



ENERFLEX

annual information form

FOR THE YEAR ENDED DECEMBER 31, 2020

Dated
February 24, 2021

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DEFINITIONS

In this AIF, the following terms have the meanings set forth below, unless the context requires or indicates otherwise:

"**Annual Information Form**" or "**AIF**" means this annual information form dated February 24, 2021;

"**Arrangement**" means the arrangement completed under the provisions of section 192 of the CBCA pursuant to a plan of arrangement among Toromont, Old Enerflex and 7787014 Canada Inc., which became effective on June 1, 2011;

"**Audit Committee**" means the Audit Committee of the Board of Directors;

"**Bank Facility**" means the syndicated revolving credit facilities entered into pursuant to a credit agreement made as of June 1, 2011, amended and restated as of June 30, 2014, and further amended and restated as of May 2, 2019, among the Company, Enerflex Australasia Holdings Pty Ltd., the Toronto Dominion Bank, the Bank of Nova Scotia, and certain other lenders as described under "*Material Contracts – The Bank Facility*";

"**Board of Directors**" or "**Board**" means the Board of Directors of Enerflex, as it is comprised from time to time;

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

"**Common Shares**" means common shares in the capital of Enerflex;

"**CRA**" means the Canada Revenue Agency;

"**Enerflex**" or the "**Company**" means Enerflex Ltd., and includes subsidiaries of, and partnership interests held by, Enerflex and its subsidiaries;

"**ESG**" refers to environmental, social, and governance matters;

"**HRC Committee**" means the Human Resources and Compensation Committee of the Board of Directors;

"**HSE**" means health, safety, and environment;

"**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standards Board, as amended from time to time;

"**INNIO**" means the manufacturer of Jenbacher and Waukesha gas engines, formerly owned by General Electric;

"**MAN**" means the manufacturer of certain gas engines for use in cogeneration plants;

"**NI 51-102**" means National Instrument 51-102 *Continuous Disclosure Obligations*;

"**NCG Committee**" means the Nominating and Corporate Governance Committee of the Board of Directors;

"**Note Purchase Agreement**" collectively means the note purchase agreements among the Company and a series of private placement lenders dated June 22, 2011 and dated December 15, 2017 with respect to the Senior Notes;

"**Old Enerflex**" means Enerflex Ltd., a CBCA corporation that amalgamated with 7787014 Canada Inc. on June 1, 2011 with the resulting amalgamated corporation being named "Enerflex Ltd." and, prior to the effectiveness of the Arrangement, a wholly-owned subsidiary of Toromont;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Senior Notes**" means the C\$40.0 million of ten-year notes maturing on June 22, 2021 issued by Enerflex under the Note Purchase Agreement dated June 22, 2011; the U\$105.0 million and C\$15.0 million seven-year notes maturing on December 15, 2024 issued by Enerflex under the Note Purchase Agreement dated December 15, 2017; and the U\$70.0 million and C\$30.0 million ten-year notes maturing on December 15, 2027 issued by Enerflex under the Note Purchase Agreement dated December 15, 2017.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

"**Toromont**" means Toromont Industries Ltd., a CBCA corporation; and

"**TSX**" means the Toronto Stock Exchange.

PRESENTATION OF INFORMATION

Unless otherwise indicated, information contained in this AIF is given at or for the year ended December 31, 2020. References in this AIF to "\$" or "dollars" are to Canadian dollars unless otherwise stated. All financial information with respect to the Company has been prepared in accordance with IFRS. Figures, columns, and rows presented in tables provided in this AIF may not add due to rounding.

Certain historical information contained in this AIF has been provided by, or been derived from, information provided by certain third parties. The Company believes that such information is accurate and that the sources from which it has been obtained are reliable; however, the Company is unable to independently verify such information.

Information contained on or otherwise accessible through the Enerflex website, though referenced herein, does not form part of and is expressly not incorporated by reference into this AIF.

ABBREVIATIONS

The following abbreviations are used in this AIF:

C ₃	Propane
C ₄	Butane
C ₅	Pentane
C ₅₊	Condensates
CSG	Coal Seam Gas
CO ₂	Carbon Dioxide
GHG	Greenhouse Gas
HP	Horsepower
H ₂ S	Hydrogen Sulfide
NGL	Natural Gas Liquids
KW	Kilowatt
MW	Megawatt

FORWARD-LOOKING INFORMATION

This AIF contains forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking information. In particular, this AIF includes (without limitation) forward-looking information pertaining to: opportunities to grow the Company and the distribution of its products; the size and composition of the Company's customer base; the applications and demand for Enerflex's products and services; the markets in which the Company's products are used; continued growth in Enerflex's contract compression market share; anticipated future natural gas consumption; future natural gas prices and natural gas exploration and development activity levels; future demand for energy from hydrocarbons; future demand for energy from renewable energy sources; the availability of, and Enerflex's ability to pursue, opportunities that align with the global effort to address climate change;; the continued availability of major components used in the fabrication of Enerflex's products; expectations regarding catastrophic risk mitigation; expectations regarding the cost of compliance with future laws and

regulations; the continued access to skilled personnel; and expectations regarding future dividend payments.

This forward-looking information is based on assumptions, estimates and analysis made in the light of the Company's experience and its perception of trends, current conditions and expected developments, as well as other factors that are believed by the Company to be reasonable and relevant in the circumstances. Forward-looking information involves known and unknown risks and uncertainties and other factors which are difficult to predict, including, without limitation: the impact of general economic conditions, including the duration and severity of negative impacts resulting from the COVID-19 pandemic or other crises; industry conditions, including the adoption of new environmental, taxation, and other laws and regulations, and changes in how they are interpreted and enforced; ESG expectations and investor sentiment; information security; volatility of oil and natural gas prices; oil and natural gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations, including future dividends to shareholders of the Company; increased competition; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; the lack of availability of qualified personnel or management; fluctuations in foreign exchange or interest rates; stock market volatility; risks related to cultural, political and economic factors in foreign jurisdictions; risks related to corruption, sanctions, and trade compliance; and other factors, many of which are beyond the Company's control. See the section entitled "*Risk Factors*" in this AIF. While the Company believes that there is a reasonable basis for the forward-looking information and statements included in this AIF, as a result of such known and unknown risks, uncertainties and other factors, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these statements, and readers are cautioned not to unduly rely on forward-looking information.

The forward-looking information contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information included in this AIF is made as of the date of this AIF and, other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events, or otherwise.

NON-IFRS MEASURES

In this AIF, there are references to the terms "bookings", "backlog", and "recurring revenue", which are not recognized measures under IFRS, and are unlikely to be comparable to similar measures presented by other companies. Enerflex generally recognizes the full amount of a new order or "booking" once a firm commitment or order is received from the customer. The amount recognized as a booking is the agreed upon price on the order for the delivery of goods offered under Enerflex's Engineered Systems product offering. "Backlog" is calculated by adding bookings received during the current fiscal period to the order backlog as of the end of the prior fiscal period and subtracting the revenue recognized in the current fiscal period. Management of Enerflex considers backlog an important indicator of future revenue and business activity levels for the Engineered Systems product line. Backlog helps management evaluate its performance due to it being an indication of revenue to be recognized in future periods using percentage of completion accounting. "Recurring revenue" is defined as revenue from the Service and Rentals product lines. These revenue streams are contracted and extend into the future, rather than being recognized as a single transaction. While the contracts are subject to cancellation or have varying lengths,

the Company does not believe that these characteristics preclude them from being considered recurring in nature.

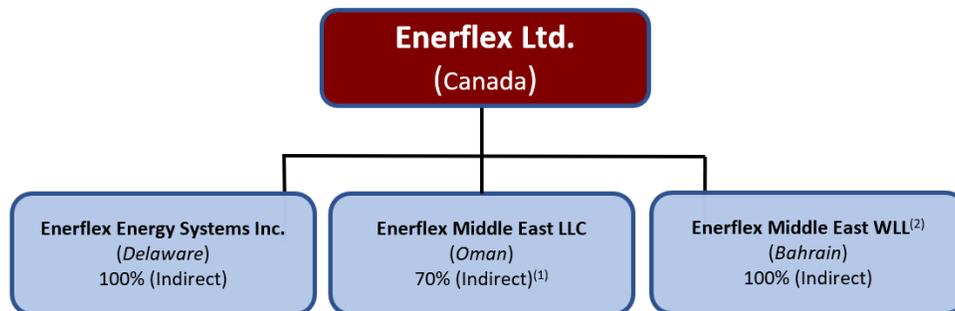
CORPORATE STRUCTURE

Name, Address, and Incorporation

Enerflex is a corporation existing under the CBCA, as a result of the Arrangement. The head office, registered office, and principal place of business of the Company are located at 904 – 1331 Macleod Trail S.E., Calgary, Alberta, T2G 0K3.

Inter-Company Relationships

The principal subsidiaries of the Company, their jurisdictions of incorporation or formation, and the percentage of voting securities and restricted securities beneficially owned or controlled by the Company are set out below.



Notes:

- (1) Enerflex holds 100% of the economic interest.
- (2) Formerly named Enerflex Middle East SPC.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following describes the significant events of the last three financial years with respect to Enerflex's business.

2020

On March 17, 2020, Enerflex provided guidance on regional-specific measures designed to preserve the strength of the Company's balance sheet and maximize free cash flow in response to the COVID-19 pandemic and general market volatility. Subsequent to this date, the Company provided updates on the status of these cost-saving measures as part of the Management's Discussion and Analysis for the quarters ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020.

On August 6, 2020, Enerflex announced the appointment of Mr. Fernando Assing as a director of the Company. See "*Directors and Officers*".

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of \$0.02 per Common Share for the first, second, third, and fourth quarters of 2020. The total annual dividend for 2020 was \$0.08 per Common Share.

2019

In February 2019, Mr. J. Blair Goertzen announced his plans to retire as President and Chief Executive Officer of Enerflex effective May 3, 2019 and not stand for re-election to the Board of Directors. Effective May 3, 2019, Mr. Marc Rossiter was appointed President and Chief Executive Officer of Enerflex, and was elected to the Board at the Annual and Special Meeting of Shareholders on May 3, 2019. See “*Directors and Officers*”.

On May 2, 2019, the Company amended and restated the Bank Facility, principally to extend the maturity date from June 30, 2022 to June 30, 2023 and to voluntarily reduce the amount available under the Bank Facility from \$775.0 million to \$725.0 million. In addition, the Bank Facility may be increased by \$150.0 million at the request of the Company and subject to the lenders' consent, an increase of \$50.0 million over the previous, April 2018 amendment. See “*Material Contracts – The Bank Facility*”.

On May 29, 2019, Enerflex announced the appointment of Mr. Juan Carlos Villegas as a director of the Company.

In June 2019, Ben Park, Vice President, Corporate Controller at Enerflex, was appointed Interim Chief Financial Officer (“**CFO**”) following the resignation of D. James Harbilas as Executive Vice President and CFO on June 7, 2019.

On September 9, 2019, the Company appointed Sanjay Bishnoi as Senior Vice President, CFO and David H. Izett as Senior Vice President, General Counsel. See “*Directors and Officers*”.

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of \$0.105 per Common Share for first and second quarters of 2019 and a declared quarterly dividend to shareholders of \$0.115 per Common Share for third and fourth quarters of 2019. The total annual dividend for 2019 was \$0.44 per Common Share.

2018

In April 2018, the Company amended the Bank Facility, principally to extend the maturity date from June 30, 2021 to June 30, 2022. See “*Material Contracts – The Bank Facility*”.

In the third quarter of 2018, the Company began work on expanding its fabrication facility in Houston, Texas. The expansion increased fabrication capabilities by 55 percent at that facility through the addition of approximately 100,000 square feet.

In November 2018, the Company appointed Mr. Andrew Jack as President, Canada. See “*Directors and Officers*”.

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of \$0.095 per Common Share for first and second quarters of 2018 and a

declared quarterly dividend to shareholders of \$0.105 per Common Share for third and fourth quarters of 2018. The total annual dividend for 2018 was \$0.40 per Common Share.

Recent Developments

On January 18, 2021, Enerflex announced the appointment of Patricia Martinez to the role of Chief Energy Transition Officer, to progress the Company's energy transition strategy and identify, evaluate, and drive low carbon energy product and service solutions. Ms. Martinez also retains her current role as Enerflex's President, Latin America. See "*Directors and Officers*."

DESCRIPTION OF THE BUSINESS

Enerflex's Business

Enerflex is a single-source supplier of natural gas compression, oil and gas processing, refrigeration systems, and electric power generation equipment – plus related in-house engineering and mechanical services expertise. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission, service, and operate hydrocarbon and other gas handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, gas lift compression, refrigeration systems, and electric power solutions serving the natural gas production industry.

Headquartered in Calgary, Alberta, Canada, Enerflex has approximately 2,000 employees worldwide. Enerflex, its subsidiaries, interests in associates, and joint operations operate in Canada, the United States of America ("**USA**"), Argentina, Bolivia, Brazil, Colombia, Mexico, the United Kingdom, Bahrain, Kuwait, Oman, the United Arab Emirates ("**UAE**"), Australia, New Zealand, Indonesia, Malaysia, and Thailand. Through Enerflex's owned natural gas infrastructure, the Company transforms over 2.8 billion cubic feet of natural gas per day, globally.

Enerflex has fabrication and workshop facilities in Calgary, Alberta, Houston, Texas and Brisbane, Queensland, that supply custom fabricated and standard equipment to customers worldwide. Enerflex is one of the leading suppliers of natural gas compression within the rental market in Canada, the USA, Latin America, and the Middle East, with a global rental fleet of approximately 715,000 HP. The Company is a highly-qualified service provider with industry-certified mechanics and technicians strategically situated across a network of 53 service locations in Canada, the USA, Latin America, the Middle East, and Asia Pacific.

The Company's revenue is derived from the sale of natural gas-related products and services, including:

- Engineering, design, and fabrication of hydrocarbon production and processing facilities, natural gas compression equipment, and electric power solutions;
- Rental of natural gas compression, processing, and electric power equipment;
- After-market service, operations and maintenance, and parts distribution, for compression, process, refrigeration, and power generation equipment, as well as retrofit solutions for compression and power generation equipment; and
- Concept-to-commissioning of integrated turnkey ("**ITK**") systems and build-own-operate-maintain ("**BOOM**") solutions for natural gas compression, processing, and power generation. Certain BOOM contracts are accounted for as finance leases.

Through Enerflex's ability to provide these products and services in an integrated manner, or as stand-alone offerings, the Company offers customers a unique value proposition well suited to address their changing needs.

Geographic Markets

The Company has three reporting segments – USA, Rest of World, and Canada. Each of Enerflex's three business segments are organized into product lines as described below.

USA

- The Engineered Systems product line consists of custom and standard compression packages for reciprocating and screw compressor applications from Enerflex's manufacturing facility located in Houston, Texas. In addition, the Company engineers, designs, manufactures, constructs, and installs modular natural gas processing equipment, refrigeration systems, and electric power solutions. Retrofit provides re-engineering, re-configuration, and re-packaging of compressors for various field applications.
- The Service product line provides mechanical services and parts, as well as maintenance solutions to the oil and natural gas industry in the USA. The Company is an INNIO Waukesha Platinum Power Packager, providing worldwide factory-direct access to Waukesha engines and parts. In addition, Enerflex packages CAT engines and parts. Enerflex's USA service branches are located in Colorado, Louisiana, New Mexico, North Dakota, Oklahoma, Pennsylvania, Texas, West Virginia, and Wyoming.
- The Rentals product line provides natural gas compression equipment rentals to oil and natural gas customers in the USA, primarily operating in the Permian and SCOOP/STACK formations utilizing a fleet of low- to high-horsepower packages. These compressor packages are typically used in wellhead, gas-lift and natural gas gathering systems, and other applications primarily in connection with natural gas and oil production. In addition, power generation rental solutions are also available in the USA region. The Rentals product line in the USA operates out of Enerflex's Houston, Texas facility.

Rest of World

- The Rest of World segment deploys products typically fabricated by Enerflex's Engineered Systems division in Houston, Texas.
- The Latin America region, with locations in Argentina, Bolivia, Brazil, Colombia, and Mexico, provides Engineered Systems products, including integrated turnkey natural gas compression, processing, and electric power solutions, with local construction and installation capabilities. The Service product line in the region focuses on after-market services, parts, and components, as well as operations, maintenance, and overhaul services. The Rentals product line provides natural gas compression and processing equipment for rent to oil and gas customers in the region. Enerflex has a number of BOOM facilities of varying size and scope in this region providing customers with alternate solutions to meet their natural gas compression, processing, and electric power needs.
- The Middle East/Africa ("MEA") region, through its operations in Bahrain, Oman, Kuwait, and the UAE, provides engineering, design, procurement, and construction services for compression, process, and power generation equipment, as well as rentals, after-market service, parts, and

operations and maintenance services for gas compression and processing facilities in the region. The Rentals product line provides natural gas compression and processing equipment for rent to oil and gas customers in the region. Enerflex has a number of BOOM facilities of varying size and scope in this region providing customers with alternate solutions to meet their natural gas compression, processing, and electric power needs.

- The Australia region is headquartered in Brisbane, Queensland with additional locations in Queensland, Western Australia, and New Zealand providing after-market services, equipment supply, parts supply, and general asset management.
- The Asia region, with locations and operations in Indonesia, Malaysia, and Thailand, provides Engineered Systems, as well as after-market services and parts through the Company's local operations.
- Through its location in the United Kingdom, the Company provides customized compression, processing, and high-end refrigeration solutions in the Europe region.
- As a Platinum Power Packager of INNIO's Waukesha engines, the Company provides factory-direct access to Waukesha engines and parts in its Rest of World regions. This region also packages CAT engines and parts.

Canada

- The Engineered Systems product line is comprised of compression, process, and electric power solutions. Enerflex provides custom and standard compression packages for reciprocating and screw compressor applications. It also engineers, designs, manufactures, constructs, and installs modular processing equipment and waste gas systems for natural gas facilities. Enerflex provides integrated turnkey power generation solutions and gas compression and processing facilities. Retrofit solutions provide re-engineering, re-configuration, and re-packaging of compressors for various field applications. Enerflex has a manufacturing facility in Calgary, Alberta and retrofit facilities in Calgary, Grand Prairie, and Red Deer, Alberta.
- The Service product line provides after-market mechanical service and parts distribution. As an INNIO Waukesha Platinum Power Packager, the Company has worldwide factory-direct access to Waukesha engines and parts. In addition, Enerflex is also the authorized distributor and service provider of INNIO's Jenbacher gas engines and parts in Canada. The Company also packages CAT and MAN engines and parts. The Service product line operates out of service branches located in Alberta, British Columbia, Ontario, and Quebec.
- The Rentals product line provides reciprocating and rotary screw natural gas compression packages ranging from 50 HP to 2,000 HP, as well as electric power equipment for rent to customers.

Product Lines

As noted above, Enerflex's operations in each of its geographical business segments are generally structured along three main product lines: Engineered Systems, Service, and Rentals.

Engineered Systems

Enerflex's Engineered Systems product line includes engineering, design, fabrication, and assembly of standard and custom-designed compression, processing, refrigeration, and electric power solutions. Facilities dedicated to the Engineered Systems product line occupy approximately 250,000 square feet of manufacturing space in Canada, approximately 315,000 square feet of manufacturing space in the USA.

In addition, the Company has approximately 40,000 square feet of shop space in Australia that is devoted to retrofit, service, and overhaul activities. The Engineered Systems product line is comprised of three product offerings: Compression, Process, and Electric Power. Enerflex is able to combine one or more of these product offerings into an integrated solution, including civil works, piping and structural fabrication, electrical, instrumentation, controls, and automation, as well as installation and commissioning. Enerflex's ITK offering allows customers to simplify their supply chain, eliminate interface risk, and reduce the concept-to-commissioning cycle time of major projects.

Compression

Enerflex is a leading supplier of natural gas compression packages which are powered by gas-fuelled engines or electric motors. These natural gas compression packages typically consist of reciprocating or screw compressors, cooling fans, piping, and instrumentation and controls. A typical compressor package consists of a steel skid, a natural gas compressor, a driver (such as a reciprocating engine, gas turbine, or electric motor), a natural gas cooler, a liquid and/or particulate separator, piping, and a control system. Compressor packages destined for use in colder climates are often enclosed in an insulated building. Applications include natural gas gathering compression, gas lift compression, inlet and residue compression in processing facilities, compression for natural gas storage, and pipeline compression.

Enerflex engineers, designs, fabricates, constructs, commissions, operates, and services a wide variety of natural gas compression packages for customers domestically and internationally from facilities in Calgary, Alberta and Houston, Texas, which are standard or custom-designed with major components supplied by leaders and innovators within the industry. Enerflex offers compression packages from 20 HP to 10,000 plus HP, ranging from low specification field compressors to high specification process compressors for onshore and offshore applications.

Enerflex also provides re-engineering and refurbishment of existing compression equipment at customer field locations, as well as in our global facilities.

Enerflex's customers for compression equipment range from small independent producers to majors, as well as midstream and third-party processing providers. Key North American markets include, but are not limited to, the Permian, Marcellus, SCOOP/STACK, Bakken, Woodford, and Eagle Ford plays in the USA, as well as the Montney and Duvernay plays in Canada. Enerflex also provides compression equipment to the international market, which represents a significant proportion of the Company's overall business.

Natural gas is found in naturally-occurring underground reservoirs, coal seams, and shale seams. The pressure of the natural gas at the wellhead is generally too low to enable the natural gas to be transported to its ultimate market without assistance. For this reason, virtually every cubic foot of natural gas requires compression at some point in the production, transportation, and processing cycles. Compression equipment is used to increase the pressure within natural gas gathering systems and processing plants to facilitate transportation and processing of the natural gas. Generally, several compressors are required to sustain the pressure required to deliver natural gas from a typical field to the mainline high-pressure transmission facility and to its end use.

Demand for compression occurs when new natural gas wells are drilled or when reservoir pressures decline in existing natural gas fields. A combination of additional compression and development drilling is

invariably required to offset the decline in reservoir pressures. This is particularly evident in shallow gas reservoirs and CSG fields, which often experience low initial production pressure or rapid declines in production due to decreases in reservoir pressure.

Processing

Enerflex engineers, designs, fabricates, constructs, commissions, operates, and services oil and natural gas processing equipment. Complete oil and natural gas processing modules are designed and fabricated at Enerflex's facilities located in Calgary, Alberta and Houston, Texas. Modular fabrication enables delivery to a global market from these facilities. Enerflex also provides supervision and project management services across the world with respect to the installation, commissioning, and start-up of such products and facilities. Process applications include dehydration, NGL recovery, refrigeration, cryogenic processing, condensate stabilization, dew point control, and amine sweetening.

In North America, Enerflex's processing customers include small to large producers and midstream processing providers. Internationally, processing customers range from regionally significant players to some of the world's largest producers, including national oil companies. Gas processing facilities outside North America tend to be large and complex, requiring worldwide logistics capability, plus the technical expertise to provide design guarantees. Key markets include Latin America and Arabian Gulf nations such as Bahrain, Oman, Kuwait, and the UAE.

Processing prepares natural gas for transportation by pipeline for end-use consumption. Substantially all newly produced natural gas requires the removal of water, CO₂, and other impurities. Gas containing NGLs (ethane, propane, butane, and condensate) typically requires more complex processing. The North American producing sector's increased focus on liquids-rich gas opportunities has generated new demand for processing facilities, including cryogenic processing facilities. Enerflex has historically focused on dew point processing, however, the natural gas sector's current drive to optimize production economics by maximizing liquids recovery creates attractive opportunities in cryogenic processing. Enerflex has a dedicated engineering and design team, plus the resources and fabrication capabilities to provide complete cryogenic processing facilities for deep-cut liquids extraction. These systems are engineered to dry and recover NGL's for natural gas feedstock flow rates of 30 MMSCFD to 200 MMSCFD utilizing the Recycle-Split-Vapor process, or the Gas Subcooled Process, depending on desired recovery rates. The facilities use turboexpanders to achieve an ultra-low temperature allowing recovery rates of 95+% of the inlet stream's ethane, 99.8+% of propane, and 100% of the butane. Enerflex's core configuration for cryogenic plants includes inlet dehydration using molecular sieve equipment, cryogenic gas processing system, and turbo-expander/re-compressor skid.

Electric Power

The Company provides electric power solutions and after-market services required for on-going life cycle support of this equipment. Enerflex's typical power generation units range from 20 kW to 50 MW using natural gas reciprocating engines, a generator, and control devices. Power generation equipment may operate on multiple gaseous fuel sources including natural gas, biogas, sewage gas, landfill gas, syngas, solution gas, flare gas, propane, or a combination of these fuels. The power systems provided to the market by Enerflex are used for the generation of power in island-mode prime power, fast response peak shaving applications, and co-generation and tri-generation – combined heat and power. In the latter process, waste heat produced by the engine is captured and used for space heating in applications such

as greenhouses, where the exhaust from the engine is also treated to capture the waste CO₂ for fertilization of agricultural products. In addition, Enerflex provides temporary, standby, and backup power for construction sites, pipeline pumping stations, and electrical grids.

Enerflex's electric power packages are powered by Waukesha, Jenbacher, or MAN engines. Each engine manufacturer is continually evolving its technologies to improve operating efficiency and environmental performance. The Company provides field construction, installation, and commissioning for an integrated electric power solution, taking advantage of Enerflex's reputation in gas-fuelled engines and its skills in modular engineering, fabrication, and after-market support.

Enerflex's electric power solutions cover the oil and gas, industrial, institutional, greenhouse, data centres, mining, renewables, and agriculture sectors across the world. Customers range from pulp and paper mills, landfill sites, hospitals, city facilities, beverage facilities, greenhouses, utilities and power companies, and a range of oil and gas producers.

Service

Enerflex's Service product line provides after-market services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, long-term service agreements, and technical services to our global customers. The product line operates through an extensive network of branch offices and generally provides its services at the customer's wellsite location using trained technicians and mechanics. Enerflex's after-market service and support business includes distribution and remanufacturing facilities, with 53 outlets situated in active natural gas producing areas, over 400 service vehicles, hundreds of skilled mechanics, and a sizable inventory of original equipment manufacturer ("**OEM**") parts from key manufacturers.

Enerflex services a large base of natural gas compression and storage facilities installed in North America, Latin America, the Middle East, and Asia Pacific. The workshop facility in Brisbane supports the Company's retrofit, service and overhaul activities in the Asia Pacific region. In addition, Enerflex provides contract operations and maintenance for large natural gas facilities in the Middle East, Latin America, and other markets.

Enerflex's customers range from independent producers, regionally significant players, and some of the world's largest producers to midstream companies who service these oil and gas explorers and producers. Maintenance contracts are managed by a team of dedicated engineers and planners using remote monitoring and on-site specialist personnel to carry out the work required.

Enerflex has entered into distribution and service agreements with INNIO, pursuant to which Enerflex is a Global Platinum Power Packager of INNIO's Waukesha engine and parts. Additionally, the Company is a distributor for INNIO's Jenbacher gas engines and parts in Canada. INNIO produces high-quality reciprocating gas-fuelled engines, sold under the brand name Waukesha primarily for natural gas compression and power generation applications, and the brand name Jenbacher for power generation.

Enerflex is also the authorized distributor for Altronic, a leading manufacturer of ignition and control systems, in all its operating regions.

Rentals

Enerflex's Rentals product line offers a variety of rental and leasing alternatives for natural gas compression, processing, and electric power equipment. The rental fleet is deployed across Canada, the USA, Argentina, Brazil, Colombia, Mexico, Bahrain, and Oman, and provides comprehensive contract operations services to customers in each of those regions. In addition to Enerflex's asset fleet, this product line provides customers with trained personnel, equipment, tools, materials, and supplies to meet their natural gas compression, processing, and power generation needs, as well as designing, sourcing, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services. The Rentals product line encompasses a fleet of natural gas compressors totalling approximately 715,000 HP on rent or available for rent globally. Rental customers range from independent producers and regionally significant players to some of the world's largest producers, including national oil companies.

When the Company enters into a rental contract with a customer, the initial term of the commitment generally ranges between one to five years, however in some cases, initial terms or extensions to initial terms can result in the customer renting the equipment for greater than 10 years. These rental contracts typically require Enerflex to provide all the engineering, design, and installation services in order to bring the rental equipment online, and these arrangements require Enerflex to make a significant investment in equipment, facilities, and related installation costs. These projects may include several compressor units on one site or entire facilities designed to process and treat oil or natural gas to make it suitable for end use. Customers generally are required to pay a monthly service fee even during periods of limited or disrupted oil or natural gas flows, which enhances the stability and predictability of the Company's cash flows. Additionally, the Company does not have direct exposure to the fluctuations in commodity prices due to the fact that Enerflex provides an up-time guarantee and does not take title to the oil or natural gas being compressed, processed, or treated.

The rental fleet is maintained in accordance with established maintenance schedules and OEM guidelines. These maintenance procedures are updated as technology changes and as new techniques and procedures are developed. In addition, because Enerflex field technicians provide maintenance on the Company's contract operations equipment, they are familiar with the condition of the equipment and can readily identify potential problems. In our experience, these maintenance procedures maximize equipment life and unit availability, minimize avoidable downtime, and lower the overall maintenance expenditures over the equipment life.

In the USA, Enerflex provides contract compression rental services in a number of shale plays including the Permian Basin and the SCOOP/STACK. The demand for our products and services is driven by domestic production of natural gas and crude oil, where compression is typically required to move produced volumes from the wellhead and through gathering systems. In addition, contract compression can also improve performance in maturing fields.

Enerflex also leverages its extensive expertise in engineering, designing, manufacturing, constructing, operating, and maintaining natural gas compression and processing infrastructure solutions on a BOOM basis. Enerflex's BOOM project model provides customers with an operational partnership that mitigates risk while keeping objectives aligned. Through this model, Enerflex handles all phases of a project, including the up-front cost of, and responsibility for, construction and commissioning, ensuring quality,

safety, and reliability are consistent through the project life. Customers then pay a monthly fee to benefit from world-class facilities, without the challenges typically posed by ownership, operations and maintenance. Enerflex's success with BOOM projects stems from our collaborative approach to delivering reliable solutions with reduced risk for our customers.

Segmented Revenue Details

Enerflex's 2020 and 2019 revenue, by business segment and by product line, is set forth in the following table:

<i>\$ Thousands (unaudited) as at December 31,</i>	2020 Revenue		2019 Revenue	
	\$000	%	\$000	%
Business Segment				
USA	632,286	52	1,195,669	58
Rest of World	353,011	29	346,834	17
Canada	231,755	19	502,919	25
Total	\$1,217,052	100%	\$2,045,422	100%
Product Line				
Engineered Systems	598,566	49	1,448,503	71
Service	303,269	25	394,586	19
Rentals	315,217	26	202,333	10
Total	\$1,217,052	100%	\$2,045,422	100%
Product Line				
Engineered Systems				
USA	390,178	65	947,451	66
Rest of World	40,485	7	76,813	5
Canada	167,903	28	424,239	29
	598,566	100%	1,448,503	100%
Service				
USA	150,939	50	172,130	44
Rest of World	96,092	32	154,951	39
Canada	56,238	18	67,505	17
	303,269	100%	394,586	100%
Rentals				
USA	91,169	29	76,088	38
Rest of World	216,434	69	115,070	57
Canada	7,614	2	11,175	5
	315,217	100%	202,333	100%
Total	\$1,217,052	100%	\$2,045,422	100%

Enerflex's Facilities

Enerflex has 57 locations worldwide. Enerflex has 14 locations in Canada, 9 of which are located in Alberta including the head office and one manufacturing facility in Calgary, Alberta, primarily serving the Canadian market. Enerflex also has 24 locations throughout the USA, including the Company's manufacturing facility located in Houston, Texas, serving the USA and international markets. In Latin America, Enerflex has six locations. In Australia and New Zealand, Enerflex has five locations including a facility in Brisbane that is devoted to retrofit, services, and overhaul activities. There are four locations across the Asia region, four

locations throughout the Middle East/Africa, and one location in Europe. See “*Description of the Business – Geographic Markets*” for further details.

Enerflex's Customers

The Enerflex customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including small to large independent producers, integrated oil and natural gas companies, midstream and petrochemical companies, power generation companies, users of natural gas-fired electric power, and carbon capture players. Certain customers may from time to time account for over 10 percent of our business in a given year. For the year ended December 31, 2020, the Company had no individual customers which accounted for more than 10 percent of its revenue.

Sources and Availability of Components and Raw Materials

Raw materials, components, parts, and engines used by our equipment/package operations are generally available from a variety of sources. Enerflex acquires most of its natural gas engines through OEM agreements with INNIO, Finning CAT (Finning International Inc.), and Mustang CAT. Enerflex also has relationships with the Ariel Corporation, the Howden Group, and the Frick Company (Johnson Controls Inc.) for the provision of reciprocating and rotary screw compressors. Enerflex purchases coolers for its natural gas compression units from a select number of suppliers. See “*Risk Factors – Availability of Raw Materials, Component Parts, or Finished Products*”.

Competitive Conditions

The demand for Enerflex's products and services are influenced by several factors that impact its customers, including: the price of and demand for oil and natural gas; demand for associated infrastructure; transportation costs; access to qualified personnel; the availability and pricing of materials and component parts; the availability and access to capital; regional and global politics; regional and global economic conditions; local, national, and international laws and regulations including taxation, royalty frameworks, and environmental laws and regulations; and commodity price speculation in the investment markets. As a result, Enerflex's customers are constantly assessing ways to reduce the costs associated with their operations. To accommodate customer needs and demand for Enerflex's products and services, Enerflex reviews its business strategy and product offerings in light of trends in the markets in which it operates.

The Company views its competitive landscape by region. In the USA during 2020, the principal competitors for Engineered Systems project work were SNC Lavalin, and a number of private U.S.-based corporations; and the principal competitors for Rentals and Service offerings were USA Compression Partners, Archrock, CSI Compressco, and a number of private U.S.-based corporations, including Kodiak Gas Services. In the Rest of World segment during 2020, the principal competitors were Exterran Corporation and SNC Lavalin, as well as local competitors in each of the countries in which we operate. In Canada during 2020, the principal competitors were a number of private Canadian-based corporations that are able to provide some combination of products and services similar to Enerflex's Engineered Systems, Service, and Rental offerings. See “*Risk Factors – Competition*”.

Competitive Issues in the Oil and Natural Gas Service Industry

The availability of major components used in the fabrication of Enerflex's products and access to skilled personnel to meet the technical and trade requirements for designing and assembling these products are

under increasing pressure on a worldwide basis. The Company's global footprint assists Enerflex in managing these issues by broadening the markets in which personnel can be accessed and allowing the Company to manage its inventory levels on a larger scale thus improving its supply chain. In addition to the various business risk factors outlined in the section of this AIF entitled "*Risk Factors*" below, investors should be aware of the following competitive issues in the USA, Rest of World, and Canada segments.

USA

There are several major global competitors in the compression and processing fabrication business, and a number of smaller regional competitors in the USA. Larger companies are able to compete across more regions while offering many products and services that compete with Enerflex, whereas smaller companies are able to focus their resources on one competitive offering for a specific region.

For Engineered Systems, Enerflex's management believes that the United States market will continue to provide Enerflex with opportunities to expand its business through the supply of compression and processing solutions, from its Houston, Texas fabrication facility.

Similar to the Engineered Systems business, the contract compression rentals business in the USA is highly competitive, with both very large and small contract compression companies vying for the same customers as Enerflex. These competitors may adapt more quickly to changes within the industry and changes in economic conditions as a whole and adopt more aggressive pricing policies. Management believes that the USA contract compression rental market will continue to grow. By continuing to offer customers competitively priced and readily available equipment, exceptional customer service, and flexibility in meeting customers needs, the Company expects to continue to grow its market share in the contract compression rental business.

Rest of World

In the Rest of World segment, Enerflex generally faces the same competitors as in North America. Many significant North American compression and processing equipment fabricators pursue international opportunities. Enerflex has increased the size and scope the Company's international business, particularly in the Middle East and Latin American markets, by leveraging its Engineered Systems products, either as standalone projects or ITK or BOOM projects with associated operations and maintenance.

Enerflex continues to anticipate growth in the MEA market, with opportunities in Engineered Systems, ITK, and BOOM projects, as well as after-market service opportunities. Enerflex is well positioned to offer equipment and facility sales, rental equipment, and after-market services, including operations and maintenance contracts, through its extensive branch network covering the MEA region.

In Latin America, the development and buildout of natural gas infrastructure in key gas producing markets such as Argentina, Bolivia, Brazil, Colombia, and Mexico provides opportunities for Enerflex to expand across all product offerings. The Company believes that Latin America will continue to offer opportunities to expand as customers look to grow natural gas production for domestic consumption. Enerflex sees demand for projects related to gas treatment and processing, compression and electric power generation, as well as potential for gas storage and export capabilities.

In Asia Pacific, Enerflex is well positioned to service and maintain the compression equipment installed in the region and to capitalize on the expanding natural gas infrastructure needs of the region. The Company has a history of successfully supplying and servicing natural gas production, distribution, and storage facility projects.

Canada

The Canadian compression and processing equipment fabrication markets are very competitive. To be successful, Enerflex must compete on the basis of product quality and variety, strong relationships, and exceptional service, all while remaining price competitive.

The Canadian region has developed expertise in electric power solutions, and Enerflex sees strong growth potential for power solutions being designed and manufactured in Canada for use across the Company's other operating regions. Additionally, demand for short-term power generation rental units has increased significantly, presenting opportunities to expand recurring revenues while strengthening our electric power offering.

While there are a number of public and private competitors for after-market services, Enerflex is a market leader in Canada with an extensive branch network to maintain proximity to customer locations. In addition, the Company aims to drive recurring revenue through and increased focus on long-term service agreements for compression, processing, and electric power solutions.

In Canada, the majority of compression equipment is owned by producers, rather than contracted. Enerflex is well suited to reconfigure or replace compression equipment to optimize compression needs as the future production profile changes.

Intangible Properties

Internally developed product designs, specifications, fabrication processes and techniques, and customer relationships are of significant value to Enerflex. These intangible assets combine to form the intrinsic value associated with the various products and brand names employed by Enerflex. The effectiveness of Enerflex's business and, indirectly, the brand and product names are reflected in the revenues and gross margin attained in the corresponding business units.

Cycles and Seasonality

While demand for Enerflex's products and services is largely a function of the supply, demand, and price of natural gas, other factors may affect the business, either positively or negatively. Energy prices generally affect Enerflex, as most customers generate cash flow from the production and sale of oil and natural gas. Natural gas prices are determined by supply, demand, and government regulations relating to natural gas production and processing. The market for capital goods used by natural gas producers is cyclical and, at times, highly volatile. Enerflex is structured to be profitable in both high and low periods of the energy cycle. This is achieved through product breadth, international diversification and a flexible workforce. See – “Risk Factors – Seasonal Factors and Demand”.

The oil and natural gas service sector in Canada and in northern USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher

revenues in the fourth quarter of each year while Service and Rentals product line revenues tend to be stable throughout the year. Rentals revenues are also impacted by both the Company's and its customers' capital investment decisions. The southern USA and Rest of World segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating. As Enerflex has increased its international presence, the overall impact of seasonal revenue variations has been reduced.

Economic Dependence

For the year ended December 31, 2020, the Company had no individual customers which accounted for more than 10 percent of its revenue.

Enerflex is committed to building strong relationships with suppliers and recognizes that success is achieved by fostering trust and respect between the parties. Enerflex has developed an effective, competitive bidding process to provide opportunities for all new and existing suppliers. Enerflex is not substantially dependent on any single supplier.

Changes to Contracts

There is no aspect of the Company's business reasonably expected to be materially affected by renegotiation or termination of contracts or sub-contracts. See – *"Risk Factors – Availability of Raw Materials, Component Parts, or Finished Products."*

Environmental Protection and Emissions

Enerflex works to meet or exceed industry guidelines, as well as national, regional, and local laws, regulations, and protocols regarding environmental protection in all operating areas. Control of environmental hazards is a continuous priority across Enerflex's operations. The Company designs, manufactures, and operates its facilities and assets, and performs its services, in compliance with applicable federal, provincial, state, local, and foreign requirements relating to the protection of the environment, including the regulation of GHG emissions. The costs of Enerflex's compliance with currently applicable environmental laws and regulations are not material. To the extent more stringent regulations are enacted, Enerflex intends to continue to address them in a proactive manner. Enerflex monitors regulatory trends to understand how potential changes could affect our business and operations. See also *"Risk Factors – Compliance with HSE Regulations."*

Chemicals Management

While Enerflex does not produce or supply chemicals, its manufacturing operations utilize workshop chemicals commonly used in standard welding and paint shop activities. Such chemicals are handled and stored within controlled environments according to the manufacturer's Hazard Communication (HAZCOM) guidance and applicable local regulations, with permits or permit exemptions in place where required. Enerflex's offsite construction activities may also utilize standard chemicals such as welding fuels, which are handled, stored and transported according to the manufacturer's HAZCOM guidance and applicable local regulations.

All such chemicals are consumed during use. Enerflex activities do not produce hazardous waste for disposal.

GHG Emissions

There is a trend in recent periods towards greater regulation of GHG emissions, including mandatory GHG reporting and, in some jurisdictions, emissions-limiting initiatives. Enerflex does not currently exceed the applicable thresholds for mandatory emissions reporting or reduction initiatives in its jurisdictions of operations. The Company's internal ESG commitments include voluntary reporting on its GHG emissions. See the ESG section of our website at www.enerflex.com for the Company's 2020 GHG emissions inventory.

The Company is unable to predict the impact of new climate change and emissions reduction legislation and regulatory initiatives on the Company and its equipment or operations, or its customers' operations, and it is possible that such laws or regulations would have a material adverse effect on the Company's business, financial conditions, results of operation and cash flows. See "*Risk Factors – Climate Change Risks*".

Management of Climate-Related Risks

Climate-related risks are identified, evaluated and managed through the Company's formal risk management process, with ultimate oversight by the Board of Directors. A description of Enerflex's enterprise risk management systems, and the role of management and the Board, will be contained in our Management Information Circular which is expected to be dated on or about March 2, 2021.

Climate-Related Opportunities

Enerflex's efforts to identify, assess and manage climate-related risks also creates opportunities for the organization. The Company has long been committed to helping reduce the global emission footprint by focussing on the cleanest hydrocarbon and providing safe natural gas solutions to its customers. The world currently relies on hydrocarbons to reliably meet energy needs, but we recognize and expect that future energy demand will continue to be met in part by a growing proportion of renewable energy sources. While continuing to deliver natural gas solutions, the Company pursues and will continue to pursue opportunities that benefit the global effort to address climate change, including:

- Identifying economic energy and emissions reduction opportunities in our operations;
- Identifying energy efficient procurement opportunities; and
- Exploring new low carbon energy product and service solutions.

We have made it our responsibility to understand the environmental impact of our operations and work towards minimizing our footprint. Beyond recycling and other waste management initiatives at corporate, manufacturing, and field locations, Enerflex reduced air emissions by transitioning its Canadian and USA manufacturing facilities to low VOC paint and VOC free thinner, and implementing policies to avoid standby running for vehicles and operating equipment. The Company has also reduced its usage of freshwater by mandating the use of recycled water for pressure testing vessels and pressure washing at its US manufacturing facility, and using collected rain water for pressure washing certain compressor packages in Colombia (accounting for 2% of the total fresh water handled in operations in Colombia in 2020). In early 2020, management established an Environmental Assessment Committee responsible for identifying opportunities to enhance environmental performance across Enerflex's facilities and fleet, and help achieve the Company's 2020 goal of quantifying its global Scope 1 and Scope 2 GHG emissions inventory. This internal committee is also focussed on expanding collaboration across our organization and operations to identify and evaluate key environmental risks and opportunities for our business, and

helping develop our ESG disclosures to be responsive to stakeholder expectations. Throughout 2020, climate-related risks and opportunities were further integrated into Enerflex's strategic planning and investment decisions. In early 2021, the Board appointed a Chief Energy Transition Officer, responsible for progressing the Company's energy transition strategy and identifying, evaluating, and driving low carbon energy product and service solutions. See "*Directors and Officers – Executive Officers*" below.

Social and Safety Policies

Enerflex is committed to conducting its business activities in a manner that is socially responsible and safeguards the health, safety, and wellbeing of its employees and the communities in which it operates.

Communities

Enerflex works to enhance the lives of its employees and the communities in which it operates, including by partnering with organizations that build and strengthen communities. Enerflex contributes directly to a number of social causes, and also supports charitable activities by encouraging employees to volunteer their time and talent. Enerflex is actively involved in supporting neighbouring businesses and non-profits such as Kids Cancer Care, Habitat for Humanity, as well as Blood, Diabetes, and Heart Services agencies.

Safety

Since Enerflex's inception, safety has been a fundamental value and is integrated into its culture. The Company's goal of achieving and maintaining HSE performance excellence is supported by critical policies and systems designed to systemically drive improvement and protect both the Company and its people. Enerflex continues to implement and enhance its occupational health and wellness programs, inspection and incident investigation procedures, environmental management, as well as other initiatives intended to reinforce Enerflex's safety culture. The Company performs annual internal safety system audits, as well as periodic comprehensive third-party external audits, ensuring each location meets or exceeds industry standards and the Company's HSE requirements. The Company remains focused on strengthening its coordinated approach to HSE by engaging senior leadership and on-the-ground HSE teams to infuse the Company's safety practices throughout its operations and facilities. The Company has consistent programs and processes across all regions and is committed to ensuring that employees have the required training, equipment, and resources to do their jobs effectively and safely, including by empowering all employees with stop work authority to stop any job that appears unsafe without fear of reprimand.

Enerflex has HSE coordinators in each of the Company's regions, reporting directly to the regional HSE Manager, who reports into the regional President. Regional HSE leaders also meet monthly with our Senior Vice President, General Counsel to discuss regional and Enterprise-wide HSE initiatives and developments. On a monthly basis, the Executive Management Team reviews the Company's HSE performance, and on a quarterly basis HSE matters and performance are reported to the Board of Directors, both directly and through the HRC Committee.

The Company's HSE policies outline Enerflex's values and expectations with respect to HSE matters and are reviewed annually by HSE leadership and senior management and updated as applicable. The HSE policies govern how Enerflex will manage its operations to protect the health and safety of its employees, contractors, visitors, the public, and the environment, while complying with or exceeding all applicable laws, regulations, industry, and internal standards, and stakeholder expectations. Enerflex's constant HSE goal is no harm to people, no damage to the environment, and effective control of all identifiable risks.

Catastrophic Risk Mitigation

Enerflex implements quality management systems at its manufacturing facilities to reduce the probability that its equipment may be involved in catastrophic events that could impact human health, local communities and/or the environment. These quality management systems are certified to ASME Section VIII, to ensure that Enerflex produces safe, operable equipment and packages in accordance with the governing standards and customer specifications. At our manufacturing facilities, all welders and weld procedures are certified to the requirements of ASME Section IX. Process pipe is designed and fabricated to ASME B31.3, pressure vessels are designed and fabricated to ASME Section VIII, and both process piping and pressure vessels undergo non-destructive testing as well as pressure testing. Numerous quality checks of critical items are conducted and documented during the fabrication, assembly, coating and shipping of Enerflex equipment.

For ITK and BOOM projects requiring installation in the field, Enerflex designs and installs safety systems in adherence with customer requirements and the proper design codes applicable in the jurisdiction. These safety systems can include but are not limited to: safety switches, fire detection systems, gas detection, safety relief valves, gas monitoring, remote monitoring, emergency shut-down switches both local to major units (i.e. compression) and plant wide, flare systems with inlet flame arrestors, safety fencing around critical components, and containment for spillage prevention. All such safety systems undergo routine maintenance as specified by operational guidelines, to ensure proper functioning at all times.

In addition, every Enerflex location has a local emergency response plan, including evacuation plans, muster stations, and medical response contingency. These plans are reviewed periodically and updated as applicable. Ultimately, the Company's strong safety culture enables its people to effectively detect and respond to health and safety incidents.

Code of Conduct

Enerflex also strives to maintain a culture of integrity, ethical business conduct, transparency, and compliance. As part of these efforts, Enerflex maintains a written Business Code of Conduct (the "**Code**"), applicable to directors, officers, employees, and independent contractors of Enerflex and its subsidiaries. The Code provides guidance on areas such as conflicts of interest, outside employment, outside directorships, non-profit and professional associations, entertainment, gifts and favours, corporate property, anti-corruption, competition and anti-trust legislation, communication devices and related matters, proprietary and confidential information, corporate communications, insider trading, health, safety, and environment, human rights and respectful workplace, business and accounting practices, corporate donations, and political participation. The Code is reviewed annually by the NCG Committee and the Board and updated as necessary or advisable. The Board, through the Audit Committee and the HRC Committee, receives regular reports regarding compliance with the Code. Orientation sessions for new employees include training in respect of the Code. In accordance with the compliance provisions and the Company's training initiatives, directors, officers, and all Enerflex managers are required to acknowledge annually their compliance with the provisions of the Code. Company-wide certification occurs at least every 24 months, most recently in the fall of 2020. The Code has been translated into Arabic, English, French, Indonesian, Portuguese, and Spanish to ensure that Enerflex employees have the opportunity to read and understand its provisions in their native language.

Employees

Enerflex had approximately 2,000 employees worldwide as at December 31, 2020. See “Risk Factors – Personnel and Contractors”.

Backlog

The following table sets forth the Engineered Systems backlog by reporting segment:

<i>\$ Thousands (unaudited) as at December 31,</i>	2020	2019
USA	77,092	320,054
Rest of World	16,176	8,941
Canada	50,019	138,762
Total Backlog	\$ 143,287	\$ 467,757

In addition to meeting the fluctuating demand for products and services, it has been necessary for Enerflex to maintain its competitive position and market share. Enerflex believes it will be successful at increasing its market share by providing quality products and service, negotiating fair prices for its products and services, expanding the global reach of its export sales, developing and maintaining relationships with key customers and suppliers, maintaining the skill levels of its employees, and monitoring and adjusting to the practices of competitors. The ability to meet these competitive pressures within a reasonable cost structure will continue to be key to Enerflex's future success.

RISK FACTORS

An investment in Common Shares of Enerflex involves a number of risks including, but not necessarily limited to, those set forth below.

Energy Prices, Industry Conditions, and the Cyclical Nature of the Energy Industry

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. The capital expenditures of these companies, along with those midstream companies who service these oil and gas explorers and producers, impact the demand for Enerflex's equipment and services. Capital expenditure decisions are based on various factors, including but not limited to: demand for hydrocarbons and prices of related products; exploration and development prospects in various jurisdictions; reserve production levels; oil and natural gas prices; and access to capital — none of which can be accurately predicted. Any downturn in commodity prices may lead to reduced levels of growth capital expenditures, which may negatively impact the demand for the products and services that Enerflex offers. Even the perception of lower oil or gas prices over the long term can result in a decision to cancel or postpone exploration and production capital expenditures, which may lead to a reduced demand for products and services offered by Enerflex.

The supply and demand for oil and gas is influenced by a number of factors, including the outlook for worldwide economies, as well as the activities of the Organization of Petroleum Exporting Countries (“OPEC”). Changing political, economic, or military circumstances throughout the energy producing regions of the world may impact the demand for oil and natural gas for extended periods of time, which in turn impacts the price of oil and natural gas. If economic conditions or international markets decline

unexpectedly and oil and gas producing customers decide to cancel or postpone major capital expenditures, the Company's business may be adversely impacted.

Competition

The business in which Enerflex operates is highly competitive and there are low barriers to entry, especially for natural gas compression services, contract compression, and the compression fabrication business. Several companies target the same customers as Enerflex in markets where margins can be low and contract negotiations can be challenging. Enerflex has a number of competitors in all aspects of its business, both domestically and abroad. Some of these competitors, particularly in the Engineered Systems division, are also large, multi-national companies. The Company's competitors may be able to adapt more quickly to technological changes within the industry or changes in economic and market conditions, more readily take advantage of acquisitions and other opportunities, and adopt more aggressive pricing policies. In addition, the Company could face significant competition from new entrants. Some of Enerflex's existing competitors or new entrants may expand or fabricate new equipment that would create additional competition for the products, equipment, or services that Enerflex offers to customers. Further, the Company may not be able to take advantage of certain opportunities or make certain investments because of capital constraints, debt levels and other obligations.

Any of these competitive pressures could have a material adverse effect on the Company's business, financial condition, and results of operations. See "*Description of the Business – Competitive Conditions*".

Project Execution Risk

Enerflex engineers, designs, manufactures, constructs, commissions, operates, and services systems that process and/or compress products in a gaseous state. Enerflex's expertise encompasses field production facilities, gas compression and processing plants, gas lift compression, refrigeration systems, and electric power equipment, primarily serving the natural gas production industry. The Company participates in some projects that have a relatively larger size and scope than the majority of its projects, which may translate into more technically challenging conditions or performance specifications for its products and services. These projects typically specify delivery dates, performance criteria, and penalties for the failure to perform. The Company's ability to profitably execute on these solutions for customers is dependent on numerous factors which include, but are not limited to: changes in project scope; the availability and timeliness of external approvals and other required permits; skilled labour availability and productivity; availability and cost of material and services; the accuracy of design, engineering, and construction; and the availability of contractors to support execution of the Company's scope on these projects. Any failure to execute on these larger projects in a timely and cost-effective manner could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

The Company pursues continuous improvement initiatives to achieve accurate, complete, and timely provision of deliverables. Nonetheless, project risks can translate into performance issues and project delays, as well as project costs exceeding cost estimates. While the Company will assess the recoverability of any cost overruns, there can be no assurance that these costs will be reimbursed, which may result in a material adverse effect on our business, financial condition, results of operations, and cash flows.

Climate Change Risks

Regulatory and Policy Risks

Climate change policy is evolving at regional, national, and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. While Enerflex does not currently exceed the applicable thresholds for mandatory GHG reporting or reduction initiatives in its jurisdictions of operations, there is a trend in recent periods towards greater regulation of GHG emissions. Although it is not possible at this time to predict how new laws or regulations would impact the Company's business, any such future requirements imposing carbon pricing schemes, carbon taxes, or emissions reduction obligations on the Company's equipment and operations could require it to incur costs to reduce emissions or to purchase emission credits or offsets and may cause delays or restrictions in its ability to offer its products and services. Such future regulations may also impose significant liabilities on failure to comply with their requirements. Any such regulations could also increase the costs of compliance for Enerflex's customers, and thereby negatively impact demand for the Company's products and services.

The direct or indirect costs of compliance with these regulations may have a material adverse effect on the business, financial condition, results of operations, and prospects of the Company. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting regulatory requirements, it is not possible to predict with certainty the impact on the Company and its operations and financial condition.

Physical Risks

There has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, droughts, forest fires, thunderstorms, tornados, and snow or ice storms, as well as rising sea levels and other acute (event-driven) and chronic (long-term) climate events. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder or warmer than their historical averages.

To the extent there are significant climate changes in the markets Enerflex serves or areas where our assets reside, Enerflex could incur increased costs, its assets could be damaged, it could experience supply chain disruption, operations could be materially impacted (such as shut-down requirements), there may be health implications for its employees, and its customers may experience operational disruptions causing reduced demand for the Company's products. At this time, the Company is unable to determine the extent to which climate change may lead to increased climate events affecting its operations.

Technological Risks

Demand for our products may also be adversely affected by the development and demand for new technologies in response to global climate change. Many governments provide, or may in the future provide, tax advantages and other subsidies to support the use and development of alternative energy technologies. Technological advances and cost declines in alternative energy sources (such as hydrogen and renewables), electric grids, electric vehicles, and batteries may reduce demand for hydrocarbon, which could lead to a lower demand for the Company's natural-gas oriented products and services. If customer preferences shift, the Company may also be required to develop new technologies, requiring

significant investments of capital and resources. At this time, the Company is unable to determine the extent to which such technological risks may impact its business prospects and financial condition.

ESG and Investor Sentiment

A number of factors, including the impact of oil and natural gas operations on the environment, the effects of the use of hydrocarbons on climate change, ecological damage relating to spills of petroleum products during production and transportation, and human rights, have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail, and governmental investors have announced that they are no longer willing to fund or invest in companies in the oil and natural gas industry, or are reducing the amount thereof over time. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry may result in limiting Enerflex's access to capital, increasing its cost of capital, and decreasing the price and liquidity of Enerflex's securities.

In addition, practices and disclosures relating to ESG matters (including but not limited to climate change and emissions, diversity and inclusion, data security and privacy, ethical sourcing, and water, waste and ecological management) are attracting increasing scrutiny by stakeholders. Certain stakeholders are requesting that issuers develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board of Directors, Executive Management Team, and employees of Enerflex. Failing to implement the policies and practices, as requested or expected by Enerflex's stakeholders, may result in such investors reducing their investment in Enerflex, or not investing in Enerflex at all. The Company's response to addressing ESG matters and any negative perception thereof can also impact Enerflex's reputation, business prospects, ability to hire and retain qualified employees, and vulnerability to activist shareholders. Such risks could adversely affect Enerflex's business, future operations, and profitability.

Customer Credit Risk

A substantial portion of Enerflex's accounts receivable balances are with customers involved in the oil and natural gas industry. Many customers finance their exploration and development activities through cash flow from operations, the incurrence of debt, or the issuance of equity. During times when the oil or natural gas markets weaken, customers may experience decreased cash flow from operations, or a reduction in their ability to incur debt or access equity financing. A reduction in borrowing bases under reserve-based credit facilities, the lack of availability of debt or equity financing or other factors that negatively impact our customers' financial condition may impair their ability to pay for products or services rendered. Enerflex may extend credit to certain customers for products and services that it provides during its normal course of business. Enerflex monitors its credit exposure to its customers, but there can be no certainty that a credit-related loss will not materialize or have a material adverse impact on the organization. The consolidation of energy producers and the developing trend for smaller start-up exploration corporations may alter Enerflex's exposure to credit risk. The financial failure of a customer may impair the Company's ability to collect on all or a portion of the accounts receivable balance from that customer.

The Company has remained vigilant during 2020 in monitoring the aging of receivables and proactively collecting outstanding balances. To address the challenging economic conditions confronted by the oil

and natural gas industry, Enerflex has implemented additional monitoring processes in assessing the creditworthiness of its customers. See also “*Description of the Business – Enerflex's Customers*”.

Public Health Crises, Including COVID-19

The Company’s business, operations, and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics, or other health crises, including the COVID-19 outbreak. Such public health crises may adversely affect Enerflex, causing a slowdown or temporary suspension of Enerflex’s operations in geographic locations impacted by an outbreak, including due to: 1) reduced global economic activity and a corresponding decrease in demand for oil and natural gas, which could result in producers being forced to shut in production and serve to lower demand for the Company’s products and services; 2) impaired supply chain as a result of mass quarantines, lockdowns, or border closures, thereby limiting the supply of goods and services used in Enerflex’s operations; and 3) restricted workforce as a result of quarantines and health impacts, rendering employees unable to work or travel. Any limitations imposed on the mobility of Enerflex’s employees may have an impact on the Company’s ability to complete projects, including BOOM or ITK projects requiring installation in the field. In the event that Enerflex is unable to meet contractual requirements due to such public health crises, and is unable to claim force majeure relief under the applicable contract or otherwise secure concessions from counterparties, the Company’s operational or financial results may be adversely impacted.

Contract Compression Operations

The duration of Enerflex’s rental contracts with customers vary based on operating conditions and customer needs. Initial contract terms typically are not long enough to enable the Company to recoup the cost of the equipment deployed in the rental business segment. Many of Enerflex’s North American rental contracts have short initial terms and after the initial term are cancelable on short notice. While these contracts are frequently extended beyond their initial terms, Enerflex cannot be sure that a substantial number of these contracts will be extended or renewed beyond the initial term or that any customer will continue to contract with Enerflex. The inability to negotiate extensions or renew a substantial portion of the Company’s rental contracts, the renewal of such contracts at reduced rates, the inability to contract for additional services with customers, or the loss of all or a significant portion of the rental contracts with any significant customer could lead to a reduction in revenues and net income and could result in asset impairments. This could have a material adverse effect upon Enerflex’s business, financial condition, results of operations and cash flows.

Contracted Revenue

Many of Enerflex’s customers finance their exploration and development activities through cash flow from operations, incurrence of debt, or issuance of equity. If our customers experience decreased cash flow from operations and limitations on their ability to incur debt or raise equity, for example due to weak oil or natural gas prices or reservoir underperformance, then they may seek to preserve capital by pursuing price concessions on revenue contracts, cancelling contracts, or determining not to renew contracted recurring revenue contracts. Under these circumstances, the Company may be unable to renew recurring revenue contracts with customers on favorable commercial terms, if at all. Terms of new contracts or renegotiated contracts may also transfer additional risk of liquidated damages, consequential loss, liability caps, and indemnities to the Company. These factors may lead to a reduction in our revenue and net income, which could have a material adverse effect on Enerflex’s business, financial condition, results from operations and cash flows. To the extent that the Company is unable to renew existing contracts or

enter into new contracts that are on favorable terms to Enerflex, overall revenue mix may change over time which could have a material adverse effect on the Company's business, results from operations and cash flows.

Compliance with HSE Regulations

The Company and many of its customers are subject to a variety of federal, provincial, state, local, and international laws and regulations relating to HSE. These laws and regulations are complex, subject to periodic revision, and are becoming increasingly stringent. The cost of compliance with these requirements may increase over time thereby increasing the Company's operating costs or negatively impacting the demand for the Company's products and services. Failure to comply with these laws and regulations may result in administrative, civil, and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance.

Compliance with environmental laws is a continuous priority across Enerflex operations and in the manufacturing of the Company's products, as the Company uses and stores hazardous substances in its operations. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Certain environmental laws may impose joint and several and strict liability for environmental contamination, which may render the Company liable for remediation costs, natural resource damages, and other damages as a result of our conduct or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is possible that neighboring landowners and other third parties may file claims for personal injury, property damage, and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations could be substantial and could negatively impact financial condition, profitability and results of operations.

Enerflex may need to apply for or amend facility permits or licenses from time to time with respect to storm water, waste handling, or air emissions relating to manufacturing activities or equipment operations, which may subject Enerflex to new or revised permitting conditions. These permits and authorizations may contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits, which may be onerous or costly to comply with. Given the large number of facilities in which Enerflex operates, and the numerous environmental permits and other authorizations that are applicable to our operations, the Company may occasionally identify or be notified of technical violations of certain compliance requirements and could be subject to penalties related thereto.

The adoption of new HSE laws or regulations, or the more vigorous enforcement of existing laws or regulations, may also negatively impact Enerflex's customers and demand for the Company's products and services, which in turn would have a negative impact on the Company's financial results and operations.

The Company is also subject to various federal, provincial, state, and local laws and regulations relating to safety and health conditions in its manufacturing facilities and other operations. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any noncompliance, as well as potential business disruption if any of its facilities, or a portion of any facility,

is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations, and financial condition. See "*Risk Factors – Health and Safety Risks.*"

Health and Safety Risks

Our operations are subject to hazardous health and safety inherent in manufacturing, construction, and operations. These risks include but are not limited to: explosions caused by natural gas leaks; fires; severe weather and natural disasters; malfunctioning or improperly used tools and equipment; and vehicle collisions and other transportation incidents.

Failure to prevent or appropriately respond to a safety or health incident could result in injuries or fatalities among our employees, contractors, visitors, or residents in communities near our operations. Such incidents may lead to liabilities arising out of personal injuries or death, operational interruptions, and shutdown or abandonment of affected facilities. Preventing or responding to accidents could require Enerflex to expend significant managerial time and effort, and financial resources to remediate safety issues, compensate injured parties, or repair damaged facilities. Any of the foregoing could have an adverse impact on our financial results and our reputation.

International Operations

Enerflex operates in many countries outside of North America, and these operations account for a significant amount of the Company's revenue. Enerflex is exposed to risks inherent in conducting international operations, including but not limited to:

- Recessions and other economic crises that may impact the Company's cost of conducting business in those countries;
- Difficulties in staffing and managing foreign operations including logistical, safety, security, and communication challenges;
- Changes in foreign government policies, laws, regulations, and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- Failure to comply with applicable anti-corruption, anti-bribery, sanctions, and trade laws;
- Difficulties in engaging third-party agents to interface with clients or otherwise act on the Company's behalf in certain jurisdictions;
- Difficulty or expense of enforcing contractual rights due to the lack of a developed legal system or otherwise;
- Renegotiation or nullification of existing contracts;
- The adoption of new, or the expansion of existing, trade restrictions, or embargoes;
- Difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- Being subject to the exclusive jurisdiction of foreign courts;
- Social, political, and economic instability;
- Confiscation, expropriation, or nationalization of property without fair compensation;
- Tax increases or changes in tax laws or in the interpretation, application and/or enforcement thereof; and

- Limitations on the Company's ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada.

In addition, Enerflex may expand the business to markets where the Company has not previously conducted business. The risks inherent in establishing new business ventures, especially in international markets where local customs, laws, and business procedures present special challenges, may affect Enerflex's ability to be successful in these ventures.

To the extent Enerflex's international operations are affected by unexpected or adverse economic, political, and other conditions, the Company's business, financial condition, and results of operations may be adversely affected.

Corruption, Sanctions, Trade Compliance

The Company is required to comply with Canadian, U.S., and international laws and regulations regarding corruption, anti-bribery, sanctions, and trade compliance. Enerflex conducts business in many parts of the world that experience high levels of corruption, relies on third party agents to interface with its clients and otherwise act on the Company's behalf in some jurisdictions, and is subject to various laws that govern the import and export of its equipment from country to country.

While Enerflex has developed policies and procedures designed to achieve and maintain compliance with applicable laws, the Company could be exposed to investigations, claims, and other regulatory proceedings for alleged or actual violations of laws related to our operations, including anti-corruption and anti-bribery legislation, trade laws, and sanctions laws. The Canadian government, the U.S. Department of Justice, the Securities and Exchange Commission (SEC), the U.S. Office of Foreign Assets Control, and similar agencies and authorities in other jurisdictions have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for such violations, including injunctive relief, disgorgement, fines, penalties, and modifications to business practices and compliance programs, among other things. While we cannot accurately predict the impact of any of these factors, if any of those risks materialize, it could have a material adverse effect on our reputation, business, financial condition, results of operations, and cash flow.

Litigation Risk and Liability Claims

In the normal course of Enerflex's operations, it may become involved in, named as a party to, or be the subject of various legal proceedings, including regulatory proceedings, tax proceedings, and legal actions related to contract disputes, property damage, environmental matters, employment matters, and personal injury.

The Company's operations entail inherent risks, including but not limited to equipment defects, malfunctions and failures, and natural disasters that could result in uncontrollable flows of natural gas or well fluids, fires, and explosions. These risks may expose the Company to substantial liability claims, which could adversely affect its projections, business, results of operations, and financial condition. Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury or loss of life, or damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these incidents, the Company could face litigation and may be held liable for those losses. The Company may

not be able to adequately protect itself contractually and insurance coverage may not be available or adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase (see *"Risk Factors – Insurance"*). Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations, and financial condition.

Defense and settlement costs associated with lawsuits and claims can be substantial, even with respect to lawsuits and claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have an adverse effect on Enerflex's operating results or financial performance.

Information Technology and Information Security

We are dependent upon the availability, capacity, reliability, and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. Information technology assets and protocols become increasingly important to Enerflex as it continues to expand internationally, provide information technology access to global personnel, develop web-based applications and monitoring products, and improve its business software applications. If any such programs or systems were to fail or create erroneous information in the Company's hardware or software network infrastructure, it could have a material adverse effect on the Company's business activities.

Enerflex may be threatened by or subjected to cyberattack risks such as cyber-fraud, viruses, malware infections, or social engineering activities like phishing and employee impersonation, which may disrupt operations and harm operating results. Cyberattacks have become more prevalent and much harder to detect and defend against. These threats may arise from a variety of sources, all ranging in sophistication from an individual hacker to alleged state-sponsored attacks. A cyberattack may be generic, or it may be custom-crafted to target the specific information technology used by Enerflex.

The Company may be targeted by parties using fraudulent spoof and phishing emails to misappropriate Enerflex information, or the information of our customers and suppliers, or to introduce viruses or other malware through "trojan horse" programs into computer networks of the Company, our customers and/or our suppliers. These phishing emails may appear upon a cursory review to be legitimate emails sent by a member of Enerflex, its customers, or suppliers. If a member of Enerflex or a member of one of its customers or suppliers fails to recognize that a phishing email has been sent or received and responds or forwards the phishing email, the attack could corrupt the computer networks and/or access confidential information of Enerflex, its customers, employees, and/or suppliers, including passwords, through email or downloaded malware. In addition to spoof and phishing emails, network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance, or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents.

Security measures and employee education and training have been implemented to protect the Company's information security and network infrastructure. However, the Company's mitigation measures cannot provide absolute security, and the information technology infrastructure may be vulnerable to criminal cyberattacks or data security incidents due to employee or customer error, malfeasance, or other vulnerabilities. Additionally, Enerflex is reliant on third-party service providers for certain information technology applications. While the Company conducts due-diligence and believes that these third-party service providers have adequate security measures, there can be no assurance that these security measures will prevent any cyber events or computer viruses from impacting the applications that Enerflex relies on.

If Enerflex's information technology systems were to fail and the Company was unable to recover in a timely way, the Company might be unable to fulfill critical business functions, which could damage the Company's reputation and have a material adverse effect on the business, financial condition, and results of operations. A breach of Enerflex's information security measures or controls could result in losses of material or confidential information, reputational consequences, financial damages, breaches of privacy laws, higher insurance premiums, damage to assets, safety issues, operational downtime or delays, and revenue losses. The significance of any such event is difficult to quantify, but may in certain circumstances be material to the Company and could have adverse effects on the Company's business, financial condition and results of operations. See also "*Risk Factors – Insurance.*"

Availability of Raw Materials, Component Parts, or Finished Products

Enerflex purchases a broad range of materials and components in connection with its manufacturing and service activities. Some of the components used in Enerflex's products are obtained from a single source or a limited group of suppliers. While Enerflex and its people make it a priority to maintain and enhance these strategic relationships, there can be no assurance that these relationships will continue and reliance on these suppliers involves several risks, including price increases, inferior component quality, unilateral termination, and a potential inability to obtain an adequate supply of required components in a timely manner. In particular, long lead times for high demand components, such as engines, can result in project delays. While Enerflex has long standing relationships with recognized and reputable suppliers, it does not have long-term contracts with all of them, and the partial or complete loss of certain of these sources could have a negative impact on Enerflex's results of operations and could damage customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on results of operations.

Though Enerflex is generally not dependent on any single source of supply, the ability of suppliers to meet performance, quality specifications, and delivery schedules is important to the maintenance of Enerflex customer satisfaction. If the availability of certain OEM components and repair parts, which are generally in steady demand, is constrained or delayed, certain of Enerflex's operational or financial results may be adversely impacted.

Personnel and Contractors

The Company's ability to attract and retain qualified personnel and provide the necessary organizational structure, programs, and culture to engage and develop employees is crucial to its growth and achieving its business results.

Enerflex's Engineered Systems product line requires skilled engineers and design professionals in order to maintain customer satisfaction through industry leading design, build, and installation of the Company's product offering. Enerflex competes for these professionals, not only with other companies in the same industry, but with oil and natural gas producers and other industries. In periods of high activity, demand for the skills and expertise of these professionals increases, making the hiring and retention of these individuals more difficult.

Enerflex's Service product line relies on the skills and availability of trained and experienced tradesmen, mechanics, and technicians to provide efficient and appropriate services to Enerflex and its customers. Hiring and retaining such individuals is critical to the success of Enerflex's business. Demographic trends are reducing the number of individuals entering the trades, making Enerflex's access to skilled individuals more difficult.

There are certain jurisdictions where Enerflex relies on third-party contractors to carry out the operation and maintenance of its equipment. The ability of our third-party contractors to find and retain individuals with the proper technical background and training is critical to the continued success of the contracted operations in these jurisdictions. If Enerflex's third-party contractors are unable to find and retain qualified operators, or the cost of these qualified operators increases substantially, the contract operations business could be materially impacted.

Additionally, in increasing measures, Enerflex is dependent upon the skills and availability of various professional and administrative personnel to meet the increasing demands of the requirements and regulations of various professional and governmental bodies.

There are few barriers to entry in a number of Enerflex's businesses, so retention of qualified staff is essential in order to differentiate Enerflex's businesses and compete in its various markets. Enerflex's success depends on key personnel and its ability to hire and retain skilled personnel, and the loss of skilled personnel could delay the completion of certain projects or otherwise adversely impact certain of our operational and financial results.

Terrorism

Terrorist activities (including environmental terrorism), anti-terrorist efforts, and other armed conflicts may adversely affect the global economies and could prevent the Company from meeting its financial and other obligations to the extent such conflicts impact our operations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for the Company's products and services and causing a reduction in the Company's revenues. In addition, the Company's assets may be direct targets of terrorist attacks that could disrupt Enerflex's ability to service its customers. The Company may be required by regulators or by the future terrorist threat environment to make investments in security that cannot be predicted. The implementation of security guidelines and measures and the maintenance of insurance, to the extent available, to address such activities could increase Enerflex's costs. These types of events could materially adversely affect the Company's business and results of operations.

Insurance

Enerflex's operations are subject to risks inherent in the oil and natural gas services industry, such as equipment defects, malfunctions and failures, and natural disasters with resultant uncontrollable flows of oil and natural gas, fires, spills, and explosions. These risks could expose Enerflex to substantial liability for personal injury, loss of life, business interruption, property damage, pollution, and other liabilities. Enerflex carries prudent levels of insurance to protect the Company against these unforeseen events, subject to appropriate deductibles and the availability of coverage. In addition, the Company has procured a dedicated cyber insurance policy designed to help mitigate against the risk of cyber-related events (see "Risk Factors – Information Technology and Information Security") and executive liability insurance to limit exposure to unforeseen incidents. An annual review of insurance coverage is completed to assess the risk of loss and risk mitigation alternatives.

Extreme weather conditions, natural occurrences, and terrorist activity have strained insurance markets leading to substantial increases in insurance costs and limitations on coverage. It is anticipated that appropriate insurance coverage will be maintained in the future, but there can be no assurance that such insurance coverage will be available on commercially reasonable terms or on terms as favourable as Enerflex's current arrangements. The occurrence of a significant event outside of the scope of coverage of the Enerflex insurance policies could have a material adverse effect on the results of the organization.

Access to Capital

Enerflex relies on its cash, as well as the credit and capital markets to provide some of the capital required to continue operations. Enerflex relies on its Bank Facility and Senior Notes to meet its funding and liquidity requirements. The Company's Bank Facility, which is senior unsecured indebtedness and is subject to floating rates of interest, is due on June 30, 2023 and may be renewed annually with the consent of the lenders. The Senior Notes, which are also senior unsecured indebtedness of the organization, mature as follows: C\$40.0 million of ten-year notes mature on June 22, 2021; U\$105.0 million and C\$15.0 million of seven-year notes mature on December 15, 2024; and U\$70.0 million and C\$30.0 million of ten-year notes mature on December 15, 2027. As of December 31, 2020, the Company had \$307.8 million in Senior Notes issued and outstanding, and \$84.4 million outstanding on its Bank Facility.

Significant instability or disruptions to the capital markets, including the credit markets, may impact the Company's ability to successfully renegotiate all or part of its Bank Facility prior to its due date which could have important adverse consequences including:

- Making it more difficult to satisfy contractual obligations;
- Increasing vulnerability to general adverse economic conditions and industry conditions;
- Limiting the ability to fund future working capital, capital expenditures or acquisitions;
- Limiting the ability to refinance debt in the future or borrow additional funds to fund ongoing operations; and
- Paying future dividends to shareholders.

As at December 31, 2020, the Company had \$593.1 million available in borrowing base on its Bank Facility.

The Company's Bank Facility and the Note Purchase Agreement also contain a number of covenants and restrictions with which Enerflex and its subsidiaries must comply, including, but not limited to, use of proceeds, limitations on our ability to incur additional indebtedness, transactions with affiliates, mergers

and acquisitions, and our ability to sell assets. The Company's ability to comply with these covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial, and industry conditions. If market or other economic conditions deteriorate, the Company's ability to comply with these covenants may be impaired. Failure to meet any of these covenants, financial ratios, or financial tests could result in events of default under each agreement which require the Company to repay its indebtedness under those agreements and could impair the Company's ability to access the capital markets for financing. While Enerflex is currently in compliance with all covenants, financial ratios, and financial tests, there can be no assurance that it will be able to comply with these covenants, financial ratios, and financial tests in future periods. These events could restrict the Company's and other guarantors' ability to fund its operations, meet its obligations associated with financial liabilities, or declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends.*"

Payment of Future Cash Dividends

The amount and frequency of future cash dividends paid by the Company, if any, is subject to the discretion of the Board of Directors and may vary depending on a variety of factors and conditions existing from time to time, including, among other things, significant declines and volatility in commodity prices, demand for Enerflex products and services, restricted cash flows, capital expenditure requirements, debt service requirements, operating costs, foreign exchange rates, and the satisfaction of the liquidity and solvency tests imposed by applicable corporate law for the declaration and payment of dividends. Depending on these and various other factors, many of which are beyond the control of Enerflex, future cash dividends could be reduced or suspended entirely or made less frequently. The market value of the Common Shares may deteriorate if cash dividends are reduced or suspended.

Foreign Exchange

Enerflex reports its financial results to the public in Canadian dollars; however, a significant percentage of its revenues and expenses are denominated in currencies other than Canadian dollars. The Company identifies and hedges all significant transactional currency risks and its hedging policy remains unchanged in the current year. Further information on Enerflex's hedging activities is provided in Note 28 in the audited consolidated financial statements for the year ended December 31, 2020.

Transaction Exposure

The Canadian operations of the Company source the majority of their products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the U.S. dollar. Most of Enerflex's international orders are manufactured in the United States if the contract is denominated in U.S. dollars. This minimizes the Company's foreign currency exposure on these contracts.

The Company has implemented a hedging policy, applicable primarily to the Canadian operations, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract. The Company utilizes a combination of foreign denominated debt and currency forward contracts to meet its hedging objective.

Translation Exposure

The Company's earnings from and net investment in foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the U.S. dollar, Australian dollar, and Brazilian real.

Assets and liabilities of foreign subsidiaries are translated into Canadian dollars using the exchange rates in effect at the balance sheet dates. Unrealized translation gains and losses are deferred and included in accumulated other comprehensive income ("AOCI"). The cumulative currency translation adjustments are recognized in earnings when there has been a reduction in the net investment in the foreign operations.

Earnings from foreign operations are translated into Canadian dollars each period at average exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net earnings. Such exchange rate fluctuations could be material year-over-year relative to the overall earnings or financial position of the Company.

Interest Rate Risk

The Company's liabilities include long-term debt that may be subject to fluctuations in interest rates. The Company's Senior Notes outstanding at December 31, 2020 are at fixed interest rates and therefore will not be impacted by fluctuations in market interest rates. The Company's Bank Facility, however, is subject to changes in market interest rates. As at December 31, 2020 the Company had \$84.4 million of indebtedness that is effectively subject to floating interest rates. Changes in economic conditions outside of Enerflex's control could result in higher interest rates, thereby increasing Enerflex's interest expense which may have a material adverse impact on Enerflex's financial results, financial condition, or ability to declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends.*"

For each one percent change in the rate of interest on the Bank Facility, the change in interest expense for the twelve months ended December 31, 2020 would be approximately \$0.8 million. All interest charges are recorded in finance costs on the consolidated statements of earnings. Any increase in market interest rates could have a material adverse impact on the Company's financial results, financial condition, or ability to declare and pay dividends.

Inflationary Pressures

Strong economic conditions and competition for available personnel, materials, and major components may result in significant increases in the cost of obtaining such resources. To the greatest extent possible, Enerflex passes such cost increases on to its customers and it attempts to reduce these pressures through proactive procurement and human resource practices. Should these efforts not be successful, the gross margin and profitability of Enerflex could be adversely affected.

Seasonal Factors and Demand

Demand for natural gas fluctuates largely with the heating and electric power requirements caused by the changing seasons in North America. Cold winters typically increase demand for, and the price of, natural gas. This increases customers' cash flow, which can have a positive impact on Enerflex. At the same time, access to many western Canadian oil and natural gas properties is limited to the period when the ground is frozen so that heavy equipment can be transported. As a result, the first quarter of the year is generally accompanied by increased winter deliveries of equipment. Warm winters in western Canada,

however, can both reduce demand for natural gas and make it difficult for producers to reach well locations. This restricts drilling and development operations, reduces the ability to supply natural gas production in the short-term, and can negatively impact the demand for Enerflex's products and services.

DESCRIPTION OF CAPITAL STRUCTURE

Enerflex is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares. As of December 31, 2020, there were 89,678,845 Common Shares issued and outstanding and no preferred shares outstanding. The following is a summary of the rights, privileges, restrictions, and conditions attached to the Common Shares and preferred shares.

Common Shares

The holders of Common Shares are entitled to one vote per share at meetings of shareholders of Enerflex, to receive dividends if, as and when declared by the Board of Directors and to receive pro rata the remaining property and assets of Enerflex upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the Common Shares.

Preferred Shares

Enerflex currently has no preferred shares outstanding, but preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the Board of Directors. Subject to the provisions of the CBCA, the Board of Directors may by resolution fix, from time to time before the issue thereof, the designation, rights, privileges, restrictions, and conditions attached to each series of the preferred shares. Holders of Enerflex preferred shares are not entitled to vote at any meeting of the shareholders of Enerflex, but may be entitled to vote if Enerflex fails to pay dividends on that series of preferred shares.

DIVIDENDS

The declaration of dividends is at the sole discretion of the Board of Directors and is considered quarterly. The current practice of the Company is to make quarterly dividend payments to shareholders from its available cash, without impairing its growth potential. The Company may make additional dividends in excess of quarterly dividends during the year, as the Board of Directors may determine from time to time. The Company has declared and paid the following dividends, on the date and at the rates shown for each of the three most recently completed financial years.

Declaration Date	Date Paid	Rate Per Share
November 9, 2017	January 11, 2018	\$0.095
February 22, 2018	April 5, 2018	\$0.095
May 3, 2018	July 5, 2018	\$0.095
August 9, 2018	October 4, 2018	\$0.095
November 8, 2018	January 10, 2019	\$0.105
February 21, 2019	April 4, 2019	\$0.105
May 2, 2019	July 4, 2019	\$0.105
August 8, 2019	October 3, 2019	\$0.105
November 7, 2019	January 9, 2020	\$0.115
February 20, 2020	April 2, 2020	\$0.115
May 7, 2020	July 2, 2020	\$0.020
August 6, 2020	October 1, 2020	\$0.020
November 5, 2020	January 7, 2021	\$0.020
February 24, 2021	April 1, 2021	\$0.020

Restrictions on Paying Dividends

There are many factors which may restrict the ability of the Company to declare dividends and to make a dividend payment to shareholders. The Company's Bank Facility and Senior Notes, typical to commercial lending arrangements, contain provisions which could limit the payment of dividends if certain financial covenants are not met. As at December 31, 2020, the Company was in full compliance with these covenants. The declaration and payment of dividends are also subject to complying with the solvency tests set out in the CBCA. See also "*Risk Factors – Access to Capital*".

MARKET FOR SECURITIES

The Common Shares have been listed and posted for trading on the TSX under the trading symbol "EFX" since June 3, 2011. The table below describes the price range and trading volume for the Common Shares for the year ended December 31, 2020.

Period	High (\$)	Low (\$)	Close (\$)	Volume (#)
2020				
January	12.39	9.94	10.12	5,635,214
February	10.74	6.44	7.40	11,235,867
March	7.98	4.18	5.83	15,169,314
April	6.77	4.25	5.25	9,494,808
May	6.08	4.90	5.52	9,647,046
June	7.06	5.01	5.14	15,084,045
July	5.74	4.80	5.52	6,474,964
August	6.33	4.89	5.85	5,984,329
September	5.84	4.60	4.62	8,982,808
October	5.77	4.51	4.79	4,572,087
November	7.64	4.61	6.88	7,394,388
December	7.58	6.51	6.56	5,768,248

During the financial year ended December 31, 2020, the Company granted options to acquire an aggregate of 839,478 Common Shares with a weighted average exercise price of \$5.51.

DIRECTORS AND OFFICERS

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the CBCA. The next annual shareholder meeting is scheduled for May 4, 2021. Each director will devote the amount of time as is required to fulfill his or her obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

As of December 31, 2020, the directors and executive officers of the Company as a group owned, controlled or directed, directly or indirectly, an aggregate of 504,067 Common Shares, representing approximately 0.5 percent of the issued and outstanding Common Shares.

The following table contains information with respect each of the current directors of the Company as at December 31, 2020. Mr. Savidant, Mr. Boswell, Mr. Dunn, Mr. Marshall, and Mr. Weill were appointed as members of the Board of Directors effective June 1, 2011 pursuant to the Arrangement. Ms. Wesley was appointed as a member of the Board of Directors effective August 14, 2013, Ms. Cormier Jackson and Mr. Reinhart were appointed as members of the Board of Directors effective May 17, 2017, Mr. Villegas was appointed as to the Board of Directors effective May 29, 2019, and Mr. Assing was appointed to the Board of Directors effective August 6, 2020.

Directors

Name, Municipality, Country of Residence, and Position with the Company	Principal Occupation
Stephen J. Savidant ⁽¹⁾ Calgary, Alberta, Canada Director and Chairman	Independent Businessman and Corporate Director
Marc E. Rossiter Calgary, Alberta, Canada Director, President, and Chief Executive Officer	President and Chief Executive Officer, Enerflex Ltd.
Fernando Assing ⁽⁶⁾ Houston, Texas, USA Director	President and Chief Executive Officer, Centurion Group Limited
Robert S. Boswell ⁽⁴⁾⁽⁶⁾ Denver, Colorado, USA Director	Chairman and Chief Executive Officer, Laramie Energy LLC
Maureen Cormier Jackson ⁽⁵⁾ Calgary, Alberta, Canada Director	Independent Businesswoman and Corporate Director
W. Byron Dunn ⁽⁶⁾⁽⁷⁾ Dallas, Texas, USA Director	Chief Executive Officer, Tubular Synergy Group, LP
H. Stanley Marshall ⁽³⁾⁽⁷⁾ Paradise, Newfoundland, Canada Director	President and Chief Executive Officer, Nalcor Energy
Kevin Reinhart ⁽²⁾ Calgary, Alberta, Canada Director	Independent Businessman and Corporate Director
Juan Carlos Villegas ⁽⁶⁾ Vitacura, Región Metropolitana, Chile Director	Independent Businessman and Corporate Director
Michael A. Weill ⁽⁵⁾ Houston, Texas, USA Director	Chief Executive Officer, Global Deepwater Partners LLC
Helen J. Wesley ⁽⁵⁾⁽⁷⁾ Tampa, Florida, USA Director	Chief Operating Officer, TECO Peoples Gas Systems

Notes:

- (1) Chairman of the Board.
- (2) Chairman of the Audit Committee.
- (3) Chairman of the HRC Committee.
- (4) Chairman of the NCG Committee.
- (5) Member of the Audit Committee.
- (6) Member of the HRC Committee.
- (7) Member of the NCG Committee.

Stephen J. Savidant is the Chair of the Board of Directors of Enerflex. He is an independent businessman with over 45 years of industry experience. He was the Chairman of ProspEx Resources Ltd., a Calgary-

based oil and gas company focused on exploration for natural gas in the Western Canadian Sedimentary Basin from August 13, 2004 until it was acquired by Paramount Resources Ltd. on May 31, 2011. He served as an independent director of Toromont Industries Ltd. from April 26, 2007 until the spin-out of Enerflex on June 1, 2011. Mr. Savidant was previously President and Chief Executive Officer of Esprit Energy Trust from 2002 to 2006 and Canadian Hunter Exploration from 1998 to 2001. Mr. Savidant holds a Bachelor of Engineering and a Master of Business Administration from McGill University. As Chair of the Board, Mr. Savidant is not a member of any of the Board's committees, however does attend all or substantially all committee meetings by invitation, to the extent possible given overlapping meeting times.

Marc E. Rossiter is the President and Chief Executive Officer of Enerflex, and is responsible for the Company's value creation and global growth strategy across Enerflex's regions and through its four operating lines: Engineered Systems, After-Market Service, and Rentals. Together with the Executive Management Team, he concentrates on sustainable growth opportunities while executing the Company's vision of *"Transforming natural gas to meet the world's energy needs."*

With more than 23 years of experience at Enerflex in a progression of leadership roles, Mr. Rossiter, a Professional Engineer in the province of Alberta, brings an entrepreneurial mindset with a depth of leadership that is essential to the Company's success. Until his appointment to President and Chief Executive Officer in May 2019, Mr. Rossiter was Enerflex's Executive Vice President and Chief Operating Officer, where he was critical in driving revenue growth, while safely delivering reliable solutions. Mr. Rossiter joined the Company in Calgary as a Project Engineer and moved to the United States in 2003. Before his appointment as Executive Vice President and Chief Operating Officer in April 2018, Mr. Rossiter was President of the USA region and worked in a variety of engineering and sales management roles. Mr. Rossiter graduated from the Royal Military College of Canada with a Bachelor of Engineering in Chemical and Materials Engineering and served the country as an officer in the Canadian Army.

Fernando Assing is the President and Chief Executive Officer of Centurion Group Limited, the global rental, services, and infrastructure platform of SCF Partners. He has 29 years of experience in the EPC and oilfield service industries, including senior management roles in marketing, business development, commercial, and project and operations management. Prior to joining Centurion, Mr. Assing was President and Chief Executive Officer of Tesco Corporation until its sale to Nabors Industries, and prior thereto he served in multiple global and regional positions with Schlumberger and Technip. He has extensive international experience in the energy industry, including operations in the United States, Canada, Latin America, the Middle East, Africa, Southeast Asia, Australia, and Europe. Mr. Assing holds a Bachelor of Civil Engineering from Jose Maria Vargas University and serves on the Centurion board. Mr. Assing is a member of the HRC Committee.

Robert S. Boswell is Chairman and Chief Executive Officer of Laramie Energy, LLC, a Denver-based company primarily focused on finding and developing natural gas reserves from unconventional natural gas reservoirs in the Western Sedimentary Basin of North America. Mr. Boswell was previously Chief Executive Officer of Forest Oil Company (an oil and natural gas company) from 1995 to 2003. Mr. Boswell holds a Bachelor of Science in Chemical Engineering from Vanderbilt University and a Master of Business Administration from the University of Texas. Mr. Boswell is the Chair of the NCG Committee and a member of the HRC Committee.

Maureen Cormier Jackson is an independent businesswoman with over 35 years of executive, financial, and operational expertise in the oil and gas industry. From 2012 and until her retirement in 2014, Ms. Cormier Jackson was Senior Vice President, Chief Process and Information Officer at Suncor Energy Inc. (“**Suncor**”). Her career spanned numerous roles at Suncor which provided experience in the areas of accounting and financial controls, environment, health and safety, and project management. Ms. Cormier Jackson is also a director of Obsidian Energy Ltd. and serves on the Dean’s Advisory Board of Dean of Medicine at the University of Calgary. She was previously a director of a privately-owned family business for more than 15 years and has been involved in several non-profit organizations in various capacities during her career. Ms. Cormier Jackson is a Chartered Professional Accountant and holds a Bachelor of Commerce from Memorial University. She also holds a Directors Designation from the Institute of Corporate Directors. Ms. Cormier Jackson is a member of the Audit Committee.

W. Byron Dunn is the Chief Executive Officer and Founding Partner of Tubular Synergy Group, LP which acts as a sales, marketing, and supply chain services provider of tubular products targeted toward the oil and gas industry. Prior thereto, Mr. Dunn had a 32-year career with Lone Star Steel Company of which he was Chief Executive Officer, President, and a Director from 1997 to 2007. Mr. Dunn holds a Bachelor of Arts in Management from Texas Christian University and an Executive Master of Business Administration from the Edwin L. Cox School of Business at Southern Methodist University. Mr. Dunn is a member of both the NCG Committee and the HRC Committee.

H. Stanley Marshall has been the Chief Executive Officer of Nalcor Energy, an electricity, oil and natural gas, and industrial fabrication and energy marketing company since April 2016. Prior thereto, Mr. Marshall was the President and Chief Executive Officer of Fortis Inc. from 1996 until he retired in 2014. He is a director of Trans Mountain Corporation and Chair of the Expansion Project Oversight Committee of the Board which is responsible for oversight of the pipeline expansion project. He is also a former Director of Fortis Inc. and several of its subsidiaries. Mr. Marshall holds a Bachelor of Applied Science in Chemical Engineering from the University of Waterloo and a Bachelor of Laws from Dalhousie University. Mr. Marshall is the Chair of the HRC Committee and is also a member of the NCG Committee.

Kevin J. Reinhart is an independent businessman with over 35 years of executive and financial experience in international energy company operations. After an early career in public accounting, Mr. Reinhart joined Nexen Inc. (“**Nexen**”) in 1994 and held a number of senior roles in financial reporting, treasury, risk management, corporate planning, and business development before becoming Nexen's Chief Financial Officer in 2009 and its Interim President and Chief Executive Officer in 2012. Following the sale of Nexen to CNOOC Limited (a Chinese state-owned enterprise) in 2013, Mr. Reinhart continued as President of their western-world operations until his retirement in 2014. Mr. Reinhart has served as a director of three publicly-listed companies and is currently on advisory committees for one public and one private company. He is a Chartered Professional Accountant and holds a Bachelor of Commerce degree from Saint Mary’s University. Mr. Reinhart is the Chair of the Audit Committee.

Juan Carlos Villegas is an independent businessman with 40 years of executive and operational leadership experience in the industrial services sector across North America and Latin America. After an early career with Cummins and Komatsu in Latin America, Mr. Villegas joined Finning International Inc. and held numerous senior executive roles which provided experience in corporate planning, business development, operations leadership, and risk management. Until his retirement in December 2018,

Mr. Villegas was President and Chief Operating Officer of Finning Canada and prior thereto was Chief Operating Officer for Finning International. Mr. Villegas was educated in Chile and attended the University of California at Irvine. Until his retirement in December 2018, Mr. Villegas sat on the Caterpillar Global Mining Counsel. Mr. Villegas is a member of the HRC Committee.

Michael A. Weill has been the Chief Executive Officer of Global Deepwater Partners LLC since 2008. Global Deepwater Partners LLC is a private company which provides exploration, appraisal, and concept select services to national oil companies. From 1996 to 2007, Mr. Weill served in various positions with BHP Billiton Petroleum including President, Production-Americas and President Operations and Technology, Americas/Australia, based in Houston. He also served as President, Integrated Business Development based in Melbourne, Australia. Prior thereto, Mr. Weill served in various positions with Royal Dutch Shell in Houston, New Orleans, and The Hague from 1980 to 1996. Mr. Weill holds a Bachelor of Science in Chemical Engineering from Cornell University. Mr. Weill is a member of the Audit Committee.

Helen J. Wesley is the Chief Operating Officer of Peoples Gas in Florida, a subsidiary of Emera Inc. She has over 25 years of experience in the North American and international oil and gas, utilities, and chemicals industries. Prior to joining Peoples Gas, Ms. Wesley was Executive Vice President Finance and IT and Chief Financial Officer of ENMAX Corporation, one of the largest electricity providers in Alberta. Other prior roles include senior leadership positions at Talisman Energy, Suncor Energy and Petro-Canada located in both Calgary, Alberta and London, England. Ms. Wesley earned her Bachelor of Commerce in Marketing degree from the University of Calgary, and her Master of Business Administration in International Business from Boston's Bentley College. She also holds a Chartered Financial Analyst designation and a Directors Designation from the Institute of Corporate Directors. Ms. Wesley is a member of both the Audit Committee and the NCG Committee.

Executive Officers

The following section contains information with respect to each of the executive officers of the Company as at December 31, 2020.

Name, Municipality, and Country of Residence	Principal Occupation
Marc E. Rossiter ⁽¹⁾ Calgary, Alberta, Canada	President and Chief Executive Officer
Sanjay Bishnoi Calgary, Alberta, Canada	Senior Vice President and Chief Financial Officer
Gregory Stewart Houston, Texas, USA	President, United States of America
Patricia Martinez Houston, Texas, USA	President, Latin America
Phil Pyle Abu Dhabi, United Arab Emirates	President, International
David H. Izett Calgary, Alberta, Canada	Senior Vice President, General Counsel

Note:

(1) For Mr. Rossiter's biography, see the section entitled "Directors" above.

Mr. Sanjay Bishnoi, Senior Vice President and Chief Financial Officer, oversees all aspects of Enerflex's financial affairs, including reporting, compliance, treasury, corporate governance, and capital market activity, in addition to guiding the risk management and investor relations functions. Working alongside the Executive Management Team, Mr. Bishnoi provides direction and financial guidance for the Company's growth and development strategy. Mr. Bishnoi's demonstrated track-record of enhancing shareholder value through financial discipline, strategic corporate development, and the adoption of performance measurements driving growth serves Enerflex well.

Mr. Bishnoi is a proven Chief Financial Officer with over 20 years of financial and leadership experience in the energy and professional services sectors, with deep capabilities in the North American asset ownership space. Mr. Bishnoi joined Enerflex from Caprock Midstream, a Houston-based, private-equity natural gas, oil, and water oriented midstream venture, where he was the co-founder and Chief Financial Officer for five years. Prior to this role at Caprock Midstream, Mr. Bishnoi served as Managing Director for GE Corporate Ventures, and Vice President with GE Energy Financial Services Natural Resources platform. Mr. Bishnoi also held financial and operational roles with The Dow Chemical Company, El Paso Corporation, The Boston Consulting Group, and Imperial Oil Resources. Mr. Bishnoi holds a Master of Business Administration from the University of Chicago, a Ph.D. in Chemical Engineering from the University of Texas at Austin, and a Bachelor of Science in Chemical Engineering from the University of Calgary.

Mr. Gregory Stewart is the President, United States of America and is responsible for guiding the strategic direction, operations, and business development for Enerflex's USA region. He is a member of the Company's Executive Management Team and is tasked with facilitating the growth of the USA region, while also supporting the Rest of World regional requirements for Engineered Systems products and solutions.

Prior to his appointment as President of the USA region, Mr. Stewart was Enerflex's Executive Vice President, Corporate Services and Chief Information Officer. While in that role for over nine years, he was responsible for the development and implementation of Company-wide shared services strategies to support regional growth. Before joining Enerflex, Mr. Stewart was Vice President Business Services with Superior Propane for eight years and held numerous positions of increasing responsibility over a 14-year career in Information Services at Canadian Pacific Railway. He holds a Master of Business Administration with a specialization in Information Systems, BA (French), along with HRCCC and C.Dir. designations from McMaster University. In addition, Mr. Stewart holds a Bachelor of Business Administration (Brock University) and Diplome d'Etudes Françaises (Université de Franche-Comté).

Ms. Patricia Martinez is the President, Latin America. As President, Latin America, Ms. Martinez is responsible for leading the region's operations and facilitating Enerflex's growth across this vast and dynamic market. Since joining the Company in 2014, Ms. Martinez, a member of Enerflex's Executive Management Team, has applied a strategic focus and strong industry experience to develop opportunities across Latin America. In January 2021, Ms. Martinez also assumed the role of Chief Energy Transition Officer. As Chief Energy Transition Officer, Ms. Martinez is responsible for driving the Company's global strategy on energy transition, focusing on the delivery of low-carbon energy solutions and positioning Enerflex for success in this changing and emerging market.

Ms. Martinez joined Enerflex after serving as Senior Vice President, International Contract Services for Axiom Energy Services LP, where she oversaw the management and growth of Axiom's business in Latin America, Southeast Asia, and the Middle East. Prior to that, she was Vice President of Latin America and Director of International Ventures for Valerus Compression Services, Axiom's predecessor company. She also held several sales and marketing positions over a number of years, working with Shell U.S.A. and Conoco Argentina.

Ms. Martinez holds a Master of Business Administration from Houston Baptist University and a Bachelor of Business Administration degree from Universidad Argentina de la Empresa in Buenos Aires. She is a board member of Orocobre Limited, a global lithium carbonate producer and established producer of boron, and of the Instituto Argentino del Petróleo y Gas – Houston (IAPGH). She is also a member of the Young Presidents Organization (YPO).

Mr. Phil Pyle is the President, International. Mr. Pyle leads Enerflex's operations in Asia Pacific, the Middle East, Africa, and the Europe region. Drawing on his more than 33 years of international industry experience, and as a member of the Executive Management Team, Mr. Pyle guides the development of Enerflex's international business to meet the demands of the oil and gas industry.

Prior to joining Enerflex, Mr. Pyle held numerous senior positions over an eight-year career with Fluor, serving most recently as their Regional Director for the Middle East and Asia where he was responsible for developing and maintaining joint venture companies with local partners for long-term, site-oriented, service, engineering, and projects contracts in Mongolia, Russia, Kazakhstan, Qatar, Saudi, and Indonesia. In addition to his years at Fluor, Mr. Pyle gained extensive industrial leadership experience at companies like BHP Billiton and the Water Corporation of Western Australia.

Mr. Pyle holds a Master of Business Administration from the University of New England in Australia and a Bachelor of Mechanical Engineering from the University of Western Australia.

Mr. David H. Izett, the Senior Vice President, General Counsel, is responsible for leading Enerflex's global legal and governance affairs and contributes to Enterprise Risk Management. Mr. Izett also has executive oversight of Enerflex's global HSE group. He is a member of the Law Society of Alberta and has over 18 years of North American and International experience in public oil and gas, manufacturing, and mining sectors. As an integral member of the Executive Management Team, Mr. Izett's extensive experience in complex project development, project management, joint ventures, and international operations serves Enerflex well as we strengthen our asset ownership focus and diversify our business model.

Mr. Izett joined Enerflex from Nutrien, the world's largest provider of crop inputs, services, and solutions where he served for seven years, most recently as Assistant General Counsel, Nitrogen and International, and previously as Chief Legal Counsel for the Wholesale business unit of Agrium, one of Nutrien's predecessor entities. Prior to his leadership roles at Nutrien, Mr. Izett acted as legal counsel and held various leadership roles within Occidental Petroleum, supporting several oil and gas business units across the Middle East. Mr. Izett holds his Juris Doctor from Dalhousie University and his Bachelor of Arts in Religious Studies from the University of Calgary. He currently serves on the Board of Directors for the Alberta Chapter of the Association of Corporate Counsel.

Corporate Cease Trade Orders

No current director or executive officer of the Company is, or has been within 10 years before the date of this AIF, a director, chief executive officer, or chief financial officer of any company (including the Company) that 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 and that was in effect for a period of more than 30 consecutive days, that was issued: 1) while the director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer of the relevant company; or 2) after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer 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.

Penalties or Sanctions

None of Enerflex's directors, executive officers of the Company, or shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company, have been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have 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 making an investment decision.

Bankruptcies

Except as disclosed in this AIF, no current director, executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company,

- (a) is or has been within 10 years prior to the date of this AIF, 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 AIF, 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, executive officer or shareholder.

On March 17, 2015, Mr. Dunn was a director of Quicksilver Resources Inc., when certain of its affiliates filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware. A marketing and sale process to sell all or a portion of its USA and Canadian assets was initiated on September 17, 2015. On January 23, 2016, Quicksilver announced that BlueStone Natural Resources II LLC was the winning bidder in the sale process. On August 16, 2016, the court entered an Order confirming the First Amended Joint Chapter 11 Plan of Liquidation for Quicksilver Resources Inc. and its Affiliated Debtors (the "**Plan**"). The effective date as defined in the Plan was August 31, 2016. The Plan called for the establishment of a Liquidation Trust on the effective date for the purposes of liquidating and administering the Liquidation Trust Assets and

making distributions on account thereof. Quicksilver's Board of Directors was dissolved and its officers discharged on August 31, 2016.

Conflicts of Interests

Investors should be aware that some of the directors and officers of the Company are directors and officers of other private and public companies. Some of these private and public companies may, from time to time, be involved in business transactions or banking relationships which may create situations in which conflicts might arise. Any such conflicts shall be resolved in accordance with the procedures and requirements of the relevant provisions of the CBCA and Company policies, including the duty of such directors and officers to disclose any conflicts and to act honestly and in good faith with a view to the best interests of the Company.

LEGAL PROCEEDINGS

There are no legal proceedings Enerflex is or was a party to, or that any of its property is or was the subject of, during the Company's most recent financial year, nor are any such legal proceedings known to Enerflex to be contemplated, that involve a claim for damages, exclusive of interest and costs, exceeding ten percent of the current assets of Enerflex.

There are no: 1) penalties or sanctions imposed against Enerflex by a court relating to securities legislation or by a securities regulatory authority during Enerflex's most recently completed financial year; 2) other penalties or sanctions imposed by a court or regulatory body against Enerflex that would likely be considered important to a reasonable investor in making an investment decision; or 3) settlement agreements Enerflex entered into with a court relating to securities legislation or with a securities regulatory authority during Enerflex's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Company, of any person or company who beneficially owns, directly or indirectly, or exercises control or direction over more than ten percent of the outstanding voting securities of the Company, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or would materially affect the Company or any of its subsidiaries.

INTERESTS OF EXPERTS, TRANSFER AGENT, AND REGISTRAR

Ernst & Young LLP, the Company's external auditor, has prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2020. Ernst & Young LLP is independent within the meaning of Chartered Professional Accountants of Alberta Rules of Professional Conduct.

The transfer agent and registrar for the Common Shares is AST Trust Company (Canada) at its principal offices in Calgary and Toronto. The register of transfers of the Company's securities is located at the office of AST Trust Company (Canada).

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts that the Company has entered into within the last financial year, or before the last financial year which are still in effect, which can reasonably be regarded as presently material, are described below.

The Bank Facility

The Company most recently amended the existing Bank Facility during May 2019. This amendment principally served to extend the maturity date from June 30, 2022 to June 30, 2023 and to voluntarily reduce the amount available under the Bank Facility from \$775.0 million to \$725.0 million. Notwithstanding the maturity date, the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facility may be increased by an additional \$150.0 million at the request of the Company, subject to the lenders' consent. There is no required or scheduled repayment of principal until the maturity date.

The Company's Bank Facility is unsecured and rank *pari passu* with the Senior Notes.

The Company is required to maintain certain covenants on its Bank Facility. As at December 31, 2020, the Company was in compliance with these covenants.

At December 31, 2020, the Company had a total of approximately \$84.4 million cash drawings against its Bank Facility.

The foregoing summary of the Bank Facility does not purport to be complete and is qualified in their entirety by the full text of the amended and restated credit agreement governing the Bank Facility, a copy of which may be found on the Company's SEDAR profile at www.sedar.com.

AUDIT COMMITTEE

Audit Committee Charter

The Terms of Reference of the Audit Committee are set forth in Appendix "A" of this AIF.

Composition of the Audit Committee

The Audit Committee of the Company is comprised of Kevin J. Reinhart (Chair), Maureen Cormier Jackson, Michael A. Weill, and Helen J. Wesley, the majority of whom are financial experts, and all of whom are considered by the Board of Directors to be financially literate and independent within the meaning of National Instrument 52-110 – *Audit Committees*. In addition, Mr. Reinhart, Ms. Cormier Jackson, and Ms. Wesley are “financial experts” within the meaning set forth by Glass Lewis (having experience as a certified public accountant, CFO or corporate controller of similar experience, or demonstrably meaningful experience overseeing such functions as senior executive officer).

Mandate of the Audit Committee

The principal duties of the Audit Committee include: oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications; establishing appropriate financial policies; ensuring the integrity of accounting systems and internal controls; approving all audit and non-audit services provided by the independent auditor; consulting with the auditor independent of management and overseeing the work of the independent auditor; monitoring and directing, as

appropriate, the activities of Enerflex's internal audit group; and overseeing the Company's cyber-security and information technology programs.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee member is as follows:

Audit Committee Member	Relevant Education and Experience
Kevin J. Reinhart	Mr. Reinhart is a former Chief Financial Officer and a former interim President and Chief Executive Officer of Nexen Inc. He holds a Bachelor of Commerce (Hons) from Saint Mary's University and is a Chartered Professional Accountant.
Maureen Cormier Jackson	Ms. Cormier Jackson held numerous roles at Suncor Energy Inc., including Senior Vice President, Chief Process and Information Officer, and Vice President, Corporate Controller. She holds a Bachelor of Commerce from Memorial University and is a Chartered Professional Accountant. She also holds a Directors Designation from the Institute of Corporate Directors.
Michael A. Weill	Mr. Weill is the Chief Executive Officer of Global Deepwater Partners LLC. He is a former President of BHP Billiton Petroleum. Mr. Weill holds a Bachelor of Science in Chemical Engineering from Cornell University.
Helen J. Wesley	Ms. Wesley is the Chief Operating Officer of Peoples Gas in Florida and has over 25 years of experience in the North American and international oil and gas, utilities, and chemicals industries. She holds a Bachelor of Commerce in Marketing from the University of Calgary and a Masters of Business Administration in International Business from Boston's Bentley College. She earned a Chartered Financial Analyst designation in 1998 and her Institute of Corporate Directors designation in 2015.

Pre-Approval Policies and Procedures

Under the Terms of Reference of the Audit Committee, the Audit Committee is required to review and pre-approve the objectives and scope of the external audit work and proposed fees. In addition, the Audit Committee is required to review and pre-approve all non-audit services which the Company's external auditor is to perform and fees associated therewith. The Audit Committee may delegate this approval to one or more of its members, but such services must be presented to the full Audit Committee at its next scheduled meeting.

Remuneration of Auditors

The following table sets out the aggregate fees paid or accrued by Enerflex and its subsidiaries to the external auditors, Ernst & Young LLP, for the fiscal years ended December 31, 2020 and December 31, 2019.

	2020	2019
Audit Fees ⁽¹⁾	\$1,714,000	\$1,752,000
Audit Related Fees ⁽²⁾	\$19,000	\$86,150
Tax Fees ⁽³⁾	\$533,900	\$275,900
All other Fees ⁽⁴⁾	\$-	\$-

Notes:

- (1) **"Audit Fees"** include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) **"Audit-Related Fees"** include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) **"Tax Fees"** include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities and guidance to employees transferred internationally.
- (4) **"All Other Fees"** include all other non-audit services.

ADDITIONAL INFORMATION

Additional information relating to directors' and officers' remuneration and indebtedness, the principal holders of the Common Shares of the Company, the securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Management Information Circular of Enerflex which is expected to be dated on or about March 2, 2021, relating to the Annual General Meeting of Shareholders to be held on May 4, 2021, which may be found on the Company's SEDAR profile at www.sedar.com.

Additional financial information is provided in the Financial Statements of the Company and the Management's Discussion and Analysis of the Company for the financial year ended December 31, 2020.

Additional information about the Company may be found on SEDAR at www.sedar.com. Copies of these documents may be obtained upon request to Investor Relations, Enerflex Ltd., 904 -1331 Macleod Trail S.E., Calgary, Alberta T2G 0K3, Phone 1.403.236.6800, email ir@enerflex.com, or on the Company's website at www.enerflex.com.

APPENDIX A
ENERFLEX LTD.
AUDIT COMMITTEE
TERMS OF REFERENCE

Organization

The Company has established an Audit Committee of the Board of Directors. These terms of reference govern the operations of the Audit Committee, as approved by the Board of Directors. The Committee shall review and reassess the terms of reference annually. The Committee shall be appointed by the Board and shall comprise at least three directors, each of whom are independent (as defined by applicable legislation and the rules of any stock exchange on which securities of the issuer are listed). All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Company's financial statements, and at least one Audit Committee member shall have accounting or related financial expertise.

Principal duties include oversight responsibility for: financial statements and related disclosures; reports to shareholders and other related communications; establishment of appropriate financial policies; the integrity of accounting systems and internal controls; approval of all audit and non-audit services provided by the independent auditor; consultation with the auditor independent of management; and overseeing the work of the independent auditor and monitoring and directing, as appropriate, the activities of the Internal Audit group.

Statement of Policy

The Committee will provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, and any legal compliance or ethics programs as established by management and the Board. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditor and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain and pay outside counsel, or other experts it determines necessary to carry out its duties.

Responsibilities and Processes

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditor is responsible for auditing those financial statements. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour.

The following shall be the principal recurring processes of the Audit Committee in carrying out its oversight responsibilities. The processes are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

Relationship with External Auditor

- The Committee shall oversee the work of the independent auditor and shall have a clear understanding with management and the independent auditor that the independent auditor reports to and is ultimately accountable to the Board and the Audit Committee, as representatives of the Company's shareholders. The Committee shall have the ultimate authority and responsibility to evaluate and, where appropriate, recommend the replacement of the independent auditor. The Committee shall assure itself that the external auditor is independent from management and the Company, and will have access to all information about the audit firm's relationship with the Company that is necessary to come to a reasonable conclusion. Annually, the Committee shall review and recommend to the Board the election of the Company's independent auditor by the shareholders.
- The Committee shall discuss with the independent auditor the overall scope and plans for their audit including the adequacy of staffing and the audit fees. Such audit and fees are subject to the approval of the Committee. The Committee will recommend to the Board the appointment of the external auditor by the shareholders and the fees for such auditor. Also, the Committee shall discuss with management and the independent auditor the adequacy and effectiveness of the accounting and financial controls, including the Company's system to monitor and manage financial-related risk, and any legal and ethical compliance programs (including complaint mechanisms). The Committee will develop and maintain a relationship with the independent auditor that allows for full, open, and timely discussion of all material issues, with or without management as appropriate in the circumstances.
- The Committee shall approve non-audit services to be rendered by the independent auditor and fees associated there-with in advance of such activity taking place. The Committee may delegate this approval to one or more of its members, but such services must be presented to the full Audit Committee at its next scheduled meeting.
- The Committee shall approve the Company's hiring of partners, employees and former partners and employees of the present and former external auditor of the Company.

Financial Reporting

- The Committee shall review and recommend for approval by the Board, press releases on quarterly financial results and interim reports to shareholders including the financial statements, note disclosure and Management's Discussion and Analysis included therein, prior to public disclosure of such information. The Committee will periodically consider the extent of involvement of the independent auditor in connection with the interim financial statements, Management's Discussion and Analysis and interim note disclosures. The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Company of financial information derived from the Company's financial statements.
- The Committee will review with management and the independent auditor and recommend for approval by the Board the annual audited consolidated financial statements, Management's Discussion and Analysis and Annual Information Form.

- The Committee shall review any significant adjustments to financial statements, unusual transactions, investments or other transactions that could materially affect the viability of the Company, in addition to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.
- The Committee shall review with management and the independent auditor the financial statements to be included in the Company's Annual Report, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related notes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.

Internal Audit and Controls

- At least annually, the Committee (or its designate) shall review expenses incurred by the Chairman, President and Chief Executive Officer and Chief Financial Officer.
- At least annually, the Committee shall obtain confirmation that management has complied with the Company's Code of Business Conduct.
- At least annually, the Committee shall receive a report from the Company's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Company's disclosure practices. In addition, the Committee shall receive a report from the Disclosure Committee recommending disclosure of all press releases, financial statements, Management Discussion & Analysis and other public disclosure materials before the Committee approves such documents.
- At least annually, the Committee shall review the Whistleblower Policy and make any necessary or appropriate modifications to this Policy.
- The head of the Company's Internal Audit group will have a functional reporting relationship directly to the Committee. The Committee will provide such guidance and direction to the Internal Audit group, as it deems necessary to ensure the independence and appropriate functioning of such department. The Committee shall receive an annual report from the head of Internal Audit outlining plans for the subsequent year and quarterly reports describing progress against the plan and any relevant findings.
- At least annually, the Committee shall review and reassess the Company's policy with respect to the delegation of authority levels assigned to management.
- The Committee shall put in place procedures for:
 - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.¹
- The Committee will also regularly review complaints to the Company's Compliance Hotline regarding financial matters.

¹ NI 52-110, s. 2.3(7).

- The Committee will consider the effectiveness of the Company's internal control system, including information technology security and control based on the input of management, external auditors and the Company's Internal Audit group.