

**CALFRAC WELL SERVICES LTD.**

**RECAPITALIZATION TRANSACTION TERM SHEET**

**SUMMARY OF PRINCIPAL TERMS AND CONDITIONS**

This term sheet dated as of July 13, 2020 (the "**Term Sheet**") describes the principal terms of a potential recapitalization transaction to be agreed upon between Calfrac Well Services Ltd., for and on behalf of itself and certain subsidiaries set forth in Schedule A (collectively, the "**Company**"), and the Consenting Noteholders in connection with certain indebtedness of the Company (the "**Recapitalization Transaction**").

Capitalized terms used and not otherwise defined in this Term Sheet shall be as defined in Section 4 of this Term Sheet.

<b>1. RECAPITALIZATION TRANSACTION</b>	
<b>Implementation</b>	The Recapitalization Transaction shall be implemented pursuant to a plan of arrangement (a " <b>Plan</b> ") to be filed under the <i>Canada Business Corporations Act</i> (" <b>CBCA</b> ").
<b>Recapitalization Transaction Summary</b>	<p>Conditional upon and concurrent with the completion of the Recapitalization Transaction, the Company shall complete the New Financing (as defined below).</p> <p>The Recapitalization Transaction shall provide that, pursuant to the Plan:</p> <ul style="list-style-type: none"><li>(a) Each Senior Unsecured Noteholders shall receive its pro rata share (based on face value of the Senior Unsecured Notes) of 86% of the Pro Forma Common Shares;</li><li>(b) Each Early Consenting Noteholder shall receive its pro rata share (based on face value of the Senior Unsecured Notes of all Early Consenting Noteholders) of 6% of the Pro Forma Common Shares; and</li><li>(c) The Existing Shareholders shall retain their Common Shares, subject to dilution based on the New Shares, and subject further to the Share Consolidation, which shall equal 8% of the Pro Forma Common Shares, following the Effective Time;</li></ul> <p>in each case, as described in greater detail below, and subject to dilution for the Backstop Shares.</p>
<b>New Financing</b>	The Company shall carry out a new financing of \$60 million aggregate principal amount of New 1.5 Lien Notes (the " <b>New Financing</b> "), issued as set out in a separate New 1.5 Lien Notes Term Sheet, and in accordance with applicable securities laws and under applicable exemptions from prospectus and registration requirements. In connection with the New Financing, pursuant to the Commitment Letter, a backstop commitment fee in the amount of approximately \$1.5 million shall be payable to the Commitment Parties through the issuance of new Common

<b>1. RECAPITALIZATION TRANSACTION</b>	
	Shares at the Conversion Price (as defined in the New 1.5 Lien Notes Term Sheet) (the " <b>Backstop Shares</b> ").
<b>Treatment of Existing Lenders under Credit Agreement</b>	<p>The Credit Agreement shall be amended and restated to:</p> <p>(a) provide relief in respect of the Funded Debt to EBITDA covenant; and</p> <p>(b) reflect such amendments or waivers as are necessary to permit the Recapitalization Transaction and New 1.5 Lien Notes and to reflect the Company's post-Recapitalization Transaction organization and capital structure and liquidity requirements.</p> <p>The Existing Lenders shall be unaffected under the Plan. All aspects of this Term Sheet in respect of the Existing Lenders shall be implemented pursuant to an amendment to the Credit Agreement (the "<b>Credit Agreement Amendment</b>").</p>
<b>Treatment of Second Lien Notes</b>	Each Second Lien Noteholder, in its capacity as such, shall be unaffected by the implementation of the Plan.
<b>Treatment of Senior Unsecured Notes</b>	<p>Pursuant to the Recapitalization Transaction, each Senior Unsecured Noteholder as of the Record Date shall receive at the Effective Time, in full and complete satisfaction of its respective claims under or in respect of the Senior Unsecured Notes and the Senior Unsecured Notes Indenture:</p> <p>(a) such Senior Unsecured Noteholder's pro rata share of a pool of Common Shares representing 86% of the Pro Forma Common Shares; and</p> <p>(b) if such Senior Unsecured Noteholder is an Early Consenting Noteholder, such Senior Unsecured Noteholder's pro rata share (as compared to all Early Consenting Noteholders) of a pool of Common Shares representing 6% of the Pro Forma Common Shares,</p> <p>in each case, subject to dilution for the Backstop Shares.</p>
<b>Treatment of Equity Securities</b>	Existing Shareholders of the Company as of the Record Date shall retain their Common Shares (subject to the Share Consolidation pursuant to the Plan, the " <b>Existing Shareholder Shares</b> "), and subject to dilution resulting from the issuance of the New Shares pursuant to the Plan, which Existing Shareholder Shares shall equal 8% of the Pro Forma Common Shares following the Effective Time, subject to dilution for the Backstop Shares.
<b>Treatment of Employee Obligations</b>	All obligations to employees of the Company (whether for salary, wages, benefits, severance or otherwise) shall be unaffected by the Recapitalization Transaction.

<b>1. RECAPITALIZATION TRANSACTION</b>	
<b>Treatment of Trade Debt</b>	The trade debt obligations of the Company shall be unaffected by the Recapitalization Transaction and shall be paid or satisfied in the ordinary course of business.
<b>Treatment of Equity Incentive Plans</b>	All existing equity incentives shall be treated as follows: (a) all stock options shall be terminated for no consideration, as such options are out-of-the-money; (b) all equity-based PSUs shall vest at the Effective Time in accordance with their terms and be settled in cash for total cash consideration not exceeding \$175,000 and all performance-based PSUs shall be terminated for no consideration; and (c) all DSUs shall continue to exist or be settled for total cash consideration not exceeding \$50,000, in accordance with their terms.
<b>MIP</b>	Up to 10% of the Pro Forma Common Shares shall be reserved for a new management incentive plan (the " <b>MIP</b> "), to be allocated as determined by the Board following implementation of the Plan.
<b>Governance</b>	The composition and size of the Board of the Company following implementation of the Plan shall be acceptable to each of the Majority Commitment Parties, the Majority Initial Consenting Noteholders and as may otherwise be required pursuant to the terms of any Support Agreement or the Commitment Letter.
<b>CBCA Matters</b>	The Company will seek to continue into the federal jurisdiction of Canada under the CBCA (the " <b>Federal Continuance</b> "), and may seek to reduce its stated capital in respect of the Common Shares (the " <b>Stated Capital Reduction</b> ") prior to the implementation of the Plan, in order to implement the Plan pursuant to the CBCA. Pursuant to the <i>Business Corporation Act</i> (Alberta), the Existing Shareholders shall have dissent rights in connection with the Federal Continuance.
<b>Share Consolidation</b>	As a step in the Plan, the Common Shares shall be consolidated (the " <b>Share Consolidation</b> ") using a ratio that is acceptable to the Company, the Majority Commitment Parties, and the Majority Initial Consenting Noteholders, each acting reasonably. No fractional Common Shares will be issued in connection with the Share Consolidation, and any Common Shares to be issued shall be rounded down to the nearest whole number of Common Shares. No compensation will be issued to any shareholder as a result of rounding down, which may result in certain shareholders failing to receive any Common Shares as a result of the Share Consolidation.
<b>Stated Capital Reduction</b>	The Stated Capital Reduction may be required prior to the implementation of the Plan or as a step in the Plan, to ensure that the Company meets CBCA solvency requirements post-Recapitalization Transaction.
<b>Shareholder Rights Plan</b>	The Company, the Initial Commitment Parties and the Majority Initial Consenting Noteholders shall use commercially reasonable efforts to negotiate a customary shareholder rights plan to be adopted by the Company.
<b>Conditions Precedent</b>	Customary closing conditions for a transaction of this type, including but not limited to:

<b>1. RECAPITALIZATION TRANSACTION</b>	
	<p>(a) Board approval of the Recapitalization Transaction;</p> <p>(b) receipt of definitive legal documentation (the "<b>Definitive Documents</b>") implementing the Recapitalization Transaction (including, without limitation, the Plan), which Definitive Documents shall be in form and substance acceptable to the Company, the Majority Commitment Parties, the Majority Initial Consenting Noteholders and as may otherwise be required pursuant to the terms of any Support Agreement;</p> <p>(c) execution of the Credit Agreement Amendment by the Existing Lenders, which Credit Agreement Amendment shall be in form and substance acceptable to the Company, the Majority Commitment Parties, the Majority Initial Consenting Noteholders, each acting reasonably, and as may otherwise be required pursuant to the terms of any Support Agreement;</p> <p>(d) approval of the Recapitalization Transaction by the requisite majorities of Senior Unsecured Noteholders and Existing Shareholders (if required by the Court pursuant to the Interim Order) at one or more meetings to consider the Plan;</p> <p>(e) issuance of new Common Shares necessary to reflect the terms hereof and to allow for the implementation of the Recapitalization Transaction in accordance with this Term Sheet and the Support Agreement in form and substance acceptable to the Company and the Majority Initial Consenting Noteholders;</p> <p>(f) approval of the Plan by the Court;</p> <p>(g) the New Financing shall have been completed prior to or concurrent with the completion of the Recapitalization Transaction pursuant to the terms of the Commitment Letter;</p> <p>(h) the conditional approval of the TSX to the issuance of the common shares upon the conversion of the New 1.5 Lien Notes;</p> <p>(i) all outstanding fees and expenses owed to the Company's advisors and the Ad Hoc Advisor (as defined in the Support Agreement, and in accordance with its written fee agreements with the Company) shall be paid in full;</p> <p>(j) all necessary governmental, regulatory and stock exchange approvals shall have been received on terms and conditions satisfactory to the Company, the Majority Initial Consenting Noteholders and the Initial Commitment Parties, each acting reasonably; and</p> <p>(k) any additional closing conditions set forth in the Support Agreement with the Consenting Noteholders.</p>

<b>1. RECAPITALIZATION TRANSACTION</b>	
<b>Documentation</b>	The Company and its advisors will work cooperatively with the Majority Initial Consenting Noteholders and the Initial Commitment Parties and their respective advisors to prepare and finalize all Definitive Documents (including, without limitation, all Court documents and the Plan) required to implement the Recapitalization Transaction.
<b>Timeline for Implementation</b>	The actions necessary to structure and implement the Recapitalization Transaction will be completed by the Company in accordance with the timelines for the Milestones (as defined in the Support Agreement).
<b>Releases</b>	Those releases contemplated by the Support Agreement shall be provided or effective at closing of the Recapitalization Transaction.
<b>2. OTHER MATTERS</b>	
<b>Fractional Securities</b>	No fractional securities will be issued. Any fractional securities that would otherwise have been issued shall be rounded down to the nearest whole number, with no additional consideration being provided in respect of the rounding down of such fractional securities.
<b>Change of Control</b>	Any change of control provisions contained in any material third party contracts with the Company or any agreement between the Company and any director, officer or employee that may result in the termination of such material contract and/or a material payment by the Company to another party as a result of the completion of the Recapitalization Transaction shall be addressed in a manner acceptable to the Company, the Initial Commitment Parties and the Majority Initial Consenting Noteholders, acting reasonably.
<b>Tax Considerations</b>	The Recapitalization Transaction will be structured in a manner acceptable to the Company, the Initial Commitment Parties and the Majority Initial Consenting Noteholders to effectuate the terms and conditions outlined herein in a tax efficient and acceptable manner for the Company, the Initial Commitment Parties and the Majority Initial Consenting Noteholders.
<b>D&amp;O Insurance</b>	All existing directors and officers insurance coverage and indemnification obligations shall be unaffected by the Recapitalization Transaction and shall continue in effect pursuant to their applicable terms, and shall not be cancelled, terminated or amended in any manner that would decrease or eliminate the benefit provided thereby to any officer or director.
<b>No Admission</b>	Nothing in this Term Sheet is or shall be deemed to be an admission of any kind.
<b>Currency</b>	All amounts in this Term Sheet are in Canadian dollars unless otherwise stated.
<b>Notices</b>	All notices, requests, consents and other communications hereunder shall be contained in a written instrument and may be delivered in person or sent by internationally-recognized overnight courier or email.

<b>1. RECAPITALIZATION TRANSACTION</b>	
<b>Public Announcements</b>	All public announcements in respect of the Recapitalization Transaction shall be made in accordance with the terms of the Support Agreement and the Commitment Letter.
<b>Governing Law</b>	This Term Sheet, the Support Agreement and any other agreement necessary to implement the Recapitalization Transaction shall be governed by the laws of the Province of Alberta and the laws of Canada applicable therein.
<b>3. DEFINITIONS</b>	
<b>Definitions</b>	<p><b>"Board"</b> means the board of directors of the Company.</p> <p><b>"Calfrac LP"</b> means Calfrac Holdings LP, a limited partnership formed under the laws of the State of Delaware.</p> <p><b>"Credit Agreement"</b> means the Amended and Restated Credit Agreement dated April 30, 2019 between Calfrac Well Services Ltd., as borrower, HSBC Bank Canada ("<b>HSBC</b>") 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><b>"Commitment Letter"</b> means the commitment letter dated July 13, 2020 between the Company and the Initial Commitment Parties, in respect of the New Financing.</p> <p><b>"Common Shares"</b> means common shares in the capital of CWS.</p> <p><b>"Consenting Noteholders"</b> means Noteholders who enter into a Support Agreement (including by way of a Joinder Agreement) and have complied with their obligations pursuant thereto (up to the Effective Date).</p> <p><b>"Court"</b> means the Court of Queen's Bench of Alberta.</p> <p><b>"CWS"</b> means Calfrac Well Services Ltd., a corporation formed under the laws of the Province of Alberta.</p> <p><b>"Early Consent Date"</b> means a date to be determined by the Initial Consenting Noteholders and the Company, each acting reasonably, but not earlier than 15 days following the Interim Order.</p> <p><b>"Early Consenting Noteholders"</b> means Noteholders who provide voting instructions to vote in favour the Plan on or prior to the Early Consent Date, and does not withdraw such voting instructions.</p> <p><b>"Effective Time"</b> means the time at which the Plan becomes effective.</p> <p><b>"Existing Lenders"</b> means the lenders under the Credit Agreement.</p>

<b>1. RECAPITALIZATION TRANSACTION</b>	
	<p><b>"Existing Shareholders"</b> means the current holders of Common Shares as of the Record Date.</p> <p><b>"Initial Commitment Parties"</b> means those Consenting Noteholders (and others) who have executed the Commitment Letter, and are defined as "Initial Commitment Parties" therein.</p> <p><b>"Initial Consenting Noteholders"</b> means Noteholders who, on or prior to July 13, 2020 entered into the Support Agreement (including by way of a Joinder Agreement), provided that such Initial Consenting Noteholder continues to hold at least 80% of its respective principal amount of Relevant Senior Unsecured Notes as set out on its signature page to the Support Agreement.</p> <p><b>"Joinder Agreement"</b> means a joinder agreement, the form of which will be appended to the form of Support Agreement, pursuant to which a Noteholder agrees, among other things, to be bound by and subject to the terms of the Support Agreement and thereby become a Consenting Noteholder.</p> <p><b>"Majority Commitment Parties"</b> has the meaning given to it in the Commitment Letter.</p> <p><b>"Majority Initial Consenting Noteholders"</b> means Initial Consenting Noteholders holding not less than 66 <sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the Senior Unsecured Notes held by all Initial Consenting Noteholders.</p> <p><b>"New 1.5 Lien Notes"</b> means in aggregate the CAD\$60 million in new 10% PIK interest convertible secured notes to be issued prior to or concurrent with the completion of the Recapitalization Transaction.</p> <p><b>"New Shares"</b> means all Common Shares of CWS issued to Senior Unsecured Noteholders pursuant to the Plan.</p> <p><b>"Noteholders"</b> means, collectively, the Senior Unsecured Noteholders.</p> <p><b>"Proceedings"</b> means the Company's proceedings under the CBCA pursuant to which the Plan shall be implemented.</p> <p><b>"Pro Forma Common Shares"</b> means all of the issued and outstanding common shares of CWS, as at immediately following the Effective Time and taking into account the Existing Shareholder Shares and the New Shares, but not taking into account the Backstop Shares issued pursuant to the Plan, and subject to dilution pursuant to conversion of the New 1.5 Lien Notes.</p> <p><b>"Record Date"</b> means July 13, 2020.</p> <p><b>"Second Lien Noteholders"</b> means a holder or holders of the Second Lien Notes, in their capacity as such.</p>

<b>1. RECAPITALIZATION TRANSACTION</b>	
	<p>"<b>Second Lien Notes</b>" 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.</p> <p>"<b>Second Lien Note Indenture</b>" the indenture dated February 14, 2020 among Calfrac LP, as issuer of the Second Lien Notes, CWS and Calfrac Well Services Corp., as initial guarantors, and Wilmington Trust, National Association, as trustee.</p> <p>"<b>Senior Unsecured Noteholders</b>" means a holder or holders of the Senior Unsecured Notes as of the Record Date.</p> <p>"<b>Senior Unsecured Notes</b>" 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> <p>"<b>Senior Unsecured Note Indenture</b>" means the indenture dated May 30, 2018 among Calfrac LP, as issuer of the Senior Unsecured Notes, CWS and Calfrac Well Services Corp., as initial guarantors, and Wells Fargo Bank, National Association, as trustee.</p> <p>"<b>Support Agreement</b>" means one or more noteholder support agreements dated on or about July 13, 2020 among the Company and certain Senior Unsecured Noteholders to which this Term Sheet is appended (and including any joinders thereto).</p>



**SCHEDULE A**  
**SUBSIDIARIES**

<b>ENTITY</b>	<b>JURISDICTION</b>
Calfrac (Canada) Inc.	Alberta
Calfrac Holdings LP	Delaware
Calfrac Well Services Corp.	Colorado