ENERFLEX LTD.

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

Dated February 22, 2019

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DEFINITIONS

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

"**Annual Information Form**" or "**AIF**" means this annual information form dated February 22, 2019;

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

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

"Bank Facility" means the syndicated revolving credit facilities entered into as of June 1, 2011, and as amended as of June 30, 2015, December 18, 2015, March 29, 2017, and November 14, 2017, 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 – The Bank Facility";

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

"**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;

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

"**GAAP**" means generally accepted accounting principles. IFRS has been adopted in Canada and as a result, GAAP and IFRS are used interchangeably within this AIF;

"**Gas Drive**" means Enerflex Ltd., doing business as "Gas Drive, a Division of Enerflex";

"**GE**" means General Electric;

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

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

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

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

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

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

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

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

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

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

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

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

NOTICE TO READER

This is the AIF of Enerflex Ltd. ("**Enerflex**" or the "**Company**") for the year ended December 31, 2018. In this AIF, unless otherwise specified or the context otherwise requires, references to "we", "us", "our" or "Enerflex" means Enerflex Ltd. and includes references to subsidiaries of, and partnership interests held by, Enerflex and its subsidiaries.

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

PRESENTATION OF INFORMATION

Unless otherwise indicated, information contained in this AIF is given at or for the year ended December 31, 2018, and references in this AIF 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 AIF:

CSG	Coal Seam Gas
CFC	Chlorofluorocarbons
CHP	Combined Heat and Power
CO_2	Carbon Dioxide
EPC	Engineering, Procurement & Construction
GHG	Green House Gas
HCFC	Hydrochlorofluorocarbons
HP	Horsepower
H_2S	Hydrogen Sulfide
LNG	Liquefied Natural Gas
NGL	Natural Gas Liquids
PSI	Pounds per Square Inch
KW	Kilowatt
MW	Megawatt

FORWARD-LOOKING INFORMATION

This AIF contains forward-looking information within the meaning of applicable Canadian securities laws. These statements relate to management's expectations about future events, results of operations, and the Company's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking information. In particular, this AIF includes (without limitation) forward-looking information pertaining to: plans for expansion of the Company and the distribution of its products; the size and composition of the Company's customer base; the applications and demand for Enerflex's products; the markets in which the Company's products are used; the development of in-house cryogenic gas processing capabilities; the demand for cryogenic processing; expectations related to the growth of the Rentals

product line; the expected increase in the rentals of oilfield compressors; natural gas consumption in the future; the development of unconventional natural gas resource plays; increases in natural gas prices; increases in natural gas exploration and development; the construction of LNG export facilities; the role of LNG in supply of and demand for natural gas; increases in the export of natural gas from the North American market; the continued availability of major components used in the fabrication of Enerflex's products; the continued access to skilled personnel; and expectations regarding future dividend payments.

All forward-looking information is 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 natural gas prices; oil and natural gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations, including future dividends to shareholders of the Company; increased competition; the 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. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While the Company believes that there is a reasonable basis for the forward-looking information and statements included in this AIF, as a result of such known and unknown risks, uncertainties and other factors, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these statements. The forward-looking information included in this AIF should not be unduly relied upon.

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

NON-GAAP MEASURES

In this AIF, there are references to the terms “bookings” and "backlog", which are not recognized measures under GAAP, and are unlikely to be comparable to similar measures presented by other companies. Enerflex generally recognizes the full amount of a new order or “booking” once a firm commitment or order is received from the customer. The amount recognized as a booking is the agreed upon price on the order for the delivery of goods offered under Enerflex’s Engineered Systems product offering. Backlog is calculated by adding bookings received during the current fiscal period to the order backlog as of the end of the prior fiscal period and subtracting the revenue recognized in the current fiscal period. Management of Enerflex considers backlog an important indicator of future revenue and business activity levels for the Engineered Systems product line. Backlog helps management evaluate its performance due to it being an indication of revenue to be recognized in future periods using percentage of completion accounting.

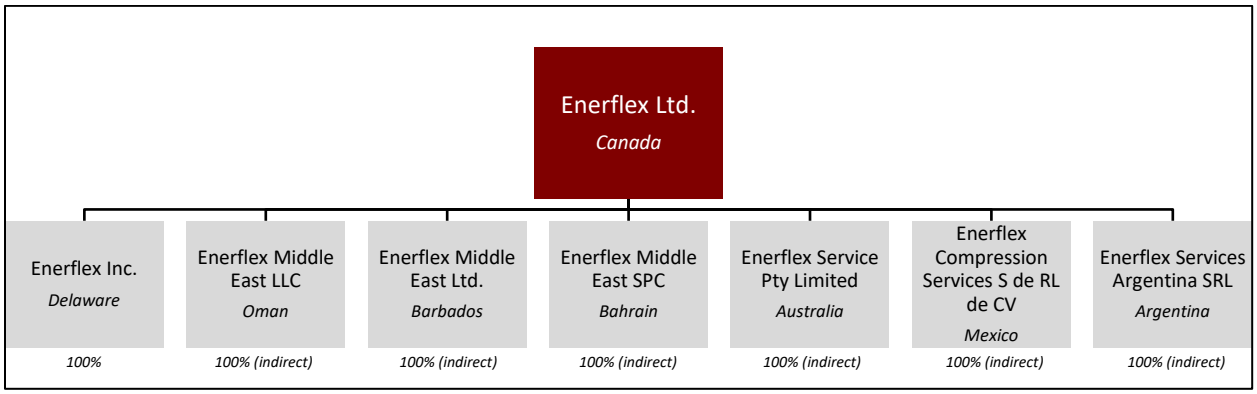
CORPORATE STRUCTURE

Name, Address, and Incorporation

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

Inter-Company Relationships

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



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

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

2018

In April 2018, the Company closed the fifth amendment to the Bank Facility, which principally served to extend the maturity date from June 30, 2021 to June 30, 2022. *See "Material Contracts – The Bank Facility".*

In April 2018, the Company announced the appointment of Mr. Marc Rossiter as the Executive Vice President and Chief Operating Officer ("**COO**") reporting directly to Mr. Blair Goertzen, President and Chief Executive Officer. Prior to his appointment as COO, Mr. Rossiter was President of the USA region. *See "Directors and Officers"*.

In the third quarter of 2018, the Company began work on expanding its fabrication facility in Houston, Texas. The expansion, which is expected to be fully operational in the second quarter of 2019, will increase fabrication capabilities by 55 percent at that facility through the addition of approximately 100,000 square feet.

In November 2018, the Company appointed Mr. Andrew Jack as President, Canada, reporting directly to Mr. Marc Rossiter, COO. *See "Directors and Officers"*.

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.095 per Common Share for first and second quarters of 2018 and a declared quarterly dividend to shareholders of $0.105 per Common Share for third and fourth quarters of 2018. The total annual dividend for 2018 is $0.40 per Common Share.

2017

On March 29, 2017, the Company closed the third amendment to the Bank Facility, which principally served to extend the maturity date from June 30, 2019 to June 30, 2021. *See "Material Contracts – The Bank Facility".*

In May 2017, the Company announced the appointment of Ms. Maureen Cormier Jackson and Mr. Kevin Reinhart to the Board of Directors. Ms. Cormier Jackson and Mr. Reinhart both bring extensive executive, financial, operational, and industry experience to the Board. See "*Directors and Officers*".

On July 31, 2017, the Company completed the acquisition of the contract compression business of Mesa Compression, LLC ("**Mesa**") for U$115.5 million, consistent with Company's objective of increasing recurring revenue. Pursuant to the Mesa acquisition, Enerflex acquired key energy infrastructure assets including 689 highly utilized compression packages totaling approximately 112,000 horsepower. Over 50 employees and all members of the Mesa senior operations team joined Enerflex.

On November 15, 2017, the Company amended certain terms of its Bank Facility to facilitate the issuance of the 2017 Notes, as defined below. See *"Material Contracts – The Bank Facility"*.

On December 15, 2017, the Company closed a private placement offering of senior unsecured notes resulting in the successful issuance of U$105.0 million seven-year notes, U$70.0 million ten-year notes, C$15.0 million seven-year notes, and C$30.0 million ten-year notes (collectively, the "**2017 Notes**"). The 2017 Notes rank pari passu with all current and future senior unsecured indebtedness of the Company. The proceeds of the offering were immediately used to refinance existing corporate indebtedness drawn on the Bank Facility.

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.085 per Common Share for first and second quarters of 2017 and a declared quarterly dividend to shareholders of $0.095 per Common Share for third and fourth quarters of 2017. The total annual dividend for 2017 is $0.36 per Common Share.

2016

In the first quarter of 2016, the Company restructured its Canadian service business which resulted in the closure of six service branches. In the fourth quarter, the Canadian service business underwent further restructuring including the closure of the Central Services distribution facility in Leduc, Alberta.

In the third quarter of 2016, the Company completed a bought deal equity offering, pursuant to which it issued 8,952,750 Common Shares for gross proceeds of $115.0 million. The proceeds were immediately applied against cash drawing on the balance sheet, and intended to fund future growth initiatives.

The Board of Directors approved quarterly dividends to shareholders, resulting in a declared quarterly dividend to shareholders of $0.085 per Common Share. Dividends declared during 2016 totalled $0.34 per Common Share.

On December 31, 2016 Enerflex dissolved its wholly-owned subsidiary, Gas Drive Global Ltd., and assumed its assets and liabilities, including its partnership interest in Gas Drive Global LP. As a result of this dissolution, Gas Drive Global LP ceased to exist and Enerflex became the successor in interest to all the assets and liabilities of the limited partnership. Following this internal reorganization, the business of Gas Drive Global LP continued to operate as a division within Enerflex, operating under the name Enerflex Ltd., doing business as "Gas Drive, a Division of Enerflex".

Recent Developments

On February 21, 2019, Mr. Blair Goertzen announced that he will retire as President and Chief Executive Officer of Enerflex effective May 3, 2019 and will not stand for re-election to the Board of Directors. Effective May 3, 2019, Mr. Marc Rossiter will be appointed President and Chief Executive Officer of Enerflex, and will stand for election to the Board at the annual and special meeting of shareholders on May 3, 2019. Mr. Goertzen will continue with Enerflex as a senior advisor through to May 31, 2019, working with Mr. Rossiter to ensure a smooth transition.

DESCRIPTION OF THE BUSINESS

Enerflex's Business

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

Headquartered in Calgary, Canada, Enerflex has approximately 2,300 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint operations, operate in Canada, the United States of America ("**USA**"), Argentina, Bolivia, Brazil, Colombia, Mexico, the United Kingdom, Bahrain, Kuwait, Oman, the United Arab Emirates ("**UAE**"), Australia, Indonesia, Malaysia, and Thailand.

Enerflex has fabrication facilities in Calgary, Canada; Houston, USA; and Brisbane, Australia that supply custom fabricated equipment to our customers worldwide. Enerflex is a leading supplier in Canada, the USA, Latin America, and the Middle East rental markets for natural gas compression with a global rental fleet of over 640,000 horsepower. The Company is a highly-qualified service provider with industry-certified mechanics and technicians strategically situated across a network of 46 service locations in Canada, the USA, Latin America, the Middle East, Asia, and Australia.

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

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

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

Product Development

In order to continuously expand its existing product and service offerings, the Company conducts extensive reviews of existing solutions and market trends to identify opportunities for growth. Enerflex has created standardized compression, process, and electric power package designs in multiple sizes and applications, which are manufactured by Enerflex to meet the specific requirements of its domestic and international customers. Enerflex strives to provide customers with cost savings and faster time to market by finding efficiencies in the engineering and manufacturing cycle. Accordingly, the Company has increased the automation in its fabrication facilities and as a result has experienced significant improvements in the productivity and throughput of the facilities. In addition, the automation adopted has resulted in improved consistency and repeatability of packages and a significant reduction in the waste of raw material consumed in the fabrication process. Furthermore, safety has improved, with employees being removed from a number of manual processes, and as a result of reduced material handling, reduced consumption of cutting gases, and fume extraction directly within the machinery.

CO_2 Removal

Enerflex has recognized that the oil and natural gas industry has focused on bulk CO_2 removal from natural gas. This has allowed Enerflex to evaluate and provide competitive bids on bulk CO_2 removal technology, including the provision of traditional amine plants, physical solvents, and membrane technology.

Natural Gas Liquids

Most natural gas liquids are priced by reference to crude oil, making them highly valuable commodities during periods of low natural gas prices and/or high oil prices. The concurrent revival of the petrochemical sector in the USA is creating renewed demand for natural gas liquids, which serve as feedstock. The simpler form of mechanical refrigeration known as "dew point" processing can recover liquids through cooling the natural gas to approximately -40°C. More complete liquids recovery, and the opportunity for additional sales revenue, requires cooling the natural gas stream to -173°C, a process called cryogenic processing. Enerflex has historically focused on dew point processing. However, the natural gas sector's current drive to optimize production economics by maximizing liquids recovery creates attractive opportunities in cryogenic processing. Enerflex has a dedicated engineering and design team, plus the resources and fabrication capabilities, to provide complete cryogenic processing facilities for deep-cut liquids extraction. These systems are engineered to dry and recover NGL's for natural gas feedstock flow rates of 30 mmscf/d to 200 mmscf/d utilizing the Recycle-Split-Vapor process, or the Gas Subcooled Process, depending on desired recovery rates. The facilities use turboexpanders to achieve an ultra-low temperature allowing recovery rates of 95+% of the inlet stream's ethane, 99.8+% of propane and 100% of the butane. Enerflex's core configuration for cryogenic plants includes inlet dehydration using molecular sieve equipment, cryogenic gas processing system, and turbo-expander/re-compressor skid.

Electric Power

Enerflex supplies electric power packages from 250 kW to 50 MW using reciprocating, gas-driven engines, serving installations which utilize a variety of fuel sources (e.g., biogas and solution/flare gas) and uses, including temporary and backup power for project construction sites, permanent or backup power for pipeline pumping stations, and standby independent power production for electrical grids. The Company also provides innovative combined heat and power solutions, such as for pulp mills, and designs

permanent installations that are convertible from initial temporary to long-term backup power. Enerflex's electric power packages are powered by Waukesha, Jenbacher, or MAN Warstal engines, all proven suppliers offering innovative technology. In Canada, the Company's electric power packages are engineered, fabricated, and supplied through Gas Drive. Additionally, Gas Drive and Enerflex Service provide field construction, installation, and commissioning of its electric power packages, plus industry-leading service support and parts. The electric power offering takes advantage of Enerflex's reputation in gas-fuelled engines and its skills in modular engineering, fabrication, and after-market support.

Geographic Markets

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

United States of America

- The Engineered Systems product line provides custom and standard compression packages for reciprocating and screw compressor applications from Enerflex's facility located in Houston, Texas. In addition, the Company engineers, designs, manufactures, constructs, and installs modular natural gas processing equipment and refrigeration systems. Retrofit provides re-engineering, reconfiguration, and repackaging of compressors for various field applications.
- The Service product line provides mechanical services and parts, as well as operations and maintenance solutions to the oil and natural gas industry in the USA. Effective January 2015, the Company became a GE (now INNIO) Waukesha Platinum Power Packager, providing worldwide factory-direct access to Waukesha engines and parts. In addition, Enerflex packages CAT engines and parts. Enerflex's USA service branches are located in Colorado, Louisiana, North Dakota, Oklahoma, Pennsylvania, Texas, and Wyoming.
- The Rentals product line provides natural gas compression equipment rentals to oil and natural gas customers in the USA, primarily operating in the Permian and SCOOP/STACK formations utilizing a fleet of low-, medium- and high-horsepower packages. These compressor packages are typically used in wellhead, gas-lift and natural gas gathering systems and other applications primarily in connection with natural gas and oil production. The Rental product line in the USA operates out of Enerflex's Oklahoma City, Oklahoma facility.

Rest of World

- The Rest of World segment deploys product typically fabricated by Enerflex's Engineered Systems division in Houston, Texas.
- The Latin America region, with locations in Argentina, Bolivia, Brazil, Colombia, and Mexico, provides Engineered Systems products, including BOOM and integrated turnkey natural gas compression and processing solutions, with local construction and installation capabilities. The Service product line in the region focuses on after-market services, parts and components, as well as operations, maintenance, and overhaul services. As a Platinum Power Packager of INNIO's Waukesha engines, the Company provides worldwide factory-direct access to Waukesha engines and parts. The Rentals product line provides natural gas compression and processing equipment for rent to oil and gas customers in the region.
- The Middle East/Africa ("**MEA**") region, through its operations in Bahrain, Oman, Kuwait, and the UAE, provides engineering, design, procurement, and construction services for compression and process equipment, as well as rentals, after-market service, and operations and maintenance services for gas compression and processing facilities in the region. MEA also provides mechanical

services and parts as a global Platinum Power Packager of INNIO's Waukesha gas engines for the oil and gas industry.

- The Australia region is headquartered in Brisbane, Queensland with additional locations in New South Wales, and Western Australia providing after-market services, equipment supply, parts supply, and general asset management. The Australia region distributes INNIO's Waukesha natural gas engines as a Global Platinum partner. As an INNIO Global Platinum partner, the Company has worldwide factory-direct access to Waukesha engines and parts.
- The Asia region, with locations and operations in Indonesia, Malaysia, and Thailand, provides Engineered Systems and Rentals to customers. Service capabilities are also offered in this region through the Company's local operations. This division also provides mechanical service and parts as a global Platinum Power Packager of INNIO's Waukesha gas engines for the oil and gas industry in this region.
- The Europe/Commonwealth of Independent States ("**CIS**") region provides customized compression, processing, and high-end refrigeration solutions including CO_2 compression and liquefaction through its location in the United Kingdom. This region also provides mechanical service and parts as a global Platinum Power Packager of INNIO's Waukesha gas engines for the oil and gas industry.

Canada

- The Engineered Systems product line is comprised of compression, process, and electric power solutions. Enerflex provides custom and standard compression packages for reciprocating and screw compressor applications. It also engineers, designs, manufactures, constructs, and installs modular processing equipment and waste gas systems for natural gas facilities. Enerflex also provides integrated turnkey power generation and gas processing facilities. Retrofit solutions provide re-engineering, re-configuration, and re-packaging of compressors for various field applications. Enerflex has a manufacturing facility in Calgary, Alberta and retrofit facilities in Calgary, Grand Prairie and Red Deer, Alberta.
- The Service product line, operating as Gas Drive in Canada, provides after-market mechanical service and parts distribution. In 2015, Enerflex's long-term distributorship agreement for INNIO's Waukesha natural gas engines and parts changed from being the exclusive distributor in Canada and Australia to being a Global Platinum Partner under INNIO's Waukesha Power Packager program. As an INNIO Waukesha Platinum Power Packager, the Company has worldwide factory-direct access to Waukesha engines and parts. In addition, Gas Drive is also the authorized distributor and service provider of MAN and INNIO's Jenbacher gas engines and parts in Canada. The Company also packages CAT engines and parts. This product line operates out of service branches located in Alberta, British Columbia, Ontario, and Quebec.
- The Rentals product line provides reciprocating and rotary screw natural gas compression packages ranging from 50 to 2,500 hp, as well as electric power equipment for rent to customers from its locations in Calgary and Grand Prairie, Alberta.

Product Lines

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

Engineered Systems

Enerflex's Engineered Systems product line includes engineering, design, fabrication, and assembly of standard and custom-designed compression, electric power, and processing solutions, including

refrigeration systems. Facilities dedicated to the Engineered Systems product line occupy approximately 250,000 square feet of manufacturing space in Canada, approximately 180,000 square feet of operational shop space plus an approximately 100,000 square feet of shop space under construction in the USA, and approximately 40,000 square feet of shop space in Australia devoted to retrofit and service activities. The Engineered Systems product line is comprised of three product offerings: Compression, Process, and Electric Power.

Compression

Overview

Most natural gas fields require compression to move natural gas from producing wells to high-pressure sales pipelines. Enerflex is a leading supplier of natural gas compression packages which are powered by gas-fuelled engines or electric motors. These natural gas compression packages also consist of reciprocating or screw compressors, cooling fans, piping, and instrumentation and controls. Applications include natural gas gathering compression, inlet, and residue compression in processing facilities, compression for natural gas storage, and pipeline compression.

Enerflex's customers for compression equipment range from small independent producers to majors, as well as midstream or third-party processing providers. Key North American markets include, but are not limited to, the Eagle Ford, Woodford, Marcellus, Utica, Montney, Horn River, Alberta Deep Basin, Permian, SCOOP/STACK, Duvernay, Fayetteville, Haynesville, Barnett, Avalon, and Bakken plays. In addition to providing compression equipment to the North American market, Enerflex also provides compression equipment to the international market, and as a result, the international compression business represents a significant proportion of the Company's overall business.

Description

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

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

Markets and Applications

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

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

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

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

The following are some of the more common compression applications:

- Wellhead compression – compression at or near the wellhead is usually required to boost the pressure of produced natural gas to enable it to enter a gathering system or processing plant;
- Natural gas gathering – mid- to large compressors (800 to 10,000 horsepower) deployed at a central field location are used to boost natural gas pressure from several wells;
- Natural gas storage and withdrawal – natural gas is often stored in underground facilities such as depleted oil or natural gas reservoirs or salt caverns. This is done for a variety of reasons, including balancing production with seasonal demand. Compression is required to inject natural gas into a storage reservoir and subsequently withdraw the natural gas for re-injection into the pipeline. Storage facilities typically use compressors of 2,000 to 3,000 horsepower;
- CSG – methane originating in coal beds or coal seams occurs naturally at low pressures. Producing CSG 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 horsepower required to compress the same volume of natural gas from a traditional natural 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 natural gas into an oil reservoir, which increases reservoir pressure and facilitates oil flow. At the surface, the natural 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;
- Natural gas processing plant compression – compression is used to increase the pressure into and out of processing plants which condition the natural gas for pipeline transportation; and
- Offshore products – compression equipment is used on floating production, storage and offloading vessels, and other offshore units to re-inject natural gas associated with oil production back into a reservoir, particularly where the flaring of natural gas is prohibited by offshore operating regulations. Re-injection of natural gas may also be necessary to increase production, or where pipeline access is unavailable or uneconomic.

Processing

Overview

Processing prepares natural gas for transportation by pipeline for end-use consumption. Substantially all newly produced natural gas requires the removal of water, CO_2, 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 H_2S or CO_2. The North American producing sector's increased focus on liquids-rich gas opportunities has generated new demand for processing facilities, including cryogenic processing facilities.

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

Description
Enerflex engineers, designs, fabricates, constructs custom builds, commissions, and operates oil and natural gas processing equipment. Complete oil and natural gas processing modules are designed and fabricated at Enerflex's facilities located in Calgary, Alberta; and Houston, Texas. Modular fabrication enables delivery to a global market. In addition, the Company provides engineering, design, installation, site construction, project management, and commissioning services to the International market.

Markets and Application
Process equipment and facilities are required to process inlet feed and remove 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 across the world with respect to the installation, commissioning, and start-up of such products and facilities.

The following are some of the more common process applications:

- Hydrocarbon dew point control – a process designed to remove heavier hydrocarbons, such as propane (C_3), butane (C_4), and pentane (C_5), 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;
- Cryogenic processing – a process that involves cooling natural gas to -173°C to extract the full range of liquids, from ethane to condensate, from natural gas prior to injecting the natural gas into the sales pipeline. This "deep cut" processing typically enhances production economics for natural gas producers by maximizing liquids recovery;
- Liquid petroleum gas recovery – a process designed to remove valuable propane and butane 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 (C_3/C_4) 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 – can be accomplished predominantly using glycol or a molecular sieve. Glycol dehydration is a 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 natural gas separators – separation is the most common type of primary process used in a wide variety of facilities. Separators are commonly used to measure natural 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, natural gas, and water, plus handle the slug created from inlet pipelines;
- Mechanical refrigeration – mechanical refrigeration using propane helps condense certain gases in natural gas streams by way of a reduction in temperature; and
- Line heaters – 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 to reheat the gas to keep it above the hydrate temperature.

Electric Power

The Company, through Enerflex globally and Gas Drive in Canada, provides electric power solutions and after-market services required for this equipment. A typical power generation unit is comprised of a natural gas reciprocating engine driver, a generator, and control devices. Power generation equipment may operate on natural gas, biogas, landfill gas, digester fuel, propane, or a combination of these fuels. The power systems provided to the market by the Company 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.

Service

Enerflex's Service product line provides after-market services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, and technical services to our global customers. The product line operates through an extensive network of branch offices and generally provides its services at the customer's wellsite location using trained technicians and mechanics. As of February 22, 2019, Enerflex's after-market service and support business includes distribution and remanufacturing facilities, with more than 46 outlets situated in active natural gas producing areas, over 400 service vehicles, hundreds of skilled mechanics, and a sizable inventory of original equipment manufacturer parts from key manufacturers.

Enerflex services a large base of natural gas compression and storage facilities installed in North America, Latin America, the Middle East, and Australia. In addition, Enerflex provides contract operations and maintenance for large natural gas facilities in the Middle East, USA, Australia, Latin America, and other markets.

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

Through distribution and service agreements, Enerflex is a global Platinum Power Packager of INNIO's Waukesha engine and parts program. Additionally, Gas Drive is a distributor for MAN and INNIO's Jenbacher gas engines and parts in Canada. INNIO produces high-quality reciprocating gas-fuelled engines, sold under the brand names Waukesha, primarily for natural gas compression and power generation applications, and Jenbacher for power generation.

Since 2011, Gas Drive in Canada focused on a pure distribution business, from selling engines and power generation systems to after-market service, spare parts distribution, and full life-cycle support. In January 2015, Gas Drive in the northern United States was re-branded and currently the entire after-market services offering in the United States operates under Enerflex Service. The Company now has over 46 after-market service branches – with 10 branches continuing to operate under Gas Drive in Canada and the remaining service branches globally under Enerflex Service.

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

Rentals

Enerflex's Rental product line offers a variety of rental and leasing alternatives for natural gas compression, processing, and electric power equipment. The rental fleet is deployed across Western Canada, the USA, Argentina, Brazil, Colombia, Mexico, Bahrain, Oman, and the UAE, and provides comprehensive contract operations services to customers in each of those regions. In addition to Enerflex's rental fleet, the Company's Rentals product line provides customers with personnel, equipment, tools, materials, and supplies to meet our customers' natural gas compression and processing needs, as well as designing, sourcing, owning, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services. The rental product line encompasses a fleet of natural gas compressors totalling over 640,000 horsepower on rent or available for rent globally.

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

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

In the USA, Enerflex provides contract compression rental services in a number of shale plays including the Permian Basin and the SCOOP/STACK. The demand for our services is driven by the domestic production of natural gas and crude oil.

Enerflex also leverages its extensive expertise in engineering, design, manufacturing, construction, and operations, and maintenance to develop natural gas compression and processing infrastructure solutions on a Build-Own-Operate-Maintain ("BOOM") basis. Under this BOOM model, customers benefit from world-class facilities, without the challenges typically posed by ownership, operations and maintenance. Enerflex's success with BOOM projects stems from our collaborative approach to delivering reliable solutions with reduced risk for our customers.

Segmented Revenue Details

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

	2018 Revenue $000	%	2017 Revenue $000	%
Business Segment				
Canada	**299,902**	**18**	418,590	27
USA	**980,539**	**57**	779,035	50
Rest of World	**422,832**	**25**	355,730	23
Total	**$1,703,273**	**100%**	$1,553,355	100%
Product Line				
Engineered Systems	**1,182,170**	**70**	1,091,630	70
Service	**345,098**	**20**	308,185	20
Rentals	**176,005**	**10**	153,540	10
Total	**$1,703,273**	**100%**	$1,553,355	100%

Product Line	2018 Revenue $000	%	2017 Revenue $000	%
Engineered Systems				
Canada	**229,646**	**20**	342,286	31
USA	**783,114**	**66**	633,703	58
Rest of World	**169,410**	**14**	115,640	11
	1,182,170	**100%**	1,091,630	100%
Service				
Canada	**60,725**	**18**	64,451	21
USA	**145,358**	**42**	119,398	39
Rest of World	**139,015**	**40**	124,336	40
	345,098	**100%**	308,185	100%
Rentals				
Canada	**9,531**	**5**	11,853	8
USA	**52,067**	**30**	25,934	17
Rest of World	**114,407**	**65**	115,753	75
	176,005	**100%**	153,540	100%
Total	**$1,703,273**	**100%**	$1,553,355	100%

Enerflex's Facilities

Enerflex has over 53 locations situated across seven regions worldwide. Enerflex has 14 locations in Canada, nine of which are located in Alberta including the head office and one manufacturing facility in Calgary, Alberta all serving the Canadian market. Enerflex also has 19 locations throughout the USA, including the Company's manufacturing facility located in Houston, Texas serving the USA and international markets. In Latin America, Enerflex has seven locations, and in Australia, Enerflex has four locations including a manufacturing facility in Brisbane, Australia. There are four locations across the Asia region, four locations throughout the Middle East/Africa, and one location in Europe. See "*Description of the Business – Geographic Markets"* for further details.

Enerflex's Customers

The Enerflex customer base consists primarily of companies engaged in all aspects of the oil and natural gas industry, including small to large independent producers, integrated oil and natural gas companies, natural gas processors, gatherers, pipelines and chemical companies, and carbon dioxide developers. Certain customers may from time to time account for over 10 percent of our business in a given year. For the year ended December 31, 2018, the Company had no individual customers which accounted for more than 10 percent of its revenue. For the year ended December 31, 2017, the Company recognized $331.7 million of revenue from one customer in the USA and Canada segments, which represented 21.4 percent of total revenue for the period, and the accounts receivable balance for the customer was $77.4 million, which represented 17.4 percent of total accounts receivable.

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 INNIO, Finning CAT (Finning International Inc.), and Mustang CAT. Enerflex also has relationships with the Ariel Corporation, the Howden Group, and the Frick Company (Johnson Controls Inc.) for the provision of reciprocating and rotary screw compressors. Enerflex purchases coolers for its natural gas compression units from a select number of suppliers.

The timely receipt of the above components affects the production schedule of natural gas compression and processing packages. In the event that one of the above OEM agreements is terminated, Enerflex may experience unexpected delays in manufacturing timelines or price increases, and ultimately may need to find an alternative supplier. Some of the above suppliers may find it necessary to allocate its supply of components. To date, allocations of supply have not 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 time frames required by customers will continue. *See "Risk Factors – Availability of Raw Materials, Component Parts, or Finished Products".*

Competitive Conditions

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

Enerflex reviews its business strategy and product offerings in light of trends in the markets in which it operates.

The Company views its competitive landscape by region. In Canada, the principal competitors are Total Energy Services Inc. and a number of private Canadian-based corporations. In the USA, the principal competitors are Exterran Corporation, SNC Lavalin, and a number of private U.S.-based corporations. In the Rest of World segment the principal competitors are Exterran Corporation and SNC Lavalin. *See "Risk Factors – Competition".*

Competitive Issues in the Oil and Natural Gas Service Industry

The availability of major components used in the fabrication of Enerflex's products and access to skilled personnel to meet the technical and trade requirements for designing and assembling these products are under increasing pressure on a worldwide basis. The Company's global expansion strategy assists Enerflex in managing these issues by broadening the markets in which personnel can be accessed, and allowing the Company to manage its inventory levels on a larger scale thus improving its supply chain. In addition to the various business risk factors outlined in the section of this AIF entitled "*Risk Factors*" below, investors should be aware of the following competitive issues in Canada, the USA, and Rest of World segments.

USA

There are several major global competitors in the compression fabrication business, and a number of small regional competitors in the USA. Enerflex's management believes that the United States market will continue to provide Enerflex with opportunities to expand its business through the supply of both cold and warm weather compression packages and large HP standard and custom-built packages from its Houston, Texas fabrication facility.

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

Rest of World

In the Rest of World segment, Enerflex generally faces the same competitors as in North America. Many significant North American compression and processing equipment fabricators pursue international opportunities. Enerflex has increased the size and scope the Company's international business, particularly in the Middle East, Mexico, Latin America, Asia, and the Australia markets, by leveraging on its compression products exported from Enerflex's Canadian and United States facilities.

Enerflex continues to anticipate growth in the MEA market. Enerflex is well positioned with its extensive branch network covering the MEA region to offer equipment and facility sales, rental equipment, and after-market services including operation and maintenance contracts.

In Latin America, Enerflex is well positioned to expand its equipment sales, rental offering, and after-market service footprint. The Company believes that Latin America will continue to offer opportunities to expand as customers look to grow natural gas production for domestic consumption.

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

Canada

The Canadian compression and processing equipment fabrication markets are very competitive. Several packagers target the same customers as Enerflex, and manufacturing floor space is not a constraint. To be successful, Enerflex must compete on the basis of product quality and exceptional service all while remaining price competitive.

While there are a number of public and private competitors, Enerflex is a market leader in Canada and maintains an extensive branch network as proximity to customer locations is key to earning and maintaining business. The Company is a Platinum Power Packager of INNIO's Waukesha gas engines and parts and authorized INNIO Jenbacher and MAN distributor of engines and parts in Canada.

While the majority of compression equipment is owned by producers, Enerflex continues to be competitive in the Canadian compression rental industry. 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.

Economic Drivers and Industry Outlook

The Company's products and services remain dependent on strength and stability in commodity prices. Stability and improvement in commodity prices are required to allow customers to continue to increase investment, which should translate to further demand for the Company's products and services. Enerflex's record bookings and backlog in the second half of 2018 provide visibility for Engineered Systems revenue through 2019, however the Company has no assurances that bookings in future quarters will continue the strong trend seen in 2018.

Enerflex's financial performance continues to benefit from strategic decisions to diversify product offerings for Engineered Systems, to focus on the recurring revenue streams derived from new and existing long-term BOOM, rental, and service contracts, and to develop a geographically diversified business. However, in Canada and Mexico these product lines will remain under pressure until the market returns to more profitable commodity pricing and producers are incentivized to invest in these regions.

The Company will continue to aggressively manage SG&A expenses. Steps taken in prior years have allowed a greater focus on key market opportunities and resulted in a lower headcount, which led to ongoing material savings. The Company has begun to increase headcount in response to increased operational levels, particularly in the USA segment, but remains disciplined in keeping the appropriate levels of staffing.

In the near term, Enerflex has a positive outlook supported by the record backlog and continued high enquiry levels across all regions. In the longer term, the Company continues to monitor the impacts of: volatility in realized commodity prices, political uncertainty, egress issues in the Permian; as well as the lack of consistent access to market causing pricing differentials to widen in Canada. Enerflex continues to assess the effects of these contributing factors and the corresponding impact on our customers' activity levels, which could reduce demand for the Company's products and services in future periods.

USA

The recent performance of the USA segment has been largely driven by investment in, and production from, shale oil and gas. Stronger commodity prices throughout 2018, along with lower corporate tax rates, has led to increased activity. In 2018, the Company has seen significant demand for both compression and processing equipment that is required to provide takeaway capacity in underserved resource plays and maximize the value of extracted gas. The Company continues to monitor the impact of egress issues that could impact activity levels in the Permian, which the Company anticipates will be resolved in the latter half of 2019. Continued development in these resource plays may translate to further demand for Engineered Systems products, as well as contract compression solutions to improve performance in maturing fields. The Company's contract compression fleet consists of approximately 210,000 horsepower, providing a valuable recurring revenue source that the Company intends to continue to grow and invest in through 2019. Given the current and anticipated future project requirements, the Company is currently expanding its Houston fabrication facility to provide additional manufacturing capacity to meet demand in the USA and ROW segments.

Rest of World

In the Rest of World segment, the Company has seen project successes in both the MEA region and in Latin America. MEA continues to provide stable rental earnings with a rental fleet of approximately 100,000 horsepower. The Company continues to explore new markets and opportunities within this region in order to enhance recurring revenues, focusing on BOOM projects, and was awarded two 10-year BOOM projects in the fourth quarter of 2018, one in Latin America and one in MEA, in addition to a project booked earlier in the year in Latin America.

Enerflex remains cautiously optimistic about the outlook in the Latin America region as customers recover from the crash in commodity prices. The Company believes that there are near-term prospects within Argentina, Brazil and Colombia and mid- to longer-term prospects in Mexico. The Company was awarded a 10-year BOOM contract in Argentina in the fourth quarter of 2018, and signed additional long-term service and rental contracts with producers in the country. In Brazil, the Company agreed to a 10-year contract to provide a natural gas treatment facility in the third quarter of 2018. In Colombia, during the first quarter of 2018, Enerflex booked an Engineered Systems project and commenced operations on a previously awarded BOOM project. In Mexico, there continues to be limited investment; however, Enerflex booked a rental contract with an independent producer during the first quarter. A portion of the contracts for the Company's fleet in Mexico will expire in June of 2019 and the Company elected not to participate in the bid process to replace those contracts. Enerflex expects to be able to redeploy those assets to potential projects in other regions with more project certainty and for stronger returns. With the Mexican presidential elections completed during the third quarter of 2018, there is some uncertainty on the impact to Energy Reform and capital investment, however the new President has expressed his desire to make Mexico productive again, which may be positive for the market since compression service is necessary for the oil and gas sector. Enerflex intends to continue to aggressively pursue opportunities with either Pemex or independent producers.

In Australia, Enerflex is well positioned to capitalize on the need for increased production due to the supply imbalance driven by higher liquefied natural gas exports and increased domestic natural gas demand. The Company believes that maintenance and service opportunities will continue to increase as producers return to the minimum maintenance requirements for their assets, which may result in further growth for the Australian Service product line. The Company restructured the Australian operations in the first quarter of 2018 in order to focus on these opportunities and enhance profitability in the region.

Canada

The Canadian market remains constrained by negative sentiment and the lack of consistent access to market, causing uncertain pricing and limiting development potential in Canada. However, Enerflex's recent major project wins in Canada provide visibility on near-term Engineered Systems revenue, and the midstream sector continues to maximize the value of Canadian production, where possible. While recent liquified natural gas ("**LNG**") project approval has offered some future relief to the Canadian gas industry, management still expects activity to be largely subdued through 2019.

Intangible Properties

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

Seasonality

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

The oil and natural gas service sector in Canada and in some parts of the USA has a distinct seasonal trend in activity levels which results from well-site access and drilling pattern adjustments to take advantage of weather conditions. Generally, Enerflex's Engineered Systems product line has experienced higher revenues in the fourth quarter of each year while Service and Rentals product line revenues tend to be stable throughout the year. Rental revenues are also impacted by both the Company's and its customers' capital investment decisions. The USA and Rest of World segments are not significantly impacted by seasonal variations. Variations from these trends usually occur when hydrocarbon energy fundamentals are either improving or deteriorating. As Enerflex has increased its international presence, the overall impact of seasonal revenue variations has been reduced.

Economic Dependence

For the year ended December 31, 2018, the Company had no individual customers which accounted for more than 10 percent of its revenue. For the year ended December 31, 2017, the Company recognized $331.7 million of revenue from one customer in the USA and Canada segments, which represented 21.4 percent of total revenue for the period.

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

Changes to Contracts

There is no aspect of the Company's business reasonably expected to be materially affected by renegotiation or termination of contracts or sub-contracts. Effective January 1, 2015, Enerflex's long-term distributorship agreement for INNIO Waukesha's natural gas engines and parts changed from being the exclusive distributor in Canada and Australia to being a Global Platinum Partner under INNIO's newly created Waukesha Power Packager program. Now as a INNIO Waukesha Platinum Power Packager, the Company has worldwide factory-direct access to Waukesha engine and parts, which will allow the Company to package and service Waukesha engines for its entire customer base worldwide. Gas Drive remains the authorized distributor for INNIO Jenbacher and MAN engines and parts in Canada. *See – "Risk Factors – Distribution Agreements".*

Environmental Matters

Enerflex has diversified operations and a global employee base focused on protecting people, communities, and the environment. As part of its long-term strategy, Enerflex continues to support its customers' transition from coal to natural gas power, the cleanest fossil fuel. The Company is committed to helping reduce the global emission footprint by providing safe natural gas solutions to its customers. Dedicated to conscious operations, Enerflex sees industry-leading HSE programs as critical components of executional excellence. Beyond recycling and other waste management initiatives at both the corporate and field level, Enerflex places deliberate emphasis on energy and water conservation, spill prevention and response, reducing air emissions, and systematic, location-by-location environmental auditing across all regions and core service offerings. By addressing risk and proactively responding to environmental concerns in both its own operations, as well as in the operations of its clients, Enerflex helps shape the energy industry for a more sustainable future for generations to come.

Enerflex works to meet or exceed industry guidelines, as well as national, regional, and local legislation, regulations and protocols in all operating areas. Control of environmental hazards is a continuous priority across Enerflex's operations. The Company designs, manufactures, 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 has HSE coordinators in each of the Company's regions, reporting directly to the regional HSE Manager, who reports into the regional President. On a monthly basis, Enerflex's executive management team reviews the Company's HSE performance and, on a quarterly basis, HSE matters and performance are reported to the Board of Directors, through the HRC Committee.

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 such regulations. However, the Company is currently unable to predict the effects, if any, of more stringent GHG regulations on its customers. *See "Risk Factors – Health, Safety & Environment Regulations"* and *"- Climate Change Risks".*

Social Policies

Enerflex works to enhance the lives of not just its employees, but the communities in which they operate, by partnering with organizations that build and strengthen communities now, and in the future. Enerflex's community investment philosophy centres around health and wellness, training and enrichment, as well as community development with a focus on helping make an impact and inspiring positive change. As an organization, Enerflex is actively involved in supporting neighbouring businesses and non-profits such as Kids Cancer Care in Alberta, Habitat for Humanity, the MS Society, as well as Blood Service agencies. To help strengthen industry HSE practices, Enerflex also partners with and invests in safety-based training programs and shares its own safety-based culture with other likeminded organizations.

Since 1980, safety has been at the core of Enerflex. Enerflex's vision to achieve and maintain HSE performance excellence is supported by critical systems designed to systemically drive improvement and protect both the Company and its people. In 2018, Enerflex implemented and improved occupational health and wellness programs, inspection and incident reporting standards, environmental management, as well as other initiatives intended to reinforce Enerflex's safety culture and emphasis on continuous improvement.

Moving into 2019, Enerflex remains focused on strengthening its coordinated approach to HSE by engaging senior leadership and on-the-ground HSE teams to infuse the Company's safety practices throughout its operations and facilities. To champion this strategic initiative, Enerflex appointed a Global Functional Lead for HSE, based in the USA region. This role, working across borders, ensures the Company has consistent programs and processes across all regions and that employees have the required training, equipment, and knowledge to do their jobs effectively and safely.

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

Enerflex also strives to maintain a highly ethical culture. As part of these efforts, Enerflex maintains a written Business Code of Conduct (the "**Code**"), applicable to directors, officers, employees, and independent contractors of Enerflex and its subsidiaries. The Code provides guidance on areas such as conflict of interest, corporate property and confidential information, corporate communications, insider trading, HSE, human rights and respectful workplace expectations, business and accounting practices, anti-corruption, anti-trust/competition law compliance, corporate donations, and the prohibition on the use of Company funds for political purposes or advocacy, amongst others. The Code is reviewed annually by the NCG Committee and the Board and updated as necessary or advisable. The Board, through the

Audit Committee and the HRC Committee, receives regular reports regarding compliance with the Code. Orientation sessions for new employees include training in respect of the Code. In accordance with the compliance provisions and the Company's training initiatives, directors, officers, and all Enerflex managers are required to acknowledge annually their compliance with the provisions of the Code. Company-wide certification occurs at least every 24 months, most recently in the fall of 2018. The Code has been translated into Arabic, French, Indonesian, Portuguese, and Spanish to ensure that Enerflex employees have the opportunity to read and understand its provisions in their native language.

Employees

Enerflex had approximately 2,300 employees worldwide as at December 31, 2018. See *"Risk Factors – Personnel and Contractors".*

Backlog

($ Thousands unaudited) as at December 31,	**2018**	**2017**
Canada	**$414,816**	$172,918
USA	**930,595**	394,861
Rest of World	**75,210**	103,020
Total Backlog	**$1,420,621**	$670,799

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

RISK FACTORS

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

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

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

The demand for oil and gas is influenced by a number of factors, including the outlook for worldwide economies, as well as the activities of the Organization of Petroleum Exporting Countries ("**OPEC**"). Changing political, economic or military circumstances throughout the energy producing regions of the world may impact the demand for oil and natural gas for extended periods of time, which in turn impacts the price of oil and natural gas. If economic conditions or international markets decline unexpectedly and oil and gas producing customers decide to cancel or postpone major capital expenditures, the Company's business may be adversely impacted.

Competition

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

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

Project Execution Risk

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

The Company has made significant progress on a multi-year initiative to integrate its systems and processes and bring its facilities to world-class standards. In addition, continuous improvement initiatives are in place to achieve accurate, complete, and timely provision of deliverables. Nonetheless, project risks can translate into performance issues and project delays, as well as project costs being in excess of cost estimates. While the Company will assess the recoverability of any cost overruns, there can be no

assurance that these costs will be reimbursed, which may result in a material adverse effect on our business, financial condition, results of operations, and cash flows.

International Operations

Enerflex operates in many countries outside of Canada and the United States, and these operations account for a significant amount of the Company's revenue. Enerflex is exposed to risks inherent in conducting business in each of the countries in which it operates, including but not limited to:

- Recessions and other economic crises that may impact the Company's cost of conducting business in those countries;
- Difficulties in staffing and managing foreign operations including logistical, security, and communication challenges;
- Changes in foreign government policies, laws, regulations, and regulatory requirements, or the interpretation, application and/or enforcement thereof;
- Difficulty or expense of enforcing contractual rights due to the lack of a developed legal system or otherwise;
- Renegotiation or nullification of existing contracts;
- The adoption of new, or the expansion of existing, trade, or other restrictions;
- Difficulties, delays, and expenses that may be experienced or incurred in connection with the movement and clearance of personnel and goods through the customs and immigration authorities of multiple jurisdictions;
- Embargoes;
- Acts of war, civil unrest, force majeure, and terrorism;
- Social, political, and economic instability;
- Confiscation, expropriation, or nationalization of property without fair compensation;
- Tax increases or changes in tax laws, legislation, or regulation or in the interpretation, application and/or enforcement thereof; and
- Limitations on the Company's ability to repatriate cash, funds, or capital invested or held in jurisdictions outside Canada.

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

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

Foreign Corrupt Practices and Anti-Bribery Laws

The Company is required to comply with Canadian, U.S. and international laws and regulations, including those involving bribery and anti-corruption. Enerflex conducts business in many parts of the world that experience high levels of corruption, including but not necessarily limited to Nigeria, Mexico, Bolivia, Peru, Brazil, Thailand, Colombia, Bahrain, Indonesia, and Pakistan, and our business brings us in frequent contact with foreign officials. In addition, in certain jurisdictions, including Mexico, Indonesia and Nigeria, the Company may be reliant on third-party agents to interface with its clients.

The Company has controls, policies, procedures, and training that mandate the compliance with all applicable anti-bribery and anti-corruption laws, however there can be no assurance that employees, contractors or agents will not violate these controls, policies, and procedures. It is possible that the Company or its subsidiaries could be charged with bribery or corruption as a result of the unauthorized actions of its employees, contractors or agents. If the Company is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees, contractors or agents, the Company could be subject to onerous penalties and reputational damage. Even an investigation could lead to significant corporate disruption, high legal costs and forced settlements. In addition, bribery allegations or bribery or corruption convictions could impair the Company's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of the Company from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Contracted Revenue

Many of Enerflex's customers finance their exploration and development activities through cash flow from operations, incurrence of debt, or issuance of equity. During times when oil or natural gas prices weaken, our customers are more likely to experience decreased cash flow from operations and limitations on their ability to incur debt or raise equity, which could result in customers seeking to preserve capital by seeking price concessions on contracted recurring revenue contracts, cancelling contracts or determining not to renew contracted recurring revenue contracts. In addition, the Company may be unable to renew recurring revenue contracts with customers on favorable commercial terms, if at all. Terms of new contracts or renegotiated contracts may also transfer additional risk of liquidated damages, consequential loss, liability caps, and indemnities to the Company. These factors may lead to a reduction in our revenue and net income, which could have a material adverse effect on Enerflex's business, financial condition, results from operations and cash flows. To the extent that the Company is unable to renew existing contracts or enter into new contracts that are on favorable terms to Enerflex, overall revenue mix may change over time which could have a material adverse effect on the Company's business, results from operations and cash flows.

Cyber Attacks or Terrorism

Enerflex may be threatened by problems such as cyber-attacks, computer viruses, or terrorism that may disrupt operations and harm operating results. The oil and natural gas industry has become increasingly dependent on the continued operation of sophisticated information technology systems and network infrastructure. Cyber-attacks have become more prevalent and much harder to detect and defend against. These threats may arise from a variety of sources, all ranging in sophistication from an individual hacker to alleged state-sponsored attack. A cyber threat may be generic, or it may be custom-crafted against the specific information technology used by Enerflex.

The Company has been, and will continue to be, targeted by parties using fraudulent spoof and phishing emails to misappropriate Enerflex information, or the information of our customers and suppliers, or to introduce viruses or other malware through "trojan horse" programs into computer networks of the Company, our customers and/or our suppliers. These phishing emails may appear upon a cursory review to be legitimate emails sent by a member of Enerflex, its customers or suppliers. If a member of Enerflex or a member of one of its customers or suppliers fails to recognize that a phishing email has been sent or received and responds or forwards such phishing email, this activity may corrupt the computer networks

and/or confidential information of Enerflex, its customers and/or suppliers, including passwords through email or downloaded malware. In addition to spoof and phishing emails, network and storage applications may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents.

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

If Enerflex's information technology systems were to fail and it the Company was unable to recover in a timely way, the Company might be unable to fulfill critical business functions, which could damage the Company's reputation and have a material adverse effect on the business, financial condition, and results of operations. See also *"Risk Factors – Insurance"* and *"Information Technology."*

In addition, the Company's assets may be targets of terrorist activities that could disrupt Enerflex's ability to service its customers. The Company may be required by regulators or by the future terrorist threat environment to make investments in security that cannot be predicted. The implementation of security guidelines and measures and maintenance of insurance, to the extent available, addressing such activities could increase Enerflex's costs. These types of events could materially adversely affect the Company's business and results of operations.

Personnel and Contractors

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

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

There are certain jurisdictions where Enerflex relies on third-party contractors to carry out the operation and maintenance of its equipment. The ability of our third-party contractors to find and retain individuals with the proper technical background and training is critical to the continued success of the contracted operations in these jurisdictions. If Enerflex's third-party contractors are unable to find and retain

qualified operators, or the cost of these qualified operators increases substantially, the contract operations business could be materially impacted.

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

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

Health, Safety, and Environment Regulations

The Company is subject to a variety of federal, provincial, state, local, and international laws and regulations relating to the environment, and worker health and safety. These laws and regulations are complex, change frequently, are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time. Failure to comply with these laws and regulations may result in administrative, civil, and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance.

Compliance with environmental laws is a 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. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Certain environmental laws may impose joint and several and strict liability for environmental contamination, which may render the Company liable for remediation costs, natural resource damages, and other damages as a result of our conduct that may have been lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighboring land owners and other third parties to file claims for personal injury, property damage, and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact financial condition, profitability and results of operations.

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

The Company is also subject to various federal, provincial, state, and local laws and regulations relating to safety and health conditions in its manufacturing facilities. 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.

The modification or interpretation of existing HSE laws or regulations, the more vigorous enforcement of existing laws or regulations, or the adoption of new laws or regulations may also negatively impact oil and natural gas exploration, production, gathering and pipeline companies, including Enerflex customers, which in turn could have a negative impact on the Company's financial results and operations.

Availability of Raw Materials, Component Parts, or Finished Products

Enerflex purchases a broad range of materials and components in connection with its manufacturing and service activities. Some of the components used in Enerflex's products are obtained from a single source or a limited group of suppliers. Reliance on these suppliers involves several risks, including price increases, inferior component quality, and a potential inability to obtain an adequate supply of required components in a timely manner. In particular, long lead times for high demand components, such as engines, can result in project delays. While Enerflex has long standing relationships with these companies, it does not have long-term contracts with some of these sources, and the partial or complete loss of certain of these sources could have a negative impact on Enerflex's results of operations and could damage customer relationships. Further, a significant increase in the price of one or more of these components could have a negative impact on results of operations.

Though Enerflex is generally not dependent on any single source of supply, the ability of suppliers to meet performance, quality specifications, and delivery schedules is important to the maintenance of Enerflex customer satisfaction.

If the availability of certain OEM components and repair parts, which are generally in steady demand, is constrained or delayed, certain of Enerflex's operational or financial results may be adversely impacted.

Information Technology

We are dependent upon the availability, capacity, reliability and security of our information technology infrastructure and our ability to expand and continually update this infrastructure, to conduct daily operations. Information technology assets and protocols become increasingly important to Enerflex as it continues to expand internationally, provide information technology access to global personnel, develop web-based applications and monitoring products, and improve its business software applications. The Company has attempted to protect its information technology assets 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.

Foreign Exchange

Enerflex reports its financial results to the public in Canadian dollars; however, a significant percentage of its revenues and expenses are denominated in currencies other than Canadian dollars. The Company identifies and hedges all significant transactional currency risks and its hedging policy remains unchanged

in the current year. Further information on Enerflex's hedging activities is provided in Note 27 in the consolidated financial statements for the year ended 2018.

Transaction Exposure

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company also sells compression and processing packages in foreign currencies, primarily the U.S. dollar. Most of Enerflex's international orders are manufactured in the United States if the contract is denominated in U.S. dollars. This minimizes the Company's foreign currency exposure on these contracts. The Company has implemented a hedging policy, applicable primarily to the Canadian domiciled business units, with the objective of securing the margins earned on awarded contracts denominated in currencies other than Canadian dollars. In addition, the Company may hedge input costs that are paid in a currency other than the home currency of the subsidiary executing the contract. The Company utilizes a combination of foreign denominated debt and currency forward contracts to meet its hedging objective.

Under IFRS, derivative instruments that do not qualify for hedge accounting are subject to mark-to-market at the end of each period with the changes in fair value recognized in current period net earnings. The Company applies hedge accounting to the majority of its forward contracts. As such, the gains or losses on the forward contracts are deferred to accumulated other comprehensive income and reclassified to the statement of earnings when the hedged transaction affects the statement of earnings. Any hedge ineffectiveness is recognized immediately in net earnings. However, there can be no assurance that the Company will apply or qualify for hedge accounting in the future. As such, the use of currency forwards may introduce significant volatility to the Company's reported earnings.

Enerflex mitigates the impact of exchange rate fluctuations by matching expected future U.S. dollar denominated cash inflows with U.S. dollar liabilities, including foreign exchange contracts, bank debt, and accounts payable, and by manufacturing U.S. dollar denominated contracts at plants located in the United States.

Translation Exposure

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

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

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

For the twelve months ended December 31, 2018, a 5 percent depreciation in the Canadian dollar against the U.S. dollar, Australian dollar, British pound and Brazilian real would increase AOCI by $25.3 million. A 5 percent depreciation of the Canadian dollar against the U.S. dollar, Australian dollar, British pound, and Brazilian real would increase net earnings before tax by $6.7 million.

Enerflex has entered into a hedge of its exposure to investments in certain foreign subsidiaries, using foreign currency denominated debt. Exchange gains and losses on net investments in foreign subsidiaries are included in AOCI along with the translation gains and losses on the debt being used to hedge the net investments. The AOCI at December 31, 2017 was $72.4 million, which increased to $142.5 million at December 31, 2018 as a result of changes in the value of the Canadian dollar against the U.S. dollar, Australian dollar, British pound, and Brazilian real.

Credit Risk

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

The Company has remained diligent during 2018 in assessing credit levels granted to customers, monitoring the aging of receivables, and proactively collecting outstanding balances. The challenging economic conditions have resulted in financial failures in the industry but Enerflex has been able to maintain very low levels of doubtful debts. At December 31, 2018, the Company had no individual customer which accounted to more that 10 percent of its revenue. At December 31, 2017, the Company had one customer in the Canada and USA segments for which the accounts receivable balance was $77.4 million, which represented 17.4 percent of total accounts receivable

Access to Capital

Enerflex relies on its cash, as well as the credit and capital markets to provide some of the capital required to continue operations. Enerflex relies on its Bank Facility and Senior Notes to meet its funding and liquidity requirements. The Senior Notes, with various maturity dates, are senior unsecured indebtedness of the organization. The Company's Bank Facility, which is also senior unsecured indebtedness and is subject to floating rates of interest, is due on June 30, 2022 and may be renewed annually with the consent of the lenders. As of December 31, 2018, the Company had $323.7 million in Senior Notes issued and outstanding, and $124.9 million outstanding on its Bank Facility.

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

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

As at December 31, 2018, the Company had $571.9 million available in borrowing base on its Bank Facility.

The Company's Bank Facility and the Note Purchase Agreement also contain a number of covenants and restrictions which Enerflex and its subsidiaries must comply with, including but not limited to use of proceeds, limitations on our ability to incur additional indebtedness, transactions with affiliates, mergers and acquisitions, and our ability to sell assets. The Company's ability to comply with these covenants and restrictions may be affected by events beyond its control, including prevailing economic, financial, and industry conditions. If market or other economic conditions deteriorate, the Company's ability to comply with these covenants may be impaired. Failure to meet any of these covenants, financial ratios, or financial tests could result in events of default under each agreement which require the Company to repay its indebtedness under those agreements and could impair the Company's ability to access the capital markets for financing. While Enerflex is currently in compliance with all covenants, financial ratios, and financial tests, there can be no assurance that it will be able to comply with these covenants, financial ratios, and financial tests in future periods. These events could restrict the Company's and other guarantors' ability to fund its operations, meet its obligations associated with financial liabilities, or declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends.*"

Distribution Agreements

One of Enerflex's strategic assets is its purchase and distribution agreements with leading manufacturers, notably for INNIO Waukesha gas engines and parts business globally and for INNIO's Jenbacher and MAN engines and parts in Canada. Enerflex is the exclusive distributor for Altronic, a leading manufacturer of electric ignition and control systems, in all of its operating regions. Enerflex also has relationships and agreements with other key equipment manufacturers including Finning CAT (Finning International Inc.), Mustang CAT, 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.

Interest Rate Risk

The Company's liabilities include long-term debt that may be subject to fluctuations in interest rates. The Company's Senior Notes outstanding at December 31, 2018 are at fixed interest rates and therefore will not be impacted by fluctuations in market interest rates. The Company's Bank Facility, however, is subject to changes in market interest rates. As at December 31, 2018 the Company had $124.9 million of indebtedness that is effectively subject to floating interest rates. Changes in economic conditions outside of Enerflex's control could result in higher interest rates, thereby increasing Enerflex's interest expense

which may have a material adverse impact on Enerflex's financial results, financial condition, or ability to declare and pay dividends. See "*Dividends – Restrictions on Paying Dividends.*"

For each one percent change in the rate of interest on the Bank Facility, the change in interest expense for the twelve months ended December 31, 2018 would be approximately $1.2 million. All interest charges are recorded in finance costs on the consolidated statements of earnings in finance costs. Any increase in market interest rates could have a material adverse impact on the Company's financial results, financial condition, or ability to declare and pay dividends.

Climatic Factors and Seasonal Demand

Demand for natural gas fluctuates largely with the heating and electric power requirements caused by the changing seasons in North America. Cold winters typically increase demand for, and the price of, natural gas. This increases customers' cash flow, which can have a positive impact on Enerflex. At the same time, access to many western Canadian oil and natural gas properties is limited to the period when the ground is frozen so that heavy equipment can be transported. As a result, the first quarter of the year is generally accompanied by increased winter deliveries of equipment. Warm winters in western Canada, however, can both reduce demand for natural gas and make it difficult for producers to reach well locations. This restricts drilling and development operations, reduces the ability to supply natural gas production in the short-term, and can negatively impact the demand for Enerflex's products and services.

Liability Claims

The Company's operations entail inherent risks, including equipment defects, malfunctions and failures, and natural disasters, which could result in uncontrollable flows of natural gas or well fluids, fires, and explosions. These risks may expose the Company to substantial liability claims, which could adversely affect its projections, business, results of operations, and financial condition. Some of the Company's products are used in hazardous applications where an accident or a failure of a product could cause personal injury, 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 be available or adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. 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.

Climate Change Risks

The subject of energy and the environment has created intense public debate in Canada, the U.S., and around the world in recent years and into the foreseeable future, and could potentially have a significant impact on all aspects of the economy. There has been an increased focus in the last several years on climate change and the possible role that emissions of GHGs such as CO_2 and methane play in climate change.

Regulatory Risks

The trend in environmental regulation has been to impose more restrictions and limitations on activities that may impact the environment, including laws or regulations pertaining to the emission of CO_2 and

other GHGs into the atmosphere. Any regulatory changes that impose additional environmental restrictions or requirements on the Company or its customers could increase the Company's operating costs and potentially lead to lower demand for its products and services.

There is growing concern about the connection between the burning of fossil fuels and climate change. 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 source of GHG emissions. Taxes on GHG emissions and mandatory emissions reduction requirements may result in increased cost and capital expenditures for oil and natural gas producers, thereby decreasing the demand for the Company's products and services. The Alberta carbon levy, mandatory emissions reduction programs and the new industry emissions cap in Alberta may also impair the Company's ability to provide its services economically and thus reduce the demand for the Company's services. In the USA, the EPA has begun to regulate certain sources of GHGs, including air emissions associated with oil and natural gas production particularly as they relate to the hydraulic fracturing of natural gas wells. In addition, the EPA has issued regulations requiring the reporting of GHG emissions from certain sources, including petroleum refineries and certain oil and natural gas production facilities, on an annual basis. Legislative bodies in other countries where the Company operates have also adopted GHG emission reduction programs.

The Company is unable to predict the impact of current and pending climate change and emissions reduction legislation and regulatory initiatives on the Company and its equipment or operations, or its customers' operations, and it is possible that such laws or regulations would have a material adverse effect on the Company's business, financial conditions, results of operation and cash flows.

Physical Risks
Some scientists have concluded that increasing GHG concentrations in the atmosphere may produce physical effects, such as increased severity and frequency of storms, droughts, floods, wildfires, and other climate events. To the extent there are significant climate changes in the markets Enerflex serves or areas where our assets reside, Enerflex could incur increased expenses, operations could be materially impacted, and demand for the Company's products could decrease. Such climate events have the potential to adversely affect the Company's operations or those of its clients, which could reduce revenue and increase the costs of the Company.

Technological Risks
Demand for our products may also be adversely affected by conservation plans and efforts undertaken in response to global climate change. Many governments provide, or may in the future provide, tax advantages and other subsidies to support the use and development of alternative energy technologies. Technological advances and cost declines in renewable power and electric grids, electric vehicles and batteries may pose a threat to the demand for fossil fuels, which could lead to a lower demand for the Company's products and services.

Social Risks
Non-governmental organizations, shareholders, activists, and consumers may increasingly pressure companies to make their supply chains more sustainable by using less energy and water and producing less waste. Such changing consumer preferences and pressure groups may decrease demand for fossil fuels, which again could reduce the Company's revenue.

Legislative and Regulatory Initiatives Relating to Hydraulic Fracturing

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil from dense subsurface rock formations. Hydraulic fracturing involves the injection of water, sand or alternative proppant and chemicals under pressure into target geological formations to fracture the surrounding rock and stimulate production. Hydraulic fracturing is typically regulated by provincial and state agencies, however recently, there has been increased public concern regarding an alleged potential for hydraulic fracturing to adversely affect drinking water supplies, and proposals have been made to enact separate federal, provincial, state, and local legislation that would increase the regulatory burden imposed on hydraulic fracturing.

If new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where our natural gas exploration and production customers operate, those customers could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production activities and perhaps even be precluded from drilling wells. Any such restrictions could reduce demand for Enerflex's products, and as a result could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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.

Contract Compression Operations

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

Insurance

Enerflex's operations are subject to risks inherent in the oil and natural gas services industry, such as equipment defects, malfunctions and failures, and natural disasters with resultant uncontrollable flows of oil and natural gas, fires, spills, and explosions. These risks could expose Enerflex to substantial liability for personal injury, loss of life, business interruption, property damage, pollution, and other liabilities. Enerflex carries insurance to protect the Company against these unforeseen events, subject to appropriate deductibles and the availability of coverage. In addition, the Company has procured cyber security insurance designed to mitigate the cost of a cyber security breach (see *"Risk Factors – Cyber*

Attacks or Terrorism"). Executive liability 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 appropriate insurance coverage will be maintained in the future, but there can be no assurance that such insurance coverage will be available on commercially reasonable terms or on terms as favourable as Enerflex's current arrangements. The occurrence of a significant event outside of the scope of coverage of the Enerflex insurance policies could have a material adverse effect on the results of the organization.

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, 2018, there were 89,083,621 Common Shares issued and outstanding and no preferred shares outstanding. The following is a summary of the rights, privileges, restrictions, and conditions attached to the Common Shares and preferred shares.

Common Shares

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

Preferred Shares

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

DIVIDENDS

The declaration of dividends is at the sole discretion of the Board of Directors and is considered quarterly. The current practice of the Company is to make quarterly dividend payments to shareholders from its available cash, without impairing its growth potential. The Company may make additional dividends in excess of quarterly dividends during the year, as the Board of Directors may determine from time to time. In 2016, Enerflex declared quarterly dividends of $0.085 per Common Share in each of the quarters, for a total annual dividend of $0.34. Enerflex declared dividends of $0.085 per Common Share during the second and third quarters of 2017 (resulting in a declared quarterly dividend of $0.085 per Common Share for the first and second quarters of 2017) and declared dividends of $0.095 per Common Share during the fourth quarter of 2017 and first quarter of 2018 (resulting in a declared quarterly dividend of $0.095 per Common Share for the third and fourth quarters of 2017). Enerflex declared dividends of $0.095 per Common Share during the second and third quarters of 2018 (resulting in a declared quarterly dividend of $0.095 per Common Share for the first and second quarters of 2018) and declared dividends of $0.105

per Common Share during the fourth quarter of 2018 and first quarter of 2019 (resulting in a declared quarterly dividend of $0.105 per Common Share for the third and fourth quarters of 2018).

Restrictions on Paying Dividends

There are many factors which may restrict the ability of the Company to declare dividends and to make a dividend payment to shareholders. The Company's Bank Facility and Senior Notes, typical to commercial lending arrangements, contain provisions which could limit the payment of dividends if certain financial covenants are not met. As at December 31, 2018, the Company was in full compliance with these covenants. The declaration and payment of dividends are also subject to complying with the solvency tests set out in the CBCA. See also "*Risk Factors*".

MARKET FOR SECURITIES

The Common Shares have been listed and posted for trading on the TSX under the trading symbol "EFX" since June 3, 2011. The table below describes the price range and trading volume for the Common Shares for the year ended December 31, 2018.

Period	High ($)	Low ($)	Close ($)	Volume (#)
2018				
January	16.04	14.39	14.63	5,104,051
February	16.71	13.74	16.13	6,013,100
March	16.83	15.13	15.36	5,640,257
April	16.85	14.51	15.69	4,494,046
May	16.05	14.00	14.67	5,338,888
June	15.03	13.55	14.14	3,350,870
July	15.29	13.56	14.73	3,815,290
August	16.79	14.49	15.78	3,303,660
September	16.71	14.95	16.53	2,888,764
October	17.24	15.33	15.88	4,851,054
November	18.72	15.63	16.31	4,976,385
December	16.87	15.11	15.98	3,417,290

During the financial year ended December 31, 2018, the Company granted options to acquire an aggregate of 885,404 Common Shares with a weighted average exercise price of $16.20.

DIRECTORS AND OFFICERS

All of the Company's directors' terms of office will expire at the earliest of their resignation, the close of the next annual shareholder meeting called for the election of directors, or on such other date as they may be removed according to the CBCA. The next annual shareholder meeting is scheduled for May 3, 2019. Each director will devote the amount of time as is required to fulfill his or her obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

As of December 31, 2018, the directors and executive officers of the Company as a group owned, controlled or directed, directly or indirectly, an aggregate of 578,799 Common Shares, representing approximately 0.6 percent of the issued and outstanding Common Shares.

The following table contains information with respect each of the current directors of the Company as at December 31, 2018. Each of the current directors of the Company listed below, with the exception of Ms. Wesley, Ms. Cormier Jackson and Mr. Reinhart, was appointed as a member of the Board of Directors effective June 1, 2011 pursuant to the Arrangement. Ms. Wesley was appointed as a member of the Board of Directors effective August 14, 2013, and Ms. Cormier Jackson and Mr. Reinhart were appointed as members of the Board of Directors effective May 17, 2017.

Directors

Name, Municipality, Country of Residence, and Position with the Company	Principal Occupation
Stephen J. Savidant[(1)] Calgary, Alberta, Canada Director and Chairman	Independent Businessman and Corporate Director
J. Blair Goertzen[(8)] Calgary, Alberta, Canada Director, President and Chief Executive Officer	President and Chief Executive Officer, Enerflex
Robert S. Boswell[(4)(6)] Denver, Colorado, USA Director	Chairman and Chief Executive Officer, Laramie Energy II LLC
Maureen Cormier Jackson[(5)] Calgary, Alberta, Canada Director	Independent Businesswoman and Corporate Director
W. Byron Dunn[(6)(7)] Dallas, Texas, USA Director	Chief Executive Officer, Tubular Synergy Group, LP
H. Stanley Marshall[(3)(7)] Paradise, Newfoundland, Canada Director	President and Chief Executive Officer, Nalcor Energy
Kevin Reinhart[(2)] Calgary, Alberta, Canada Director	Independent Businessman and Corporate Director
Michael A. Weill[(5)] Houston, Texas, USA Director	Chief Executive Officer, Global Deepwater Partners LLC
Helen J. Wesley[(5)(7)] Calgary, Alberta, Canada Director	Executive Vice President Finance and IT and Chief Financial Officer Enmax Corporation

Notes:

(1) Chairman of the Board.
(2) Chairman of the Audit Committee.
(3) Chairman of the HRC Committee.
(4) Chairman of the NCG Committee.
(5) Member of the Audit Committee.
(6) Member of the HRC Committee.
(7) Member of the NCG Committee.
(8) On February 21, 2019, Mr. Goertzen announced that he will retire as President and Chief Executive Officer of Enerflex effective May 3, 2019 and will not stand for re-election to the Board of Directors. Effective May 3, 2019, Mr. Rossiter (currently Enerflex's COO) will be appointed President and Chief Executive Officer of Enerflex, and will stand for election to the Board at the annual and special meeting of shareholders on May 3, 2019.

Stephen J. Savidant is the Chair of the Board of Directors of Enerflex. He is an independent businessman with over 35 years of industry experience. He was the Chairman of ProspEx Resources Ltd., a Calgary-based oil and gas company focused on exploration for natural gas in the Western Canadian Sedimentary Basin from August 13, 2004 until it was acquired by Paramount Resources Ltd. on May 31, 2011. He served as an independent director of Toromont Industries Ltd. from April 26, 2007 until the spin-out of Enerflex on June 1, 2011. Mr. Savidant was previously President and Chief Executive Officer of Esprit Energy Trust from 2002 to 2006 and Canadian Hunter Exploration from 1998 to 2001. Mr. Savidant holds a B.Eng degree and an MBA from McGill University.

J. Blair Goertzen is the President and Chief Executive Officer of Enerflex until his retirement effective May 3, 2019. Mr. Goertzen is responsible for the leadership and strategic direction for Enerflex's global operations. He joined the Company in 2003 as Executive Vice-President and was appointed President and Chief Executive Officer in 2006. Over the past 15 years, Mr. Goertzen has provided strong leadership and affected positive results for the organization during a time of unprecedented change in the oil and gas industry. He is committed to creating and enhancing shareholder value through a prudent and disciplined management approach. Mr. Goertzen brings more than 40 years' experience in the energy services industry and has held executive positions in publicly-traded companies for the past 30 years. Mr. Goertzen has been a Director of the Red Deer Regional Health Foundation for the past five years. As a member of management, Mr. Goertzen does not serve on any standing committees of the Board of Directors. Mr. Goertzen attends Audit Committee, HRC Committee, and NGC Committee meetings by invitation, but does not have a vote at such meetings.

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

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

W. Byron Dunn is the Chief Executive Officer and Founding Partner of Tubular Synergy Group, LP which acts as a sales, marketing and supply chain services provider for a variety of suppliers of tubular products to the oil and natural gas industry. Prior thereto, Mr. Dunn had a 32-year career with Lone Star Steel Company of which he was Chief Executive Officer, President and a Director from 1997 to 2007. Mr. Dunn

holds a Bachelor of Arts in Management from Texas Christian University and an Executive Master of Business Administration from the Edwin L. Cox School of Business at Southern Methodist University. Mr. Dunn is a member of both the NCG Committee and the HRC Committee.

H. Stanley Marshall. In April 2016, Mr. Marshall was named the Chief Executive Officer of Nalcor Energy, an electricity, oil and natural gas and industrial fabrication and energy marketing company. Prior thereto, Mr. Marshall was the President and Chief Executive Officer of Fortis Inc. from 1996 until he retired in 2014. He is a former Director of Fortis Inc. and several of its subsidiaries. Mr. Marshall holds a Bachelor of Applied Science in Chemical Engineering from the University of Waterloo and an LLB from Dalhousie University. Mr. Marshall is the Chair of the HRC Committee and is also a member of the NCG Committee.

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

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

Helen J. Wesley is the Executive Vice President Finance and IT and Chief Financial Officer of ENMAX Corporation, one of the largest electricity providers in Alberta. She has over 25 years of experience in the international oil and gas industry. Prior to her appointment at ENMAX Corporation, Ms. Wesley was a member of Spencer Stuart's Global Energy Practice. Prior to joining Spencer Stuart in November 2014, Ms. Wesley was the Executive Vice President, Corporate Services for Talisman Energy Inc. as well as Vice-President and Treasurer for Suncor Energy Inc. following the merger with Petro-Canada. During her 10 years with Petro-Canada, Ms. Wesley served in a variety of senior strategic and operational leadership positions, including Vice-President, Finance, International and Offshore, based in London, England. Ms. Wesley earned her Bachelor of Commerce in Marketing degree from the University of Calgary in 1991, and her Master of Business Administration in International Business from Boston's Bentley College in 1993. She also received her Chartered Financial Analyst (CFA) designation in 1998. She received her Directors Designation from the Institute of Corporate Directors in 2015. Ms. Wesley is a member of both the Audit Committee and the NCG Committee.

Executive Officers

The following section contains information with respect to each of the current executive officers of the Company as at December 31, 2018.

Name, Municipality, and Country of Residence	Principal Occupation
J. Blair Goertzen[(1)] Calgary, Alberta Canada	President and Chief Executive Officer
D. James Harbilas Calgary, Alberta Canada	Executive Vice President and Chief Financial Officer
Marc Rossiter[(2)] Houston, Texas, United States of America	Executive Vice President and Chief Operating Officer
Gregory Stewart Houston, Texas, United States of America	President, United States of America
Andrew Jack Calgary, Alberta, Canada	President, Canada
Patricia Martinez Houston, Texas, United States of America	President, Latin America
Phil Pyle Abu Dhabi, United Arab Emirates	President, International

Note:

(1) For Mr. Goertzen's biography, see the section entitled "*Directors*" above. On February 21, 2019, Mr. Goertzen announced that he will retire as President and Chief Executive Officer of Enerflex effective May 3, 2019. Mr. Goertzen will continue with Enerflex as a senior advisor through to May 31, 2019.

(2) Effective May 3, 2019, Mr. Rossiter will be appointed President and Chief Executive Officer of Enerflex.

Mr. D. James Harbilas, the Executive Vice President and Chief Financial Officer, oversees all aspects of Enerflex's financial affairs, including reporting, compliance, corporate governance, strategic M&A, and capital markets activity, in addition to guiding the risk management, legal, and investor relations functions. As a member of the Executive Management Team, Mr. Harbilas provides direction and financial guidance for the Company's growth and development strategy. Prior to joining Enerflex, Mr. Harbilas was Vice President Finance and Chief Financial Officer at Fortis Alberta Inc. and held several senior positions in various financial capacities at SNC-Lavalin Group and AltaLink Management. Mr. Harbilas is a Chartered Professional Accountant and a member of the Chartered Professional Accountants of Alberta, the Ordre de Comptables Professionnels Agres du Québec, and the Financial Executive Institute. He holds a Bachelor of Commerce and graduate diploma in accounting from Concordia University. Mr. Harbilas currently serves on the Board of Directors and is Chairman of the Audit Committee for STEP Energy Services, a publicly-traded company.

Mr. Marc Rossiter, the Executive Vice President and Chief Operating Officer, provides strategic and operational leadership across Enerflex's global regions while endeavouring to strengthen and drive operational efficiencies. As a key member of the Executive Management Team, Mr. Rossiter is accountable for ensuring strategic alignment of the business across the natural gas value chain, while enhancing the synergistic relationship between the Company's capabilities and product and service offering, as well as concentrating on growth. With more than 22 years of experience at Enerflex in a

progression of roles, Mr. Rossiter, a Professional Engineer in the province of Alberta, brings an entrepreneurial mindset with a depth of leadership that is essential in the Company's continued success. Prior to his appointment as Executive Vice President and Chief Operating Officer, Mr. Rossiter was President of the USA region where he was critical in driving revenue growth, while safely delivering reliable solutions. Previously, Mr. Rossiter was Vice President and General Manager, Southern USA and Latin America, and before the Company was acquired by Toromont Industries, he held several project engineering and sales management roles. Mr. Rossiter also worked as a process engineer, attained his status as a Professional Engineer in Alberta, and was an officer in the Canadian Army.

Mr. Gregory Stewart is the President, United States of America and is responsible for guiding the strategic direction, operations, and business development for Enerflex's USA region. He is a member of the Company's Executive Management Team and is tasked with facilitating the growth of the USA region, while also supporting the Rest of World regional requirements for Engineered Systems products and solutions. Prior to his appointment as President, United States of America, Mr. Stewart was Enerflex's Executive Vice President, Corporate Services and Chief Information Officer. While in that role for over nine years, he was responsible for the development and implementation of Company-wide shared services strategies to support regional growth. Before joining Enerflex, Mr. Stewart was Vice President Business Services with Superior Propane for eight years and held numerous positions of increasing responsibility over a 14-year career in Information Services at Canadian Pacific Railway. He holds an Master's in Business Administration with a specialization in Information Systems, BA (French), along with HRCCC and C.Dir. designations from McMaster University. In addition, Mr. Stewart holds his Bachelor of Business Administration (Brock University) and Diplome d'Etudes Françaises (Université de Franche-Comté).

Ms. Patricia Martinez is the President, Latin America and is responsible for leading the region's operations and facilitating Enerflex's growth across this vast and dynamic market. Since joining the Company in 2014, Ms. Martinez, a member of Enerflex's Executive Management Team, has applied a strategic focus and strong industry experience to develop opportunities across Latin America. Ms. Martinez joined Enerflex after serving as Senior Vice President, International Contract Services for Axip Energy Services LP, where she oversaw the management and growth of Axip's business in Latin America, Southeast Asia, and the Middle East. Prior to that, she was Vice President of Latin America and Director of International Ventures for Valerus Compression Services, Axip's predecessor company. She also held several sales and marketing positions over a number of years, working with Shell USA and Conoco Argentina. Ms. Martinez holds an MBA from Houston Baptist University and a Bachelor of Business Administration degree from Universidad Argentina de la Empresa in Buenos Aires. She is on the board and President of the Instituto Argentino del Petroleo y Gas – Houston (IAPGH), and a member of the Young Presidents Organization (YPO).

Mr. Phil Pyle is the President, International. Mr. Pyle leads Enerflex's operations in Australia, Asia, the Middle East, Africa, and Europe/CIS. Drawing on his more than 32 years of international industry experience, and as a member of the Executive Management Team, Mr. Pyle guides the development of Enerflex's international business to meet the demands of the oil and gas industry. Prior to joining Enerflex, Mr. Pyle held numerous senior positions over an eight-year career with Fluor, serving most recently as their Regional Director for the Middle East and Asia where he was responsible for developing and maintaining joint venture companies with local partners for long-term, site-oriented, service, engineering, and projects contracts in Mongolia, Russia, Kazakhstan, Qatar, Saudi, and Indonesia. In addition to his

years at Fluor, Mr. Pyle gained extensive industrial leadership experience at companies like BHP Billiton and the Water Corporation of Western Australia. Mr. Pyle holds an MBA from the University of New England in Australia and a Bachelor of Mechanical Engineering from the University of Western Australia.

Mr. Andrew Jack, the President, Canada, is responsible for providing strategic and operational leadership across the Canadian region. Ensuring alignment of Enerflex's core business offerings across the natural gas value chain, Mr. Jack is focused on driving growth. He is a member of the Company's Executive Management Team and his extensive operational expertise in the industrial services, construction, fabrication, and maintenance business serves Enerflex well. Prior to joining the Company in 2018, Mr. Jack was Vice President, Business Development and Strategy for KBR Canada, a global provider of services and technologies across asset and program life-cycle within the hydrocarbon sector. Prior thereto, he was President, Canada for Willbros, a construction, fabrication, maintenance services company and previously, Vice President and General Manager, Construction and Maintenance Services, based in Fort McMurray. Before joining Willbros and moving to Canada in 2012, Mr. Jack's career began with Deloitte and over the past 25 years, focused on the international oil and gas industry. He has held several senior leadership roles encompassing finance, operations, and strategy with oil and gas service companies in Europe. Mr. Jack holds a Diploma in Business, Finance, and Economics from the University of Gloucestershire and holds a Fellowship designation with the Chartered Management Institute in the UK. He currently serves on the Board of Directors for Indigenous Works, Canada and Direct-C Limited, a University of Calgary technology innovation start-up company.

Corporate Cease Trade Orders

No current director or executive officer of the Company is, or has been within 10 years before the date of this AIF, a director, chief executive officer, or chief financial officer of any company (including the Company) that was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation and that was in effect for a period of more than 30 consecutive days, that was issued: (a) 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 (b) after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer.

Penalties or Sanctions

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

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or have entered into a settlement agreement with a securities regulatory authority; or

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

Bankruptcies

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

(a) is or has been within 10 years prior to the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager, or trustee appointed to hold its assets; or

(b) has within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On April 26, 2010, Mr. Goertzen was a director of Winalta Inc. ("**Winalta**"), a TSX Venture Exchange ("**TSXV**") listed company, when it obtained creditor protection under the Companies' Creditors Arrangement Act ("**CCAA**"). On October 22, 2010, Winalta emerged from CCAA protection. On August 27, 2014, CERF Incorporated acquired all the issued and outstanding shares of Winalta. Winalta's shares were subsequently delisted from the TSXV.

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

Conflicts of Interests

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

LEGAL PROCEEDINGS

Other than set forth below, there are no legal proceedings that Enerflex is or were a party to, or that any of our property is or was the subject of, during the most recently completed financial year, that were or are material to us, and there are no such material legal proceedings that Enerflex is currently aware of that are contemplated.

During the second quarter of 2015, Enerflex initiated arbitration proceedings against Oman Oil Company Exploration and Production ("**OOCEP**"), for a total amount of approximately US$144.5 million (plus interest and costs), related to: a) variation claims resulting from customer-driven scope and schedule changes that led to increased costs and delays in the construction and delivery of a natural gas plant owned by OOCEP in Oman, and b) milestone payments which were due and unpaid at the time the arbitration proceedings were initiated. Through the arbitration process and with the assistance of experts, Enerflex reformulated its damages and ultimately claimed a total amount of approximately US$84.6 million (including interest, plus costs).

OOCEP filed a response disputing and denying the variation claims and stating that certain conditions required for the payment of the milestones remained outstanding. OOCEP also filed a counterclaim for delay and liquidated damages of approximately US$34.2 million (plus interest and costs). Enerflex disputed this counterclaim and denied any liability for liquidated damages.

In the third quarter of 2018 the arbitration tribunal awarded Enerflex an amount of US$27.3 million, which was comprised of the full final milestone payment of US$23.3 million, variation claims in respect of additional costs and delays in construction of US$4.0 million, and interest on the outstanding amounts. The arbitration tribunal also dismissed OOCEP's counterclaim for liquidated damages in its entirety. At December 31, 2018, accrued interest on the outstanding amounts totaled US$3.5 million.

In December 2018, the arbitration tribunal awarded Enerflex approximately US$9.3 million in costs and expenses related to the arbitration and dismissed OOCEP's claim for costs and expenses in its entirety.

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

INTERESTS OF EXPERTS, TRANSFER AGENT AND REGISTRAR

Ernst & Young LLP, the Company's external auditor, has prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2018. Ernst & Young LLP is independent within the meaning of Chartered Professional Accountants of Alberta Rules of Professional Conduct.

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

MATERIAL CONTRACTS

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

The Bank Facility

The Company completed one amendment to the existing Bank Facility during 2018. The April 2018 amendment principally served to extend the maturity date from June 30, 2021 to June 30, 2022. Notwithstanding the maturity date, the Bank Facility may be extended annually on or before the anniversary date with the consent of the lenders. In addition, the Bank Facility may be increased by an additional $100.0 million at the request of the Company, subject to the lenders' consent. There is no required or scheduled repayment of principal until the maturity date.

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

The Company is required to maintain certain covenants on its Bank Facility. As at December 31, 2018, the Company was in compliance with these covenants.

At December 31, 2018, the Company had a total of approximately $124.9 million cash drawings against its Bank Facility.

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

AUDIT COMMITTEE

Audit Committee Charter

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

Composition of the Audit Committee

The Audit Committee of the Company is comprised of Kevin J. Reinhart (Chair), Maureen Cormier Jackson, Michael A. Weill, and Helen J. Wesley, 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 of the Audit Committee include: oversight responsibility for financial statements and related disclosures, reports to shareholders and other related communications; establishing appropriate financial policies; ensuring the integrity of accounting systems and internal controls; approving all audit and non-audit services provided by the independent auditor; consulting with the auditor independent of management and overseeing the work of the independent auditor; monitoring and directing, as appropriate, the activities of Enerflex's internal audit group; and overseeing the Company’s cyber security and information technology programs.

Relevant Education and Experience of Audit Committee Members

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

Audit Committee Member	Relevant Education and Experience
Kevin J. Reinhart	Mr. Reinhart is a former Chief Financial Officer and a former interim President and Chief Executive Officer of Nexen Inc. He holds a B.Comm. (Hons) from Saint Mary's University and is a Chartered Professional Accountant.
Maureen Cormier Jackson	Ms. Cormier Jackson is a former Senior Vice President, Chief Process and Information Officer at Suncor Energy Inc. She holds a Bachelor of Commerce degree from Memorial University and is a Chartered Professional Accountant. She also holds a Directors Designation from the Institute of Corporate Directors.
Michael A. Weill	Mr. Weill is the Chief Executive Officer of Global Deepwater Partners LLC. He is a former President of BHP Billiton Petroleum. Mr. Weill holds a Bachelor of Science in Chemical Engineering from Cornell University.
Helen J. Wesley	Ms. Wesley is the Executive Vice President Finance and IT and Chief Financial Officer at ENMAX in Calgary and has held various executive positions at oil and gas and chemicals companies in North America. She holds a Bachelor of Commerce in Marketing from the University of Calgary and a Masters of Business Administration in International Business from Boston's Bentley College. She earned a Chartered Financial Analyst designation in 1998 and her Institute of Corporate Directors designation in 2015.

Pre-Approval Policies and Procedures

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

Remuneration of Auditors

The following table sets out the aggregate fees paid or accrued by Enerflex and its subsidiaries to the external auditors, Ernst & Young LLP, for the fiscal years ended December 31, 2018 and December 31, 2017.

	2018	2017
Audit Fees[(1)]	$1,718,000	$1,988,982
Audit Related Fees[(2)]	$21,800	$339,579
Tax Fees[(3)]	$309,200	$86,600
All other Fees[(4)]	$0	$-

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities and guidance to employees transferred internationally.

(4) "**All Other Fees**" include all other non-audit services.

ADDITIONAL INFORMATION

Additional information relating to directors' and officers' remuneration and indebtedness, the principal holders of the Common Shares of the Company, the securities authorized for issuance under equity compensation plans, if applicable, will be contained in the management information circular of Enerflex which is expected to be dated on or about March 4, 2019, relating to the annual general and special meeting of shareholders to be held on May 3, 2019, which may be found on the Company's SEDAR profile at www.sedar.com.

Additional financial information is provided in the financial statements of the Company and the management's discussion and analysis of the Company for the financial year ended December 31, 2018. Additional information about the Company may be found on SEDAR at www.sedar.com. Copies of these documents may be obtained upon request to Investor Relations, Enerflex Ltd., 904 -1331 Macleod Trail S.E., Calgary, Alberta T2G 0K3, Phone 1.403.236.6800, 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 Company has established an Audit Committee of the Board of Directors. These terms of reference govern the operations of the Audit Committee, as approved by the Board of Directors. The Committee shall review and reassess the terms of reference annually. The Committee shall be appointed by the Board and shall comprise at least three directors, each of whom are independent (as defined by applicable legislation and the rules of any stock exchange on which securities of the issuer are listed). All Committee members shall have a sufficient level of financial literacy to understand the issues to be raised in the Company's financial statements, and at least one Audit Committee member shall have accounting or related financial expertise.

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

Statement of Policy

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

Responsibilities and Processes

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

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

Relationship with External Auditor

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

Financial Reporting

- The Committee shall review and recommend for approval by the Board, press releases on quarterly financial results and interim reports to shareholders including the financial statements, note disclosure and Management's Discussion and Analysis included therein, prior to public disclosure of such information. The Committee will periodically consider the extent of involvement of the independent auditor in connection with the interim financial statements, Management's Discussion and Analysis and interim note disclosures. The Committee will periodically review and satisfy itself as to the adequacy of procedures for the review of other public disclosure by the Company of financial information derived from the Company's financial statements.
- The Committee will review with management and the independent auditor and recommend for approval by the Board the annual audited consolidated financial statements, Management's Discussion and Analysis and Annual Information Form.
- The Committee shall review any significant adjustments to financial statements, unusual transactions, investments or other transactions that could materially affect the viability of the Company, in addition to all material transactions with related parties. The Committee will make appropriate inquiries with respect to any significant litigation or regulatory compliance matters and report on these matters to the Board.

- The Committee shall review with management and the independent auditor the financial statements to be included in the Company's Annual Report, including their judgment about the quality and acceptability of accounting principles, the reasonableness of significant accounting estimates and judgments, and the clarity of the disclosures in the financial statements and related notes. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards.

Internal Audit and Controls

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

[1] NI 52-110, s. 2.3(7).