ENERFLEX LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2011

February 29, 2012

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NOTICE TO READER

This is the annual information form of Enerflex Ltd. for the year ended December 31, 2011. In this annual information form, unless otherwise specified or the context otherwise requires, reference to "we", "us", "our" or "Enerflex" includes reference to subsidiaries of, and partnership interests held by, Enerflex Ltd. and its subsidiaries subsequent to the Spinout Date.

Certain historical information contained in this annual information form has been provided by, or derived from information provided by, certain third parties, including Toromont. Although we have no knowledge that would indicate that any such information is untrue or incomplete, we assume no responsibility for the completeness or accuracy of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to us.

We commenced independent operations on June 1, 2011 following the completion of the Arrangement. The description of our business, recent significant developments, the presentation of financial statements and other information throughout this annual information form in respect of periods prior to June 1, 2011 is based on information with respect to the Toromont Natural Gas Compression and Process Business as operated by Old Enerflex and certain other subsidiaries of Toromont prior to June 1, 2011. See "*General Development of our Business – The Arrangement*" for further information on the Arrangement. Such financial information has been derived from the historical consolidated financial statements of Toromont for each of the relevant periods on a carve-out basis from such historical consolidated financial statements of Toromont for the relevant period and should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2011 and the carve-out consolidated financial statements in relation to Old Enerflex for the year ended December 31, 2010 and the Management's Discussion and Analysis thereon, each as set out in the information circular of Toromont dated April 11, 2011 relating to an arrangement involving Enerflex Ltd. which is accessible on the SEDAR profile of Enerflex at www.sedar.com.

The Toromont Natural Gas Compression and Process Business represents the historical operations, assets, liabilities and cash flows of the Natural Gas Compression and Process Business prior to the completion of the Arrangement. As a result, comparative historical financial results may not be indicative of those that would have resulted had we existed as a stand-alone entity during those periods. See "*Risk Factors*".

Unless otherwise noted, capitalized terms used in this annual information form have the meaning ascribed thereto under the heading "Definitions".

DEFINITIONS

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

"**7787014**" means 7787014 Canada Inc., a corporation governed by the CBCA that amalgamated with Old Enerflex on the Spinout Date with the resulting amalgamated corporation being named "Enerflex Ltd.";

"**Annual Information Form**" means this annual information form;

"**Arrangement**" means the arrangement, under the provisions of section 192 of the CBCA pursuant to a plan of arrangement among Toromont, Enerflex and 7787014, which became effective on the Spinout Date;

"**Arrangement Agreement**" means the Arrangement Agreement dated March 21, 2011 among Toromont, Old Enerflex and 7787014 relating to the Arrangement;

"**Arrangement Options**" means the Options granted pursuant to the Arrangement to holders of options to acquire common shares of Enerflex;

"**Bank Facilities**" means the syndicated revolving credit facilities entered into as of June 1, 2011 among the Company, Enerflex Australasia Holdings Pty Ltd., The Toronto Dominion Bank and The Bank of Nova Scotia and certain other lenders as described under *"Material Contracts – Bank Facilities"*;

"**Butterfly Proportion**" means 56.4% with respect to Toromont, and 43.6% with respect to Enerflex, which was determined by Toromont as the fraction A/B where:

> A was the net fair market value of the Old Enerflex Shares transferred by Toromont to 7787014 determined immediately before the transfer under Arrangement; and
>
> B was the net fair market value of all property owned by Toromont immediately before such transfer;

"**Board of Directors**" means the board of directors of the Company;

"**Canadian Tax Ruling**" means the advance income tax rulings and opinions obtained by Toromont from the CRA confirming the Canadian federal income tax consequences of the spinoff by Toromont of the Old Enerflex Shares under the Arrangement and certain other transactions;

"**CBCA**" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder;

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

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

"EHLP" means Enerflex Holdings Limited Partnership, a partnership established under the laws of the Province of Alberta and terminated on March 29, 2010;

"**Enerflex**" or the "**Company**" means Enerflex Ltd., together with, where the context requires, each of its subsidiaries;

"**ESIF**" means Enerflex Systems Income Fund, a trust established under the laws of the Province of Alberta and terminated on March 29, 2010;

"**ESL**" means Enerflex Systems Ltd., a corporation continued under the CBCA and amalgamated with TESI on April 1, 2010;

"**GAAP**" means Canadian generally accepted accounting principles;

"**Gas Drive**" means Gas Drive Global L.P., an Alberta limited partnership beneficially owned by Enerflex;

"**HPS**" means HPS Group Pty Ltd., a corporation governed by the laws of Australia;

"**IFRS**" means the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time;

"**Natural Gas Compression and Process Business**" means the business conducted by Enerflex as more fully discussed in this Annual Information Form;

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

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

"**Old Enerflex Shares**" means common shares in the capital of Old Enerflex prior to the effectiveness of the Arrangement;

"**Options**" means the options to purchase Common Shares granted under the Stock Option Plan, including the Arrangement Options;

"**SAGD**" means steam assisted gravity drainage;

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

"**Senior Notes**" means the $50.5 million of five-year notes and $40 million of ten-year notes maturing on June 22, 2016 and June 22, 2021, respectively, issued under the Note Purchase Agreement;

"**Shareholder Rights Plan**" means the shareholder rights plan of the Company dated as of June 1, 2011 between Enerflex and CIBC Mellon Trust Company, as rights agent;

"**Spinout Date**" means June 1, 2011, the date upon which the Arrangement became effective;

"**Stock Option Plan**" means the Enerflex Ltd. Stock Option Plan (2011) assumed by Enerflex on the Spinout Date;

"**Tax Act**" means the *Income Tax Act* (Canada), as amended;

"**Tax Indemnity Agreement**" means the tax indemnity and cooperation agreement dated as of June 1, 2011 between Enerflex and Toromont;

"**TESI**" means Toromont Energy Systems Inc., a corporation existing under the federal laws of Canada, which was wholly-owned by Toromont and on February 10, 2010 changed its name to Enerflex Ltd. to become Old Enerflex;

"**Toromont**" means Toromont Industries Ltd., a corporation governed by the CBCA;

"**Toromont Natural Gas Compression and Process Business**" means the business previously conducted by Old Enerflex and certain other Toromont subsidiaries comprising the "Compression Groups of Toromont" excluding CIMCO Refrigeration Inc., as more fully described in publicly filed documents of Toromont; and

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

PRESENTATION OF INFORMATION

Unless otherwise indicated, references in this Annual Information Form to "$" or "dollars" are to Canadian dollars. All financial information with respect to the Company has been prepared in accordance with IFRS and is presented in Canadian dollars unless otherwise stated.

ABBREVIATIONS

The following abbreviations are used in this Annual Information Form:

CBM	Coal Bed Methane
CFC	Chlorofluorocarbons
CO2	Carbon Dioxide
GHG	Green House Gas
HCFC	Hydrochlorofluorocarbons
HP	Horsepower
H2S	Hydrogen Sulfide
LNG	Liquid Natural Gas
OECD	Organization for Economic Co-operation and Development
PSI	Pounds per Square Inch
tcf	Trillion Cubic Feet

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements within the meaning of securities laws, including the "safe harbour" provisions of Canadian securities legislation. Certain statements containing words such as "anticipate", "could", "expect", "seek", "may", "intend", "will", "believe" and similar expressions, statements that are based on current expectations and estimates about the markets in which the Company operates and statements of the Company's belief, intentions and expectations about development, results and events which will or may occur in the future constitute "forward-looking statements" and are based on certain assumptions and analyses made by the Company derived from experience and perceptions. All statements, other than statements of historical fact, contained in this Annual Information Form are forward-looking statements, including, without limitation: statements with respect to anticipated financial performance; rights granted under distribution agreements; future capital expenditures, including the amount and nature thereof; bookings and backlog; oil and gas prices and demand; the role of LNG in supply and demand of natural gas other development trends of the oil and gas industry; business prospects and strategy; expansion and growth of the business and operations, including market share and position in the energy service markets; the ability to raise capital; non-resident ownership of the Company; expectations regarding future dividends; expectations and implications of changes in government regulation, laws and income taxes; and other such matters.

In addition, other written or oral statements which constitute forward-looking statements may be made from time to time by and on behalf of the Company. Such forward-looking statements are subject to important risks, uncertainties, and assumptions which are difficult to predict and which may affect the Company's operations, including, without limitation: the impact of general economic conditions; industry conditions, including the adoption of new environmental, taxation and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and gas prices; oil and 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 lack of availability of qualified personnel or management; labour unrest; fluctuations in foreign exchange or interest rates; stock market volatility; risks related to cultural, political and economic factors of foreign jurisdictions; opportunities available to or pursued by the Company and other factors, many of which are beyond the Company's control. As such, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds or dividends the Company and its shareholders will derive there-from.

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

NON-GAAP MEASURES

In this Annual Information Form there are references to the term "backlog", which is not a recognized measure under GAAP. Enerflex uses this measure to help evaluate its performance. The management of Enerflex considers backlog an important indication of future financial performance.

CORPORATE STRUCTURE

Name, Address and Incorporation

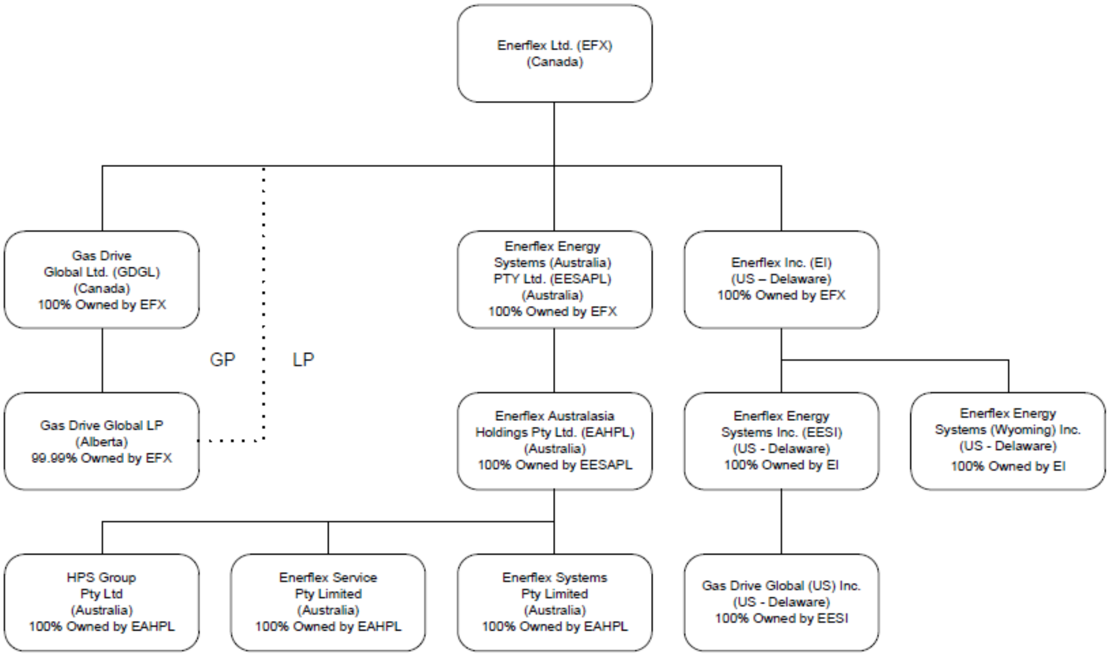
Enerflex Ltd. was incorporated on February 24, 2011 under the CBCA as 7787014 Canada Inc. Pursuant to the Arrangement, 7787014 and Old Enerflex amalgamated under the CBCA on the Spinout Date with the amalgamated entity's name being "Enerflex Ltd.". On November 25, 2011, in order to simplify the Company's constating documents following the completion of the Arrangement, the Company filed restated articles of incorporation and was issued a restated certificate of incorporation by Industry Canada. Prior to the completion of the Arrangement, 7787014 did not carry on any active business or issue any shares.

The head office, registered office and principal place of business of the Company is 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 held by the Company are set out below. In addition, certain business units in Canada operate as divisions of the Company as outlined below.

For a further description of the Arrangement, see "*General Development of our Business – The Arrangement*".



GENERAL DEVELOPMENT OF THE BUSINESS

Enerflex is a single source supplier of products and services to the global oil and gas production industry. Enerflex provides natural gas compression and oil and gas processing equipment for sale or lease, refrigeration systems and power generation equipment and a comprehensive package of field maintenance and contracting capabilities. Through our ability to provide these products and services in an integrated manner, or as standalone offerings, Enerflex offers its customers a unique value proposition.

The Company began independent operations on June 1, 2011 following the completion of the Arrangement, which included, among other things, the transfer of the Toromont Natural Gas and Compression Business to us and the distribution of our Common Shares to the shareholders of Toromont (other than any shareholder of Toromont who exercised rights of dissent under the CBCA) on the Spinout Date. Following the Spinout Date, Enerflex continued to operate the Natural Gas Compression and Process Business described in this Annual Information Form.

The Arrangement

Enerflex was created pursuant to the division of Toromont into two separate, publicly traded companies: Toromont, which continued to operate its equipment and refrigeration businesses, and Enerflex, which became an independent public corporation operating the Natural Gas Compression and Process Businesses. Since early 2010, the predecessor companies had been providing this line of energy services and integrated solutions as a division of Toromont. The following is a brief description of the relevant history of ESIF, Old Enerflex and the spinout of Enerflex pursuant to the Arrangement.

In January 2010, Toromont completed an offer for the units of ESIF, a publicly listed income fund, and the limited partnership units of EHLP and, in February 2010, acquired the remainder of ESIF's outstanding units through a second-step transaction and redeemed the remaining limited partnership units of EHLP. The total consideration paid to acquire ESIF, comprised of cash and shares of Toromont, was approximately $700 million. Toromont subsequently wound up ESIF and ESIF's legacy natural gas compression and process business continued to be operated through ESL (a former subsidiary of ESIF). Following the acquisition, Toromont worked to integrate its own legacy natural gas compression and process business with the business of ESL. In January 2010, the operations of TESI, a subsidiary of Toromont, were combined with the operations of ESL, and TESI was renamed Enerflex Ltd. (Old

Enerflex) on February 10, 2010. TESI and ESL were amalgamated on April 1, 2010 and the integration of the Toromont Natural Gas Compression and Process Business was substantially completed by the end of 2010.

The purpose of the Arrangement and the related transactions was to create a separately traded public company, Enerflex, which would own and operate the newly integrated Toromont Natural Gas Compression and Process owned and operated principally by Old Enerflex and also by other subsidiaries of Toromont.

Toromont, Old Enerflex and 7787014 entered into the Arrangement Agreement as of March 21, 2011, which provided for, among other things:

- the terms of the Arrangement, the conditions to its completion, and actions to be taken prior to and after the Spinout Date;
- indemnities between the companies after the Spinout Date;
- the repayment, immediately after the effectiveness of the Arrangement, of all of the intercompany debt that Old Enerflex owed to Toromont as of the effective time of the Arrangement;
- the entering into of the Transitional Services Agreement and the Tax Indemnity Agreement on the Spinout Date; and
- the exchange of each outstanding option to purchase a Toromont common share for a post-Arrangement option to purchase one (1) Toromont common share and an Arrangement Option to purchase one (1) Common Share.

At the meeting of the shareholders of Toromont held on May 16, 2011 to approve the Arrangement and related matters, the Toromont shareholders approved:

- the Arrangement;
- the Stock Option Plan, to take effect on the Spinout Date. This approval was deemed to satisfy the approval of the shareholders of Enerflex required by the TSX for: (a) the Arrangement Options; and (b) the Option Plan. See "*Description of Capital Structure – Stock Option Plan*"; and
- the Shareholder Rights Plan, to take effect on the Spinout Date. This approval was deemed to satisfy the approval of the shareholders of Enerflex required by the TSX. See "*Description of Capital Structure – Common Shares*".

On the Spinout Date, Toromont announced that the Butterfly Proportion, which was the ratio by which Toromont's stated capital immediately prior to the Arrangement was bifurcated based on the relative fair market value of the property transferred from Toromont to Enerflex at the time of the Arrangement, was 56.4% with respect to Toromont, and 43.6% with respect to Enerflex. Each shareholder of Toromont (other than a shareholder of Toromont who exercised rights of dissent under the CBCA) retained their common shares of Toromont and received one (1) Common Share for each Toromont common share held. Our Common Shares started trading on the TSX under the symbol "EFX" on June 3, 2011.

Upon the Arrangement becoming effective, the Shareholder Rights Plan and the Stock Option Plan came into effect, and Enerflex issued 77,212,396 Common Shares to the shareholders of Toromont (other than a shareholder of Toromont who exercised rights of dissent under the CBCA) and 2,030,030 Arrangement Options. See "*Description of Capital Structure – Stock Option Plan*"

Also upon completion of the Arrangement, Enerflex secured access to the Bank Facilities totalling $375 million, leaving available credit capacity of nearly $150 million, and effective June 1, 2011 repaid indebtedness to Toromont totalling $173.3 million incurred as a result of Toromont's acquisition of ESIF.

Three Year History

In addition to the Arrangement, the following describes the significant events of the last three years in respect of our business, which includes the operations of Old Enerflex and TESI for such periods.

2011

On December 15, 2011, Enerflex announced that it had filed with the TSX a notice of intention to make a normal course issuer bid to purchase up to 10% of the public float of the Common Shares through the facilities of the TSX.

In an operational update issued on November 2011, Enerflex announced the following:

- that the Company had been awarded a contract with a value of approximately ~~US~~U.S. $228 million from Oman Oil Company Exploration and Production LLC for the engineering, procurement, construction and commissioning of a gas processing plant to be located in the Sultanate of Oman~~.~~;
- the creation of Gas Drive on September 16, 2011 as a wholly-owned limited partnership to provide focused expertise in the sales and complete lifecycle support of gas-fuelled engines. The Company's Service division in Canada, the northern United States and Alaska became part of Gas Drive;
- that Gas Drive was awarded additional distribution territory and product lines by General Electric's gas engine division, making it an authorized distributor for General Electric's "Waukesha" product line of gas-fuelled reciprocating engines in Canada and 20 U.S. States. As well, the distribution agreement will also now include the right for Gas Drive to sell new engines; and
- as a result of General Electric's realignment of distribution service areas and its existing distribution channel and agreements in Europe, Enerflex would no longer be a distributor of Waukesha products in that region. As a result of this realignment, Enerflex announced its intention to exit the European combined heat and power and service operations, which resulted in an impairment of approximately $52 million in the financial statements of Enerflex for the period ending September 30, 2011.

In the third quarter of 2011, Enerflex completed the sale of fabrication facilities in Calgary, Alberta and Stettler, Alberta, which generated proceeds of approximately $42.9 million.

On June 22, 2011, Enerflex announced the closing of a private placement of $90.5 million of unsecured Senior Notes; $50.5 million of which have a coupon of 4.841% and mature on June 22, 2016, and $40.0 million of which have a coupon of 6.011% and mature on June 22, 2021. See "*Prior Sales – Debt Securities*".

On June 1, 2011, Enerflex entered into the Bank Facilities with an amount available of $375.0 million, which may be increased by $50.0 million at the request of the Company, subject to the lenders' consent. See "*Material Contracts – Bank Facilities*".

Effective February 2011, Enerflex sold the shares of Enerflex Environmental Australia Pty Ltd. to a third party, as its business was not considered core to the future growth of Enerflex. Total consideration received was $3.4 million, net of cash, and resulted in an after tax gain of approximately $1.4 million.

2010

Effective in November 2010, Old Enerflex's leased 72,377 square foot Eagle Farm reassembly facility was opened in Brisbane, Australia.

In September 2010, Old Enerflex ceased fabrication at its 47th Street S.E. location in Calgary, Alberta, a facility with approximately 300,000 square feet of fabrication capacity.

Effective September 2010, Enerflex sold certain assets and the operations of Enerflex Syntech, an electrical, instrumentation and controls business, as the business was not considered core to the future growth of Enerflex. Total consideration received was $7.0 million, comprised of $3.5 million cash and $3.5 million in a note receivable due in twelve equal instalments, plus interest, commencing in January 2011. Net assets disposed, including transaction costs, also totalled $7.0 million, comprised of $6.0 million of non-cash working capital and $1.0 million of capital assets.

On January 20, 2010, Toromont completed its offer for the trust units of ESIF and the limited partnership units of ESLP. The total consideration paid to acquire ESIF was approximately $700 million, including units acquired prior to the take-over bid, units acquired in the take-over bid, and a second step transaction.

2009

In December 2009, Old Enerflex (TESI as it was then) was awarded a Waukesha distributorship agreement for the States of Wyoming, Colorado and most of Utah.

In the fall of 2009, Old Enerflex (TESI as it was then) acquired property in Rock Springs, Wyoming and Vernal, Utah and leased property in Denver, Colorado and Salt Lake City, Utah for new service facilities.

DESCRIPTION OF THE BUSINESS

Our Business

Enerflex is a single-source supplier for natural gas compression, oil and gas processing, refrigeration systems and power generation equipment and we provide in-house engineering and mechanical services expertise. Our broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service hydrocarbon handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, CO_2 processing plants, refrigeration systems and power generators serving the natural gas production industry.

Enerflex has fabrication facilities in Alberta, Canada, Texas and Wyoming, U.S.A., and Queensland, Australia that supply custom fabricated equipment to our customers worldwide. Enerflex is also a leading player in the Canadian rental market for natural gas compression, with a fleet with approximately 175,000 horsepower. Enerflex is a highly qualified service provider with industry-certified technicians and mechanics and a network of 35 service locations in Canada, the United States, and Australia.

Headquartered in Calgary, Canada, Enerflex has approximately 3,100 employees worldwide. Enerflex operates (in some cases under joint venture arrangements) in Canada, the United States, Argentina, Colombia, Australia, the United Kingdom, the United Arab Emirates, Oman, Egypt, Bahrain, Indonesia and Russia.

Enerflex's revenue is derived from the sale of oil and natural gas related products and services, including:

- design and fabrication of hydrocarbon production and processing facilities;
- design and packaging of gas compression and power generation equipment;
- oil and gas equipment rental and leasing;

- service, parts and re-engineering of existing compression and power generation equipment; and
- concept to commissioning of integrated turnkey systems for natural gas production, gas compression, power generation and oil processing facilities.

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

Enerflex's operations are organized by three operating segments, which are Canada and Northern United States; Southern United States and South America; and International. See "*Description of our Business – Geographic Markets*". Our business in each of these operating segments is structured along three main product lines: engineered systems, service and rentals, all of which are described in more detail below. See "*Description of our Business – Product Lines*".

Product Development

In order to continue to expand our existing product offerings, Enerflex continuously reviews existing products and market trends to identify opportunities for new products and market niches. Enerflex has focused on "customer standardized" packages, which are units built combining Enerflex's experience and expertise together with the specific requirements of our domestic and international customers. These types of packages represent the majority of our compression and power business. We have recognized that the oil and gas industry, and the related oil sands off gas processing facilities, have a focus on bulk carbon dioxide removal from natural gas. This has allowed Enerflex's Production and Processing division (described below) to evaluate and provide competitive bids on bulk CO_2 removal technology including traditional amine plants, physical solvents and membrane technology.

Geographic Markets

Enerflex operates three business segments organized by geographical location: Canada and the Northern United States; Southern United States and South America; and International. Each of our three business segments are organized into divisions as described below.

Canada and Northern United States

1. Engineered Systems, which is comprised of two business units: (a) Compression and Power, providing custom and standard compression packages for reciprocating and screw compressor applications; and (b) Production and Processing, designing, manufacturing, constructing and installing modular natural gas processing equipment. This division operates from plants located in Calgary, Alberta, Nisku, Alberta and Casper, Wyoming~~;~~.

2. Service, which provides mechanical services and parts sales. Gas Drive is the authorized Waukesha distributor to the oil and gas-industry in Canada and 20 U.S. states, including Alaska. The Company re-branded its service business during the third quarter of 2011 as Gas Drive and was awarded new service territories within the United States for Waukesha, which is owned by GE's Gas Engines. All of our parts sales and service revenue are now generated by Gas Drive. In addition, Gas Drive is also the authorized distributor for Jenbacher (also owned by GE's Gas Engines) natural gas engine and parts product line in Canada.

3. Rentals, which provides compression and natural gas processing equipment rentals.

Southern United States and South America

1. Compression and Power, which provides custom and standard compression packages for reciprocating and screw compressor applications from our facilities located in Houston, Texas

2. Production and Processing, which designs, manufactures, constructs and installs modular natural gas processing equipment.

3. Service, which provides mechanical services and products to the oil and gas industries focusing on the Southern and Eastern United States as well as South America.

International

1. AustralAsia, which: (a) provides engineering, procurement and construction services; (b) process construction for gas and power facilities; (c) compression package assembly services; and (d) provides mechanical service and part sales in connection with its role as the authorized Waukesha distributor in this region.

2. Middle East and North Africa, which provides engineering, procurement and construction services, as well as compression and power package sales into the region. In addition, this business segment provides operating and maintenance services for gas compression and processing facilities in the region.

3. Production and Processing, which designs, manufactures, constructs and installs modular natural gas processing equipment, and waste gas systems, for the natural gas, heavy oil, SAGD and heavy mining segments of this market.

Product Lines

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

Engineered Systems

Enerflex's Engineered Systems product line includes engineering, fabrication and assembly of standard and custom-designed compression packages, production and processing equipment and facilities, and power generation systems. The Engineered Systems product line is offered through two divisions: Compression and Power, and Production and Processing.

<u>Compression and Power Division</u>

Overview

Most natural gas fields require compression to move gas from producing wells to high-pressure sales pipelines. Enerflex is a leading supplier of gas compression packages consisting of gas-fuelled or electric motor engines, reciprocating and screw compressors, cooling fans, piping and instrumentation and controls. Applications include gas gathering compression, inlet and residue compression in processing facilities, compression for gas storage and pipeline compression. Enerflex has manufacturing facilities in Nisku and Calgary, Alberta; Casper, Wyoming; and Houston, Texas, and Brisbane, Australia.

Enerflex's customers for compression packages range from small independent producers to majors, as well as midstream or third-party processing providers. Key markets are the Eagle Ford, Woodford, Marcellus, Montney, Horn River, Fayetteville, Hayneseville, Barnett, Avalon and Bakken plays. International compression is also a large piece of Enerflex's overall business, and represents approximately half of the Company's international business.

Description

Enerflex's Compression and Power Division designs, fabricates and installs a wide variety of new natural gas compression and power generation packages for customers domestically and internationally. Gas compression and power generation packages are engineered, designed and assembled in Calgary, Alberta; Casper, Wyoming; Houston, Texas; and Brisbane, Australia, and are standard-built or custom-designed with major components supplied by leaders and innovators within the industry. Enerflex offers compression packages from 50 to 10,000+ HP and ranging from low specification field compressors to high specification process compressors for onshore and offshore applications.

The Compression and Power Division also designs, manufactures and installs sub-ten megawatt power generation packages worldwide. These custom or standardized packages are designed and assembled in Enerflex's compression fabrication facilities located in Calgary, Alberta; and Houston, Texas. Enerflex offers both natural gas-fired and diesel-fired power generation packages.

Enerflex also provides re-engineering and refurbishment of existing compression equipment in a Calgary, Alberta facility, at branch locations in Grande Prairie and Red Deer, Alberta, and at customer field locations.

Enerflex's compression and power facilities presently occupy approximately 190,000 square feet of shop floor space in Canada, approximately 198,000 square feet of shop floor space in the United States, and approximately 39,000 square feet of shop space in Australia.

Markets and Applications

Natural gas is found in naturally-occurring underground reservoirs, coal seams and shale seams. The pressure of the gas at the wellhead is generally too low to enable the 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 transportation and processing cycles. Compression equipment is used to increase the pressure within 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 main line 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 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 CBM gas fields, where production can be brought on quickly and with relatively low capital costs, but often experiences low initial production pressure or rapid declines in production due to decreases in reservoir pressure.

Enerflex packages and services reciprocating and screw type natural gas compressors. A typical compressor package consists of a steel or concrete skid, a gas compressor, a driver (such as a reciprocating engine, gas turbine or electric motor), a gas cooler, a liquid and/or particulate separator, piping and a control system. Compressor packages destined for use in colder climates may be enclosed in an insulated building.

The following are some of the more common compression and power generation applications:

- Wellhead Compression – compression at or near the wellhead is usually required to boost the pressure of produced gas to enable it to enter a gathering system or processing plant.

- Gas Gathering – mid to large compressors (800 to 10,000 HP) deployed at a central field location are used to boost gas pressure from several wells.

- Gas Storage and Withdrawal – natural gas is often stored in underground facilities such as depleted oil or gas reservoirs or salt caverns. This is done for a variety of reasons, including to balance production with seasonal demand. Compression is required both to inject gas into a storage reservoir and to subsequently withdraw the gas for reinjection into the pipeline. Storage facilities typically use compressors in increments of 2,000 to 3,000 HP.

- CBM – methane originating in coal beds or coal seams occurs naturally at low pressures. Producing CBM typically requires a combination of reciprocating and screw compressors near the wellhead, and due to its lower pressure, can require up to eight times the typical HP required to compress the same volume of gas from a traditional gas well.

- Fuel Gas Boosting – most large gas turbine power generation plants require compressors to boost the fuel gas pressure from the low (30 PSI) pressure delivered by the local utility, up to the much higher pressures (350 – 650 PSI) required by the turbine. Compression units used for these applications are typically driven by electric motors, and their control systems are highly sophisticated to regulate a proper flow of fuel while the turbine undergoes load changes.

- Gas Lift – compressors are used to increase oil production by injecting gas into an oil reservoir, which increases reservoir pressure and facilitates oil flow. At the surface, the gas is separated from the oil, recompressed and then re-injected in a continuous cycle. Local conservation and environmental regulations often make re-injection mandatory.

- Enhanced Oil Recovery – this is a process which involves the injection of compressed CO_2 or other gases to decrease the viscosity of oil to enable it to flow from the reservoir formation.

- Gas Processing Plant Compression – compression is used to increase the pressure into and out of processing plants which conditions the gas for pipeline transportation.

- Offshore Products – compression equipment is used on floating production, storage and offloading vessels and other offshore units to re-inject gas associated with oil production back into a reservoir, particularly where the flaring of gas is prohibited by offshore operating regulations. Re-injection of gas may also be necessary to increase production, or where pipeline access is unavailable or uneconomic. Reciprocating compression equipment is gaining market acceptance for offshore gas re-injection projects where the gas volumes are generally lower and the required differential pressures are high.

- Power Generation – a typical Enerflex power generation unit is comprised of a natural gas reciprocating engine driver, generator and control devices. Power generation equipment may operate on natural gas, landfill gas, digester fuel, propane, or a combination of these fuels. Enerflex's power systems are used for the generation of prime, standby or peak shaving power and combined heat and power. In the latter process, waste heat, produced by the driver, is captured and used for water or space heating in applications like greenhouses where the exhaust from the engine is also treated to capture the waste CO_2 for fertilization of agricultural products.

Production and Processing Division

Overview

Processing conditions natural gas to get it ready for transportation by pipeline for end-use consumption. Substantially all newly produced natural gas requires the removal of water, carbon dioxide and other impurities. Gas containing natural gas liquids (ethane, propane, butane and condensate) typically requires more complex processing. Enerflex supplies processing equipment including plant compression, general processing, dew point control, dehydration and liquids separation, and amine sweetening to remove hydrogen sulphide or CO_2. The North American producing sector's increased focus on liquids rich gas opportunities has generated new demand for processing facilities.

Enerflex's processing customers include small through large producers plus midstream processing providers. Internationally, Enerflex has had success in bidding and winning turnkey processing projects including after-market operations and maintenance contracts. Gas processing facilities outside North America tend to be large and complex, requiring a high level of technical expertise, worldwide logistics capability, plus the technical expertise to provide design guarantees. Key markets include Australia and Arabian Gulf nations such as Oman, Bahrain and the UAE.

Description

Enerflex's Production and Processing Division is a fully integrated engineering, design, fabrication and construction group which custom builds, constructs and commissions oil and gas processing equipment. Complete oil and gas processing modules are designed at our facilities located in Nisku, Alberta and Houston, Texas. The fabrication of modules enables delivery to a global market. In addition, our subsidiary Enerflex Process Pty Limited, provides engineering, installation, site construction, project management and commissioning services to the international market. Enerflex's production and processing facilities occupy approximately 103,000 square feet of shop floor space in Nisku, Alberta and approximately 39,000 square feet of shop floor space in Australia.

Markets and Application

The Enerflex Production and Processing Division engineers, designs, fabricates, installs, commissions and starts up oil and natural gas processing equipment and facilities for North American and international applications. These products and facilities are required to process inlet feed, removing impurities such as H_2S, CO_2 and water from oil and natural gas to meet the requirements of pipeline specifications. In certain circumstances, Enerflex also provides supervision and project management services with respect to the installation and commissioning and start-up of such products globally.

The following are some of the more common production and processing applications:

- Hydrocarbon Dew Point Control – a process designed to remove heavier hydrocarbons (propane, butane and pentane) from natural gas prior to injecting the natural gas into the sales pipeline. This process utilizes mechanical propane refrigeration and hydrate suppression with ethylene glycol in order to achieve the sales gas pipeline specifications.

- Liquid Petroleum Gas Recovery – a process designed to remove valuable propane and butane (C3/C4 – LPG) products in a natural gas stream prior to injecting the natural gas stream into the sales pipeline which can use a combination of mechanical propane refrigeration, hydrate suppression with ethylene glycol, turbo expansion and dehydration using a molecular sieve in order to achieve the sales gas pipeline specification and a high product (C3/C4) recovery.

- Amine Systems – a process designed to remove H_2S and CO_2 from natural gas prior to injection into the sales gas pipeline. This process utilizes amine to absorb H_2S and CO_2 from the natural gas in an absorbing tower. The amine laden with H_2S and CO_2 is then regenerated to remove the H_2S and CO_2 prior to being utilized again.

- Natural Gas Dehydration – natural gas dehydration can be accomplished predominantly using glycol or a molecular sieve. Glycol dehydration is a very traditional process that uses glycol to absorb water out of the natural gas prior to injection into the sales gas stream. The molecular sieve process uses a desiccant bead to absorb water and can be used in a high H_2S environment.

- Oil and Gas Separators – separation is the most common type of primary process used in a wide variety of facilities. Separators are commonly used to measure gas, oil and water being produced at a well site and are also used at the front end of a central processing facility to measure oil, gas and water plus handle the slug created from inlet pipelines.

- Mechanical Refrigeration – mechanical refrigeration using propane is used to help condense natural gas streams by way of a reduction in temperature.

- Line Heaters – line heaters are commonly used on well sites to keep the temperature of natural gas above its hydrate point. Line heaters are also used on the sales gas pipeline again to reheat the gas to keep it above the hydrate temperature.

- SAGD Oil Production Modules – working primarily in the off sites and utilities. Production modules separate the emulsion and send hydrocarbons to a central plant for processing and send the water for steam re-injection.

- SAGD Water Treatment Technology – water recycling for steam injection requires process equipment to strip the impurities from the recycled water. An evaporation process is the latest technology deployed in the water purification process and requires large, low pressure, stainless steel vessels and associated piping and process modules.

Service

Enerflex's Service Division provides repair and maintenance services, equipment optimization and maintenance programs, manufacturer warranties, exchange components and technical services to our customers. The division operates through an extensive network of branch offices and generally provides its services at the customer's well site locations using trained technicians and mechanics. The Enerflex aftermarket service and support business includes distribution and remanufacturing facilities, more than thirty-five outlets situated in active natural gas producing areas, hundreds of service vehicles, hundreds of skilled mechanics, and a sizable inventory of original equipment manufacturer parts from key manufacturers.

Enerflex services a large installed base of gas compression and storage facilities in North America and Australia. In addition, Enerflex provides contract maintenance and operation for large natural gas facilities in the Middle East and other markets where there is limited experience in operating and maintaining gas compression facilities.

Enerflex's customers range from independent producers to regionally significant players to some of the world's largest producers. Maintenance contracts are managed centrally out of Calgary, Alberta by a team of dedicated engineers and planners using remote monitoring and on-site specialist personnel to carry out the work required.

Through an agreement with GE's Gas Engines, the Company became the authorized distributor and after-sales support provider for Waukesha parts and engines in Canada and 20 U.S. states, as well an authorized distributor and after-sales support provider of Jenbacher engines and parts in Canada. GE's Gas Engines produces high-quality reciprocating gas-fuelled engines, Waukesha primarily for gas compression applications. In connection with this distribution agreement, Enerflex created a wholly-owned limited partnership, Gas Drive Global LP to focus on a pure distribution business, from selling engines and power generation systems to service and full lifecycle support of the product. Most of the Company's after-market service resources were transferred to Gas Drive, enabling Gas Drive to commence operations with complete capabilities. Gas Drive is positioned directly in gas-producing areas, with 35 branches located in Drumheller, Alberta; Gillette, Wyoming; Roma, Australia and Jakarta, Indonesia. Outside of Gas Drive's designated distribution/ service areas, after-market service continues to be provided by Enerflex Service. This includes operations and maintenance contracts in the Middle East.

Enerflex is also an exclusive authorized distributor for Altronic, a leading manufacturer of electric ignition and control systems in Canada, Australia, Papua New Guinea and New Zealand.

Rentals
Enerflex's Rental business offers customers flexible and innovative financing alternatives, through which oil and natural gas producers and electricity generators can rent a broad range of compression, production and power generation equipment. Enerflex's offerings include short-term rentals, long-term capital and operating leases and full-service contract operations and maintenance. Enerflex's rental fleet is located principally in Western Canada. Expansion in international markets is being executed on a selective basis to minimize any risk associated with these new markets.

Enerflex's Rental product line has historically been a significant contributor to Enerflex's earnings, despite its low proportion of consolidated revenue. In addition, the Rental Division strengthens –the performance of our other divisions. For example, the Enerflex Rentals Division is a significant customer to the Compression and Power Division of Enerflex's "Engineered Systems" product line, as almost all of its equipment is purchased from Engineered Systems. Enerflex's Service Division also benefits because a large number of our rental customers use services provided by our Services Division to perform routine maintenance over the term of the rental or lease.

Enerflex expects its Rental business to have continued long-term growth in demand for its products in Canada, and has targeted specific geographic regions for expansion in the United States and abroad.

Segmented Revenue Details
Enerflex's external revenue, by business segment and by product line, are set forth in the following table:

	2011 Revenue $000	**%**	**2010 Revenue $000**	**%**
Business Segment				
Canada & Northern U.S.	524,235	43	453,757	43
Southern U.S. & South America	342,335	28	364,273	34
International	360,567	29	249,753	23
Total	**1,227,137**	**100**	**1,067,783**	**100**
Product Line				
Engineered Systems	906,093	74	772,806	73
Service	262,217	21	238,600	22
Rental	58,827	5	56,377	5
Total	**1,227,137**	**100**	**1,067,783**	**100**

In the table above, the four quarters of 2011 includes twelve full months of activity, whereas the four quarters of 2010 includes twelve months of activity for the legacy TESI business and eleven months and nine days of activity for the legacy ESIF business.

Enerflex's Facilities
Enerflex has a total of 61 locations worldwide. Twenty-five are located in Western Canada, including twenty in the Province of Alberta, with our head office in Calgary, Alberta. We have twenty-two locations in the United States and seven locations in Australasia (we have six locations in Australia and an office in Jakarta, Indonesia). Serving the Middle East and North Africa, we have three offices, including our regional office in Abu Dhabi, the United Arab Emirates. In Europe Enerflex has two locations, including one sales office in Surrey, United Kingdom.

Included in the 61 locations noted above are four main fabricating centers, which are located in Calgary, Alberta, Nisku, Alberta , Houston, Texas and Casper, Wyoming and one re-assembly facility in Brisbane, Australia.

Enerflex's Customers

The Enerflex customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including large integrated oil and natural gas companies, national oil and natural gas companies, independent producers and natural gas processors, gatherers and pipelines and chemical companies and carbon dioxide developers. While certain customers may account for over 10% of our business in a given year, no single customer has a dominant share of Enerflex's business on a continual yearly basis.

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 agreements with Waukesha, 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.) with respect to the provision of reciprocating and rotary screw compressors. Enerflex purchases coolers for its gas compression units from a select number of suppliers.

The timely receipt of the above components affects the production schedule of natural gas compression and production and process equipment. In the event that one of the above original equipment manufacturer agreements is terminated, Enerflex would need to find an alternative supplier. Some of the above suppliers may find it necessary to allocate its supply of components. Such allocations of supply have not in the past proven to be a significant impediment in the conduct of Enerflex's business. However, there can be no assurance that supply of products in the quantities and timeframes required by customers will continue.

Competitive Conditions

The demand for Enerflex's products and services are influenced by several factors that impact our customers, including the price of and demand for oil and gas, demand for associated infrastructure, transportation costs, access to qualified personnel, the availability and pricing of materials and component parts, 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.

Industry Outlook – Oil and Gas Producers

In a report published by the U.S. Energy Information Administration, global natural gas consumption is expected to grow from 110.7 tcf in 2008 to 168.7 tcf in 2035[1]. This same report goes on to outline that, based on the projection, natural gas producers will need to increase supplies by nearly 60 tcf – which is nearly 50% higher than the production levels in 2008. It is expected that unconventional resources, such as shale gas, will account for a significant portion of the required increase in natural gas production. These unconventional natural gas plays typically require more compression and processing equipment and services in comparison to conventional natural gas plays.

While Enerflex continues to build its international presence, the Company's operations are largely tied to natural gas capital and operating expenditures in North America. Many forecasters expect that, in the absence of significant discoveries, North American conventional natural gas production will decrease and sustaining or increasing production volumes is progressively more dependent upon development of unconventional gas plays. In the longer term, even in the absence of changes to current laws and

[1] U.S. Energy Information Administration, International Energy Outlook 2011

regulations designed to mitigate GHG emissions, the consumption of natural gas in OECD Americas is expected to increase from 28.8 tcf in 2008 to 37.1 tcf in 2035[1]. This forecasted consumption increase is primarily driven by growth in industrial demand and increased use in electrical generation. As demand for natural gas increases, it is expected that domestic natural gas prices will rebound, which should result in increased natural gas focused exploration and development activity. Additionally, there are a number of LNG facilities that are in various stages of planning and/or approval. Should any or all of these LNG facilities be built, additional markets for North American natural gas will open up, which is generally expected to move the North American gas prices closer to the global natural gas price.

Internationally, the global demand for natural gas is strong and it is widely expected to increase. Natural gas continues to be the fuel of choice in many regions of the world due to lower carbon intensity and because of its significant price discount to oil in many regions of the world. In addition, natural gas is viewed as an attractive alternative fuel for new power generation plants because of low capital costs and favourable thermal efficiencies. With the world paying increasing attention to environmental issues, the evolution of natural gas as an alternative energy source is accelerating.

LNG is expected to play a more prominent role in the global demand and supply of natural gas. There is a high potential value of planned and committed hydrocarbon infrastructure and processing projects, especially in the Middle East and Australia. The development of these new projects will increase the need for gas processing and compression.

In Australia the growing LNG export business continues to drive up natural gas prices on the west coast as producers secure major supply contracts in Southeast Asia. Similar market pressure is expected to be created on the east coast, where LNG plants are being constructed to expose CBM production to international markets. If this occurs, the favourable price signals may drive further investment in CBM, tight gas and marginal field opportunities.

In the Middle East, several new LNG projects are also under construction aiming to provide additional exports to international markets. The development of a more global natural gas market is expected to increase the demand for natural gas processing and the supporting infrastructure.

Competitive Issues in the Oil and 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 expansion of Enerflex on a global basis assists Enerflex in managing these issues as it broadens the markets in which personnel can be accessed and it allows Enerflex to manage its inventory levels on a larger scale thus improving its supply chain. In addition to the various business risk factors outlined below, investors should be aware of certain competitive issues in Canada, the United States and international markets.

Canada

The Canadian production and processing equipment and compressor packaging markets are very competitive. Several fabricators target the same customers as Enerflex, and fabrication floor space is not a constraint. To be successful, Enerflex must compete on the basis of quality and service while remaining price competitive. The introduction of additional products is one way Enerflex maintains its competitive position.

A number of new competitors have emerged for the Company's service division. Enerflex is a market leader in Canada and maintains an extensive branch network, as proximity to customer locations is key to earning business. The Company, through Gas Drive, believes its service division has a competitive advantage as the authorized Waukesha distributor for engines and spare parts. In addition, Gas Drive is an authorized Jenbacher distributor in Canada.

While it is Enerflex's belief that more compression equipment is being rented each year in Canada, the majority of compression equipment, measured by horsepower, is owned by producers. Enerflex continues to be a leader in the Canadian compression rental industry, as measured by horsepower. It is management's belief that a significant opportunity exists through the ownership, operation and management of compression facilities presently owned by natural gas producers. Enerflex is well suited to reconfigure or replace the compression equipment to the corresponding production profile of the natural gas field and optimize the future compression needs as the future production profile changes.

United States
There are several major competitors, and a number of small regional competitors in the United States compression fabrication business. Management believes that the United States market will continue to provide Enerflex with an opportunity to expand its business through the supply of cold-weather compression packages and large horsepower custom built packages from its United States fabrication facilities.

International
Internationally, Enerflex generally faces the same competitors as in North America. Most significant North American production equipment and compression fabricators pursue international business. International contacts developed by production and processing along with those compression products exported from Enerflex's Canadian and United States facilities have increased Enerflex's exposure to international opportunities, particularly in the Middle East and the Australasian markets.

In Australia, through the acquisition of HPS , Enerflex significantly increased its profile and improved its competitive potential for meeting the expanding natural gas infrastructure needs of the region. HPS has a history of successfully engineering, constructing and project managing the commissioning of natural gas production and distribution facilities.

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

Seasonality
While demand for Enerflex's products and services is largely a function of the supply, demand and price of natural gas, other factors can affect the business, either positively or negatively. Energy prices generally affect Enerflex, as most customers generate cash flow from the production and sale of both oil and 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.

The oil and natural gas service sector in Canada, where Enerflex's operations are currently concentrated, has a distinct seasonal trend in activity levels which results from well-site access and drilling patterns being adjusted to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line experiences higher revenues in the fourth quarter of each year, its Service Division experiences higher revenues in the first quarter of each year and its Rental Division experiences stable revenues throughout the year, impacted by its customers and Enerflex's capital investment decisions. Variations from this trend 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
Enerflex did not have any one customer that accounted for more than 10% of consolidated revenue in either 2010 or 2011.

Enerflex is committed to building strong relationships with suppliers and recognizes that success is achieved by fostering trust and respect between two parties. An effective competitive bidding process is in place to provide opportunities for all new and existing suppliers.

Changes to Contracts
There is no aspect of the Company's business reasonably expected to be affected by renegotiation or termination of contracts or sub-contracts.

Environmental Matters
Enerflex designs and operates its facilities in compliance with applicable federal, provincial, state, local and foreign requirements regulating the discharge of substances into the environment or otherwise relating to the protection of the environment, including the regulation of GHG emissions. Some components of Enerflex's activities involve the use of ammonia and alternative refrigerants, which must be stored and handled in accordance with applicable environmental regulations. Enerflex's operations are also subject to federal, provincial and state regulations that govern air emissions and impose specific requirements on the use and handling of CFCs and certain other refrigerants. Regulations now prohibit the release of CFCs and HCFCs used as refrigerants into the environment and require persons who repair and service equipment that use these refrigerants to be certified by the appropriate regulatory authority. To the extent more stringent regulations are enacted, Enerflex intends to continue to address them in a proactive manner. The costs of Enerflex's compliance with applicable environmental laws and regulations are not expected to be material. Enerflex's management reports quarterly to the Board of Directors on environmental matters.

There is also an increase in new regulation of GHG emissions including mandatory GHG reporting and, in some jurisdictions, GHG reduction targets. Enerflex is not a large emitter of GHGs and does not currently exceed the current applicable GHG reporting or reduction thresholds. Although Enerflex expects the imposition of more stringent GHG regulations, Enerflex does not currently anticipate any material expenditures will be necessary to ensure future compliance with more stringent GHG regulations. However, the Company is currently unable predict the effects, if any, of more stringent GHG regulations on our customers.

Social Policies
Enerflex is committed to strengthening the communities it operates in by providing community investment. Enerflex's community investment activities support programs in health and wellness, training and enrichment, and community development.

Employees
Enerflex had approximately 3,100 employees worldwide as at December 31, 2011.

Economic Drivers
The energy services sector, in which Enerflex operates, is largely dependent upon the capital spending programs and activities of crude oil and natural gas exploration and production companies. These spending patterns vary dramatically year-over-year and from one global region to another and are influenced by many factors, including: the current and expected commodity prices of crude oil and natural gas; the availability, access and cost of transporting hydrocarbon products; current and anticipated global supply and demand estimates; and a wide array of economic and political factors. As a result, the demand for oilfield products and services can be volatile and is impacted by factors that are outside the control and influence of oilfield service companies. In addition to fluctuating activity levels, access to skilled

personnel, the supply and availability of major components and repair parts, and the competitive nature of the energy services sector are challenges that face the sector and Enerflex.

In early 2010, on the heels of the financial crisis, many natural gas producers were reluctant to invest capital due to the uncertainty surrounding the economy. In the second half of 2010, and extending through 2011, the activity level increased as oil and gas exploration companies began to increase the investment in infrastructure required to produce natural gas in North America and international markets. In North America, these investments were primarily geared towards liquid rich unconventional gas plays. In the international market, investments are being made by producers for both the production of natural gas for domestic consumption and for export through LNG terminals. The strength of the international demand for the products and services that Enerflex provides was reflected by strong international bookings in the second half of 2010 and extending through 2011. Enerflex was able to achieve these results, despite macroeconomic uncertainty, due to its diversified customer base, strong regional presence and a strong balance sheet which provided the Company with the resources necessary to meet the demands of the market. These strengths are expected to provide the basis for Enerflex's future success.

Backlog

($Thousands unaudited) as at December 31,	**2011**	**2010**
Canada and Northern United States	177,056	135,661
Southern United States and South America	284,622	146,138
International	524,427	361,843
Total Backlog	**986,105**	**643,642**

Enerflex is significantly increasing its international sales efforts to compensate for any reduction in North American activity. 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. This has been achieved by negotiating fair prices for Enerflex's products and services, expanding the global reach of Enerflex's export sales, developing and maintaining Enerflex's relationships with key customers and suppliers, maintaining the skill levels of Enerflex's people, and monitoring and adjusting to the practices of Enerflex's 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 the shares of Enerflex involves a number of risks including, but not necessarily limited, to those set forth below.

Risks relating to the Completion of the Arrangement

Future Financing Requirements
As a result of the Arrangement, Enerflex is independent of Toromont and any financing that we may require in the future will be obtained by Enerflex on a stand-alone basis. As a result, Enerflex may not be able to secure adequate debt or equity financing or otherwise raise the capital required on the same terms as Toromont (as it existed historically or exists currently), desirable terms or at all.

Operating as an Independent Entity
As a result of the Arrangement, Enerflex separated from the other businesses of Toromont and such separation may materially adversely affect us. Enerflex may not be able to implement successfully the changes necessary to operate independently. Enerflex may incur additional costs relating to operating independently that could materially affect our cash flow and results of operations. Enerflex require

Toromont to provide us with certain services (including, but not limited to, information technology services) on a transitional basis. As a result, Enerflex may be dependent on such services until we are able to provide our own.

Historical Financial Information
The Natural Gas Compression and Process Business and our assets were operated by Old Enerflex and other subsidiaries of Toromont until June 1, 2011; consequently, the Enerflex financial information has been derived, in substantial part, from the consolidated financial statements and accounting records of Toromont and reflect certain assumptions and allocations. The Company's financial position, results of operations and cash flows could differ from those that would have resulted had Enerflex operated autonomously or as an entity independent of Toromont for all of fiscal 2010 and 2011.

Separate Operating History
Enerflex became an independent public company on June 1, 2011. The operating history of Toromont and Old Enerflex in respect Natural Gas Compression and Process Business and our assets cannot be regarded as our operating history. Enerflex's ability to raise capital, satisfy our obligations and provide a return to shareholders will be dependent upon future performance. Enerflex will not be able to rely on the capital resources and cash flows of Toromont. Future operating results and performance may be materially different than those we would have achieved had we been operating as a subsidiary of Toromont.

Tax Indemnity Agreement
Enerflex could be exposed to substantial tax liabilities if certain requirements of the "butterfly" rules in section 55 of the Income Tax Act are not complied with. Failure to comply with these requirements could also cause the spinoff to be taxable to Toromont in circumstances where Enerflex would be required to indemnify Toromont for the resulting tax. See *"Material Contracts – Tax Indemnity Agreement"*

Potential Conflicts of Interest
Certain conflicts of interest could arise as a result of the relationship between the Company and Toromont. One of the directors of the Company is a director of Toromont. The directors of the Company and Toromont have fiduciary duties to manage the Company and Toromont, respectively, in a manner beneficial to the Company and Toromont, respectively. The duties of the director who is on the board of directors of both the Company and Toromont may come into conflict.

Business Risks

Personnel
Enerflex's Engineered Systems product line requires skilled engineers and design professionals in order to maintain customer satisfaction and engage in product innovation. Enerflex competes for these professionals, not only with other companies in the same industry, but with oil and gas producers and other industries. In periods of high energy 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 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 businesses. Demographic trends are reducing the number of individuals entering the trades, making Enerflex's access to skilled individuals more difficult. There are few barriers to entry in a number of Enerflex's businesses, so retention of staff is essential in order to differentiate Enerflex's businesses and compete in its various markets.

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.

Energy Prices & Industry Conditions
The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. The majority of Enerflex's customers generate cash flow from crude oil and natural gas production. They in-turn base their capital expenditure decisions on various factors, including but not limited to hydrocarbon prices, exploration and development prospects in various jurisdictions, production levels of their reserves and access to capital – none of which can be accurately predicted. Periods of prolonged or substantial reductions in commodity prices may lead to reduced levels of exploration and production activities, which may negatively impact the demand for the products and services that Enerflex offers, which may have a material adverse effect on the Enerflex results of operations and financial condition, including Enerflex's ability to pay dividends to its shareholders.

The Cyclical Nature of the Energy Industry
Changing political, economic or military circumstances throughout the energy producing regions of the world can impact the market price of oil for extended periods of time, which in turn impacts the price of natural gas, as industrial users often have the ability to choose to use the lower priced energy source.

Climatic Factors and Seasonal Demand
Demand for natural gas fluctuates largely with the heating and electrical generation 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 then have a positive impact on Enerflex. At the same time, access to many western Canadian oil and 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 gas production in the short term and can negatively impact the demand for Enerflex's products and services.

Distribution Agreements
One of Enerflex's strategic assets is its distribution and original equipment manufacturer agreements with leading manufacturers, notably General Electric's Gas Engine division for engines and parts. Enerflex is also the international distributor for Altronic, a leading manufacturer of electric ignition and control systems in Australia, New Zealand, Papua New Guinea and Canada. Enerflex also has relationships and agreements with other key equipment manufacturers including Caterpillar and Ariel Corporation.

In the event that one or more of these agreements were to be terminated, Enerflex may lose a competitive advantage. 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.

Competition
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 product line, are large, multi-national companies. Within Canada, particularly in the Service product line, Enerflex has a number of small to medium-sized competitors, who may not have access to the capital and resources that Enerflex has, but may also incur lower overhead costs than Enerflex. See "*Narrative Description of the Business – Competitive Conditions*".

Foreign Operations
Enerflex sells products and services throughout the world. This diversification exposes Enerflex to risks related to cultural, political and economic factors of foreign jurisdictions which are beyond the control of Enerflex. Other issues, such as the quality of receivables, may also arise.

Government Regulation
The Company is subject to health, safety and environmental laws and regulations that expose it to potential financial liability**.** The Company's operations are regulated under a number of federal,

provincial, state, local, and foreign environmental laws and regulations, which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage, and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for any investigation and clean-up of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and U.S. federal, provincial, state and local laws and regulations, as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. 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.

Liability Claims
The Company could be subject 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, loss of life, 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 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. 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.

Bank Facilities and Senior Notes
Enerflex relies on the Bank Facilities and Senior Notes to meet its funding and liquidity requirements. The Senior Notes are due on two separate dates with $50.5 million, at a fixed interest rate of 4.841%, due on June 22, 2016 and $40.0 million, at a fixed interest rate of 6.011%, due on June 22, 2021. The Bank Facilities are due on June 1, 2015 and may be renewed annually with the consent of the lenders. If the Company cannot successfully re-negotiate all or part of the Bank Facilities prior to its due date, the cash available for dividends to shareholders and to fund ongoing operations could be adversely affected.

The Bank Facilities and Note Purchase Agreement also contain a number of covenants. Failure to meet any of these covenants, financial ratios or financial tests could result in events of default under each agreement. 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 declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends*."

Environmental Considerations
Demand for the Company's products and services could be adversely affected by changes to Canadian, U.S. or other countries' laws or regulations pertaining to the emission of CO2 and other GHGs into the atmosphere. Although the Company is not a large producer of GHGs, the products and services of the Company are primarily related to the production of hydrocarbons including crude oil and natural gas, the

ultimate consumption of which is generally considered a major sources of GHG emissions. Changes in the regulations concerning the release of GHG into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

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. Enerflex purchases most of its natural gas engines and parts either through a distributor or an original equipment manufacturer agreement with General Electric's Gas Engine division, and through an original equipment manufacturer agreement with Finning (Caterpillar). Enerflex purchases most of its compressors and related parts through a distributor agreement with Ariel Corporation. Enerflex has long standing relationships with these companies. Additionally, Enerflex has relationships with a number of other suppliers including The Howden Group and The Frick Company (Johnson Controls Inc.). The availability of the component parts and the delivery schedules provided by these suppliers affect the assembly schedules of Enerflex's production and services.

Enerflex purchases coolers for its compression packages from a limited number of suppliers. The production schedules and delivery time tables from these suppliers affect the assembly schedule of Enerflex's products.

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 customer satisfaction.

A challenge to achieving improved profitability will be the timely availability of certain original equipment manufacturer components and repair parts, which will generally be in steady demand.

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.

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. As a result, the change in the value of the Canadian dollar relative to other currencies could have a material impact on Enerflex's revenues and expenses.

Enerflex manages most of this inherent risk through a combination of natural hedges and contractual arrangements, but currency risk cannot be eliminated entirely. Enerflex has subsidiaries in the United States, Australia, Indonesia, the United Arab Emirates, Oman, Bahrain and the United Kingdom. These subsidiaries may create an exposure to Enerflex due to changes in the exchange rates for the currencies of each country in relation to the Canadian dollar.

Hedging Activities

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. As a result, Enerflex has implemented a hedging policy, applicable primarily to the Canadian domiciled business units, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, Enerflex may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract. Enerflex utilizes a combination of foreign denominated debt and currency forward contracts to meet its hedging objective. Under IFRS, derivative instruments that do not qualify for hedge accounting are marked-to-market at the end of each period with the changes in fair value recognized in current period net earnings. Enerflex does apply hedge accounting to the majority of its forward contracts, as such, the gains or losses on the forward contracts are deferred to the consolidated statement of financial position. However, there can be no assurance that Enerflex will choose to continue to use or qualify for hedge accounting in the future, as such, the use of currency forwards may introduce significant volatility into Enerflex's reported earnings.

Credit Risk

A substantial portion of Enerflex's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices. 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.

Insurance

Enerflex carries insurance to protect the Company in the event of destruction or damage to its property and equipment, subject to appropriate deductibles and the availability of coverage. Liability and executive insurance coverage is also maintained at prudent levels 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 insurance coverage will be maintained in the future, but there can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or be available on terms as favourable as Enerflex's current arrangements. The occurrence of a significant event outside of the coverage of Enerflex's insurance policies could have a material adverse affect on the results of the organization.

Information Technology

As Enerflex continues to expand internationally, access to engineering and other technical skills in foreign locations, develop web-based applications and monitoring products, and improve its business software applications, information technology assets and protocols will become increasingly important to Enerflex. Enerflex has attempted to reduce this exposure by improving its information technology general controls, updating or implementing new business applications and hiring or training specific employees with respect to the protection and use of information technology assets.

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, 2011, there were 77,339,781 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.

We have a Shareholder Rights Plan that was adopted to ensure, to the extent possible, fair treatment of the shareholders of Enerflex in connection with any take-over bid made for Enerflex. The Shareholder Rights Plan seeks to provide the shareholders of Enerflex with adequate time to properly assess a take-over bid without undue pressure. It is also intended to provide the Board of Directors with more time to fully consider an unsolicited take-over bid and, if considered appropriate, to identify, develop and negotiate other alternatives to maximize shareholder value. The Shareholder Rights Plan creates a right that attaches to each issued Common Share. Until the separation time, which typically occurs at the time of an unsolicited take-over bid, whereby a person acquires or attempts to acquire 20 percent or more of our Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the 20 percent acquiror, from and after the separation time (unless delayed by the Board of Directors) and before certain expiration times, to acquire Common Shares at 50 percent of the market price at the time of exercise.

The Shareholder Rights Plan was approved by the shareholders of Toromont at the meeting of the shareholders of Toromont held on May 16, 2011 to approve the Arrangement and related matters. This approval was deemed to meet the TSX requirement for Enerflex shareholder approval of the Shareholder Rights Plan. The Shareholder Rights Plan must be reconfirmed by our shareholders at our annual shareholder meeting to be held in 2014 and every third annual shareholder meeting thereafter until its expiry.

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 attaching 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.

Stock Option Plan

The Stock Option Plan permits the Board of Directors to grant directors, officers and key employees of Enerflex and its affiliates stock options to purchase Common Shares (in addition to the Arrangement Options granted pursuant to the Arrangement). The aggregate number of Common Shares reserved for issuance upon the exercise of Options granted under the Stock Option Plan is 7,721,239.

Pursuant to the Arrangement, options to acquire common shares of Toromont were exchanged on the Spinout Date for new stock options granted by each of Toromont and Enerflex. In particular, each holder of Toromont options disposed of the applicable portion of such holder's respective rights under its Toromont options to each of Toromont and Enerflex in consideration for the issuance to that holder of post-Arrangement Toromont options and Arrangement Options. This was considered to be consistent with the treatment of the shareholders of Toromont under the Arrangement.

For each common share of Toromont that the holder would have been entitled to acquire under its Toromont options, the holder became entitled to acquire one (1) post-Arrangement Toromont common share under the post-Arrangement Toromont option received in the exchange and one (1) Common Share under the Arrangement Option received in the exchange. The original exercise price of each holder's Toromont options was allocated to the post-Arrangement Toromont options and the Arrangement Options acquired by such holder on the exchange of such Toromont option, such that an amount equal to the fractional amount representing the net fair market value of the Common Shares held by Toromont prior to the Arrangement of such original exercise price will be payable to Enerflex for each Common Share acquired under the Arrangement Options and an amount equal to the remainder of the original exercise price will be payable to Toromont for each post-Arrangement Toromont common share acquired under the post- Arrangement Toromont options.

Except as noted above, the post-Arrangement Toromont options and Arrangement Options received by a Toromont option holder in the Arrangement have substantially the same terms as those of the Toromont options for which they were exchanged, including their vesting schedule and the term during which they may be exercised. For purposes of the Stock Option Plan, the Arrangement Options are deemed to be a continuation of the earlier granted Toromont option for which they are exchanged, as opposed to a new grant of options. The Stock Option Plan provides that each holder of a Toromont option at the time of the Arrangement that was a director, officer or full-time employee of Toromont or one of its affiliates shall be permitted, for so long as he or she remains a director or officer or full-time employee, as applicable, of Enerflex or one of its affiliates, to hold and exercise his or her post-Arrangement Arrangement Options received as part of the Arrangement in accordance with their terms as though he or she remained a director, officer or full-time employee, as applicable, of Toromont or its affiliates eligible to participate in Toromont's stock option plan.

Upon any such post-Arrangement Toromont option holder ceasing to be a director, officer or full-time employee of Enerflex or one of its affiliates, he or she shall be treated for purposes of the Stock Option Plan as having ceased to be so employed with Toromont and its affiliates and the rights under his or her post-Arrangement Toromont Options shall be affected accordingly.

The Arrangement Options received by Toromont option holders were deemed to have been granted pursuant to the Stock Option Plan. The TSX required that the Stock Option Plan be approved by the shareholders of Enerflex before the exercise of any Enerflex Option (excluding the Arrangement Options) granted thereunder. The Stock Option Plan and the issuance of the Arrangement Options was approved by the shareholders of Toromont at the meeting of the shareholders of Toromont held on May 16, 2011 to approve the Arrangement and related matters. This approval was deemed to meet the TSX requirement for Enerflex shareholder approval of the Stock Option Plan and the issuance of the Arrangement Options.

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 from its available cash, without impairing its growth potential, to shareholders. The Company may make additional dividends in excess of quarterly dividends during the year, as the Company may determine from time to time. The Credit Facilities, 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, 2011, the Company was in full compliance with these covenants. During 2011, Enerflex declared quarterly dividends of \$0.06 per Common Share for each of the first three quarters of 2011, for a total annual dividend of \$0.18 per share. On January 5, 2012, Enerflex paid the 2011 fourth quarter dividend of \$0.06 per Common Share.

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. See "*Risk Factors*".

MARKET FOR SECURITIES

The outstanding 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, 2011.

Period	High ($)	Low ($)	Close ($)	Volume (#)
2011				
June..	13.75	11.90	12.41	5,377,778
July..	12.66	11.66	11.74	7,451,245
August..	11.65	9.53	10.70	4,822,326
September..	10.63	8.48	8.75	3,896,931
October...	10.58	7.65	10.26	2,186,060
November..	12.10	9.90	12.08	2,548,004
December..	13.50	11.80	13.26	1,509,182

PRIOR SALES

Debt Securities

On June 22, 2011 we completed the private placement of the Senior Notes, consisting of $50.5 million of 5 year unsecured notes bearing an interest rate of 4.841% and maturing on June 22, 2016, as well as $40 million of 10 year unsecured notes bearing an interest rate of 6.011% and maturing on June 22, 2021. The Senior Notes rank *pari passu* with existing corporate indebtedness

DIRECTORS AND OFFICERS

Each of the directors of the Company was appointed as a member of the Board of Directors effective June 1, 2011 pursuant to the Arrangement and will hold office until the next annual meeting or until their successors have been duly elected. Accordingly, the current term of each of the directors will expire at the next annual meeting of shareholders, which is scheduled to be held on April 12, 2012.

The following table and biographical information sets forth the names, municipality and country of residence of each of the current directors and officers of the Company as at February ,29, 2012, together with the positions currently held by them with Enerflex, the current principal occupation, business or employment of each director or officer, the principal occupation, business or employment of each director or officer over the past five years, the date each first became a director or officer of the Company, and the number of Common Shares held, as at the date hereof.

Directors

Name, Municipality and Country of Residence and Position with the Company	Principal Occupation	Common Shares Held
Stephen J. Savidant(1) *Calgary, Alberta, Canada* *Director and Chairman*	Independent Businessman and Corporate Director	25,000
J. Blair Goertzen *Calgary, Alberta, Canada*	President and Chief Executive Officer of	202,402

Director, President and Chief Executive Officer	Enerflex Ltd.	
Robert S. Boswell (4) (6) *Denver, Colorado, USA* *Director*	Chairman and Chief Executive Officer, Laramie Energy II LLC	11,400
Wayne S. Hill (2) (7) *Toronto, Ontario, Canada* *Director*	Independent Businessman and Corporate Director	213,300
H. Stanley Marshall (3) *Topsail, Newfoundland, Canada* *Director*	President and Chief Executive Officer, Fortis Inc.	82,000
Kenneth R. Bruce (5) *Calgary, Alberta, Canada* *Director*	Independent Businessman and Corporate Director	10,000
W. Byron Dunn (6) (7) *Dallas, Texas, USA* *Director*	Principal of Tubular Synergy Group, LP	20,000
Michael A. Weill (5) *Houston, Texas, USA* *Director*	Chief Executive Officer of Global Deepwater Partners LLC	2,000

Notes:

(1) Chairman of the Board.
(2) Chairman of the Audit Committee.
(3) Chairman of the Human Resources and Compensation Committee.
(4) Chairman of the Nominating and Corporate Governance Committee.
(5) Member of the Audit Committee.
(6) Member of the Human Resources and Compensation Committee.
(7) Member of the Nominating and Corporate Governance Committee.

Stephen J. Savidant is an independent businessman with over 33 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 until it was acquired by Paramount Resources Ltd. on May 31, 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. He is also a director of Empire Company, which is a reporting issuer. Mr. Savidant holds a B.Eng degree and an MBA from McGill University.

J. Blair Goertzen is the President and Chief Executive Officer of Enerflex Ltd. Mr. Goertzen joined Enerflex in 2003 as Executive Vice President. He was appointed President and Chief Operating Officer in 2005 and became President and Chief Executive Officer in 2006. He was previously employed by IPEC Ltd. from 1999 to 2002. From 1989 to 1999, Mr Goertzen was Vice President of Enserv Corporation and was appointed to Senior Vice President, Business Development of Precision Drilling Corporation when Precision acquired Enserv.

Robert S. Boswell is Chairman and Chief Executive Officer of Laramie Energy II LLC, a Denver-based company primarily focused on finding and developing natural gas reserves from unconventional gas reservoirs in the Western Sedimentary Basin of North America. Prior thereto, Mr. Boswell was Chairman and Chief Executive Officer of Laramie Energy LLC from 2004 to 2007. Mr. Boswell was previously Chief Executive Officer of Forest Oil Corporation (an oil and gas company) from 1995 to 2003. Mr.

Boswell holds a B.Sc. in chemical engineering from Vanderbilt University and an MBA from the University of Texas.

Wayne S. Hill is a current director and former Executive Vice President and Chief Financial Officer of Toromont Industries Ltd. He joined Toromont in 1985 as Vice President, Finance and Chief Financial Officer and became Executive Vice President and Chief Financial Officer of Toromont in February 2002. He retired from Toromont on May 31, 2006, but was re-appointed as Executive Vice President on August 28, 2006. He subsequently retired in May 2008. He holds a B.Comm (Honours) from Queen's University and is a Chartered Accountant.

H. Stanley Marshall is President and Chief Executive Officer and a Director of Fortis Inc., and several of its subsidiaries. Fortis Inc is a reporting issuer. Mr. Marshall joined Newfoundland Power in 1979 and was appointed President and Chief Executive Officer of Fortis Inc. in 1996. Mr. Marshall holds a B.A.Sc (Chemical Engineering) from the University of Waterloo and a LLB from Dalhousie University.

Kenneth R. Bruce retired as Vice Chairman of CIBC World Markets in 2007, having served in this position since 2003. From 1995 to 2003, Mr. Bruce headed up Global Energy at CIBC World Markets which had professionals in Toronto, Calgary, New York, London, Hong Kong and Sydney. Mr. Bruce holds a Bachelor of Mathematics (Applied) from the University of Waterloo. While at CIBC World Markets, he was a Fellow of the Canadian Securities Institute and a Chartered Business Valuator.

W. Byron Dunn is Principal and Founding Partner of Tubular Synergy Group, LP which as acts as a sales, marketing and supply chain services provider for a variety of suppliers of tubular products to the oil and gas industry. Prior thereto, Mr. Dunn had a 32 year career with Lone Star Steel Company of which he was President and Director from 1997 to 2007. Mr. Dunn is also a Director of Quicksilver Resources Inc., a public company. Mr. Dunn holds a Bachelor of Arts in Management from Texas Christian University and an Executive MBA from the Edwin L. Cox School of Business at Southern Methodist University.

Michael A. Weill has been the Chief Executive Officer of Global Deepwater Partners LLC since 2008. 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.

Officers

Name, Municipality and Country of Residence	Principal Occupation
J. Blair Goertzen *Calgary, Alberta, Canada*	President and Chief Executive Officer
D. James Harbilas *Calgary, Alberta, Canada*	Vice President Finance and Chief Financial Officer
Jerauld Fraelic *Houston, Texas, United States*	President, Americas
Bill Moore *Calgary, Alberta, Canada*	President, International

Gregory Stewart *Calgary, Alberta, Canada*	Vice President and Chief Information Officer
Catherine Reyes *Calgary, Alberta, Canada*	Senior Corporate Counsel and Secretary

As of February 29, 2012, the directors and executive officers of the Company as a group owned, controlled or directed, directly or indirectly, an aggregate of 658,322 Common Shares, representing approximately 0.9% of the issued and outstanding Common Shares in total.

Mr. D. James Harbilas is the Vice-President and Chief Financial Officer of Enerflex and has held this position since August 2007. Mr. Harbilas is responsible for overseeing and providing leadership in all financial affairs, reporting, and corporate governance. Mr. Harbilas has held senior level positions in various financial capacities at SNC-Lavalin Group and AltaLink Management. Prior to joining Enerflex he held the position of Vice President Finance and Chief Financial Officer for Fortis Alberta Inc. Mr. Harbilas earned his Bachelor of Commerce and graduate diploma in accounting from Concordia University and is also a Chartered Accountant and member of the Alberta Institute of Chartered Accountants, Order des Comptables Agrees due Quebec and the Financial Executive Institute.

Mr. Jerry Fraelic is President, Americas of Enerflex and is responsible for overseeing and providing operational and strategic leadership in Canada, the United States and Latin America and will be responsible for business development in his markets of interest. He is a key member of Enerflex's senior management team tasked with expanding the Company's capabilities to meet the demands of the global oil and natural gas, petrochemical, carbon dioxide capture and fuel gas industries. Prior to Enerflex being acquired by Toromont, Mr. Fraelic led TESIs United States operations for over 15 years as the Southern US President. Before Toromont, Mr. Fraelic was a shareholder and a director of JH Lock and Sons, where he held senior positions throughout his 13-year tenure. JH Lock and Sons was acquired by Toromont in 1990 and Mr. Fraelic was appointed Toromont's Vice President of Operations.

Mr. Bill Moore is President, International of Enerflex and is responsible for setting the direction of Enerflex's International business, particularly in Australia, Southeast Asia, the Middle East North Africa and Europe/ CIS, which provides regional sales, specialized engineering, fabrication, construction, project management, supply and operation and maintenance services. He is also responsible for leading Enerflex's International Production and Processing business. He is leading the development of Enerflex's international equipment export business and is supporting its growth to meet the needs of Enerflex's international customers. Prior to his appointment as President, International, Mr. Moore was Enerflex's Senior Vice President, Operations. He was responsible for overseeing and providing operational and strategic leadership for Enerflex's Americas region. At Enerflex, Mr. Moore was previously Vice-President, Mechanical Service and General Manager, Asia Pacific, working out of the Gas Drive Systems Enerflex office in Sydney, Australia. Before joining Enerflex, Mr. Moore spent five years with AGL, a large energy company in Australia. He holds a Bachelor of Chemical Engineering degree from the University of Sydney.

Mr. Gregory Stewart is the Vice President and Chief Information Officer of Enerflex and is responsible for the management of the information systems within the Company and its subsidiaries. This includes the deployment and support of information technology to optimize and enable processes or tools that create top-line and bottom-line value to help the organization achieve its strategic goals. Prior to joining Enerflex, Mr. Stewart was Vice President of Business Services at 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 an MBA with a specialization in Information Systems and BA

(French) from McMaster University, along with a BAdmin (Brock University) and Diplome d'Etudes Françaises (Université de Franche-Comté).

Ms. Catherine Reyes is the Senior Corporate Counsel and Corporate Secretary of Enerflex, responsible for legal compliance and serving in the secretarial capacity for the Company and its subsidiaries. Prior to joining Enerflex, Ms. Reyes worked as an associate at a prominent firm in Calgary. Ms. Reyes was admitted to the New York bar in 2002 and started her career as an associate in a New York law firm. She holds a BA from the University of Calgary and an LL.B. and B.C.L. from McGill University and is a member of the Alberta Law Society and the State Bars of New York and California.

Corporate Cease Trade Orders

No current director or executive officer is, or has been within 10 years prior to the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any 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 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

Penalties or Sanctions

None of Enerflex's directors, executive officers, 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 has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Bankruptcies

No current director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or has within 10 years prior to the date of this Annual Information Form:

(a) been 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) 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.

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 act honestly and in good faith with a view to the best interests of the Company.

LEGAL PROCEEDINGS

The Company is involved in various claims and litigation as a regular part of its business. Management believes that the resolution of these claims and litigation (which in certain cases are, subject to applicable deductibles, covered by insurance) will not have a materially adverse effect on the financial position or results of operations of the Company.

Since the completion of the Arrangement, there have not been any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth below, the management of the Company is unaware of any person who has been a director or executive officer of the Company, any person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the voting rights attached to all outstanding voting securities of the Company, nor any associate or affiliate of the foregoing, has or had any material interest, direct or indirect in any transaction within the three most recently completed financial years or during the Company's current financial year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company. As at December 31, 2011, Invesco Canada Ltd. owned 13,915,083 Common Shares, representing approximately 18.02% of the issued and outstanding Common Shares.

AUDITOR, 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, 2011. Ernst & Young LLP was first appointed by the shareholders of Toromont at the meeting of the shareholders of Toromont held on May 16, 2011 to approve the Arrangement and related matters. Ernst & Young LLP is independent within the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

The transfer agent and registrar for the Common Shares is Canadian Stock Transfer Company Inc., acting as administrative agent for CIBC Mellon Trust Company at its principal office in Toronto, Ontario. The register of transfers of the Company's securities is located at the office of CIBC Mellon Trust Company in Toronto, Ontario, Canada.

MATERIAL CONTRACTS

The only contracts entered into by the Company or its subsidiaries that can reasonably be regarded as material, other than contracts entered into during the ordinary course of business and required to be filed pursuant to National Instrument 51-102, *Continuous Disclosure Obligations*, are as follows:

Arrangement Agreement
The Arrangement Agreement provided for the implementation of the Arrangement pursuant to Section 192 of the CBCA and, among other things, certain representations, warranties and covenants of the parties and certain indemnities among Toromont and Enerflex.

Tax Indemnity Agreement

On the Spinout Date of the Arrangement, Enerflex and Toromont entered into the Tax Indemnity Agreement, which provides for, among other things, a covenant of each of Toromont and Enerflex that it will not take any action, omit to take any action or enter into any transaction that could cause the Arrangement or any related transaction to be treated in a manner inconsistent with the Canadian Tax Ruling. Each party has agreed that it will indemnify the other party against any loss suffered or incurred that results from the indemnifying party's breach of this covenant or certain related covenants made in the Tax Indemnity Agreement.

The Canadian Tax Ruling contains income tax rulings binding on the CRA, and opinions of the CRA, which confirm that the distribution of the Common Shares pursuant to the Arrangement would be accomplished on a fully tax-deferred basis, and certain other tax matters related to the proposed transactions, provided that the material facts presented to the CRA were accurately stated and the distribution was implemented as disclosed to the CRA. This requires, among other things, that the distribution comply with all requirements of the public company "butterfly" rules in section 55 of the Tax Act. The Arrangement is structured to comply with these rules. However, there are certain requirements of these rules that may depend on events occurring after the Arrangement is completed or that may not be within the control of Toromont and/or Enerflex. For example, under section 55 of the Tax Act, Toromont and/or Enerflex will recognize a taxable gain on the spinoff by Toromont of the Common Shares if: (i) within three years of the spinoff, Enerflex engages in a subsequent spinoff or split-up transaction under section 55 or Toromont engages in a split-up (but not a spinoff) transaction under section 55, (ii) a "specified shareholder" disposes of Toromont or Enerflex shares (or property that derives 10% or more of its value from such shares or property substituted therefor) to an unrelated person or partnership as part of the series of transactions which includes the spinoff by Toromont of the Common Shares on the Spinout Date, (iii) there is an acquisition of control of Toromont or of Enerflex that is part of the series of transactions that includes the spinoff by Toromont of the Common Shares on the Spinout Date, (iv) Enerflex sells to a person unrelated to it (otherwise than in the ordinary course of operations) as part of the series of transactions that includes the spinoff by Toromont of the Common Shares on the Spinout Date, property acquired in the spinoff from Toromont that has a value greater than 10% of the value of all property received in the spinoff from Toromont, (v) Toromont sells to a person unrelated to it (other than in the ordinary course of operations) as part of the series of transactions that includes the spinoff by Toromont of the Common Shares on the Spinout Date, property retained by Toromont on the spinoff that has a value greater than 10% of the value of all property retained by Toromont on the spinoff, or (vi) certain persons acquire shares of Toromont (other than in specified permitted transactions) in contemplation of, and as part of the series of transactions that includes, the spinoff by Toromont of the Common Shares on the Spinout Date. If any of the above events were to occur and to cause the spinoff to be taxable to Toromont or to Enerflex under section 55, Toromont or Enerflex, as applicable, and in some cases both Toromont and Enerflex, would be liable for a substantial amount of tax. In addition, if such an event were due to an act of Toromont or Enerflex (or one of their respective affiliates), or an omission by one of them to act, Toromont or Enerflex, as applicable, would generally be required to indemnify the other party for tax under the Tax Indemnity Agreement.

Transitional Services Agreement

On the Spinout Date of the Arrangement, Enerflex and Toromont entered into the Transitional Services Agreement, pursuant to which Toromont will provide to Enerflex, on an interim transitional basis, consulting services and other assistance with respect to the information technology of Enerflex which, from time to time, are reasonably requested by Enerflex in order to assist in its transition to a public company, independent from Toromont. Unless terminated earlier, the Transitional Services Agreement will expire on June 1, 2012.

Bank Facilities

Effective June 1, 2011, the Company entered into the syndicated revolving Bank Facilities with an amount available of $300 million. The Bank Facilities consist of a committed 4-year $270 million revolving credit facility (the "**Revolver**"), a committed 4-year $10 million operating facility (the "**Operator**"), and a committed 4-year $20 million Australian operating facility (the "**Australian**

Operator"). The Revolver, Operator, and Australian Operator are collectively referred to as the Bank Facilities. The Bank Facilities were funded on June 1, 2011.

The Bank Facilities have a maturity date of June 1, 2015 ("**Maturity Date**"), but may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facilities may be increased by $50.0 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 of the Bank Facilities.

The Bank Facilities are unsecured and rank *pari passu* with the Senior Notes.

The Company is required to maintain certain covenants on the Bank Facilities and as at December 31, 2011, the Company was in compliance with these covenants.

At December 31, 2011, the Company had $31.3 million cash drawings against the Bank Facilities.

PROMOTER

Under applicable Canadian securities laws, Toromont may have been considered a promoter of Enerflex in that it took the initiative of founding Enerflex for the purpose of implementing the Arrangement.

As of the date hereof, Toromont does not beneficially own, or control or direct, directly or indirectly, any voting or equity securities of Enerflex or any of our subsidiaries.

Enerflex is independent of Toromont to the greatest extent practicable. Certain ongoing contractual arrangements between Toromont and Enerflex are generally limited to our mutual obligations under, among others, the Arrangement Agreement, including indemnification in certain circumstances, and confidentiality and access to records necessary to comply with, among other things, continuous disclosure requirements.

On the Spinout Date of the Arrangement, Enerflex entered into the Transitional Services Agreement pursuant to which it is expected that, on an interim basis, Toromont will provide consulting services and other assistance with respect to information technology of Enerflex which, from time to time, are reasonably requested by us in order to assist in our transition to a public company, independent from Toromont. Unless terminated earlier, the Transitional Services Agreement will expire on June 1, 2012. The Agreement reflects terms negotiated in anticipation of each company being a stand-alone public company, each with independent directors and management teams.

AUDIT COMMITTEE

Audit Committee Charter

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

Composition of the Audit Committee

The Audit Committee of the Company is comprised of Wayne Hill, Kenneth Bruce and Michael A. Weill, 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*.

Mandate of the Audit Committee

The 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.

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
Wayne Hill	Mr. Hill is a former Executive Vice President and former Chief Financial Officer of Toromont Industries Ltd. He holds a B.Comm. (Hons) from Queen's University and is a Chartered Accountant.
Kenneth Bruce	Mr. Bruce is a former Vice Chairman of CIBC World Markets. Mr. Bruce holds a Bachelor of Mathematics (Applied) from the University of Waterloo. While at CIBC World Markets, he was a Fellow of the Canadian Securities Institute and a Chartered Business Valuator.
Michael A. Weill	Mr. Weill is the CEO 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.

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 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 period of June 1, 2011 to December 31, 2011 for the category of fees described. Prior to June 1, 2011, no fees were billed to Enerflex for professional services rendered by Ernst & Young LLP. Prior to the Arrangement, all fees had been billed to Toromont.

	2011
Audit Fees	$1,360,400
Audit Related Fees (1)	$50,175
Tax Fees (2)	$205,100
All Other Fees (3)	$45,000

Notes:

(1) Audit Related Fees – Fees charged for Canadian Public Accountability Board and review of documentation preparatory to implementation of National Instrument 52-109.

(2) Tax Fees – Corporate income tax planning and compliance, due diligence assistance and guidance to employees transferred internationally.

(3) Fees charged primarily for assistance and guidance in the preparation and review of documentation in advance of the transition to the International Financial Reporting Standards.

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, and other information is contained at Appendix J in the information circular of Toromont dated April 11, 2011 relating to the Arrangement, which will be updated in the management information circular of Enerflex Ltd. for the meeting of shareholders scheduled to take place on April 12, 2012, which is expected to be filed on SEDAR and mailed to shareholders on or about March 22, 2012.

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, 2011.

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 SE, Calgary, Alberta T2G 0K3, Phone 1.403.236.6800, Fax 1.403.236.6816, 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 Corporation 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 Corporation'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 Corporation's financial statements and the financial reporting process, the systems of internal accounting and financial controls, the annual independent audit of the Corporation'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 Corporation. 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 Corporation 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 Corporation'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 Corporation's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Corporation. 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.

- 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 Corporation'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 Corporation, and will have access to all information about the audit firm's relationship with the Corporation that is necessary to come to a reasonable conclusion. Annually, the Committee shall review and recommend to the Board the election of the Corporation'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 Corporation's system to monitor and manage business 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 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 Corporation of financial information derived from the Corporation'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 Corporation, 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.

- 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 Corporation's Code of Business Conduct and other policies inclusive of those promulgated by securities legislation. The Committee will also review complaints to the Corporation's Compliance Hotline regarding financial matters.

- At least annually, the Committee shall receive a report from the Corporation's Disclosure Committee as to the Committee's activities and its recommendations on changes, if any, to the Corporation'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 Committee shall review with management and the independent auditor the financial statements to be included in the Corporation'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 footnotes. 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.

- The Committee shall approve the Corporation's hiring of partners, employees and former partners and employees of the present and former external auditor of the Corporation.

- The head of the Corporation's Internal Audit group will have a functional reporting relationship direct 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 Corporation'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 Corporation regarding accounting, internal accounting controls or auditing matters; and

  - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.