

**SECOND AMENDING AGREEMENT TO THE CREDIT AGREEMENT
MADE AS OF JULY 21, 2015**

THIS AMENDING AGREEMENT is made effective as of December 19, 2016,

AMONG:

CANYON TECHNICAL SERVICES LTD.
as Borrower

- and -

CANYON SERVICES GROUP INC.
as Parent

- and -

**CANADIAN IMPERIAL BANK OF COMMERCE,
ALBERTA TREASURY BRANCHES and
NATIONAL BANK OF CANADA,**
as Lenders

- and -

CANADIAN IMPERIAL BANK OF COMMERCE,
as Agent of the Lenders,

PREAMBLE:

- A. Pursuant to the credit agreement made as of July 21, 2015 between the Borrower, the Parent, the Agent and the Lenders, as amended by a first amending agreement (the "**First Amending Agreement**") made effective as of March 1, 2016 (as amended, the "**Credit Agreement**"), the Lenders agreed to provide to the Borrower, *inter alia*, the Credit Facility.
- B. The parties to the Credit Agreement (the "**Parties**") wish to amend the Credit Agreement to effect the changes herein pursuant to this second amending agreement (the "**Second Amending Agreement**").

AGREEMENT:

NOW THEREFORE in consideration of the premises, the covenants and the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged between the Parties, the Parties agree as follows:

1. **Definitions.** Capitalized terms used in this Second Amending Agreement will, unless otherwise defined herein, have the meanings attributed to such terms in the Credit Agreement, as amended by this Second Amending Agreement.
2. **Second Amendment Date.** Subject to completion of all of the conditions precedent set out in Section 5 hereof, the amendments and supplements contained herein shall be effective as of the date of this Second Amending Agreement (the "**Second Amendment Date**").

3. **Amendments to the First Amending Agreement.** The First Amending Agreement is hereby amended as follows:

- (a) Section 3 of the First Amending Agreement is amended by (i) deleting the reference to "December 31, 2017" in the first sentence of such section and substituting therefor "June 30, 2018" and (ii) deleting the reference to "December 31, 2017; consequently for time periods from January 1, 2018" in the last sentence of such section and substituting therefor "June 30, 2018; consequently for time periods from July 1, 2018";
- (b) subparagraph (b)(i) of Section 3 of the First Amending Agreement is amended by deleting the reference therein to "Cdn.\$9,652,000 (being the aggregate amount of such Debt of the Borrower, the Parent and the Material Subsidiaries existing on the First Amendment Date plus Cdn.\$1,000,000)" and substituting therefor "Cdn.\$6,000,000"; and
- (c) Section 3 of the First Amending Agreement is amended by deleting paragraph (d) of such Section 3 in its entirety and substituting therefor the following:

"(d) the Borrower and the Parent shall not, and the Parent shall not permit any of its Subsidiaries to:

- (i) incur capital expenditures in the 2016 fiscal year which, in the aggregate with all capital expenditures incurred by the Borrower, the Parent and its Subsidiaries in such fiscal year, exceed Cdn.\$28,000,000;
- (ii) incur capital expenditures in the 2016 and 2017 fiscal years which, in the aggregate with all capital expenditures incurred by the Borrower, the Parent and its Subsidiaries in such fiscal years, exceed Cdn.\$53,000,000; and
- (iii) incur capital expenditures in the 2018 fiscal year which, in the aggregate with all capital expenditures incurred by the Borrower, the Parent and its Subsidiaries in such fiscal year, exceed Cdn.\$25,000,000.

For certainty, capital expenditures for any acquisition which is defined as a business combination under GAAP are governed by Section 10.2(k) of the Credit Agreement."

4. **Amendments and Supplements to the Credit Agreement.** The Credit Agreement is hereby amended and supplemented as follows:

- (a) the definition of "Applicable Pricing Rate" contained in Section 1.1 of the Credit Agreement is hereby amended by: (i) deleting "and" at the end of subparagraph (f) of such definition, (ii) deleting "." at the end of subparagraph (g) of such definition and substituting therefor "; and", and (iii) adding the following as a new paragraph (h) immediately following paragraph (g) of such definition:

"(h) if at any time when calculating the Debt to EBITDA Ratio, EBITDA for the four quarters of the applicable calculation period is determined to be less than zero, the Debt to EBITDA Ratio shall be deemed to be greater than 4.50:1.00 for the purposes of determining the Applicable Pricing Rate."

- (b) the definition of "EBITDA" contained in Section 1.1 of the Credit Agreement is hereby amended by:
- (i) deleting the reference to "Cdn.\$4,000,000" in paragraph (f.1)(ii) of such definition and substituting therefor "Cdn.\$500,000"; and
 - (ii) (A) deleting "and" at the end of subparagraph (f.1)(i) of such definition; (B) adding "and" at the end of subparagraph (f.1)(ii) of such definition; and (C) adding the following as a new paragraph (f.2) immediately following paragraph (f.1) of such definition:

"(f.2) all amounts deducted in the calculation of EBITDA in respect of the reassessment of British Columbia provincial commodity taxes, up to an aggregate amount of Cdn.\$3,000,000 for the fiscal quarters in 2016 and 2017 (that is, for certainty, an aggregate addition of Cdn.\$3,000,000 over all eight of such fiscal quarters);"
- (c) Section 10.2(k) of the Credit Agreement is hereby deleted in its entirety and the following is substituted therefor:

"(k) Acquisitions

Excluding capital expenditures permitted pursuant to Section 3(d) of the first amending agreement to this Agreement made effective as of March 1, 2016 (as amended by Section 3(c) of the second amending agreement to this Agreement made effective as of December 19, 2016), the Borrower and the Parent shall not, and the Parent shall not permit any Material Subsidiary to, without the prior written consent of the Majority Lenders, directly or indirectly, incur any expenditure for any acquisition of capital property which is defined as a business combination under GAAP:

- (i) that would exceed Cdn.\$25,000,000, individually or in aggregate with all acquisitions of the Borrower, the Parent and the Material Subsidiaries, in any fiscal year; or
- (ii) if the Debt to EBITDA Ratio, calculated on a pro forma basis as if such acquisition took place at the beginning of such period, would exceed 2.00:1.00 upon completion of such acquisition."

- (d) Section 10.3 of the Credit Agreement is deleted in its entirety and the following is substituted therefor:

"(1) Financial Covenants

So long as any Obligation is outstanding or the Credit Facility is available hereunder, the Borrower and the Parent covenant and agree with each of the Lenders and the Agent that, unless (subject to Section 16.13) the Majority Lenders otherwise consent in writing:

(a) Debt to Capitalization Ratio

From and after the date hereof to and including September 30, 2017 and measured as at each Quarter End, the Debt to Capitalization Ratio shall not at any time exceed 0.30:1.00.

(b) Debt Service Coverage Ratio

At all times and measured as at each Quarter End, the Debt Service Coverage Ratio shall not be less than:

- (i) 0.75:1.00, at any time from and after the date hereof to and including the Quarter End ending on December 31, 2016;
- (ii) 1.00:1.00, at any time from and after January 1, 2017 to and including the Quarter End ending on September 30, 2017; and
- (iii) 1:25:1.00, at any time during each fiscal quarter thereafter,

provided that, (x) compliance with paragraph (b)(i) above shall be automatically waived if at the Quarter End ending on December 31, 2016 the Debt of the Parent is less than Cdn.\$50,000,000, and (y) compliance with paragraph (b)(ii) above with respect to the fiscal quarters ending on March 31, 2017 and June 30, 2017, as applicable, shall be automatically waived if at the applicable Quarter End the Debt of the Parent is less than Cdn.\$55,000,000.

(c) Debt to EBITDA Ratio

The Debt to EBITDA Ratio (as measured as at each Quarter End) shall not be greater than:

- (i) 5.00:1.00, at any time from and after July 1, 2017 to and including the Quarter End ending on September 30, 2017;
- (ii) 4.00:1.00, at any time from and after October 1, 2017 to and including the Quarter End ending on December 31, 2017;
- (iii) 3.50:1.00, at any time from and after January 1, 2018 to and including the Quarter End ending on March 31, 2018; and
- (iv) 3.00:1.00, at any time during each fiscal quarter thereafter,

provided that, compliance with paragraph (c)(i) above shall be automatically waived if at the Quarter End ending on September 30, 2017 the Debt of the Parent is less than Cdn.\$55,000,000.

If when calculating the Debt to EBITDA Ratio for determining compliance with this Section 10.3(1)(c) EBITDA for the four quarters of the applicable calculation period is determined to be less than zero, subject to the waiver set forth in the paragraph above, the covenant set forth in this Section 10.3(1)(c) shall be deemed to be have been breached.

(2) Equity Cure

In the event of any breach of the financial covenants set forth in Sections 10.3(1)(a) or 10.3(1)(c) (the "**Designated Financial Covenants**"), any equity contribution made by any of the shareholders of the Parent to the Parent will, at the request of the Parent, be deemed to reduce the amount of Debt by the amount of the net cash proceeds of such equity contribution solely for the purposes of determining compliance with such financial covenants (and, for certainty, shall not be used for purposes of determining the Applicable Pricing Rate until the following Quarter End) at the end of the applicable fiscal quarter of the Parent (the net cash proceeds of any such equity contribution, a "**Specified Equity Contribution**"); provided, that:

- (a) prior written notice of the Parent's intention to utilize such Specified Equity Contribution is received by the Agent no later than the date on which the financial statements for such fiscal quarter or fiscal year (as applicable) are required to be delivered as provided for in Section 10.1(f);
- (b) such Specified Equity Contribution is actually received by the Parent within 10 Banking Days after the Parent being required to deliver the financial statements for such fiscal quarter or fiscal year (as applicable) as provided for in Section 10.1(f);
- (c) there shall be no more than two Specified Equity Contributions made during the term of this Agreement (as the same may be extended from time to time);
- (d) no Specified Equity Contributions may be made in consecutive fiscal quarters of the Parent;
- (e) all of each Specified Equity Contribution is immediately used to repay Debt; and
- (f) the aggregate amount of the Specified Equity Contributions made during the term of this Agreement (as the same may be extended from time to time) shall not exceed Cdn.\$25,000,000.

If, after giving effect to the recalculations set forth in this Section 10.3(2), the Parent shall then be in compliance with the Designated Financial Covenants, the

Parent shall be deemed to have satisfied the requirements of the Designated Financial Covenants and the applicable breach or default of the Designated Financial Covenants that had occurred shall be deemed cured for the purposes of this Agreement."

5. **Conditions Precedent.** The amendments and supplements set out in Sections 3 and 4 hereof shall, in each case, only become effective upon the Borrower delivering or causing to be delivered to the Agent, for and on behalf of the Lenders, each of the following:
 - (a) a fully executed copy of this Second Amending Agreement (including the acknowledgment attached hereto); and
 - (b) payment to the Agent, for the benefit of each of the consenting Lenders, of an amendment fee equal to [redacted] multiplied by the amount of each such Lender's Commitment.
6. **Representations and Warranties.** Each of the Borrower and the Parent agree with and confirm to the Agent and the Lenders that as of the Second Amendment Date each of the representations and warranties listed in Section 9.1 of the Credit Agreement, as amended by this Second Amending Agreement, is true and accurate in all material respects (other than any such representations and warranties which expressly speak of an earlier date).
7. **Confirmation of Security.** Each of the Borrower and the Parent acknowledge and agree that all Security granted by the Borrower and the Parent to the Agent, the Lenders and the Swap Lenders in connection with the Credit Agreement, the other Documents and any other documents executed and delivered pursuant or in connection with any of the foregoing, continue in full force and effect, without in any way impairing or derogating from any of the mortgages, pledges, charges, assignments, security interests, subordinations and covenants therein contained or thereby constituted, as continuing security for all of its indebtedness, liabilities and other obligations under the Credit Agreement, as amended by this Second Amending Agreement, the Security and the other applicable Documents.
8. **Continuing Effect.** Each of the Parties acknowledges and agrees that the Credit Agreement, as amended by this Second Amending Agreement, will be and continues in full force and effect and is hereby confirmed and the rights and obligations of all parties thereunder will not be affected or prejudiced in any manner except as specifically provided herein.
9. **Further Assurance.** The Borrower and the Parent will from time to time forthwith at the Agent's request and at the Borrower's own cost and expense, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Agent and as are consistent with the intention of the Parties as evidenced herein, with respect to all matters arising under this Second Amending Agreement.
10. **Expenses.** The Borrower will be liable for all expenses of the Agent and the Lenders, including, without limitation, reasonable legal fees (on a solicitor and his own client full indemnity basis) and other out-of-pocket expenses in connection with the negotiation, preparation, establishment, operation or enforcement of this Second Amending Agreement (whether or not consummated) by the Agent or the Lenders.

11. **Counterparts.** This Second Amending Agreement may be executed in any number of counterparts (including by facsimile transmission), each of which when executed and delivered will be deemed to be an original, but all of which when taken together constitute one and the same instrument. Any Party may execute this Second Amending Agreement by signing any counterpart.

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IN WITNESS WHEREOF, the Parties have caused this Second Amending Agreement to be duly executed by their respective authorized officers as of the date and year first written above.

CANYON TECHNICAL SERVICES LTD.

By: (signed) "Barry O'Brien"
Barry O'Brien
Vice President, Finance and
Chief Financial Officer

CANYON SERVICES GROUP INC.

By: (signed) "Barry O'Brien"
Barry O'Brien
Vice President, Finance and
Chief Financial Officer

LENDERS:

CANADIAN IMPERIAL BANK OF COMMERCE

By: (signed)
Name: _____
Title:

By: (signed)
Name: _____
Title:

ALBERTA TREASURY BRANCHES

By: (signed)

Name: _____

Title: _____

By: (signed)

Name: _____

Title: _____

NATIONAL BANK OF CANADA

By: (signed) _____

Name:

Title:

By: (signed) _____

Name:

Title:

AGENT:

CANADIAN IMPERIAL BANK OF COMMERCE,
in its capacity as Agent

By: (signed)
Name: _____
Title:

By: (signed)
Name: _____
Title:

ACKNOWLEDGEMENT:

Fraction Energy Services Ltd. hereby acknowledges and consents to the Second Amending Agreement to the Credit Agreement and acknowledges, agrees and confirms that the guarantee dated July 21, 2015 provided by it to the Agent on behalf of the Lenders and the Swap Lenders (the "**Guarantee**"), and all representations, warranties, covenants and other obligations set forth therein are binding on and continue in full force and effect as a guarantee of all of the Obligations (as defined in the Guarantee). Fraction Energy Services Ltd. hereby restates the terms set forth in the Guarantee to the extent necessary under Applicable Law to give effect to the foregoing. Fraction Energy Services Ltd. hereby further acknowledges and agrees that all Security granted by Fraction Energy Services Ltd. to the Agent, the Lenders and the Swap Lenders in connection with the Credit Agreement, the other Documents and any other documents executed and delivered pursuant thereto or in connection therewith, continue in full force and effect, without in any way impairing or derogating from any of the mortgages, pledges, charges, assignments, security interests, subordinations and covenants therein contained or thereby constituted, as continuing security for all indebtedness, liabilities and other obligations of Fraction Energy Services Ltd. under the Guarantee and the other applicable Documents.

Acknowledged as of December____, 2016.

FRACTION ENERGY SERVICES LTD.

Per: (signed)_____

Name:

Title: