



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of November 7, 2017 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited consolidated interim financial statements and notes thereto as at and for the nine months ended September 30, 2017 (the "Financial statements"), the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2016 and the Prospectus dated April 25, 2017. All documents are available on STEP's website at www.stepenergyservices.com and on SEDAR at www.sedar.com. Readers should also refer to the "Forward-looking statements" legal advisory at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Readers should review the section regarding "Non-IFRS measures".

CORPORATE OVERVIEW

STEP Energy Services is an oilfield service company that provides fully integrated fracturing and coiled tubing solutions. Our combination of modern, fit-for-purpose fracturing and coiled tubing equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals, and higher pressure.

Founded in 2011, our business has grown from a specialized, Canadian-only, deep capacity coiled tubing company to a market leading fully integrated, deep capacity coiled tubing and fracturing solutions provider. In 2015, we extended our coiled tubing operations into the Eagle Ford basin in Texas. During that same year we began offering fracturing services to our Canadian clients. Today, our Canadian fracturing and coiled tubing services are focused in the Montney and Duvernay, with exposure to other formations in the Western Canadian Sedimentary Basin ("WCSB"), while in the United States ("U.S."), we focus our coiled tubing services in the Permian and Eagle Ford in Texas and the Haynesville in Louisiana. Our track record of safety, efficiency and execution drives repeat business from our blue-chip exploration and production ("E&P") clients.

Fracturing services in Canada continues to expand with increased industry activity

STEP's fracturing business is primarily focused on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP currently operates six fracturing spreads representing 176,750 horsepower ("HP") (including 97,500 HP with dual fuel capabilities). STEP has an additional 120,750 HP available for deployment, some of which will require capital for maintenance, refurbishment, and rebranding.

Coiled tubing services in Canada & the U.S. offers future growth

STEP provides coiled tubing services to Canadian and U.S. E&P companies for completion operations of new wells and workovers to improve producing wells. STEP's coiled tubing units are designed to service the deepest wells in North America. We currently operate a fleet of 18 coiled tubing spreads, including six in the U.S. STEP anticipates increased demand of our coiled tubing services and has plans to build and deploy additional spreads into both markets as supported by market demand.

STEP's culture sets us apart

A cornerstone of STEP's success is our high-performance, safety-focused culture. Our four core values; **Safety, Trust, Execution, and Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering commitment to safety. Our commitment to these values results in fewer non-productive hours, is instrumental in attracting and retaining top talent and helps STEP attract and retain high-quality clients with similar values. STEP scored 96% in its 2016 Certificate of Recognition safety audit and is an award-winning service provider, receiving the 2017 Ernst and Young oil and gas services entrepreneur of the year award, the OGM Safety Award, Top Safety Culture Award - Large Enterprises Category, and being a recipient of Deloitte's Canada's Best Managed Companies.

CONSOLIDATED HIGHLIGHTS

FINANCIAL

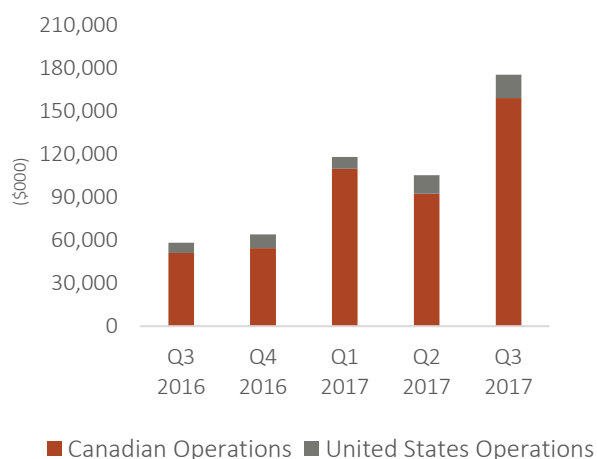
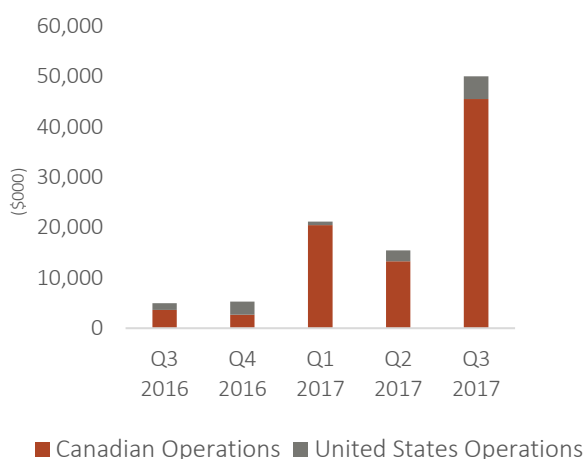
(\$000s except percentages, shares and per share amounts)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Consolidated revenue	\$ 175,537	\$ 58,182	\$ 398,967	\$ 104,990
Net income (loss) attributable to shareholders	\$ 28,575	\$ (1,242)	\$ 40,167	\$ (17,341)
Per share-basic	\$ 0.48	\$ (0.03)	\$ 0.72	\$ (0.43)
Per share-diluted	\$ 0.46	\$ (0.03)	\$ 0.71	\$ (0.43)
Adjusted EBITDA ⁽¹⁾	\$ 50,043	\$ 4,954	\$ 87,621	\$ 968
Adjusted EBITDA % ⁽¹⁾	29%	9%	22%	1%

BALANCE SHEET

(\$000s except shares and per share amounts)	As at September 30,	As at December 31,
	2017	2016
Cash and cash equivalents	\$ 60,206	\$ 2,151
Working capital	\$ 122,101	\$ 29,872
Total long-term financial liabilities	\$ 8,538	\$ 33,994
Total assets	\$ 527,273	\$ 335,140
Shares outstanding		
Basic	60,120,191	47,719,703
Weighted average shares – basic	55,408,863	42,400,845
Weighted average shares – diluted	56,263,910	42,400,845

⁽¹⁾ See Non-IFRS Measures. "Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net income before finance costs, depreciation and amortization, loss (gain) on disposal of property and equipment, impairment, current and deferred income tax, share-based compensation, transaction costs and foreign exchange (gain) loss.

CONSOLIDATED REVENUE

CONSOLIDATED ADJUSTED EBITDA ⁽¹⁾

Increased activity supported by industry demand, and additional deployed equipment across all service offerings contributed to record revenue for the three and nine months ended September 30, 2017.

Record quarterly and year-to-date Adjusted EBITDA is largely the result of increased pricing and strong utilization on an expanded fleet of deployed equipment.

⁽¹⁾ See Non-IFRS Measures.

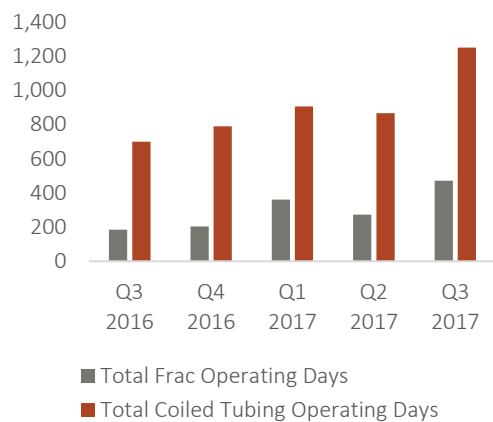
OPERATIONAL

(\$000's except per day, days, units, and HP)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Total fracturing operating days ⁽¹⁾	472	185	1,105	252
Fracturing revenue per operating day	\$ 252,912	\$ 165,333	\$ 241,964	\$ 151,246
Fracturing capacity (HP):				
Average active HP	176,750	100,000	151,750	66,667
Exit active HP	176,750	100,000	176,750	100,000
Total HP ⁽²⁾	297,500	297,500	297,500	297,500
Total coiled tubing operating days ⁽¹⁾	1,250	699	3,022	1,757
Coiled tubing revenue per operating day	\$ 44,930	\$ 39,479	\$ 43,546	\$ 38,063
Coiled tubing capacity:				
Average active coiled tubing units	17	11	15	10
Exit active coiled tubing units	18	11	18	11
Total coiled tubing units	18	15	18	15
Capital expenditures	\$ 25,338	\$ 15,571	\$ 78,934	\$ 88,502

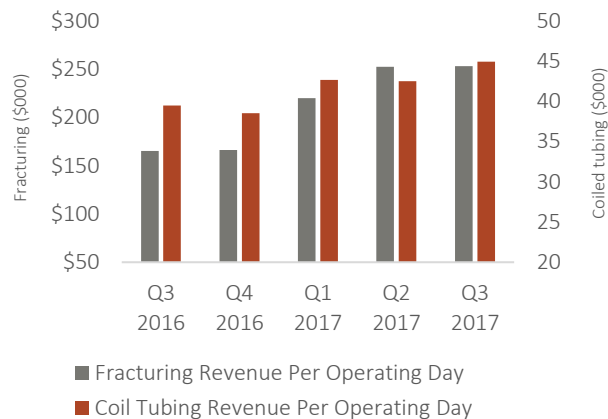
⁽¹⁾ An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.

⁽²⁾ Represents total owned HP, of which 176,750 HP is currently deployed and the remainder of which requires certain maintenance and refurbishment.

OPERATING DAYS



REVENUE PER OPERATING DAY



Growth in operating days over prior year and quarter is the result of increased demand and additional deployed capacity across all three service offerings.

Increases in revenue per day over prior year and quarter are primarily the result of improved pricing and utilization across all business lines and higher intensity in Canadian fracturing.

HIGHLIGHTS

- Generated record quarterly and year-to-date consolidated revenue of \$175.5 million and \$399.0 million, respectively, compared to \$58.2 million and \$105.0 million in the same periods of 2016. The increases are primarily attributable to the growth in deployed equipment, higher fracturing intensity, improved pricing, dry weather conditions and high utilization.
- Average active fracturing spreads increased to six in Q3 2017 from three in Q3 2016, while average active coiled tubing spreads increased to 17 in Q3 2017 from 11 in Q3 2016.
- Operating days in Q3 2017 increased 155% for fracturing and 79% for coiled tubing, compared to the same period in 2016, driven by additional deployed equipment and strong demand for our services.
- Record quarterly Adjusted EBITDA for the three months ended September 30, 2017 was \$50.0 million and for year-to-date 2017 was \$87.6 million, an increase of \$45.1 million and \$86.7 million, respectively, compared to the same

periods of 2016. The increase can be attributed to strong utilization and pricing increases over an expanded fleet of deployed equipment, combined with a continued focus on cost control and operating efficiencies.

- Delivered record quarterly net income of \$28.6 million in the third quarter and \$40.2 million year-to-date, compared to a loss of \$1.2 million and \$17.3 million in the comparable periods of 2016, respectively.

INDUSTRY CONDITIONS & OUTLOOK

The Canadian pressure pumping market remained undersupplied through the third quarter of 2017, driving consistent demand for our services; these conditions continue to support equipment activations, revenue growth, and allow the Company to leverage fixed costs over increasing activity. Average pricing has increased approximately 15-20% since the first quarter of 2017. We believe pricing has plateaued in response to uncertainty around future capital plans and volatility of commodities supporting our clients cash flow. Cost inflation from our suppliers continues as they restore capacity and profitability in their business. Activity was marginally impacted by adverse weather conditions in Canada and Hurricane Harvey in the U.S. While there was no impact to assets, infrastructure or supply chain, the weather did result in minor work deferrals in impacted areas.

STEP expects the fourth quarter of 2017 to remain active, with normal accommodations for weather delays and holidays. Bookings into 2018 are supportive of an active first quarter and we have visibility to activity extending into the second quarter of 2018. We are mindful of commodity price volatility and the corresponding impact to our client's cash flow and hence will monitor and adjust our equipment deployment plans according to these market indicators. Management believes we have reached pricing thresholds due to the current commodity price environment. The tightening supply chain, which includes major components, select proppants, and chemicals have resulted in cost inflation which we expect will continue through 2018. Management will continue to look for opportunities to offset inflationary pressure. Competition for skilled personnel, particularly field professionals, continues to moderate the pace of equipment deployment.

STEP has expanded its 2017 capital program by \$15 million, bringing the revised program to \$115 million. The increase pertains primarily to higher maintenance capital due to stronger utilization, consolidation of operating base infrastructure, and the deployment of additional pumping equipment for our U.S. coiled tubing operations. Upon completion of the 2017 program, we will have a fleet of 20 coiled tubing spreads (including seven in the U.S.) and seven fracturing spreads representing approximately 209,000 HP deployed (with an additional 88,500 HP in our fleet available for future deployment). Our eighth U.S. coiled tubing spread and eighth fracturing spread are planned for delivery in the first quarter of 2018. STEP's ability to deploy additional equipment will be influenced by access to key components, shop capacity and the availability of qualified personnel to staff equipment.

Although STEP recognizes the market may become balanced as equipment reactivations are completed, continued increases in fracturing intensity have the potential to extend undersupply conditions through 2018.

The Board has approved a 2018 capital program of \$109 million, comprised of expansion capital of \$73 million, maintenance capital of \$29 million, and infrastructure and related investment of \$7 million. Expansion capital includes the purchase of auxiliary equipment to support our Montney and Duvernay activities, construction of fit-for-purpose equipment to target oil plays, and refurbishment and rebranding of idle fracturing assets. Upon completion of the 2018 capital program we will operate 11 fracturing spreads representing approximately 305,000 HP and 16 coiled tubing spreads in Canada, and 11 coiled tubing spreads in the U.S.

STEP believes our commitment to modern fit-for-purpose equipment differentiates us in the market place. We are continually developing and deploying technology to advance our business. Such advancements include fiber optics and e-line with our coiled tubing operations, STEP-PLEX™ diverting agents in association with recompletion activities, and field equipment automation.

CANADIAN OPERATIONS OVERVIEW

The Canadian operating segment provides fracturing and coiled tubing services to E&P companies operating in the WCSB. As at September 30, 2017, our Canadian operations were comprised of 297,500 fracturing HP, of which a fleet of six fracturing spreads representing 176,750 HP was staffed with 24-hour operations; and 12 purpose-built coiled tubing spreads, all currently staffed and deployed. STEP's Canadian segment will take delivery of a seventh fracturing spread and 13th coiled tubing spread in the fourth quarter of 2017, and an eighth fracturing spread in the first quarter of 2018.

(\$000's except per day, days, units, and HP)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 159,211	\$ 51,088	\$ 361,426	\$ 92,805
Expenses:				
Cost of sales	118,081	50,727	294,306	102,696
Selling, general and administrative	4,301	2,846	13,728	10,437
Results from operating activities	\$ 36,829	\$ (2,485)	\$ 53,392	\$ (20,328)
Add non-cash items:				
Depreciation	7,710	4,953	21,268	14,051
Share-based compensation	944	1,172	4,586	6,833
Adjusted EBITDA ⁽¹⁾	\$ 45,483	\$ 3,640	\$ 79,246	\$ 556
Adjusted EBITDA % ⁽¹⁾	29%	7%	22%	1%
Sales mix (% of segment revenue)				
Fracturing	75%	60%	74%	41%
Coiled tubing	25%	40%	26%	59%
Fracturing services				
Fracturing revenue per operating day	\$ 252,912	\$ 165,333	\$ 241,964	\$ 151,243
Number of fracturing operating days ⁽²⁾	472	185	1,105	252
Active pumping HP, end of period	176,750	100,000	176,750	100,000
Idle pumping HP, end of period	120,750	197,500	120,750	197,500
Total pumping HP, end of period ⁽³⁾	297,500	297,500	297,500	297,500
Coiled tubing services				
Coiled tubing revenue per operating day	\$ 45,013	\$ 40,120	\$ 43,404	\$ 37,980
Number of coiled tubing operating days ⁽²⁾	885	511	2,167	1,440
Active coiled tubing units, end of period	12	8	12	8
Idle coiled tubing units, end of period	-	4	-	4
Total coiled tubing units, end of period	12	12	12	12

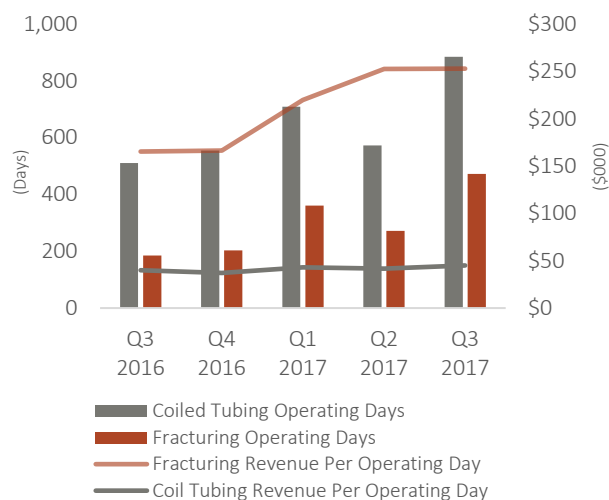
⁽¹⁾ See Non-IFRS Measures.

⁽²⁾ An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.

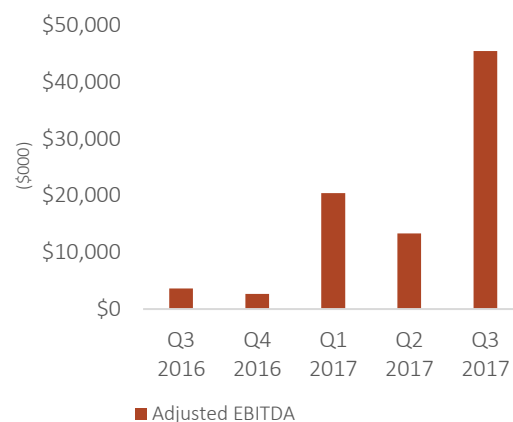
⁽³⁾ Represents total owned HP, of which 176,750 HP is currently deployed and the remainder of which requires certain maintenance and refurbishment.

Q3 and year-to-date 2017 highlights – Canada

OPERATING DAYS AND REVENUE PER DAY



ADJUSTED EBITDA ⁽¹⁾



During the third quarter, strong demand and improved pricing drove increases in revenue per operating day for both service offerings, while increased intensity individually contributed to fracturing.

Relative to prior year and quarter, increased Adjusted EBITDA in Canada benefitted from improved pricing, stronger utilization and operating efficiencies. Additionally, economies of scale are becoming impactful to Adjusted EBITDA.

⁽¹⁾ See Non-IFRS Measures.

- Revenue in the third quarter of 2017 was 212% higher and for the first nine months of 2017 was 289% higher than the same periods in 2016 as a result of increased demand for our services, and the resultant additional deployed equipment.
- Fracturing operating days in Q3 increased 155% in 2017 over 2016, and increased 338% in the first nine months of 2017, compared to the same periods in the prior year.
- Average revenue per fracturing operating day increased 53% in the third quarter of 2017 and 60% in the first nine months of 2017, relative to the same periods in 2016. Increases in both periods stem from improved pricing and higher revenue resulting from increased stages and proppant pumped on a per well basis.
- Coiled tubing operating days increased 73% in Q3 2017 and increased 50% in the first nine months of 2017 compared to the same periods in 2016.
- Average revenue per coiled tubing operating day increased 12% and 14% in Q3 2017 and the first nine months of 2017, respectively, over the same periods in 2016. Increases in both periods are largely attributable to improved pricing driven by stronger industry activity, and increased product sales.
- Integrated services continue to create value for clients with approximately 30% of coiled tubing revenue being generated with STEP’s fracturing services in Q3 2017.
- Adjusted EBITDA in Canada for the three and nine months ended September 30, 2017 was \$45.5 million (or 29%) and \$79.2 million (or 22%), respectively, compared to Adjusted EBITDA of \$3.6 million (or 7%) and \$0.6 million (or 1%), respectively, in same periods of 2016. The improvement is primarily attributable to the impacts of increased pricing and an expanded client base, improved utilization over an expanded fleet of deployed equipment, cost reduction measures and better operating efficiencies.

UNITED STATES OPERATIONS OVERVIEW

The U.S. operating segment provides coiled tubing services to an expanding client list in the Permian and Eagle Ford basins in Texas and recently the Haynesville shale in Louisiana. At September 30, 2017, STEP's U.S. operations expanded to six active coiled tubing spreads. STEP plans to take delivery of its seventh U.S. coiled tubing spread in the fourth quarter of 2017. The eighth coiled tubing spread is scheduled for the first quarter of 2018.

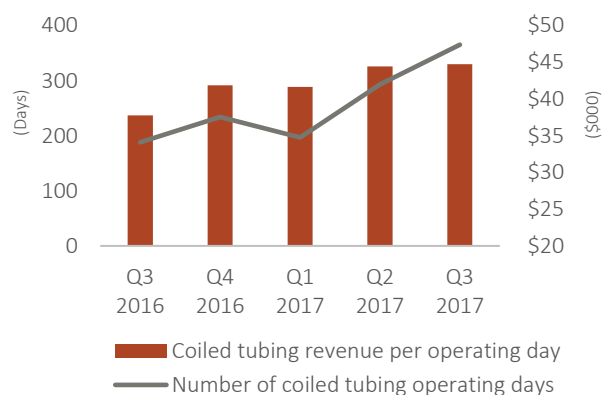
(\$000's except per day, days, and units)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 16,326	\$ 7,094	\$ 37,541	\$ 12,185
Expenses:				
Cost of sales	12,386	6,235	30,529	13,035
Selling, general and administrative	766	317	2,313	915
Results from operating activities	\$ 3,174	\$ 542	\$ 4,699	\$ (1,765)
Add non-cash items:				
Depreciation	1,245	676	3,203	1,786
Share-based compensation	141	96	473	391
Adjusted EBITDA ⁽¹⁾	\$ 4,560	\$ 1,314	\$ 8,375	\$ 412
Adjusted EBITDA % ⁽¹⁾	28%	19%	22%	3%
Coiled tubing services				
Coiled tubing revenue per operating day	\$ 44,728	\$ 37,736	\$ 43,908	\$ 38,438
Number of coiled tubing operating days ⁽²⁾	365	188	855	317
Active coiled tubing units, end of period	6	3	6	3
Idle coiled tubing units, end of period	-	-	-	-
Total coiled tubing units, end of period	6	3	6	3

⁽¹⁾ See Non-IFRS Measures.

⁽²⁾ An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.

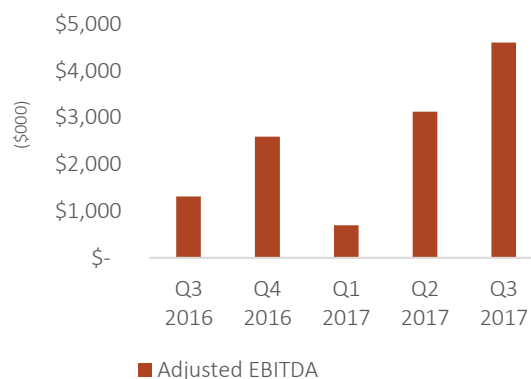
Q3 and year-to-date 2017 highlights – U.S.

OPERATING DAYS AND REVENUE PER DAY



Stronger industry activity during the third quarter of 2017 led to increased utilization of our coiled tubing fleet and with improvements in rates resulted in an increase in revenue per operating day over prior year.

ADJUSTED EBITDA ⁽¹⁾



Increased Adjusted EBITDA over prior year and quarter is the result of price improvements and a more mature business where operating efficiencies gained through economies of scale are becoming meaningful to results.

⁽¹⁾ See Non-IFRS Measures.

- Generated revenue of \$16.3 million in the third quarter and \$37.5 million for the first nine months of 2017, compared to \$7.1 million and \$12.2 million in the same periods of 2016. Increases are the result of improved demand, rates and deployed equipment.
- Coiled tubing operating days increased 94% and 170% in the third quarter and first nine months of 2017, respectively, compared to the comparable periods in 2016, primarily attributable to more active equipment to support increased demand for our services.
- Average revenue per coiled tubing operating day increased 19% and 14% in the third quarter and first nine months of 2017, respectively, over the same periods in 2016. The increases are primarily attributable to improvements in rates.
- Adjusted EBITDA from the U.S. was \$4.6 million (or 28%) for Q3 2017 and \$8.4 million (or 22%) for the first nine months of 2017 compared to Adjusted EBITDA of \$1.3 million (or 19%) and \$0.4 million (or 3%), respectively, in the same periods of 2016. Increased pricing, an expanded client base, improved utilization, cost reduction measures and better geographical and operating efficiencies from an expanded fleet contributed to the increases in both periods.

CONSOLIDATED FINANCIAL REVIEW

(\$000's except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 175,537	\$ 58,182	\$ 398,967	\$ 104,990
Cost of sales	130,467	56,962	324,835	115,731
Gross profit (loss)	45,070	1,220	74,132	(10,741)
Selling, general and administrative	5,067	3,163	16,041	11,352
Results from operating activities	40,003	(1,943)	58,091	(22,093)
Finance costs	99	214	1,003	615
Foreign exchange (gain) loss	(119)	(39)	338	(113)
Gain on disposal of property and equipment	(95)	(998)	(2,096)	(1,442)
Transaction costs	452	-	1,983	-
Amortization of intangibles	128	144	475	432
Income (loss) before income tax	39,538	(1,264)	56,388	(21,585)
Income tax expense (recovery)	10,963	(22)	16,221	(4,244)
Net Income (loss)	28,575	(1,242)	40,167	(17,341)
Other comprehensive income (loss)	(1,436)	134	(2,714)	(1,412)
Total comprehensive income (loss)	\$ 27,139	\$ (1,108)	\$ 37,453	\$ (18,753)
Net income (loss)	\$ 28,575	\$ (1,242)	\$ 40,167	\$ (17,341)
Net income (loss) per share – basic	\$ 0.48	\$ (0.03)	\$ 0.72	\$ (0.43)
Net income (loss) per share – diluted	\$ 0.46	\$ (0.03)	\$ 0.71	\$ (0.43)
Adjusted EBITDA ⁽¹⁾	\$ 50,043	\$ 4,954	\$ 87,621	\$ 968
Adjusted EBITDA % ⁽¹⁾	29%	9%	22%	1%

⁽¹⁾ See Non-IFRS Measures.

Q3 and year-to-date 2017 capital expenditures

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Canada	\$ 17,486	\$ 11,946	\$ 56,249	\$ 83,626
United States	7,852	3,625	22,685	4,876
Total capital expenditures	\$ 25,338	\$ 15,571	\$ 78,934	\$ 88,502

STEP funds capital expenditures from a combination of cash, cash provided by operating activities, issuance of share capital and available credit facilities.

OTHER ITEMS

Depreciation and amortization

For the three and nine months ended September 30, 2017, depreciation and amortization expense increased by 57% and 53% to \$9.1 million and \$24.9 million, respectively, from \$5.8 million and \$16.3 million in the same periods of 2016. The increase was the result of assets activated and deployed over the past twelve months.

Finance costs

STEP's finance costs of \$0.1 million for the three months ended September 30, 2017 decreased from \$0.2 million in the same period of 2016, as the outstanding balance on the Company's credit facilities was higher in the third quarter of 2016. While the increased finance costs of \$1.0 million for the nine months ended September 30, 2017 compared to \$0.6 million for the comparable period of 2016 is primarily the result of a higher average balance drawn on the Company's credit facilities through the first half of 2017 compared to 2016. Additionally, interest on finance leases increased in 2017 as a result of an expanded fleet of leased vehicles.

Foreign exchange gains and losses

STEP recorded a foreign exchange gain of \$0.1 million and loss of \$0.3 million for the three and nine months ended September 30, 2017, respectively, versus a gain of \$39 thousand and \$0.1 million in the comparable periods of 2016. Foreign exchange gains and losses arose primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of non-core property and equipment of \$0.1 million and \$2.1 million for the three and nine months ended September 30, 2017, respectively, compared to \$1.0 million and \$1.4 million in the comparable periods of 2016. Proceeds on sale of \$0.5 million and \$5.9 million were recognized in the three and nine months ended September 30, 2017, respectively.

Impairment

STEP reviews for indicators of impairment at each reporting period. Based on management's review, no indicators of impairment existed at September 30, 2017.

Transaction costs

Transaction costs expensed of \$0.5 million and \$2.0 million for the three and nine months ended September 30, 2017, respectively, relate to the initial public offering ("IPO"). In addition, \$1.3 million of the transaction costs were capitalized to share capital in the first nine months of 2017.

Income taxes

STEP recorded an income tax expense of \$11.0 million and \$16.2 million in the three and nine months ended September 30, 2017, compared to a recovery of \$22 thousand and \$4.3 million in the comparable periods of 2016, respectively. The average combined tax rate was approximately 27% in the three and nine months ended September 30, 2017 and 2016.

Share-based compensation

For the three and nine months ended September 30, 2017, STEP recorded share-based compensation expense of \$1.1 million and \$5.1 million, respectively, compared to \$1.3 million and \$7.2 million in the same periods of 2016. The prior year comparative includes a charge pertaining to the extension of options and performance warrant grants issued in 2011 that were set to expire in 2016.

LIQUIDITY AND CAPITAL RESOURCES

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net cash provided by (used in)				
Operating activities	\$ 22,177	\$ (14,325)	\$ 37,112	\$ (19,075)
Investing activities	(19,153)	(10,386)	(55,799)	(84,564)
Financing activities	257	24,353	76,939	97,133
Impact of foreign exchange on cash	(126)	2	(197)	(14)
Increase (decrease) in cash and cash equivalents	\$ 3,155	\$ (356)	\$ 58,055	\$ (6,520)
Ending cash balance	\$ 60,206	\$ 1,706	\$ 60,206	\$ 1,706

Net cash provided by (used in) operating activities

Net cash provided by operating activities totaled \$22.2 million and \$37.1 million for the three and nine months ended September 30, 2017, compared to net cash used in operating activities of \$14.3 million and \$19.1 million in the comparable periods of 2016, respectively. The increase in net cash provided by operating activities was due to increased activity and pricing partially offset by an increase in non-cash working capital requirements. Trade and other receivables increased from \$41.5 million at September 30, 2016 to \$131.8 million at September 30, 2017, as a result of an increase in revenue in the third quarter and first nine months of 2017, compared to the comparable periods of 2016.

Net cash used in investing activities

Net cash used in investing activities totaled \$19.2 million and \$55.8 million for the three and nine months ended September 30, 2017, compared to \$10.4 million and \$84.6 million in the comparable periods of 2016, respectively. Relative to 2016 the increase in third quarter 2017 is the result of more cash directed towards the deployment of assets, while the 2017 year-to-date decrease can be attributed to the asset acquisition in the second quarter of 2016.

Net cash provided by financing activities

Net cash provided by financing activities of \$0.3 million for the three months ended September 30, 2017 decreased compared to \$24.4 million in the comparable period of 2016 due to the issuance of debt in third quarter of 2016. While the decrease in net cash provided by financing activities to \$76.9 million in the nine months ended September 30, 2017 from \$97.1 million in the comparable period of 2016 is the result of debt repayments offsetting the issuance of share capital in the current period. In February 2017, the Company issued 2.4 million common shares for aggregate proceeds of \$15.0 million pertaining to a subscription agreement entered into between the Company and ARC Energy Fund 8 on April 2, 2015. This represents the final financing under the subscription agreement. On May 2, 2017, STEP completed an initial public offering for aggregate gross proceeds to STEP of \$100.0 million. The proceeds were initially used to repay indebtedness and positions the Company to execute on its capital program.

Working capital and cash requirements

As at September 30, 2017, STEP had positive working capital of \$122.1 million, compared to \$29.9 million as at December 31, 2016. Contributing to the increase is the net proceeds from the IPO as cash and cash equivalents increased from \$2.1 million at December 31, 2016 to \$60.2 million as at September 30, 2017. As at September 30, 2017, trade and other receivables increased to \$131.8 million from \$47.9 million as at December 31, 2016, due to higher activity across all service lines. As at September 30, 2017, trade and other payables increased to \$85.9 million from \$33.6 million as at December 31, 2016, with the growth relating to the increased need for non-cash working capital to support operations and the capital program.

Capital management

(\$000s)	As at September 30, 2017	As at December 31, 2016
Shareholders' equity	\$ 412,019	\$ 259,939
Obligation under finance lease	10,781	6,848
Loans and borrowings	1,903	30,302
Total capital	\$ 424,703	\$ 297,089

The Company's objectives when managing its capital structure are to maintain a balance between debt and equity so as to withstand industry and seasonal volatility, maintain investor, creditor and market confidence and to sustain future growth of the business. The Company considers the items included in shareholders' equity, loans and borrowings and finance leases as capital. Debt includes the current and long-term portions of bank indebtedness, vendor financings and obligations under finance leases.

Equity:

As at November 7, 2017, there were 60,169,791 common shares issued and outstanding.

Debt:

During the first quarter of 2017, the Company entered into a new credit agreement with a syndicate of financial institutions. The agreement is comprised of an operating facility and a revolving facility (together the "Facilities"). The Facilities mature May 31, 2020 and include a committed operating facility up to a maximum of \$10.0 million and a committed revolving facility up to a maximum of \$90.0 million, with an additional \$25.0 million accordion feature available upon request by the Company, subject to review and approval by the agent and syndicate. The maturity date of the Facilities may be extended once for a period of up to 3 years. The Facilities include a general security agreement providing a security interest over all present and after acquired personal property of the Company and all of its subsidiaries.

The amount of Facilities available to the Company is the lesser of \$100.0 million and the sum of the following:

1. 85% of the Eligible Accounts Receivable owed by Investment Grade Debtors at such time and 75% of the Eligible Accounts Receivable owed by Non-Investment Grade Debtors; plus
2. 50% of the net book value (as determined in accordance with IFRS) of all Eligible Inventory, to a maximum of \$5.0 million; plus
3. 50% of the net book value (as determined in accordance with IFRS) of all Eligible Real Estate and Eligible Equipment, to a maximum of \$65.0 million; less
4. Priority payables.

The Facilities require the Company to maintain certain covenants, including:

1. Funded debt to Adjusted bank EBITDA ratio refers to the ratio of total outstanding interest-bearing debt including capital lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions ("Funded debt") to earnings before interest, share-based compensation, non-recurring gains and losses on the sale of property and equipment, unrealized foreign exchange gains and losses, taxes, depreciation, amortization, and impairment ("Adjusted bank EBITDA") of the Company for the twelve preceding months. Adjusted bank EBITDA for the purposes of the covenant calculations differ from the Company's non-IFRS measure "Adjusted EBITDA" by the exclusion of realized foreign exchange (gain) loss and transaction costs. Funded debt to Adjusted bank EBITDA ratio will not be tested until the first quarter of 2018 when it is required to be 4.00:1 or less for the fiscal quarter ending March 31, 2018, 3.75:1 or less for the fiscal quarter ending June 30, 2018, 3.50:1 or less for the fiscal quarter ending September 30, 2018, and 3.00:1 for the fiscal quarters ending December 31, 2018 and thereafter. During the fiscal quarters ending in 2017, the Funded debt to Adjusted bank EBITDA ratio will not be tested pursuant to the agreement.

- Funded debt to capitalization ratio refers to the ratio of Funded debt, defined above, to Shareholders' Equity and Funded debt. The Funded debt to capitalization ratio is required to be 0.30:1 or less.

At September 30, 2017, the Funded debt to capitalization ratio was 0.00:1 (December 31, 2016 - 0.12:1).

- Debt service coverage ratio is calculated as Adjusted bank EBITDA, defined above, to interest expense and scheduled principal repayments in respect of Funded debt. This ratio is not to fall below 1.25:1.

At September 30, 2017, the Debt service coverage ratio was 16.13:1 (December 31, 2016 – 1.70:1).

The Company shall ensure that, as at the end of each fiscal quarter:

- The tangible assets of STEP and the Guarantors (material subsidiaries) are not less than 95% of the consolidated tangible assets; and
- The Adjusted bank EBITDA of STEP and the guarantors (material subsidiaries) is not less than 95% of the Adjusted bank EBITDA of STEP on a consolidated basis.

Interest is payable monthly, at the bank's prime lending rate plus 50 basis points to 450 basis points, dependent on certain financial ratios of the Company. At September 30, 2017, the full amount was available to be drawn on the facilities of which there were no amounts outstanding and the Company was in compliance with all covenants.

At September 30, 2017, loans and borrowings outstanding are comprised of long term vendor financing related to capital acquisitions. Amounts incur no interest and payments commence in the fourth quarter 2018.

Contractual obligations, commitments, and provisions

(\$000s)	Total	2017	2018-2020	2021	Thereafter
Trade and other payables	\$ 85,943	\$ 85,943	\$ -	\$ -	\$ -
Operating leases and office space	11,756	769	6,431	2,267	2,289
Finance leases	11,305	1,429	9,876	-	-
Loans and borrowings ⁽¹⁾	2,704	76	2,628	-	-
Capital expenditure commitments ⁽²⁾	23,070	23,070	-	-	-
Total commitments	\$ 134,778	\$ 111,287	\$ 18,935	\$ 2,267	\$ 2,289

⁽¹⁾ Balance relates to the long-term portion of a vendor financing agreement and standby fees on the Facilities.

⁽²⁾ A capital expenditure commitment is defined as a legally binding purchase agreement between the Company and the supplier as it relates to the Company's capital program. The Company leases certain office and operating facilities. The lease terms range from one to seven years with an option to renew upon expiry.

Litigation

Periodically, the Company may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on input from internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information and other evidence and facts specific to the matter as known at the time of the assessment.

In January 2017, Calfrac Well Services Ltd. ("Calfrac") filed a statement of claim in the Judicial District of Calgary in the Court of Queen's Bench against the Company and an employee of the Company seeking \$10 million in damages among other relief. Calfrac alleges that the employee, who is a former employee of Calfrac, misappropriated certain competitively sensitive materials from Calfrac. Calfrac further alleges that STEP benefited or made use of such materials, resulting in damages to Calfrac. STEP is presently investigating the claim and at this time intends to contest allegations made in the claim. While management does not believe that this action will have a material adverse effect on the business or financial condition of the company, no assurance can be given as to the final outcome of this or any other legal proceeding. If this claim, or any claims which the Company may be subject to in the future, were to be concluded in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance are affected by the seasonality⁽¹⁾ of the business in Canada, assets deployed, asset utilization, pricing, changes in STEP's clients' capital programs, foreign exchange rates, product costs, and other significant events impacting operations.

Quarterly Results Summary ⁽²⁾								
(\$000's, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2017	2017	2017	2016	2016	2016	2016	2015
Revenue								
Canadian Operations	159,211	92,437	109,778	54,368	51,088	16,907	24,810	29,115
United States Operations	16,326	13,009	8,206	9,794	7,094	2,323	2,767	6,155
	175,537	105,446	117,984	64,162	58,182	19,230	27,577	35,270
Net income (loss) attributable to shareholders								
	28,575	2,600	8,992	(2,615)	(1,242)	(7,471)	(8,626)	(3,724)
Adjusted EBITDA ⁽³⁾								
Canadian Operations	45,483	13,318	20,445	2,668	3,640	(3,019)	(66)	3,007
United States Operations	4,560	3,121	695	2,587	1,314	(634)	(268)	1,311
	50,043	16,439	21,140	5,255	4,954	(3,653)	(334)	4,318
Capital expenditures								
Canadian Operations	17,486	24,305	14,459	9,263	11,946	66,125	5,555	18,841
United States Operations	7,852	8,349	6,484	2,359	3,625	244	1,007	1,145
	25,338	32,654	20,943	11,622	15,571	66,369	6,562	19,986
Per common share								
Net income (loss) – basic	0.48	0.05	0.18	(0.05)	(0.03)	(0.18)	(0.27)	(0.12)
Net income (loss) – diluted	0.46	0.04	0.18	(0.05)	(0.03)	(0.18)	(0.27)	(0.12)
Adjusted EBITDA ⁽³⁾ – basic	0.83	0.29	0.43	0.11	0.10	(0.09)	(0.01)	0.14
Adjusted EBITDA ⁽³⁾ – diluted	0.81	0.28	0.43	0.11	0.10	(0.09)	(0.01)	0.14

⁽¹⁾ The Company's business is seasonal in nature with the periods of greatest activity in Canada being in the first, third and fourth quarters. The U.S. is generally not affected by seasonality.

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ See Non-IFRS Measures.

Quarterly Operating Summary								
(000's, except units)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2017	2017	2017	2016	2016	2016	2016	2015
Canada								
Exit active fracturing spreads	6	5	5	3	3	2	2	2
Exit active HP (000's)	177	145	145	100	100	50	50	50
Total HP (000's)	298	298	298	298	298	290	115	115
Exit active coiled tubing units	12	11	10	10	8	7	10	10
Total coiled tubing units	12	12	12	12	12	12	12	12
United States								
Exit active coiled tubing units	6	4	4	4	3	2	2	2
Total coiled tubing units	6	4	4	4	3	3	2	2

FINANCIAL INSTRUMENTS

Fair values

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and accordingly, fair market value approximates carrying value.

Interest rate risk

The Company is exposed to interest rate risk on its floating rate bank indebtedness.

Credit risk

The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk associated with its clients. The Company continually monitors individual client trade receivables, taking into account numerous factors including industry conditions, payment history and financial condition in assessing credit risk. The Company establishes an allowance for doubtful accounts for specifically identifiable client balances which are assessed to have credit risk exposure.

Foreign currency risk

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements as at September 30, 2017 other than the operating leases described under "Contractual obligations and commitments".

NON-IFRS MEASURES

This MD&A includes a term or performance measure commonly used in the oilfield services industry that is not defined under IFRS: "Adjusted EBITDA". The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. This non-IFRS measure has no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measure should be read in conjunction with the Company's audited and unaudited Financial Statements and the accompanying notes thereto.

"Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net income before finance costs, depreciation and amortization, loss (gain) on disposal of property and equipment, impairment charges, current and deferred income tax, share-based compensation, transaction costs and foreign exchange (gain) loss. Adjusted EBITDA is presented because it is widely used by the investment community as it provides an indication of the results generated by the Company's normal course business activities prior to considering how the activities are financed and the results are taxed. Transaction costs related to the IPO have been adjusted for as they are not reflective of operating activities. The Company uses Adjusted EBITDA internally to evaluate operating and segment performance, because management believes it provides better comparability between periods.

The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income (loss).

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 28,575	\$ (1,242)	\$ 40,167	\$ (17,341)
Add (deduct):				
Depreciation and amortization	9,083	5,773	24,946	16,269
Gain on disposal of property and equipment	(95)	(998)	(2,096)	(1,442)
Finance costs	99	214	1,003	615
Income tax expense (recovery)	10,963	(22)	16,221	(4,244)
Share-based compensation	1,085	1,268	5,059	7,224
Transaction costs	452	-	1,983	-
Foreign exchange (gain) loss	(119)	(39)	338	(113)
Adjusted EBITDA	\$ 50,043	\$ 4,954	\$ 87,621	\$ 968

ACCOUNTING POLICIES AND ESTIMATES

Internal control over financial reporting

The Company is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”. STEP became a reporting issuer in the second quarter of 2017. STEP’s certifying officers are required to certify that the Company’s disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”) are designed (developed and implemented) at September 30, 2017. The Company’s designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in its securities legislation. Additionally, the Company’s designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (“GAAP”). Management will certify the operating effectiveness of DC&P and ICFR in place at December 31, 2017. The design of ICFR was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

Critical accounting estimates and judgments

This MD&A is based on the Company’s interim consolidated financial statements for the three and nine months ended September 30, 2017. The preparation of the interim consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management’s judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Notes 1 and 2 to the audited consolidated financial statements and MD&A dated April 7, 2017 for the year ended December 31, 2016 and the interim consolidated financial statements for the quarter ended September 30, 2017 for a description of the Company’s accounting policies, impacts of future accounting pronouncements (including IFRS 9, IFRS 15, and IFRS 16), significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP’s financial results.

RISK FACTORS AND RISK MANAGEMENT

STEP's business is subject to a number of risks and uncertainties. Investors should review and carefully consider the risks described in the Company's annual MD&A dated April 7, 2017 prepared by management for the year ended December 31, 2016, which are specifically incorporated by reference herein. The Company's risk factors and management thereof has not changed substantially from those disclosed in the annual MD&A and the Prospectus dated April 25, 2017.

Forward-looking statements

This document contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "should", "believe", "plans" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: expected expansion and profitability from the U.S.; anticipated growth in fracturing services; anticipated increased demand for coiled tubing services; timing of delivery of additional spreads; activity levels; the ability to deploy additional equipment; utilization; monitoring of client capital budgets; and the amount of capital expenditures in 2017.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the impact of seasonal weather conditions; and certain cost assumptions. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in the demand for or supply of the Company's services; unanticipated operating results; changes in tax or environmental laws, or other regulatory matters; changes in the development plans of third parties; increased debt levels or debt service requirements; limited, unfavourable or a lack of access to capital markets; increased costs; the impact of competitors; reliance on industry partners; attracting and retaining skilled personnel and certain other risks detailed in the Prospectus (including, without limitation, those risks identified in this document).

The forward-looking information and statements contained in this document speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. The reader is cautioned not to place undue reliance on forward-looking information.