51 | 12,693,840 |
| October | 3.50 | 2.74 | 14,227,584 |
| November | 3.34 | 2.38 | 13,713,038 |
| December | 5.00 | 3.24 | 27,650,981 |

## DESCRIPTION OF CAPITAL STRUCTURE

### 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.

### Senior Notes

Calfrac Holdings, an indirect wholly-owned subsidiary of the Corporation, has US$600.0 million aggregate principal amount of 7.50% senior notes due 2020 outstanding. The Notes were issued pursuant to an indenture entered into among Calfrac Holdings, the Corporation, Calfrac Well Services Corp. ("Calfrac Corp.") and Wells Fargo Bank, National Association, as trustee, dated as of November 18, 2010 and supplemented by a supplemental indenture dated as of October 8, 2013 (collectively, the "Indenture"). Of such Notes, US$450.0 million aggregate principal amount was issued pursuant to a private offering which closed in November 2010 and US$150.0 million aggregate principal amount was issued pursuant to a private offering which closed in October 2013. Fixed interest on the Notes is payable on June 1 and December 1 of each year, and the Notes will mature on December 1, 2020. The Notes are senior unsecured obligations of Calfrac Holdings, ranking equally in right of payment with all of its existing and future senior unsecured indebtedness and senior in right of payment to any of its future subordinated indebtedness. The Notes are effectively subordinated to any of Calfrac Holdings' future secured indebtedness, to the extent of the assets securing such indebtedness, and to any liabilities of any subsidiary of the Corporation that does not guarantee the Notes (other than Calfrac Holdings).

The Notes are fully and unconditionally guaranteed by the Corporation and its wholly-owned subsidiary, Calfrac Corp. Each of the Corporation's and Calfrac Corp.'s guarantee is its senior unsecured obligation, which ranks equally in right of payment with all of its existing and future senior unsecured indebtedness and senior in right of payment to any of its existing and future subordinated indebtedness. Each of the Corporation's and Calfrac Corp.'s guarantee is effectively subordinated in right of payment to any of its existing and future secured indebtedness, including any indebtedness of the Corporation under the Credit Agreement and the Term Loan Agreement, to the extent of the assets securing such indebtedness, and to all existing and any future liabilities of the Corporation's subsidiaries that are not subsidiary guarantors, to the extent of the assets of such subsidiaries.

Calfrac Holdings may, at its option, redeem all or a portion of the Notes at the following redemption prices: (a) if redeemed on or after December 1, 2016 but before December 1, 2017, 102.500% of the principal amount; (b) if redeemed on or after December 1, 2017 but before December 1, 2018, 101.250% of the principal amount; or (c) if redeemed after December 1, 2018, 100.000% of the principal amount, in each case plus accrued and unpaid interest to the applicable redemption date. In addition, Calfrac Holdings may at any time, at its option, redeem, in whole but not in part, the Notes at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest upon the occurrence of certain events that result in an obligation to pay additional amounts or reimbursement payments as a result of certain specified changes in tax law or regulations.

## 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 most recent credit ratings received by the Corporation:

| | **Standard & Poor's Ratings Services ("S&P")** | **Moody's Investors Service ("Moody's")** |
|---|---|---|
| Long-Term Issuer Credit Rating / Corporate Family Rating | CCC+ | Caa3-PD |
| Long-Term Issue Credit Rating / Global Long-Term Rating (Senior Notes) | CCC- | Ca |
| Recovery Rating / Loss Given Default Assessments | 6 | LGD4 |
| Probability of Default Rating (Senior Notes) | - | Caa3-PD |
| Speculative Grade Liquidity Rating | - | SGL-4 |
| Outlook | Negative | Negative |

**S&P Ratings**

S&P's long-term issuer credit rating is a forward-looking opinion about an obligor's overall creditworthiness and S&P's long-term issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific long-term financial obligation or program. S&P's long-term issuer credit ratings and long-term issue credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such obligors or obligations rated. A long-term issuer credit rating of CCC+ by S&P is within the seventh highest of ten categories and indicates that the obligor is currently vulnerable, and is dependent upon favorable business, financial and economic conditions to meet its financial commitments. A long-term issue credit rating of CCC- by S&P is within the seventh highest of ten categories and indicates that the obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

S&P's recovery rating focuses solely on expected recovery in the event of a payment default of a specific issue, and utilizes a numerical scale that runs from 1+ to 6, which represents the highest to the lowest expectations regarding recovery. The recovery rating is not linked to, or limited by, the issuer credit rating or any other rating, and provides a specific opinion about the expected recovery. A recovery rating of 6 represents the lowest of seven categories, and it denotes an expectation of negligible (i.e., 0%-10%) recovery in the event of default.

The outlook assesses the potential direction of a long-term credit rating over the intermediate term. In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. The "negative" rating outlook means that the rating may be lowered.

**Moody's Ratings**

Moody's corporate family ratings are long-term ratings that reflect the relative likelihood of a default on a corporate family's debt and debt-like obligations and the expected financial loss suffered in the event of default. A corporate family rating is assigned to a corporate family as if it had a single class of debt and a single consolidated legal entity structure. Moody's global long-term ratings are assigned to issuers or obligations with an original maturity of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Moody's corporate family ratings and global long-term ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such obligors or obligations rated. A rating of Caa by Moody's represents the seventh highest of nine categories; obligors rated Caa are judged to be speculative of poor standing and are subject to very high credit risk. A rating of Ca by Moody's represents the eighth highest of nine categories; obligations rated Ca are considered highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

Moody's loss given default ("LGD") assessments are opinions about expected loss given default expressed as a percent of principal and accrued interest at the resolution of the default. LGD assessments are assigned to individual loan, bond and preferred stock issues. Moody's LGD assessment ratings are on a scale that ranges from LGD1 to LGD6, which represents the lowest to the highest loss ranges. A rating of LGD4 represents the fourth category out of six, and it indicates that the loss range is expected to be greater than or equal to 50%, but less than 70%.

Moody's probability of default rating is a corporate family-level opinion of the relative likelihood that an entity within a corporate family will default on one or more of its long-term debt obligations. Moody's probability of default ratings are on a scale that ranges from Aaa-PD to D-PD, which represents the range from the lowest to the highest level of default risk. A rating of Caa3-PD represents the seventh category out of ten, and it indicates that such corporate families are judged to be speculative of poor standing, subject to very high default risk, and may be in default on some but not all of their long-term debt obligations.

The addition of a 1, 2 or 3 modifier after a corporate family rating, global long-term rating or a probability of default rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the obligor or obligation ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Moody's speculative grade liquidity ratings are opinions of an issuer's relative ability to generate cash from internal resources and the availability of external sources of committed financing, in relation to its cash obligations over the coming 12 months. Speculative grade liquidity ratings will consider the likelihood that committed sources of financing will remain available. Other forms of liquidity support will be evaluated and consideration will be given to the likelihood that these sources will be available during the coming 12 months. Speculative grade liquidity ratings are assigned to speculative grade issuers that are by definition "Not Prime" issuers and such ratings are on a rating scale that ranges from SGL-1 to SGL-4, which represents the range from highest to lowest level of such issuers rated. Issuers rated SGL-4 possess weak liquidity. They rely on external sources of financing and the availability of that financing is, in Moody's opinion, highly uncertain.

The "negative" rating outlook indicates a higher likelihood of a rating change over the medium term.

## DIVIDENDS

Dividends in the amount of $0.25 per share were paid on January 15 and April 15 of 2014. Following the split of the Corporation's common shares on a two-for-one basis, which was approved at the annual and special meeting of shareholders held on May 8, 2014, subsequent dividends reflected the two-for-one split. Dividends in the amount of $0.125 per share were paid on July 15 and October 15 of 2014 and January 15 and April 15 of 2015. On June 17, 2015, the Corporation announced that its board of directors approved a decrease in the quarterly dividend from $0.125 per share to $0.0625 per share and dividends in that amount were paid on July 15, 2015. On September 24, 2015, the Corporation announced that its board of directors approved a decrease in the quarterly dividend from $0.0625 per share to $0.015625 per share and dividends in that amount were paid on October 15, 2015 and January 15, 2016. On February 24, 2016, the Corporation announced that, due to the challenging market conditions in the oilfield services industry, its board of directors determined to suspend the Corporation's dividend until further notice. 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.

With respect to restrictions relating to dividends, the Credit Agreement provides that, for the quarter ended December 31, 2015 through the quarter ended December 31, 2017, the Corporation must not pay dividends in an amount that exceeds $0.015625 per share quarterly. In addition, the Term Loan Agreement and the Indenture contain restrictions on the Corporation's ability to make certain payments, including dividends, in circumstances where (i) the Corporation is in default under the Indenture or the making of such payment would result in a default, (ii) the Corporation is not meeting the Fixed Charge Coverage Ratio under the Indenture of at least 2.0:1 for the most recent four fiscal quarters; or (iii) there is insufficient room for such payment within a builder basket included in the Indenture. These limitations on restricted payments are tempered by the existence of a number of exceptions to the general prohibition, including a basket allowing for restricted payments to be made in an aggregate amount of up to US$20.0 million. As at December 31, 2016, such basket was not utilized.

# DIRECTORS AND OFFICERS

## Directors and Officers

The following table sets forth information with respect to the current 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)<br>Alberta, Canada | Chairman of the Board and a Director | March 8, 2004(5) | President and Chief Executive Officer, Matco Investments Ltd. (a private investment company). |
| Douglas R. Ramsay(4)<br>Alberta, Canada | Vice Chairman and a Director | March 24, 2004 | Vice Chairman since January 27, 2014. Prior thereto, Chief Executive Officer from November 1, 2010 until January 1, 2014. Prior thereto, President and Chief Executive Officer since March 24, 2004. |
| Fernando Aguilar<br>Alberta, Canada | President and Chief Executive Officer and a Director | May 14, 2013 | President and Chief Executive Officer since January 1, 2014. Prior thereto, President and Chief Operating Officer since November 1, 2010. Prior thereto, President, Geophysical Services for the Americas, of CGGVeritas, a global geophysical company, since April 2009. Prior thereto, President, Eastern Hemisphere of CGGVeritas since April 2008, and Executive Vice President for Canada Land Processing, Canada Land Library and Western Hemisphere Land Acquisition of CGGVeritas since 2004. |
| Kevin R. Baker, Q.C.(1)(2)(3)<br>Alberta, Canada | Director | May 11, 2010 | President and Managing Director of Baycor Capital Inc. (and its predecessor companies), a company whose principal business is that of a private merchant bank, since January 1990 and Chief Executive Officer of ConleyMax Inc., an oilfield service company, since September 2011. President and Chief Executive Officer of Century from August 2005 until November 2009, when it was acquired by Calfrac. Mr. Baker was also the President and Chief Executive Officer of Loncor Resources Inc. from September 2000 until November 2009. |
| James S. Blair(3)(4)<br>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 of ExAlta Energy Inc., a public oil and gas exploration and development company, from 2002 to January 2008. |
| Gregory S. Fletcher(1)(2)(3)<br>Alberta, Canada | Director | May 8, 2002(5) | President of Sierra Energy Inc., a private energy company. |
| Lorne A. Gartner(1)(2)(4)<br>Alberta, Canada | Director | May 11, 2010 | Independent businessman. Prior thereto, Managing Director of Royal Bank of Canada Capital Markets from 2000 to 2006. |

| Name and Residence | Position with the Corporation | Director Since | Principal Occupation During the Last Five Years |
|---|---|---|---|
| Michael D. Olinek<br>Alberta, Canada | Chief Financial Officer | | Chief Financial Officer since February 23, 2017. Prior thereto, Vice President, Finance and Interim Chief Financial Officer since March 4, 2016. Prior thereto, Vice President, Finance since April 1, 2011. Prior thereto, Corporate Controller since August 1, 2006. |
| Lindsay R. Link<br>Alberta, Canada | Chief Operating Officer | | Chief Operating Officer since January 1, 2015. Prior thereto, President, U.S. Division since February 1, 2013. Prior thereto, Managing Director, Continental Europe of Baker Hughes Incorporated since July 1, 2012. Prior thereto, President, Pressure Pumping of Baker Hughes Incorporated since March 1, 2010. Prior thereto, Vice President, Process & Pipelines Division of BJ Services Company since September 1, 2004. |
| Gerardo D. Kuracz<br>Buenos Aires, Argentina | President, Latin America Division | | President, Latin America Division since January 1, 2015. Prior thereto, Country Manager, Argentina since September 24, 2012. Prior thereto, Tight Gas Area Manager for YPF S.A. since July 2010. Prior thereto, Procurement and Contract Manager for Repsol YPF S.A. since December 2007. |
| Tom J. Medvedic<br>Alberta, Canada | President, Canadian Division | | President, Canadian Division since June 15, 2015. Prior thereto, Vice President, Operations, Canadian Division since April 15, 2014. Prior thereto, Senior Vice President, Corporate Development since November 17, 2008, with the additional role as Interim Chief Financial Officer from June 24, 2013 until December 4, 2013. Prior thereto, Chief Financial Officer since December 14, 2004 and Senior Vice President, Finance since September 1, 2007. |
| Robert L. Sutherland<br>Alberta, Canada | President, Russian Division | | President, Russian Division since September 1, 2007. |
| Fred L. Toney<br>Colorado, United States | President, U.S. Division | | President, U.S. Division since October 21, 2014. Prior thereto, Chief Executive Officer of EnAqua Solutions, a disposal management company in the energy industry, since October 21, 2013. Prior thereto, President of Mission Well Services, LLC since June 16, 2012. Prior thereto, Vice President, U.S. Pressure Pumping of Baker Hughes Incorporated since October 2008. |
| J. Michael Brown<br>Colorado, United States | Vice President, Technical Services | | Vice President, Technical Services since April 6, 2015. Prior thereto, Senior Vice President, Technology of Independence Oilfield Chemicals since July 19, 2012. Prior thereto, Director, Research and Development of Baker Hughes Incorporated since September 29, 1996. |
| Mark R. Ellingson<br>Texas, United States | Vice President, Sales and Marketing, U.S. Division | | Vice President, Sales and Marketing, U.S. Division since September 1, 2015. Prior thereto, Manager, Sales and Marketing, U.S. Division since February 2011. Prior thereto, Account Manager, U.S. Division since December 2006. |

| Name and Residence | Position with the Corporation | Director Since | Principal Occupation During the Last Five Years |
|---|---|---|---|
| Chris K. Gall<br>Alberta, Canada | Vice President, Global Supply Chain | | Vice President, Global Supply Chain since April 1, 2011. Prior thereto, Director, Global Supply since February 1, 2010. Prior thereto, Manager, Supply Chain of Suncor Energy Inc. since July 1, 2008. Prior thereto, Manager, Contracts and Procurement of Total E&P Canada Ltd. since May 2006. |
| Roderick P. Kuntz<br>Colorado, United States | Vice President, Health, Safety and Environment | | Vice President, Health, Safety and Environment since July 1, 2012. Prior thereto, Health, Safety and Environment Manager, U.S. Division since July 26, 2010. Prior thereto, Vice President, Health, Safety and Environment of International SOS since January 2007. |
| Chad J. Leier<br>Alberta, Canada | Vice President, Sales and Marketing, Canadian Division | | Vice President, Sales and Marketing, Canadian Division since September 1, 2015. Prior thereto, Vice President, Sales, Marketing and Engineering, U.S. Division since February 11, 2013. Prior thereto, Manager, Sales and Marketing, Canadian Division since October 2010. Prior thereto, Mr. Leier held various positions with the Corporation since October 2005. |
| Edward L. Oke<br>Alberta, Canada | Vice President, Human Resources | | Vice President, Human Resources since September 17, 2012. Prior thereto, Vice President, Human Resources and Health and Safety of Trinidad Drilling Ltd. since August 11, 2008. Prior thereto, Vice President, Human Resources of Synenco Energy Inc. since June 2005. |
| B. Mark Paslawski<br>Alberta, Canada | Vice President, Corporate Development and Corporate Secretary | | Vice President, Corporate Development and Corporate Secretary since February 23, 2017. Prior thereto, Vice President, General Counsel and Corporate Secretary since December 17, 2007. Prior thereto, General Counsel since September 4, 2007. |
| Gary J. Rokosh<br>Alberta, Canada | Vice President, Business Development, Canadian Division | | Vice President, Business Development, Canadian Division since September 1, 2015. Prior thereto, Vice President, Sales, Marketing and Engineering, Canadian Division since September 13, 2010. Prior thereto, Manager, Sales and Marketing, Canadian Division since August 15, 2005. |
| Scott A. Treadwell<br>Alberta, Canada | Vice President, Capital Markets and Strategy | | Vice President, Capital Markets and Strategy since March 13, 2017. Prior thereto, Director, Energy Services Research for TD Securities since November 2014. Prior thereto, Vice President, Energy Services Research for TD Securities since July 2011. |

**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 9, 2017.

As at March 23, 2017, the directors and executive officers of the Corporation beneficially owned, or controlled and directed, directly or indirectly, an aggregate of 32,193,842 common shares, representing approximately 24% of the 136,765,990 issued and outstanding common shares.

**Cease Trade Orders or Bankruptcies**

To the knowledge of the Corporation, none of the current directors or executive officers of the Corporation is, as at the date of this annual information form, or has been, within 10 years before the date of this annual information form, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") and that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer of the company being the subject of such an Order and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, other than as described below, none of the directors or executive officers of the Corporation:

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

(b) has, within 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

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

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

**Penalties or Sanctions**

To the knowledge of the Corporation, no director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## 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, North Aegean Petroleum Company E.P.E. ("NAPC"), a Greek subsidiary of a consortium in which Denison participated (and which is now a majority-owned subsidiary of the Corporation), terminated employees in Greece as a result of the cessation of its oil and gas operations in that country. Several groups of former employees filed claims against NAPC and the consortium 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 was due to the former employees. This decision was appealed 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 sent the matter back to the Athens Court of Appeal for the consideration of the quantum of awardable salaries in arrears. On June 3, 2008, the Athens Court of Appeal rejected NAPC's appeal and reinstated the award of the Athens Court of First Instance, which decision was further appealed to the Supreme Court of Greece. The matter was heard on April 20, 2010 and a decision rejecting such appeal was rendered in June 2010.

As a result of Denison's participation in the consortium that was named in the lawsuit, the Corporation has been served with three separate payment orders, one on March 24, 2015 and two others on December 29, 2015. The Corporation was also served with an enforcement order on November 23, 2015. Oppositions have been filed on behalf of the Corporation in respect of each of these orders which oppose the orders on the basis that they were improperly issued and are barred from a statute of limitations perspective. Provisional orders granting a temporary suspension of any enforcement proceedings have been granted in respect of all of the orders that have been served. The order served on March 24, 2015 was heard on November 24, 2015 and a decision was issued on November 25, 2016 accepting the Corporation's opposition on the basis that no lawful service had taken place until the filing of the opponent's petition and/or the issuance of the payment order. A hearing in respect of the orders served on December 29, 2015 that was scheduled for September 20, 2016 was adjourned until November 21, 2016 and a decision was issued on January 9, 2017 accepting the Corporation's opposition on a statute of limitations basis. A hearing in respect of the order served on November 23, 2015 was adjourned until October 31, 2018.

NAPC is also the subject of a claim by the Greek social security agency for social security obligations associated with the salaries in arrears that are the subject matter of the above-mentioned decision, and penalties and interest payable on such amounts.

The Corporation is involved in various other legal proceedings which typically relate to normal operational or labour issues. The legal proceedings are at different stages; however, the Corporation believes that the likelihood of material loss relating to any of such legal proceedings is remote.

## 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.

## MATERIAL CONTRACTS

The Corporation's material contracts include the Term Loan Agreement, which is described under the heading "General Development of the Business – Development of the Business – Financing and Capital Markets Activity", above, and the Indenture, which is described under the headings "Description of Capital Structure – Senior Notes" and "Dividends".

In addition to the restrictions under the Indenture with respect to the Corporation's ability to make certain payments, as described under the heading "Dividends", the Indenture also contains restrictions on the Corporation's ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0:1. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of additional indebtedness, including the incurrence of additional debt under credit facilities up to the greater of $175.0 million or 30% of the Corporation's tangible assets.

## 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, 2016. 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 Gregory S. Fletcher (Chair), Ronald P. Mathison, Lorne A. Gartner and Kevin R. Baker, all of whom are financially literate and independent, as such terms are defined in National Instrument 52-110 – Audit Committees.

### Relevant Education and Experience

***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 is currently the President of Sierra Energy Inc., a private oil and natural gas company that he founded in 1997. Mr. Fletcher is also a director of Peyto Exploration & Development Corp., a public oil and natural gas company, a director of Total Energy Services Inc., a public oilfield service company, and a director of Whitecap Resources Inc., a public oil and natural gas company. In these roles, Mr. Fletcher has acquired significant experience and exposure to accounting and financial reporting issues. During 2009, Mr. Fletcher completed the Director Education Program developed by the Institute of Corporate Directors and the Rotman School of Management in conjunction with the Haskayne School of Business. Mr. Fletcher holds a BSc. in geology from the University of Calgary.

***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 providing capital and management expertise to companies in which they have an interest. 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 and principal of Peters & Co. Limited, an investment firm specializing in the oil and natural gas industry. Prior thereto, Mr. Mathison and two other individuals formed the nucleus of Peters & Co. Capital, a private merchant banking entity that is widely associated with numerous restructurings of oil and natural gas exploration and production companies and oilfield service companies. 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.

***Lorne A. Gartner***

Mr. Gartner is an independent businessman. From May 2000 until March 2006 he was the Managing Director of Royal Bank of Canada Capital Markets based out of Houston, Texas. In this position, Mr. Gartner was responsible for overseeing the bank's United States energy portfolio. Prior to that time, he was a Vice President of Royal Bank of Canada, Calgary Energy Group. Mr. Gartner has over 40 years of banking experience in Canada with an excess of 20 years' experience in energy banking, and has a Bachelor of Commerce Degree from the University of Alberta with a specialization in finance.

***Kevin R. Baker***

Mr. Baker has served as the President of Baycor Capital Inc. (and its predecessor companies), a company whose principal business is that of a private merchant bank, since January 1990 and Chief Executive Officer of ConleyMax Inc., an oilfield service company, since September 2011. In addition, Mr. Baker served as President and Chief Executive Officer of Century Oilfield Services Inc., a pressure pumping company, from August 2005 until November 10, 2009, when it was acquired by the Corporation, and as President and Chief Executive Officer of Loncor Resources Inc. (formerly, Nevada Bob's International Inc., a company whose principal business was the licensing of trademarks) from September 2000 until November 2009. Mr. Baker also served as a director of Loncor Resources Inc., a public mining company, and Northern Spirit Resources Inc., a public oil and natural gas company. In these roles, Mr. Baker has acquired significant experience and exposure to accounting and financial reporting issues.

**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, 2015** | **December 31, 2016** |
| Audit fees | $486,422 | $434,050 |
| Audit-related fees | 102,375 | 102,375 |
| Tax-related fees | 108,029 | 124,747 |
| All other fees | 28,534 | 9,000 |
| **Total fees** | $725,360 | $670,172 |

***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.

***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 various technical accounting issues.

***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 relate to fees payable for products or services other than the audit fees, audit-related fees and tax fees described above. In 2015, fees of this description were paid for services in connection with the wind-up of Calfrac Cyprus Limited, the Spanish translation of the 2015 consolidated financial statements and the 2015 Offering. In 2016, fees of this description were paid for services in connection with the 2016 Offering.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, 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 and special meeting of shareholders held on May 10, 2016. Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2016.

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 National Instrument 52-110 – Audit Committees ("NI 52-110").

(c) Each member of the Committee shall be financially literate, as defined in NI 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 annual 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 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, as well as the compensation of such 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 judgments 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 public 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 internal and external auditors the adequacy of management's internal control over financial reporting and management information systems, discuss with management and the internal and external auditors any significant risks and exposures to Calfrac that may have a material adverse effect on Calfrac's financial statements, and review with the internal and external auditors 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 the manner in which Calfrac conducts its business, including violations of law, rules, regulations or Calfrac's Code of Business Conduct, and concerns regarding accounting, internal accounting controls or auditing matters, as required under NI 52-110.

(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 circulated to the directors who are not members of the Committee on a timely basis.

(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.

Reviewed by the Committee on February 21, 2017 and approved by the Board on February 22, 2017.