

CALFRAC WELL SERVICES LTD.

OFFERING OF 1.5 LIEN NOTES

TERM SHEET

This term sheet dated as of July 13, 2020 (the "**Term Sheet**") describes the principal terms of a potential offering of senior secured convertible notes on a private placement basis (the "**Private Placement**") to be made by Calfrac Well Services Ltd. (the "**Company**") as part of a broader recapitalization transaction in connection with certain indebtedness of the Company (the "**Recapitalization Transaction**"). The Recapitalization Transaction shall be implemented pursuant to a plan of arrangement to be filed under the *Canada Business Corporations Act* (the "**Plan of Arrangement**").

This Term Sheet and the information contained herein is strictly private and confidential, is expressly subject to the terms and conditions of any confidentiality agreement to which the Company and the recipient are party, and is not to be disclosed in any manner whatsoever without the prior written consent of the Company or Bennett Jones LLP, as counsel to the Company.

NEW 1.5 LIEN NOTES	
Issuer	Calfrac Well Services Ltd.
Guarantor	Calfrac Well Services Corp. and Calfrac LP (together with the Company, the " Obligors ").
Issuance	<p>CAD\$60,000,000 senior secured convertible payment-in-kind notes (the "New 1.5 Lien Notes") will be issued on a private placement basis: (a) as to \$45 million, to the Initial Commitment Parties (the "Direct Commitment Amount"); and (b) as to \$15 million, to the holders of Senior Unsecured Notes (the "Senior Unsecured Noteholder Group") pro rata, provided that the Commitment Parties will subscribe and backstop, on a pro rata basis determined in accordance with the terms of the commitment letter dated the date hereof (the "Commitment Letter"), for any portion allocated to the Senior Unsecured Noteholder Group that is not subscribed for.</p> <p>An amount to be agreed upon by the Company and the Initial Commitment Parties (as hereinafter defined) from the proceeds of the New 1.5 Lien Notes shall be subject to a holdback (to be held by the Note Trustee (as hereinafter defined)) and not advanced to the Issuer if, and to the extent that, the Obligors have not completed all security registration and perfection actions required pursuant to the Note Documents (as hereinafter defined) to the satisfaction of the Initial Commitment Parties, acting reasonably.</p> <p>The Initial Commitment Parties shall be entitled to a backstop fee in the amount of \$1.5 million, payable in common shares pursuant to the Plan of Arrangement and described in the Commitment Letter.</p>

NEW 1.5 LIEN NOTES	
Initial Commitment Parties	The initial private placement group (the " Initial Commitment Parties ") will consist of (i) G2S2 Capital Inc., or an affiliate thereof (" G2S2 "), (ii) MATCO Investments Ltd., and (iii) members of the Ad Hoc Committee represented by Goodmans LLP, each with Direct Commitment Amounts as set forth in the Commitment Letter, provided that the Company may allocate up to approximately \$6.0 million of the Direct Commitment Amount to other holders of Senior Unsecured Notes (the " Additional Commitment Parties "), which shall reduce the foregoing Direct Commitment Amounts of the Initial Commitment Parties pro rata, and provided further that, the Additional Commitment Parties shall not constitute Initial Commitment Parties for the purposes of this Term Sheet or the Commitment Letter.
Maturity Date	The New 1.5 Lien Notes will have a term to maturity of three (3) years from Closing (the " Maturity Date ").
Interest	<p>The New 1.5 Lien Notes will bear interest at a rate of 10% per annum, which interest shall be payable in cash semi-annually on March 15 and September 15 of each year (commencing on September 15, 2020, each, an "Interest Payment Date").</p> <p>On each Interest Payment Date, the Company may elect to defer and pay in kind any interest accrued as of such Interest Payment Date by increasing the unpaid principal amount of the New 1.5 Lien Notes as at such date (each, a "PIK Interest Payment"), which PIK Interest Payment shall be allocated pro rata to all New 1.5 Lien Noteholders. Following each such increase in the principal amount of the New 1.5 Lien Notes as a result of any PIK Interest Payment, the New 1.5 Lien Notes will bear interest on such increased principal amount from and after the date of each such PIK Interest Payment. Upon repayment of the New 1.5 Lien Notes, any interest which has accrued thereon but has not been capitalized as set forth above shall be paid in cash.</p> <p>Upon and following the occurrence of an event of default that is continuing, the New 1.5 Lien Obligations shall bear interest at a rate equal to 2% above the applicable rate, in each case until the New 1.5 Lien Obligations are indefeasibly paid in full.</p>
Intercreditor Agreement	The Company shall, in respect of the New 1.5 Lien Obligations, take such steps as may be required pursuant to the existing intercreditor agreement, dated February 14, 2020, among the Company, Calfrac LP and Calfac Well Services Corp., as debtors, Wilmington Trust, National Association, as trustee and collateral agent for the holders of the Second Lien Notes, and HSBC, as agent under the Credit Agreement (the " Existing Intercreditor Agreement "), to satisfy the Initial Commitment Parties that all such New 1.5 Lien Obligations shall constitute New First Lien Obligations and First Lien Obligations (in both cases as defined in the Existing Intercreditor Agreement) for all purposes under the Existing Intercreditor Agreement.

NEW 1.5 LIEN NOTES	
	The Note Trustee (as defined below) shall: (a) sign a joinder to the Existing Intercreditor Agreement; and (b) enter into a separate intercreditor agreement with HSBC, as agent, on terms acceptable to the Initial Commitment Parties (the " New Intercreditor Agreement " and, together with the Existing Intercreditor Agreement, the " Intercreditor Agreements "), which taken together, will reflect the ranking and priority of the First Priority Lien, 1.5 Priority Lien and the Second Priority Lien.
Existing Liens	<p>The Existing Collateral is currently subject to the following liens:</p> <p>(a) liens securing any obligations of the Obligors pursuant to the Credit Agreement and as created under the Collateral Documents (collectively, the "First Priority Lien"); and</p> <p>(b) liens securing any obligations of the Obligors pursuant to the Second Lien Notes (collectively, the "Second Priority Lien").</p>
1.5 Priority Lien	<p>The New 1.5 Lien Obligations will be fully and unconditionally guaranteed, jointly and severally, on a senior secured basis (the "1.5 Priority Lien") by the Obligors, and shall be secured over not less than all of the present and future Existing Collateral. The 1.5 Priority Lien shall rank second in priority only to the First Priority Lien and shall rank ahead of the Second Priority Lien, as set forth in and subject to the terms of the Intercreditor Agreements. The New 1.5 Lien Obligations secured by the 1.5 Priority Lien shall not otherwise be subordinated or postponed to the obligations of the Obligors under the Collateral Documents or to any other obligations secured by the First Priority Lien.</p> <p>The 1.5 Priority Lien will be registered and perfected against the Existing Collateral, including all personal and real property, in a matter satisfactory to the Initial Commitment Parties, acting reasonably.</p>
Ranking / Subordination	<p>Subject to the applicable Intercreditor Agreement, the 1.5 Priority Lien will form part of the Company's senior secured obligations and will rank:</p> <p>(a) senior to all of the Company's future obligations, unsecured obligations and the obligations of the Company in respect of the Second Lien Notes; and</p> <p>(b) junior to the obligations under the Credit Agreement.</p>

NEW 1.5 LIEN NOTES	
Documentation	The New 1.5 Lien Notes shall be established upon negotiation and completion of documentation customary for a senior secured convertible debenture issuance transactions of this nature, including, without limitation, a definitive note indenture governed by Alberta law (the " Indenture "), the notes and security documentation (collectively, the " Note Documents ") in form and substance acceptable to the Initial Commitment Parties, acting reasonably. Without limitation, the terms of the Note Documents will include terms requiring approval of 100% of the New 1.5 Lien Noteholders for amendments, modifications or consents to, or waivers of, certain fundamental terms of the Note Documents, such as those items requiring 100% approval under the terms of the Second Lien Note Indenture and the Credit Agreement. In addition, the terms of the Note Documents will include restrictions on other fundamental items, which shall be subject to baskets, repayment obligations and material approval thresholds by the New 1.5 Lien Noteholders, in each case to be agreed upon by the Initial Commitment Parties and the Company (e.g. restrictions on the release of any guarantees or security, negative covenants in respect of the incurrence of additional debt, additional liens, restricted payments, disposition of assets, etc.), each acting reasonably.
Denomination	The New 1.5 Lien Notes will be issued in minimum denominations of \$2,000 principal amount and integral amounts of \$1,000 principal amount in excess thereof. The New 1.5 Lien Notes will be issued in book-entry form only and will be in the form of one or more global certificates, which will be deposited with a trustee mutually acceptable to the Company and the Initial Commitment Parties (each acting reasonably) (the " Note Trustee ").
Conversion	The New 1.5 Lien Notes will be convertible at the holder's option into common shares in the capital of the Company (" Common Shares ") at any time prior to the Maturity Date at a conversion price of \$0.02665 per Common Share (prior to giving effect to the Share Consolidation contemplated by the Recapitalization) (the " Conversion Price "), being a ratio of approximately 37,530 pre-Share Consolidation Common Shares per \$1,000 principal amount of New 1.5 Lien Notes (the " Conversion Privilege "). The Conversion Price shall be subject to standard anti-dilution adjustments upon, among other things, share consolidations, share splits, spin-off events, rights issues, reorganizations and for certain dividends or distributions to holders of Common Shares.
Redemption	The Company shall have no right of redemption.
Repayment	Repayment of the New 1.5 Lien Notes, along with payment of all other New 1.5 Lien Obligations, is due in full on the Maturity Date.
Change of Control	Upon the occurrence of certain changes of control as defined in the Indenture, the Company will be required to offer to repurchase all outstanding New 1.5 Lien Notes at a purchase price equal to 101% of the aggregate principal amount of the New 1.5 Lien Notes repurchased, plus accrued and unpaid interest, if any, to the date of repurchase.

NEW 1.5 LIEN NOTES	
Covenants, Representations and Warranties	<p>Usual and customary for a senior secured note issuance (but subject to reasonable and customary exceptions, thresholds and materiality and knowledge qualifiers to be agreed to by the parties specified in the Indenture). In addition and without limiting the foregoing, the Note Documents will include the restriction on debt test in the Second Lien Indenture (although the Investment Grade covenant suspension shall not apply); a prohibition on the issuance of any additional New 1.5 Lien Notes in the future or any other indebtedness ranking senior or pari passu to the New 1.5 Lien Notes in right of payment or security; and a restriction on advances under the Credit Agreement other than by traditional first lien bank lenders or financial institutions similar to those under the Credit Agreement as of the date hereof and on a consistent and similar basis to which they are currently being made as of the date hereof. Any additional permitted first priority bank indebtedness (or any refinancing thereof) incurred by the Company after the date hereof must be borrowed from traditional bank lenders and financial institutions similar to those under the Credit Agreement as of the date hereof, and shall be subject to the terms of the Intercreditor Agreements.</p> <p>In addition thereto, the Company shall be required to obtain the written approval from the Consenting 1.5 Lien Noteholders to effect the following:</p> <ul style="list-style-type: none"> (a) amending the articles, by-laws or other constating documents of the Company or any of the other Obligors; (b) altering or changing the rights, preferences or privileges of the common shares, or creating any class or series of shares on parity with or having preference over the common shares in any manner adverse to any of the New 1.5 Lien Holders; (c) increasing the size of the Board from seven (7) members; (d) making any change of control or similar payment to any director, officer or employee of the Obligors, resulting from the Recapitalization Transaction; and (e) entering into or otherwise acquiescing in any agreement or arrangement containing covenants which restrict the ability of the Company to conduct any business in any material fashion. <p>If one or more 1.5 Lien Nominee Directors (as defined in Schedule "H" to the Commitment Letter) fails to be elected as a director, then in addition to the matters described above, the Company must obtain prior written approval from the Consenting 1.5 Lien Noteholders to effect the following:</p> <ul style="list-style-type: none"> (a) any purchase, acquisition, sale, lease or disposition, through one transaction or a series of related transactions, involving a value, proceeds or cost in excess of CAD\$25 million; and (b) entering into any related party transactions with a value in excess of \$500,000 in the aggregate for any fiscal year of the Borrower.

NEW 1.5 LIEN NOTES	
	The " Consenting 1.5 Lien Noteholders " means New 1.5 Lien Noteholders, holding not less than 66 ² / ₃ % of the aggregate principal amount of the New 1.5 Lien Notes held by all New 1.5 Lien Noteholders.
Conditions Precedent	<p>Usual and customary for this type of note issuance, including, without limitation, the following:</p> <ul style="list-style-type: none"> (a) all conditions precedent to the Recapitalization Transaction shall have been satisfied, solely except for the filing of the Plan of Arrangement to give effect to the Recapitalization Transaction; (b) the conditional approval of the TSX to the issuance of the common shares issuable pursuant to the New 1.5 Lien Notes; (c) approval from the lenders under the Credit Agreement; (d) the Initial Commitment Parties shall be satisfied, in their sole discretion, that (i) the New 1.5 Lien Obligations shall constitute New First Lien Obligations and First Lien Obligations (in both cases as defined in the Existing Intercreditor Agreement) for all purposes under the Existing Intercreditor Agreement, (ii) the New 1.5 Lien Obligations are permitted secured obligations pursuant to the Existing Intercreditor Agreement, Credit Agreement and Second Lien Notes Indenture, and (iii) the New 1.5 Lien Notes have the security and priority contemplated pursuant to this Term Sheet; (e) customary legal opinions of counsel to the Obligors confirming, among other things, that the Note Documents have been duly authorized, executed and delivered by the Obligors, enforceability, validity and registration of security, and that the terms of the Recapitalization Transaction and the execution and delivery, and performance by the Obligors of their obligations under, the Note Documents do not conflict with the First Lien Credit Agreement, as amended in connection with the Recapitalization Transaction, or the Second Lien Note Indenture; (f) a certificate of a senior officer of each Obligor confirming, among other things, that such officer is not aware of any facts or circumstances that would reasonably be expected to materially and adversely affect the business, prospects or financial condition of the Obligors, or the performance by the Obligors of their obligations under the Note Documents; and (g) other usual and customary closing certificates and documents. <p>Additionally, each subscriber of New 1.5 Lien Notes shall have entered into a support agreement with respect to the Recapitalization Transaction, in a form acceptable to the Company.</p>

NEW 1.5 LIEN NOTES	
Events of Default	Customary events of default for this type of financing transaction. The New 1.5 Lien Notes will automatically become due and payable on the occurrence of customary insolvency, bankruptcy, winding-up, liquidation, reorganization, arrangement and other similar related events of default, or on the election of New 1.5 Lien Noteholders holding not less than 25% of the aggregate principal amount of the New 1.5 Lien Notes during the continuance of any other event of default.
Assignment, Sale and Transfer	The Company shall not assign any of its rights or obligations hereunder. The holders of New 1.5 Lien Notes may sell or transfer their New 1.5 Lien Notes subject to applicable securities laws and any agreements among the holders thereof.
Expenses and Indemnification	All reasonable documented out of pocket expenses incurred by the New 1.5 Lien Noteholders with regard to the negotiation, preparation, closing and enforcement of the Note Documents shall be for the account of the Company. Customary indemnification provisions from the Company and Obligors to be included.
Governing Law	Province of Alberta
DEFINITIONS	
Definitions	<p>"Calfrac LP" means Calfrac Holdings LP, a limited partnership formed under the laws of the State of Delaware.</p> <p>"Credit Agreement" means the Amended and Restated Credit Agreement dated April 30, 2019 between the Company, as borrower, HSBC Bank Canada ("HSBC") and each of the other financial institutions party thereto, as lenders, and HSBC, as Agent (as amended, restated or supplemented from time to time).</p> <p>"Collateral Documents" any other agreements, documents or instruments pursuant to which a lien is granted or purported to be granted to secure any obligations of the Obligors under the Credit Agreement or under which rights or remedies with respect to such liens are granted.</p> <p>"Existing Collateral" means all assets and properties, whether real, personal or mixed, of the Obligors subject to liens in favor of any of Existing Lenders and as created by the Collateral Documents.</p> <p>"Existing Notes" means Second Lien Notes and Senior Unsecured Notes.</p> <p>"Existing Lenders" means the lenders under the Credit Agreement.</p> <p>"Existing Shareholders" means the current holders of Common Shares.</p> <p>"New 1.5 Lien Noteholders" means a holder or holders of the New 1.5 Lien Notes, in their capacity as such.</p>

NEW 1.5 LIEN NOTES	
	<p>“New 1.5 Lien Obligations” means all obligations owing under the New 1.5 Lien Notes and the Note Documents.</p> <p>"Second Lien Note Indenture" the indenture dated February 14, 2020 among Calfrac LP, as issuer of the Second Lien Notes, the Company and Calfrac Well Services Corp., as initial guarantors, and Wilmington Trust, National Association, as trustee</p> <p>"Second Lien Notes" means the 10.875% second lien secured notes of Calfrac LP in the maximum aggregate amount of USD\$120,000,100 due 2026 and issued and outstanding pursuant to the Second Lien Note Indenture (with an outstanding principal amount of USD\$120,000,100).</p> <p>"Senior Unsecured Note Indenture" the indenture dated May 30, 2018 among Calfrac LP, as issuer of the Senior Unsecured Notes, the Company and Calfrac Well Services Corp., as initial guarantors, and Wells Fargo Bank, National Association, as trustee (with an outstanding principal amount of USD\$431,818,000).</p> <p>"Senior Unsecured Notes" means the 8.50% senior unsecured notes of Calfrac LP in the maximum aggregate amount of USD\$650,000,000 due 2026 and issued and outstanding pursuant to the Senior Unsecured Note Indenture.</p>