



Notice of annual meeting of shareholders to be held on June 25, 2018

and

Management information circular dated May 1, 2018

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS	1
NOTICE OF 2018 ANNUAL MEETING.....	2
ABOUT THE MEETING	3
Delivery of meeting materials	3
Notice and access	3
Quorum	3
VOTING.....	4
Registered shareholder voting	4
Voting in person.....	4
Voting by proxy	4
Voting by mail, fax, or email.....	4
Voting by internet.....	4
Non-registered (beneficial) shareholder voting	5
Voting in person.....	5
Voting by proxy	5
Voting by mail, fax, or email.....	5
Voting by internet.....	6
How votes are counted.....	6
BUSINESS OF THE MEETING.....	6
1. Financial statements	6
2. Fixing the number of directors	6
3. Directors	6
4. Auditors	7
5. Other matters.....	7
The nominated directors	8
GOVERNANCE.....	15
Overview of our corporate governance.....	15
About our Board.....	15
Size and composition.....	15
Board and executive team diversity	15
Board independence	16
About our governance philosophy and practices.....	17
Ethical business conduct	17
Insider trading.....	18
Auditor independence.....	18
Majority voting policy.....	18
Share ownership guidelines	18
Role of the Board	19
Positions and descriptions.....	19
Strategic planning	19
Risk oversight	19
Board committees and responsibilities.....	20
Audit Committee.....	20
H&S Committee	20
C&CG Committee.....	21
Orientation and continuing education	21
Board assessments	22
Board term limits and tenure.....	22
Board composition, renewal and director candidates	22
Executive talent management and succession planning.....	23
Access to management	23

COMPENSATION	23
Overview of our compensation governance	23
Director compensation discussion and analysis	23
Benchmarking	24
Components of director compensation	24
Directors' share ownership guidelines	25
Director compensation – 2017 details	26
Director compensation tables	26
Outstanding share-based awards and option-based awards	27
Executive compensation discussion and analysis	29
Executive summary	29
Approach to executive compensation	30
Executives' share ownership guidelines	33
Risks of compensation policies and practices & compensation governance	33
Components and pay mix	35
Total shareholder return	49
Executive compensation – 2017 details	50
Overview	50
Named executives' performance	51
Summary compensation table	56
Termination and change of control benefits	59
OTHER INFORMATION	64
Controlling shareholder	64
Interest of informed persons in material transactions	64
Interest of certain persons or companies in matters to be acted upon	64
Management contracts	64
STEP's equity compensation plans	65
Dilution impact	65
Cease trade orders, bankruptcies, sanctions and penalties	66
Loans to directors and executives	66
Non-IFRS measures	66
Additional information & transfer agent	67
Board of directors	67
Corporate head office	67
Shareholder proposals	67
Currency of information & directors' approval	67
SCHEDULES	
Schedule A – STEP Energy Services Ltd. Board of Directors – Mandate	68
Schedule B – Committee Mandates	73
Audit Committee Mandate	73
Compensation and Corporate Governance Mandate	78
Health and Safety Committee Mandate	83

In this document:

- *you, your* and *shareholder* mean a holder of common shares of STEP Energy Services Ltd.
- *we, us, our* and *STEP* mean STEP Energy Services Ltd.
- unless stated otherwise, *STEP shares, shares* and *common shares* mean common shares of STEP Energy Services Ltd., which are traded on the Toronto Stock Exchange ("TSX") under the symbol "STEP"
- unless stated otherwise, all dollar amounts are in Canadian dollars, and
- unless stated otherwise, information in this document is as of May 1, 2018.

LETTER TO SHAREHOLDERS

May 1, 2018

Dear Shareholder:

We are pleased to invite you to attend the annual meeting of common shareholders of STEP at 10 a.m. mountain daylight time on June 25, 2018 at the Bow Valley Club, Suite 370, 250-6th Avenue SW, Calgary, Alberta (“Meeting”).

Attending the Meeting is your opportunity to meet the Board of Directors (“Board”), executive team members and fellow shareholders. Your attendance at the Meeting provides a chance to learn more about our performance in 2017 and our business strategy for the future, and vote in person on items of business.

The attached management information circular (“Circular”) contains important information about the Meeting and how to vote. Please read the document and remember to vote. If you are unable to attend in person, we encourage you to vote by proxy. More information about STEP is available in the annual disclosure documents on our website (www.stepenergyservices.com) and filed on SEDAR (www.sedar.com).

Our Board is focused on ensuring the highest standards of corporate governance, including strategy and risk oversight. Following the successful completion of STEP’s initial public offering (“IPO”) on May 2, 2017, we welcomed director nominees James Harbilas and Donna Garbutt to the Board. Our new Board members have brought a wealth of knowledge with respect to financial affairs and industry experience. Mr. Harbilas is executive vice-president and chief financial officer of Enerflex Ltd., and a member of the Institute of Chartered Accountants of Alberta, the Ordre des comptable agrees du Québec and Financial Executive Institute. Ms. Garbutt is chief executive officer of Maxxam Analytics Corp., and has a strong background in applied technology and over 25 years’ experience in the oil and gas industry.

Thank you for investing in STEP. We look forward to seeing you at the Meeting on June 25, 2018.

Sincerely,

SIGNED “Douglas C. Freel”

Douglas C. Freel
CHAIR OF THE BOARD

SIGNED “Regan Davis”

Regan Davis
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

NOTICE OF 2018 ANNUAL MEETING

You are invited to our 2018 annual meeting of common shareholders (the “Meeting”):

When: Monday, June 25, 2018
10 a.m. mountain daylight time

Where: The Bow Valley Club,
Suite 370, 250 - 6th Avenue SW, Calgary, Alberta T2P 3H7

Your participation at the Meeting is important

As a shareholder of record of STEP common shares on May 9, 2018, you are entitled to receive notice of, attend and vote at the Meeting in respect of the following items of business:

1. Receive our audited consolidated financial statements for the year ended December 31, 2017, together with the auditors’ report thereon.
2. Fix the number of directors.
3. Elect the directors.
4. Appoint the auditors and authorize directors to set their compensation.
5. Consider other business that is properly brought before the Meeting or any meeting that is reconvened if the Meeting is adjourned.

The specific details of the matters proposed to be put before the Meeting are set forth under the heading *Business of the meeting* and can be found on pages 6 through 14 of the Circular.

The notice of meeting and Circular dated May 1, 2018 in respect of the Meeting, and the annual financial statements for the year ended December 31, 2017 along with the related management discussion and analysis (collectively, the “Meeting Materials”) have been posted and are available for review on our website (www.stepenergyservices.com) and filed on SEDAR (www.sedar.com).

STEP has elected to use the notice and access provisions under National Instrument 54-101, *Communications with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102, *Continuous Disclosure Obligations* to send the Meeting Materials to beneficial shareholders and registered shareholders. The notice and access provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders by allowing a reporting issuer to post an information circular in respect of a meeting of its shareholders and related materials online.

Shareholders who wish to receive a paper copy of the Meeting Materials should contact our transfer agent, TSX Trust Company, at 416.361.0930 or toll free at 866.600.5869, or by sending an email at TMXEInvestorServices@tmx.com. Requests may be made up to one year from the date the Circular was filed on SEDAR. Requests by shareholders must be made to TSX Trust Company by 5 p.m. eastern daylight time, Monday, June 11, 2018 in order to receive a paper copy of the Meeting Materials before the Meeting on June 25, 2018.

If you have questions about notice and access, please call our transfer agent, TSX Trust Company, at 416.361.0930 or toll free at 866.600.5869.

Please take some time to read the attached Circular. Shareholders are encouraged to return their form of proxy or voting instruction form as soon as possible. As an alternative, shareholders may choose to vote by telephone or on the internet as provided for on the form of proxy or voting instruction form. In order to be valid and acted upon at the Meeting, the form of proxy or voting instruction form must be received no later than 10 a.m. mountain daylight time on June 21, 2018 or no later than 48 hours (excluding weekends and holidays) before the time set for any postponement or adjournment of the Meeting.

The Board has fixed the record date for the Meeting as of the close of business on May 9, 2018 (“Record Date”). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote those common shares held as at the Record Date. If a shareholder transfers any common shares after the Record Date and the transferee of those common shares establishes that the transferee owns the common shares and demands, not less than 10 days before the Meeting, that the transferee’s name be included in the list of shareholders entitled to vote at the Meeting, such transferee shall be entitled to vote such common shares at the Meeting.

By order of the Board of STEP Energy Services Ltd.,

SIGNED “Regan Davis”

Regan Davis
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

May 1, 2018
Calgary, Alberta

ABOUT THE MEETING

DELIVERY OF MEETING MATERIALS

As a shareholder of record of STEP as at the May 9, 2018 Record Date, you are entitled to receive notice of, attend and vote your STEP shares (“shares”) at the Meeting. If a shareholder transfers any shares after the Record Date and the transferee of those shares establishes that the transferee owns the shares and demands, not less than 10 days before the Meeting, that the transferee’s name be included in the list of shareholders entitled to vote at the Meeting, such transferee shall be entitled to vote such common shares at the Meeting.

The items of business for the Meeting are discussed in the *Business of the meeting* section.

This solicitation is made on behalf of management of STEP. The costs incurred in the preparation and mailing of the proxy-related materials for the Meeting will be borne by STEP. We are sending the securityholder materials directly to registered shareholders and non-objecting beneficial shareholders, and we will also provide the materials to brokers, custodians, nominees and other fiduciaries to forward them to objecting beneficial shareholders. The solicitation of proxies will primarily be by mail, but proxies may also be solicited personally or by telephone, facsimile, or other electronic means by directors, officers, employees or agents of STEP, who will not be specifically remunerated therefor.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Notice and access

We are using the notice and access provisions under National Instrument 54-101, *Communications with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102, *Continuous Disclosure Obligations* to deliver the Meeting materials, including this Circular and the annual financial statements for the year ended December 31, 2017 along with the related Meeting Materials, to our registered and beneficial shareholders. This means that STEP will post the Meeting Materials online for our shareholders to access electronically. You will receive a package in the mail with a notice (“Notice”) explaining how to access and review the Meeting Materials electronically and how to request a paper copy free of charge. The package you receive will also contain a form of proxy or voting instruction form so you can vote your shares.

Since notice and access reduces printing, paper and postage, it is an environmentally friendly and cost effective way to distribute the Meeting Materials to shareholders. The Meeting Materials are available on SEDAR (www.sedar.com) and on our website (www.stepenergyservices.com).

Commencing May 23, 2018, shareholders can request a paper copy of the Meeting Materials, at no charge, for up to one year from the date this Circular was filed on SEDAR. Requests by shareholders must be made to TSX Trust Company in accordance with the Notice by 5 p.m. eastern daylight time, Monday, June 11, 2018 in order to receive a paper copy of the Meeting Materials before the Meeting on June 25, 2018. You will not receive a new form of proxy or voting instruction form if you request a paper copy of the Meeting Materials, so it is important that you keep the original form sent to you in order to vote.

If you have questions about notice and access, please call our transfer agent, TSX Trust Company, at 416.361.0930 or toll free at 866.600.5869.

Quorum

The quorum for the transaction of business is two people holding, or representing by proxy, not less than 15 percent of shares entitled to vote at the Meeting.

VOTING

As of May 1, 2018, there were 66,509,480 shares issued and outstanding. Each share carries the right to one vote on any item of business that properly comes before the Meeting and any meeting that is reconvened if the Meeting is postponed or adjourned. Subject to our majority voting policy for director election (see the *About our governance philosophy and practices – Majority voting policy* section), we require a simple majority of votes at the Meeting (50 percent plus one) for all items to be approved by shareholders.

REGISTERED SHAREHOLDER VOTING

You are a registered shareholder if your shares are registered in your name. Voting options for registered shareholders are outlined below.

Voting in person

If you plan to attend the Meeting and want to vote your shares in person, do not complete or return the enclosed form of proxy. Your vote will be taken and counted at the Meeting. Please register with TSX Trust Company upon arriving at the Meeting.

Voting by proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote as your proxyholder. To vote by proxy, use the form of proxy provided with the Notice. The people named in the form of proxy are directors or officers of STEP. **You have the right to appoint a person other than the persons designated in the form of proxy enclosed with the Notice mailed to you (who does not need to be a shareholder of STEP) to represent you at the Meeting.** In order to appoint another person, insert that person's name in the blank space provided on the form of proxy, sign it, and deliver the completed form to STEP's transfer agent and registrar, TSX Trust Company. If you have voted by proxy, you may not vote in person at the Meeting unless you properly revoke your proxy. Ensure that your proxy is received by TSX Trust Company no later than 10 a.m. mountain daylight time on June 21, 2018 or no later than 48 hours (excluding weekends and holidays) before the time set for any postponement or adjournment of the Meeting.

If you specify how you want to vote on your form of proxy, your proxyholder must vote in accordance with such instructions. All shares represented at the Meeting by properly executed forms of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for. **In the absence of any instruction, the STEP appointees whose names appear on the form of proxy will vote your shares in favour of each of the matters to be acted on.** If you appoint another proxyholder and do not indicate how you want to vote, that proxyholder will decide how to vote your shares.

You may revoke your proxy at any time before it is acted on. To revoke your proxy, deliver a written statement revoking your proxy to TSX Trust Company on or before June 22, 2018 (or the last business day before the Meeting if it is postponed or adjourned), or to the chair of the Meeting on June 25, 2018.

Voting by mail, fax, or email

Fax your completed form of proxy to 416.595.9593, or scan and email to TMXInvestorServices@tmx.com. Mail your completed form of proxy to TSX Trust Company, 301 – 100 Adelaide Street West, Toronto, Ontario, Canada, M5H 4H1.

Voting by internet

You may vote through the internet at www.voteproxyonline.com. Please follow the instructions carefully and ensure you have your proxy in hand as you will be required to enter the 12-digit control number located on your proxy no later than 10 a.m. mountain daylight time on June 21, 2018, or no later than 48 hours (excluding weekends and holidays) before the time set for any postponement or adjournment of the Meeting.

NON-REGISTERED (BENEFICIAL) SHAREHOLDER VOTING

You are a non-registered shareholder if your bank, trust company, securities broker, trustee, or other financial institution holds your share (your nominee) in their name or the name of another intermediary. Shares registered in the names of intermediaries can only be voted by those intermediaries at the direction of the beneficial shareholders who beneficially own the shares. Without specific instructions, intermediaries are prohibited from voting shares for an intermediary's clients. Therefore, beneficial shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person well in advance of the Meeting.

There are two kinds of beneficial shareholders: (i) objecting beneficial shareholders ("OBOs") – those who object to their name being made known to the issuers of shares which they own, and (ii) non-objecting beneficial shareholders ("NOBOs") – those who do not object to their name being made known to the issuers of the shares which they own.

Securities regulation requires brokers or agents to seek voting instructions from OBOs in advance of the Meeting. OBOs should be aware that brokers or agents can only vote shares if instructed to do so by the OBO. Your broker or agent will have provided you with a voting instruction form or form of proxy for the purpose of obtaining your voting instructions. Every broker has its own mailing procedures and provides instructions. You must follow those instructions carefully to ensure your shares are voted at the Meeting.

If you are an OBO receiving a voting instruction form or form of proxy from a broker or agent, you cannot use that form to vote in person at the Meeting. To vote your shares at the Meeting, the voting instruction form or form of proxy must be returned as instructed by the broker well in advance of the meeting. If you wish to attend and vote your shares in person at the Meeting or if you wish to revoke your voting instructions before they are acted on, follow the instructions for doing so provided by your broker or agent.

NOBOs will receive a voting instruction form from our registrar and transfer agent, TSX Trust Company. This is to be completed and returned to TSX Trust Company as directed on the voting instruction form provided with the Notice. In addition, TSX Trust Company provides internet voting as described on the voting instruction form provided with the Notice.

Voting in person

If you plan to attend the Meeting and want to vote your shares in person, insert your own name in the space on the voting instruction form or form of proxy provided with Notice, sign it, and deliver the completed form in accordance with the instructions on such form. Your vote will be taken and counted at the Meeting, so do not indicate your votes on the form. Please register with TSX Trust Company upon arriving at the Meeting to ensure your vote will be counted.

Voting by proxy

Whether or not you attend the Meeting, you can appoint someone else to attend and vote as your proxyholder. To vote by proxy, use the voting instruction form or form of proxy provided with the Notice. The people named in the voting instruction form or form of proxy are directors or officers of STEP. **You have the right to appoint a person other than the persons designated in the enclosed voting instruction form or form of proxy (who need not be a shareholder of STEP) to represent you at the Meeting.** In order to appoint another person, insert that person's name in the blank space provided on the enclosed voting instruction form or form of proxy, sign it, and deliver the completed voting instruction form or form of proxy in accordance with the instructions on such form. Your votes will only be counted if the person you appointed attends the Meeting and votes on your behalf. If you have voted on the voting instruction form or form of proxy, neither you nor your proxyholder may vote in person at the Meeting unless you properly revoke your voting instructions. You may revoke your voting instruction before they are acted on by following the procedures provided in the voting instruction form or form of proxy.

If you specify how you want to vote on your voting information form or form of proxy, your proxyholder must vote in accordance with such instructions. All shares represented at the Meeting by properly executed voting instruction forms will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for. **In the absence of any instruction, the STEP appointees whose names appear on the voting instruction form or form of proxy will vote your shares in favour of each of the matters to be acted on.** If you appoint another proxyholder and do not indicate how you want to vote, that proxyholder will decide how to vote your shares.

Voting by mail, fax, or email

If you are a NOBO and received the TSX Trust Company voting information form, fax your completed voting instruction form to 416.595.9593, or scan and email to TMXInvestorFServices@tmx.com. Mail your completed voting instruction form to TSX Trust Company, 301 – 100 Adelaide Street West, Toronto, Ontario, Canada, M5H 4H1.

Voting by internet

If you are a NOBO and received the TSX Trust Company voting information form, see the voting instruction form provided with the Notice for instruction.

HOW VOTES ARE COUNTED

Our transfer agent, TSX Trust Company counts and tabulates the votes on our behalf to ensure the votes are kept confidential. They show us the ballot or proxy form if:

- it is required by law
- there is a proxy contest, and
- there are written comments on the proxy form.

BUSINESS OF THE MEETING

The Meeting will cover the following items of business:

1. FINANCIAL STATEMENTS

Our 2017 annual audited consolidated financial statements and the auditors' report are available on SEDAR (www.sedar.com) and on our website (www.stepenergyservices.com). The Notice you receive will explain how to access these documents electronically, and how to request a paper copy. No formal action will be taken at the Meeting to approve the annual consolidated financial statements, which have already been approved by the Board.

2. FIXING THE NUMBER OF DIRECTORS

You will vote on fixing the number of directors to be elected at the Meeting at seven. STEP's articles allow for a maximum of eleven directors. There are presently seven directors and it is proposed that seven directors be elected to the Board at the Meeting.

The Board recommends you vote *for* fixing the number of directors to be elected at the meeting at seven.

RESOLVE to fix the number of directors to be elected at the Meeting at seven.

3. DIRECTORS

You will vote on electing seven directors to the Board. The director profiles can be found in *The nominated directors* section and give important information about each nominated director, including his or her background, experience and memberships on other public company boards he or she serves on. All of the nominated directors currently serve on our Board, and we have included their 2017 meeting attendance, and the value of STEP shares or deferred share units ("DSUs") they currently hold. See the *About our governance philosophy and practices – Majority voting policy* section to learn more about our majority voting policy.

All proposed nominees have consented to stand for re-election and serve as directors if elected. Each elected director will hold office until the close of the next annual meeting of shareholders or until his or her successor is duly elected or appointed. The director nominees are:

1. Regan Davis
2. Douglas C. Freel
3. Jeremy Gackle
4. Donna Garbutt
5. James Harbilas
6. Michael Kelly
7. Jason Skehar

The Board recommends you vote *for* each of the nominated directors:

RESOLVE to elect each of the directors listed in STEP's Circular dated May 1, 2018 to hold office until the next annual meeting of shareholders or until their successors are earlier elected or appointed.

4. AUDITORS

You will vote on appointing the auditors of STEP and authorizing the directors to set the auditors' compensation. The auditors will hold office until the close of our next annual meeting of shareholders. The Board recommends that KPMG LLP ("KPMG") be appointed as auditors. Representatives of KPMG will attend the Meeting and have an opportunity to make a statement and respond to any questions.

KPMG has been our external auditors since 2011, and have confirmed they are independent with respect to STEP within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and applicable legal requirements. For details concerning fees paid to KPMG by STEP, see the *External audit service fees* section in our annual information form ("AIF") for the year ended December 31, 2017.

The Board recommends you vote *for* appointing KPMG as our auditors to hold office until the close of our next annual meeting of shareholders:

RESOLVE to appoint KPMG as auditors of STEP until the close of the next annual meeting of shareholders, and authorize the directors to fix their remuneration.

5. OTHER MATTERS

As of the date of this Circular, STEP is not aware of any amendments or variations to the items of business or of any other matters that may properly come before the Meeting. If there are amendments or variations to the items of business or other matters that properly come before the Meeting, shareholders or their proxyholders have the discretionary authority to vote as they see fit.

THE NOMINATED DIRECTORS

Our articles currently state that the Board must have a minimum of one and a maximum of eleven directors. It is proposed that seven directors will be elected this year. The Board believes that all of the nominated directors are well qualified to serve on the Board.

Regan Davis

Calgary, Alberta, Canada

Age: 53

Director since: March 2011

Non-independent

Mr. Davis has served as CEO and a director of STEP since its inception in March 2011 and was also appointed president in December 2013. Mr. Davis is a professional engineer with over 25 years of energy industry experience and is a co-founder of STEP. Previously, Mr. Davis held senior positions at Renaissance Energy Ltd. (oil and gas) and Enerline Restorations Ltd. (oil and gas). Mr. Davis was the President and CEO of Flexpipe Systems Ltd. (oil and gas) and most recently was the president and CEO at Severo Energy Ltd. (oil and gas). Mr. Davis served as a board member with the Impact Society (non-profit) until September 2017, previously holding the position as Chair of the Board. Mr. Davis is currently the Chair of the Board for CORE Linepipe Inc. (oil and gas). Mr. Davis graduated from the University of Alberta (1988) with a Bachelor of Science in Petroleum Engineering and is a certified director from the Institute of Corporate Directors.

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	4/4	100%
Health and Safety Committee (“H&S Committee”)	2/2	100%
Overall attendance	6/6	100%
Securities held	May 1, 2018	
Performance Share Units (“PSUs”)	107,988	
Performance warrants	1,522,000	
Prior options	725,000	
Shares	134,000 ⁽¹⁾	
Total value of equity holdings	\$8,875,981 ⁽²⁾	
Meets minimum share ownership guidelines	Yes ⁽³⁾	
Other public company boards and board committees	—	

Notes

(1) Includes 90,667 shares held by Regan Davis Family Trust.

(2) See the Components and pay mix – Long-term incentive plan breakdown and Summary compensation table sections for more information about how the value of PSUs is determined.

(3) See the Executives’ share ownership guidelines section to learn more about our share ownership guidelines for executives.

Douglas Freel

Calgary, Alberta, Canada

Age: 55

Director since: March 2011

Non-independent

Mr. Freel has been a managing director at ARC Financial Corp. (energy-focused private equity manager) since 2016. Mr. Freel joined ARC Financial Corp. in 1998, with over two decades of oilfield services industry experience in engineering and investment roles, including nine years with Schlumberger Ltd. (oil and gas). In addition, Mr. Freel serves on the boards of various private companies. He also sits as the Chair of the board for the Impact Society (non-profit). Mr. Freel received a Bachelor of Science in Engineering from Queen's University (1986) and a Master of Business Administration from the University of Toronto (1997).

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board (Chair)	4/4	100%
Overall attendance	4/4	100%
Securities held		May 1, 2018
DSUs		12,352 ⁽¹⁾
Performance warrants		—
Prior options		—
Shares		—
Total value of equity holdings		\$137,109 ⁽²⁾
Meets minimum share ownership guidelines		In-progress ⁽³⁾
Other public company boards and board committees		—

Notes

- (1) Mr. Freel is a representative of the ARC Group pursuant to the Investment Rights Agreement and is employed by ARC Financial Corp. All director compensation attributed to Mr. Freel in this Circular is for the benefit of the ARC Group. DSUs granted to Mr. Freel are held for the benefit of the ARC Group. ARC Energy Fund 6 holds 13,588,546 shares and ARC Energy Fund 8 holds 26,654,454 shares. ARC Group, Investment Rights Agreement, ARC Energy Fund 6 and ARC Energy Fund 8 are defined in the Other Information – Controlling shareholder section.
- (2) See the Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections for more information about how the value of DSUs is determined.
- (3) See the Directors' share ownership guidelines section to learn more about our share ownership guidelines for directors.

Jeremy Gackle

Calgary, Alberta, Canada

Age: 36

Director since: March 2011

Independent

Mr. Gackle joined ARC Financial Corp. (energy-focused private equity manager) in 2004 and is currently a senior vice-president focused on the oilfield service sector. Since joining ARC in 2004, Mr. Gackle's role has transitioned from analytical support roles to responsibilities ranging from deal origination and structuring, to due diligence, execution, strategic development and investment monitoring. Mr. Gackle holds a Bachelor of Commerce in Finance from the University of Calgary (2005), is a Chartered Financial Analyst charter holder and is a certified director from the Institute of Corporate Directors.

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	4/4	100%
Audit Committee	3/3	100%
C&CG Committee (Chair)	2/2	100%
Overall attendance	9/9	100%

Securities held	May 1, 2018
DSUs	10,701 ⁽¹⁾
Performance warrants	—
Prior options	—
Shares	—
Total value of equity holdings	\$118,785 ⁽²⁾
Meets minimum share ownership guidelines	In-progress ⁽³⁾
Other public company boards and board committees	—

Notes

- (1) Mr. Gackle is a representative of the ARC Group pursuant to the Investment Rights Agreement and is employed by ARC Financial Corp. All director compensation attributed to Mr. Gackle in this Circular is for the benefit of the ARC Group. DSUs granted to Mr. Gackle are held for the benefit of the ARC Group. ARC Energy Fund 6 holds 13,588,546 shares and ARC Energy Fund 8 holds 26,654,454 shares.
- (2) See the Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections for more information about how the value of DSUs is determined.
- (3) See the Directors' share ownership guidelines section to learn more about our share ownership guidelines for directors.

Donna Garbutt

Acton, Ontario, Canada

Age: 57

Director since: April 2017

Independent

Ms. Garbutt has been the CEO at Maxxam Analytics Corp. (analytical services and solutions) since November 2015. Prior to that, Ms. Garbutt spent over 20 years with Schlumberger Ltd. (oilfield services), including as President of Schlumberger Canada. Earlier in her career, Ms. Garbutt held technology positions with several service firms, always with a focus on applied technology. She has over 25 years' experience in the oil and gas industry. Ms. Garbutt previously served as a member of the Government of Canada's Science, Technology and Innovation Council and on the board of directors' of Petroleum Technology Alliance of Canada, Petroleum Services Association of Canada, C.E. Franklin and Absolute Completions. Ms. Garbutt holds a Master of Business Administration from Athabasca University (1999).

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	3/4	75%
H&S Committee (Chair)	2/2	100%
Overall attendance	5/6	83%
Securities held		May 1, 2018
DSUs		9,466
Performance warrants		—
Prior options		—
Shares		—
Total value of equity holdings		\$105,074 ⁽¹⁾
Meets minimum share ownership guidelines		In-progress ⁽²⁾
Other public company boards and board committees		—

Notes

- (1) See the *Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections* for more information about how the value of DSUs is determined.
- (2) See the *Directors' share ownership guidelines section* to learn more about our share ownership guidelines for directors.

James Harbilas

Cochrane, Alberta, Canada

Age: 48

Director since: April 2017

Independent

Mr. Harbilas is the Executive Vice-President and CFO at Enerflex Ltd. ("Enerflex") (oil and gas) and is responsible for overseeing and providing leadership and all financial affairs, reporting and corporate governance of Enerflex. Prior to joining Enerflex, Mr. Harbilas was Vice-President, Finance and CFO of Fortis Alberta Inc. (utilities). Previously, he held senior positions in various financial capacities at SNC-Lavalin Group (engineering and construction) and AltaLink Management Ltd. (utilities). Mr. Harbilas holds a Bachelor of Commerce and graduate diploma in accounting from Concordia University (1996). He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Alberta, the Ordre des comptable agrees du Québec and Financial Executive Institute.

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	4/4	100%
Audit Committee	3/3	100%
C&CG Committee	2/2	100%
Overall attendance	9/9	100%

Securities held	May 1, 2018
DSUs	6,017
Performance warrants	—
Prior options	—
Shares	—
Total value of equity holdings	\$66,783 ⁽¹⁾
Meets minimum share ownership guidelines	In-progress ⁽²⁾
Other public company boards and board committees	—

Note

(1) See the *Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections* for more information about how the value of DSUs is determined.

(2) See the *Directors' share ownership guidelines section* to learn more about our share ownership guidelines for directors.

Michael Kelly

Calgary, Alberta, Canada

Age: 55

Director since: March 2014

Independent

Mr. Kelly is an independent businessman. From 2015 until 2017, Mr. Kelly was Executive Vice-President and CFO at PTW Energy Services Ltd. ("PTW") (oilfield services), a private electric and instrumentation services company with operations spanning North America. From 2013 until joining PTW, Mr. Kelly was the President of Hogarth Ventures Ltd. (oil and gas) where he provided consulting and advisory services to clients involved in the energy sector. From 1997 until 2013, Mr. Kelly served as an executive with Trican Well Service Ltd. ("Trican") (oil and gas); from 1997 to 2009, Mr. Kelly was the Vice-President, Finance and CFO, followed by the position of Senior Vice-President, EAME and CIS where he oversaw Trican's international operations until his departure in 2013. Mr. Kelly graduated from the University of Calgary (1988) with a Bachelor of Commerce. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Alberta, and is a certified director from the Institute of Corporate Directors.

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	4/4	100%
Audit Committee (Chair)	3/3	100%
C&CG Committee	2/2	100%
Overall attendance	9/9	100%
Securities held		May 1, 2018
DSUs		6,017
Performance warrants		147,000
Prior options		70,000
Shares		56,000
Total value of equity holdings		\$1,292,363 ⁽¹⁾
Meets minimum share ownership guidelines		Yes ⁽²⁾
Other public company boards and board committees		—

Note

(1) See the Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections for more information about how the value of DSUs is determined.

(2) See the Directors' share ownership guidelines section to learn more about our share ownership guidelines for directors.

Jason Skehar

Chestermere, Alberta, Canada

Age: 45

Director since: June 2012

Independent

Mr. Skehar is currently President and CEO of Bonavista Energy Corporation (“Bonavista”) (oil and gas), and brings over 22 years of experience in the oil and gas industry. Mr. Skehar joined Bonavista in November 1999 as a Production Engineer and was promoted to the position of President and Chief Operating Officer (“COO”) in November 2008 and to his current position in December 2012. He started his career in 1994 as an Operations Engineer at Fletcher Challenge Energy Limited (oil and gas) and, prior to joining Bonavista, held both production and exploitation positions at Renaissance Energy Ltd. (oil and gas) and Probe Exploration Inc. (oil and gas). Mr. Skehar graduated from the University of Saskatchewan (1994) with a Bachelor of Science in Mechanical Engineering. Mr. Skehar is also a director of Bonavista.

2017 Board/Committee meeting attendance since IPO	Attendance	Percentage of meetings attended
Board	4/4	100%
H&S Committee	2/2	100%
Overall attendance	6/6	100%

Securities held	May 1, 2018
DSUs	9,115
Performance warrants	52,000
Prior options	43,000
Shares	41,000
Total value of equity holdings	\$861,602 ⁽¹⁾
Meets minimum share ownership guidelines	Yes ⁽²⁾
Other public company boards and board committees	Bonavista Energy Corporation (President, CEO and director)

Note

- (1) See the *Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections* for more information about how the value of DSUs is determined.
- (2) See the *Directors’ share ownership guidelines section* to learn more about our share ownership guidelines for directors.

GOVERNANCE

OVERVIEW OF OUR CORPORATE GOVERNANCE

Our Board is responsible for the supervision of STEP's executive team and stewardship of STEP. As a public company listed on the TSX, our corporate governance practices comply with the Canadian governance guidelines, which include the governance rules of the TSX and Canadian Securities Administrators ("CSA"):

- National Instrument 52-110, *Audit Committees* ("NI 52-110")
- National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("NI 58-101"), and
- National Policy 58-201, *Corporate Governance Guidelines*.

Our Board and executive team are committed to the highest standards of ethical conduct and corporate governance. The C&CG Committee is responsible for oversight of STEP's corporate governance policies, programs and practices. More specifically, the C&CG Committee:

- facilitates the independent functioning of the Board
- seeks to maintain an effective relationship between the Board and executive team of STEP
- annually reviews the mandates of the Board and its committees, the position descriptions for the Chair of the Board and the Chair of each committee, recommending to the Board appropriate changes
- annually reviews the effectiveness of the Board as a whole, the Chair of the Board and all committees of the Board, making recommendations where appropriate that a sitting director be removed or not be re-appointed, and
- is responsible for establishing a process for direct communications with shareholders and other stakeholders, including through STEP's whistleblower policy.

This section provides a description of our Board and discusses our approach to corporate governance.

ABOUT OUR BOARD

Size and composition

STEP's articles state that the Board must have a minimum of one and a maximum of eleven directors. Our Board believes this size is appropriate based on the scope of our business, the skills and experience of the nominated directors and the three standing committees, and to achieve effective decision-making.

The C&CG Committee is responsible for reviewing the size and composition of the Board, making recommendations as to the number of independent directors and advising the Board on filling vacancies. The C&CG Committee is also responsible for recommending suitable candidates for nomination for election or appointment as director, and recommending the criteria governing the overall composition of the Board and governing the desirable characteristics for directors. We believe our Board must consist of directors who are qualified and knowledgeable, and include directors with direct experience in the oil and gas industry.

Board and executive team diversity

We are committed to maintaining a qualified and knowledgeable Board, and consider a variety of diversity criteria in bringing expertise and perspectives to the Board. Our Board considers diversity in terms of gender, age, ethnicity, business experience, professional expertise, personal skills, and stakeholder perspectives.

STEP has not adopted formal targets regarding the number of women to be elected to the Board, and does not have written policies regarding the identification and nomination of female director candidates for election to the Board. The C&CG Committee considers the level of representation of women on the Board as one of many factors when seeking candidates for nomination. The C&CG Committee is focused on finding the most qualified individuals available with skills and experience that will complement the Board and assist in providing strong stewardship for STEP, with gender being only one of the many factors taken into consideration when evaluating individuals as potential directors. Currently there is one woman on the Board, representing 14 percent of STEP's directors.

Our executive team includes our President and CEO, CFO and COO, as well as all our senior vice-president and vice-presidents. The executive team reviews and discusses STEP's talent pool regularly, and the C&CG Committee annually reviews STEP's initiatives to provide development opportunities for high potential and diverse candidates below the executive level. STEP has not adopted formal targets regarding the number of women to be appointed to executive officer positions, and does not have written policies regarding the identification and nomination of female executive officer candidates for appointment to the executive team. The Board approves all appointments to the executive team, and encourages the inclusion of women candidates for consideration for all leadership positions. As of the date of this Circular, one of STEP's executive officers is female, representing nine percent of STEP's executive officers.

Board independence

The majority of our directors must be independent in accordance with applicable Canadian legal requirements and guidelines. The Board has determined that five of the seven nominated directors are independent for the purposes of NI 58-101 for the reasons outlined below. Other than Messrs. Davis and Freel, none of the directors have a direct or indirect material relationship with STEP that could reasonably be expected to interfere with the exercise of his or her independent judgment. The C&CG Committee and the Board review the independence of each candidate and Board member on an annual basis.

Under NI 58-101, a director is considered to be independent if he or she is independent within the meaning of NI 52-110. Pursuant to NI 52-110, the independent director is a director who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director's independent judgment. Based on information provided by each director concerning his or her background, employment and affiliations, the Board has determined that the majority of the Board is independent, whereby: (i) Mr. Skehar, Mr. Kelly, Mr. Gackle, Mr. Harbilas and Ms. Garbutt are independent within the meaning set out in NI 58-101, (ii) Mr. Davis is not independent within the meaning set out in NI 58-101 as he is the President and CEO of STEP, and (iii) Mr. Freel is not independent within the meaning set out in NI 58-101 as he is a Managing Director of ARC Financial Corp. and of the general partners of the limited partnerships comprising ARC Energy Fund 6 (as defined in the *Other information – Controlling shareholder section*) and ARC Energy Fund 8 (as defined in the *Other information – Controlling shareholder section*). ARC Energy Fund 6 and ARC Energy Fund 8 hold an aggregate of 60.5 percent of the issued and outstanding shares of STEP. Notwithstanding that Mr. Gackle is a representative of ARC Financial Corp., the Board has determined he is independent within the meaning of NI 52-110 and NI 58-101 because he is not an executive officer or director of, and does not have any control over the policy of, ARC Financial Corp., ARC Energy Fund 6, ARC Energy Fund 8 or any of their affiliates, and based on the Board's actual observations of Mr. Gackle's conduct and contributions as a director of STEP since Mr. Gackle joined the Board in 2011, as well as his director education, certification and personal assessments.

The Board believes that given its size and structure, it is organized properly, functions effectively, and is able to facilitate independent judgment in carrying out its responsibilities, including those set forth in the mandate of the Board. To enhance such independent judgement, while STEP's independent directors may not hold regularly scheduled meetings at which the non-independent directors and members of the executive team are not in attendance, at the end of, or during, each Board meeting, the members of STEP's executive team who are present at such meeting, including Mr. Davis, and the other non-independent directors, will leave the meeting in order that the independent directors can discuss any necessary matters without executives and the non-independent directors being present.

Independent chair

Mr. Freel, the Chair of the Board, is not independent. However, Mr. Kelly has been appointed as the Lead Director by the Board and is responsible for ensuring that the directors who are independent have opportunities to meet without executives and non-independent directors, as required. The Lead Director will be appointed and replaced from time to time by a majority vote of independent directors and will be an independent director. Discussions among the independent directors will be led by the Lead Director who will provide feedback subsequently to the Chair.

Independent advice

The Board and each of its three standing committees are empowered to retain independent advisors to assist in carrying out their duties and responsibilities.

ABOUT OUR GOVERNANCE PHILOSOPHY AND PRACTICES

Ethical business conduct

STEP has a set of guiding principles and policies outlining the basis on which we operate to the highest degree of integrity and corporate responsibility.

Code of business conduct and ethics (“Code”)

We are committed to conducting our business and affairs in accordance with our core values, vision, purpose and highest ethical standards. As part of these efforts, STEP maintains a written Code, applicable to directors, officers, employees, consultants and contractors. The Code provides guidance on areas such as conflict of interest, outside employment and directorships, confidential information, protection and proper use of corporate assets, fair dealings with our shareholders, customers, suppliers and competitors, corporate communications, compliance with applicable laws, and reporting illegal or unethical behavior. The Code is posted on our website (www.stepenergyservices.com).

In accordance with the compliance provisions, directors, officers, employees, consultants and contractors are required to acknowledge their compliance with the provisions of the Code. Effective April 2, 2018, STEP acquired Tucker Energy Services Holdings, Inc. (“Tucker”). Tucker’s code of business ethics was assessed and determined to be essentially equivalent to STEP’s Code. Tucker employees will transition to compliance with STEP’s Code over the next year.

Any waiver of the Code for our executives and directors must be approved by the Board, or the appropriate committee. There were no material departures from the Code in 2017. The Code is reviewed annually by the C&CG Committee, and was substantively revised with Board approval in February 2017. The Audit Committee receives regular compliance reports with respect to the Code.

Conflicts of interest

A director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by the Board or any committee on which he or she serves, such director may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors are also required to comply with the relevant provisions of the *Business Corporations Act* (Alberta) regarding conflicts of interest and with the Code.

Serving on other boards

When assessing candidates and Board members, the C&CG Committee considers whether serving on the boards of, or acting as officers or in another capacity, for other entities poses any conflict to act in our best interests, and/or interferes with any of our directors’ ability to fulfill their Board duties and responsibilities. We endeavor to ensure that such other directorships, officerships and/or business associations do not hinder the ability as a STEP director or the Board’s overall performance. We discuss time commitments in addition to duties and responsibilities with every candidate to ensure that they have a full understanding of the role and expectations associated with serving on our Board.

STEP does not have a formal policy on board interlocks. A board interlock occurs when two of STEP’s directors also serve together on the board of another reporting issuer. As of the date of this Circular, there are no board interlocks among the Board members.

Whistleblower policy and hotline

STEP has adopted a whistleblower policy which provides employees, clients, contractors, and others with the ability to report to STEP’s third-party reporting service, on a confidential and anonymous basis, any violation within STEP including, but not limited to, criminal conduct, falsification of financial records or unethical conduct. The Board believes that providing a forum for employees, clients, contractors, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct. The Audit Committee receives regular compliance reports with respect to the whistleblower policy and hotline.

STEP has also established a toll-free, anonymous telephone, electronic mail, and web-based compliance hotline, which can be used by employees and others to report suspected accounting or auditing irregularities and unethical behaviour impacting STEP. Our whistleblower policy is available on our website (www.stepenergyservices.com). The hotline telephone number is 866.921.6714 and the website address is www.integritycounts.ca/org/stepenergyservices.

Insider trading

STEP has adopted a formal disclosure, trading and confidentiality policy. The policy covers topics such as insider trading prohibitions, blackout periods and trading windows, tipping, insider reporting, and general trading restrictions. Specifically, the disclosure, trading and confidentiality policy outlines the regular blackout periods (in advance of the release of quarterly and annual financial results) when trading is not allowed and the timing of trading windows. STEP insiders are notified by email of each blackout period and trading window.

Our disclosure, trading and confidentiality policy includes an anti-hedging policy preventing directors, officers and employees of STEP from using derivatives in other instruments to insulate them from movements in our share price. See the *Risks of compensation policies and practices & compensation governance – Hedging prohibition* section to learn more about our anti-hedging policy.

Auditor independence

In accordance with ensuring the independence of our external auditor, the Audit Committee mandate provides that the Audit Committee is responsible for reviewing and approving any proposed hiring policies for partners, employees and former partners and employees of our current and former external auditors. The Audit Committee also has a pre-approval policy with respect to permitted non-audit services.

Our AIF includes more information about the Audit Committee. The 2017 AIF is available on our website (www.stepenergyservices.com) and on SEDAR (www.sedar.com).

Majority voting policy

STEP has adopted a majority voting policy, which requires that any nominee for director who receives a greater number of votes withheld than for his or her election shall tender his or her resignation to the Chair of the Board following the meeting of shareholders at which the directors were elected. This policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors being elected. The C&CG Committee and the Board shall consider the resignation, and whether or not it should be accepted. In doing so, the C&CG Committee may consider any stated reasons as to why shareholders withheld votes from the election of the relevant director, the qualifications of the director, the director's contributions to STEP, the effect such resignation may have on STEP's ability to comply with any applicable governance rules and policies, the dynamics of the Board, and any other factors that the members of the C&CG Committee consider relevant. The nominee shall not participate in the Board's or the C&CG Committee's consideration regarding whether to accept the tendered resignation, however, shall remain active and engaged in all other committee and Board activities and deliberations in the interim period. Resignations are expected to be promptly accepted except in situations where extraordinary circumstances warrant the applicable director continuing to serve as a member of the Board. The Board shall disclose its election decision, via press release, within 90 days of the applicable meeting at which directors were elected. If a resignation is accepted, the Board may appoint a new director to fill the vacancy created by the resignation. If a director nominee that is an employee of STEP receives a greater number of votes withheld than in favour during an uncontested election of directors and is required to tender his or her resignation as a director pursuant to the majority voting policy, then to the extent that no events or circumstances have otherwise occurred that would be grounds for termination for cause, such individual may opt to be deemed to have been terminated from his or her employment without cause and be entitled to the rights and benefits arising under the terms of his or her employment agreement or that may otherwise arise pursuant to applicable laws.

Share ownership guidelines

We have share ownership guidelines for our directors and executives to align their interests with those of our shareholders. The C&CG Committee reviews share ownership levels for each director and executive every year.

See the *Director's share ownership guidelines* and *Executives' share ownership guidelines* sections in addition to the profiles in *The nominated directors* and *Named executives' performance* sections, respectively, for more information about our share ownership guidelines for directors and executives and share ownership levels.

ROLE OF THE BOARD

Positions and descriptions

The Board, either directly or through its committees, is responsible for the supervision of executives of STEP's business and affairs with the objective of enhancing shareholder value. Each standing committee of the Board has also adopted a mandate that outlines its purpose, organization, duties and responsibilities. The mandates are reviewed every year to ensure that they reflect current developments in corporate governance and the Board approves any necessary changes.

The Board's mandate describes the composition and organization of the Board, its duties and responsibilities for managing the affairs of the Board and oversight responsibilities for executives and human resources, strategic planning, financial and corporate issues, policies and procedures, compliance reporting and corporate communications. The mandate also provides for the Board's oversight responsibilities with respect to business and risk management, including compensation risk, and other general legal obligations such as its ability to retain independent advisors as necessary.

The Board has also developed position descriptions for the CEO, the Chair of the Board and the Lead Director, which are part of their terms of reference. Position descriptions for the Chair of each committee were also approved by the Board.

See *Schedule A* for a copy of the Board mandate, and *Schedule B* for copies of the committee mandates. The Board mandate, committee mandates and position descriptions for the Chair of the Board and the Lead Director are also available on our website (www.stepenergyservices.com).

Strategic planning

The Board works with STEP's executive team to develop STEP's strategic direction, including developing and reviewing the strategic plans, setting performance metrics, and establishing annual budgets and financial plans. STEP's executive team is responsible for preparing information on these areas and presenting it to the Board.

The Board holds strategic planning sessions with the executive team once every year for in-depth discussions and analysis. The executive team also presents strategic issues to the Board throughout the year based on the business climate and other current developments. The executive team also updates the Board on the execution of STEP's corporate strategies and goals at every regularly scheduled Board meeting. The Board raises various issues and topics for discussion as part of STEP's overall strategic planning process.

Risk oversight

The Board monitors risk across the organization. The executive team is responsible for identifying, prioritizing and monitoring risks, including identifying the scope of each risk, upward and downward trends, and the mitigation strategies in place. These risks are discussed at executive team meetings, and as required, presented to the Board for further review and discussion. The Board is actively engaged in the monitoring and supervision of risk through oversight of the risk management process, and as part of Board meetings and strategic planning sessions.

The chart below shows the area of oversight responsibility of the Board and each committee:

Board	Responsibility for all risk management oversight and specific responsibilities for strategic business risks.
Audit Committee	Oversees financial risks.
C&CG Committee	Oversees governance and risk management process in addition to compensation, talent management, and succession risk.
H&S Committee	Oversees health, safety and environment risk and the relationship of STEP with the communities nearest its operations.

BOARD COMMITTEES AND RESPONSIBILITIES

The Board has three standing committees:

- Audit Committee
- C&CG Committee, and
- H&S Committee.

Each committee has a documented mandate and a role description for its respective committee Chair approved by the Board. The committees provide recommendations to the Board on matters within their respective responsibilities which helps to facilitate the Board's decision-making. A summary of particulars relating to each committee concerning composition and committee mandates is below.

Audit Committee

Members	Michael Kelly (Chair) Jeremy Gackle James Harbilas
Meetings	4 regularly scheduled meetings each year (March, May, August and November) ⁽¹⁾
Independence	3 independent directors, 100 percent independent and financially literate
In-camera sessions	The Audit Committee meets in-camera at the end of each meeting. The Audit Committee and/or Chair also meets separately with the external auditors.
Mandate	The Audit Committee is responsible for (among other things), reviewing STEP's financial statements and public disclosure documents containing financial information and reporting on such review to the Board, ensuring STEP's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of STEP's external auditors and reviewing, evaluating and approving the internal control and risk assessment systems that are implemented and maintained by the executive team. Our AIF includes more information about the Audit Committee, including relevant education and experience of Audit Committee members, its mandate, and STEP's policy with respect to the pre-approval of non-audit services. The AIF is available on our website (www.stepenergyservices.com) and on SEDAR (www.sedar.com). The mandate is available on our website (www.stepenergyservices.com) and in <i>Schedule B</i> .

Note

(1) Three Audit Committee meetings were held between the IPO on May 2, 2017 and December 31, 2017.

H&S Committee

Members	Donna Garbutt (Chair) Jason Skehar Regan Davis
Meetings	2 regularly scheduled meetings each year (May and November) ⁽¹⁾
Independence	2 independent directors, 67 percent independent
In-camera sessions	The H&S Committee meets in-camera at the end of each meeting.
Mandate	The H&S Committee's mandate is to oversee STEP's policies and management systems, which are designed to cause it to comply with applicable laws and regulations, and evaluate the performance of STEP with respect to: (i) the protection of the health and safety of all persons associated with STEP's operations, (ii) the protection of the biological and physical environments, and (iii) the relationship of STEP with the communities nearest its operations. The mandate is available on our website (www.stepenergyservices.com) and in <i>Schedule B</i> .

Note

(1) Two H&S Committee meetings were held between the IPO on May 2, 2017 and December 31, 2017.

C&CG Committee

Members	Jeremy Gackle (Chair) James Harbilas Michael Kelly
Meetings in 2017	2 regularly scheduled meetings each year (May and November) ⁽¹⁾
Independence	3 independent directors, 100 percent independent
In-camera sessions	The C&CG Committee meets in-camera at the end of each meeting.
Mandate	The C&CG Committee is responsible for oversight of STEP's corporate governance policies, programs and practices. The C&CG Committee also provides the Board with an appropriate level of insight and transparency into compensation governance reviews and recommends to the Board. The mandate is available on our website (www.stepenergyservices.com) and in <i>Schedule B</i> .

Note

(1) Two C&CG Committee meetings were held between the IPO on May 2, 2017 and December 31, 2017.

Orientation and continuing education

STEP uses several different methods to provide orientation and continuing education to the Board. The C&CG Committee is responsible for the orientation and continuing education programs for new and continuing members of the Board. New Board members are provided with an orientation which includes written information about the duties and obligations of directors and the business and operations of STEP, documents from recent Board meetings and opportunities for meetings and discussion with the executive team and other Board members. They are provided with access to relevant industry information and given access to background documents of STEP, including policies, governance documents, Board and committee mandates, position descriptions, corporate records, and prior Board minutes and materials. New Board members are encouraged to meet with members of the executive team at STEP for orientation with respect to STEP's business. They are also invited to attend all meetings of committees of the Board. Field visits may also be arranged for new Board members. The C&CG Committee reviews the orientation and continuing education programs every year to ensure that the needs of new and continuing directors are met.

The Board receives continuing education in a variety of ways. Specifically, at each regularly scheduled meeting of the Board, the executive team provides an update on health and safety metrics, general economic trends, business operations, and other matters of Board concern. Directors also receive updates and articles related to topical issues. The Board and its committees receive updates at regularly scheduled meetings pursuant to each of the three standing committees' agenda's. For example, the Audit Committee receives accounting and regulatory updates at each quarterly meeting. The C&CG Committee receives legislative updates as required. The C&CG Committee meets with Hugessen Consulting Inc. ("Hugessen") or other appropriate consulting firms, on an as-needed basis and receives market data on an on-going basis from both Hugessen and members of STEP's executive team with respect to compensation trends and initiatives. Further, in 2017, various members of STEP's executive team and other third parties provided updates to the Board through ad hoc presentations during regularly scheduled meetings in the following areas: insurance risk and financing. Board members are also encouraged to attend seminars and conferences related to their duties, and STEP supports its directors and their participation in certain approved third-party educational opportunities and memberships.

The Board holds at least one strategic planning session each year to allow directors to gain a better understanding of STEP's operations, business opportunities, and risks. At the Board's strategic planning session held in November 2017, the Board met with key personnel and executives, discussed strategic plans, and considered current and future business prospects and opportunities.

In addition, STEP holds meetings at various STEP sites to allow directors to gain a better understanding of STEP's operations, business opportunities, and risks. In 2017, the Board held off-site meetings at our operation in Midland, Texas, and while in Midland, Texas, the Board met with key personnel and executives, discussed strategic plans, and considered current and future business prospects and opportunities. The directors also had a tour of an active coiled tubing operation and our facilities in Midland, Texas.

Board assessments

Commencing in 2018, the C&CG Committee will evaluate annually the performance and effectiveness of the Board, its committees and the contributions of individual directors. The assessments are expected to address individual director independence, individual director skills in addition to overall Board skills and individual director financial literacy. The Board will review and consider the recommendations from the C&CG Committee regarding the results of such evaluations.

Board term limits and tenure

STEP does not have a term limit or retirement policy for directors or other mechanisms of board renewal. The C&CG Committee seeks to maintain the composition of the Board in a way that provides an appropriate mix of skills and experience to provide for STEP's overall stewardship. Each year, the C&CG Committee is responsible for conducting an assessment of the Board, each committee and each director regarding his, her or its effectiveness and performance, and reports evaluation results to the Board for review and discussion. For more about Board composition, refer to the *About our Board – Size and composition* section.

The chart below shows the composition of our Board by years of service as of the date of this Circular, assuming that all of the nominated directors are elected. Since STEP was incorporated in 2011, the maximum tenure is seven years.

	0 – 3 years	4 – 6 years	7+ years
Number of directors	2	2	3

Board composition, renewal and director candidates

With respect to Board composition, renewal and director candidate assessment, the C&CG Committee assesses qualifications and independence in addition to the skills and experience set of current Board members, the structure and composition of the committees and director tenure. The C&CG Committee is responsible for determining a mix of skills and experience conducive to the effective functioning of our Board, and facilitating STEP's business strategy and long-term growth. The C&CG Committee has identified key areas of expertise considered when determining Board composition. Definitions for the key expertise areas have also been developed to assist in providing a consistent guideline for Board renewal and director candidate assessment.

The chart below shows the key expertise areas of each of the current directors, which are factors considered when discussing Board composition, renewal and director candidates.

Director	Regan Davis	Douglas Freel	Jeremy Gackie	Donna Garbutt	James Harbilas	Michael Kelly	Jason Skehar
Finance/accounting/audit		✓	✓		✓	✓	
Senior management/ strategy/leading growth	✓	✓		✓	✓	✓	✓
Corporate governance or legal expertise	✓	✓	✓		✓	✓	
Human resources & compensation	✓		✓	✓	✓	✓	✓
Operations/ health, safety & environment	✓	✓		✓			✓
Industry experience	✓	✓	✓	✓	✓	✓	✓

Executive talent management and succession planning

Building leadership capabilities and strengthening overall succession is a priority at STEP. The Board is responsible for succession planning in respect of key management positions at STEP, including the creation and review of new executive positions. Through the C&CG Committee, the Board is able to focus on identifying, assessing, and developing personnel in key leadership positions and high potential talent.

STEP's strategy is to develop and promote from within to strengthen our values and culture, assist in the retention of talent, and provide more options for succession. This strategy is complimented by the practice of hiring external personnel, which enables us to build a team with diverse proficiencies, experiences and perspectives. The C&CG Committee is responsible for reviewing and discussing the executive team succession plans annually. This entails a review of contingency and long-term succession plans for the CEO and all members of our executive team, including the identification of key succession candidates' strengths and gaps, and overall development progress and development plans. STEP has engaged a consulting firm specialized in leadership development to assess and facilitate executive development and report on progress through updates to the C&CG committee.

Access to management

The Board has complete access to the executive team, but reasonable advance notice is given in order to avoid disrupting STEP's day to day business and operations. The Board and committee Chairs liaise with relevant members of the executive team as needed.

The Board encourages the executive team to include key managers in Board and committee meetings for purposes of sharing their expertise with respect to specific matters. This approach provides the Board with an opportunity to meet individuals who have the potential to advance to more senior positions in the future, and for these individuals to gain exposure to the Board.

COMPENSATION

OVERVIEW OF OUR COMPENSATION GOVERNANCE

The C&CG Committee is responsible for the oversight and review of STEP's philosophy, policies, programs and practices concerning compensation and corporate governance matters, and to make recommendations to the Board, with regard to their creation, adoption, implementation and maintenance. Each of the C&CG Committee members has served as a senior officer and/or as a director of numerous organizations, has direct experience in executive and corporate compensation programs, and therefore has the necessary background and skills to provide effective oversight of executive and director compensation and ensure that sound risk management principles are being adhered to in order to align executives' and shareholders' interests. See *The nominated directors* section for the profiles of each of the Board members that serve on the C&CG Committee.

DIRECTOR COMPENSATION DISCUSSION AND ANALYSIS

STEP's directors' compensation program has been designed to attract and retain qualified individuals to serve on the Board. The C&CG Committee is responsible for reviewing and recommending to the Board any changes to director compensation arrangements.

Directors receive retainers for their services in order to help ensure unbiased decision-making. Prior to STEP's IPO, certain directors were awarded options under our prior option plan ("Prior Option Plan") and performance warrants upon their appointment and from time to time thereafter. The Prior Option Plan was discontinued in connection with STEP's IPO on May 2, 2017. Directors are not eligible to participate in STEP's new option plan ("New Option Plan"), which was implemented in connection with the IPO, but will continue to hold the prior options and performance warrants granted to them on their existing terms and conditions. Certain of the directors also hold performance warrants. The grant of performance warrants was discontinued in connection with the IPO. Directors are not eligible to participate in our performance and restricted share unit plan ("PRSU Plan"), which was implemented in connection with the IPO, but will continue to hold their currently held prior options and performance warrants on their existing terms and conditions.

Benchmarking

In determining director compensation, the C&CG Committee reviews and considers director compensation levels at a group of industry-specific, publicly-traded, close operating peers for reference, and applies judgment in developing compensation having considered the relative size and complexity of STEP as compared to such peers. In evaluating the appropriateness of STEP's current director compensation levels, the following group of companies was used:

- Calfrac Well Services Ltd.
- Trican Well Service Ltd.
- Essential Energy Services Ltd.

To help ensure we can attract and retain qualified directors, total compensation is determined with reference to median levels in our peer group. Director compensation is reviewed, based on independent advice respecting compensation paid by our peer companies.

Components of director compensation

The table below outlines the director compensation program for non-executive directors for the year ended December 31, 2017. Executive directors do not receive any compensation for their services as directors.

Component	Roles	Amount (\$)
Board retainer	Board Chair	75,000
	Board member	35,000
	Audit Committee Chair	24,000
	C&CG Committee Chair	18,000
	H&S Committee Chair	16,000
Committee retainer	Audit Committee member	9,000
	C&CG Committee member	3,000
	H&S Committee member	6,000
DSU grants	Board Chair	100,000
	Board member	90,000

Non-executive directors are also reimbursed for transportation and other out-of-pocket expenses reasonably incurred for attendance at Board and committee meetings and in connection with the performance of their duties as directors.

Pursuant to STEP's DSU plan for non-executive directors ("DSU Plan"), each eligible director receives an annual grant of DSUs in the amounts set out in the table above. In addition to these annual DSU grants, directors may elect to receive up to 100 percent of their annual cash retainers in DSUs. DSUs vest immediately at the time of grant and have an initial value equal to the market price.

Each DSU granted to a director under the DSU Plan is credited to the director's DSU account on the grant date. From time to time, a director's DSU account will be credited with additional share units in the form of dividend DSUs on each dividend payment date in respect of which dividends are paid in the ordinary course on common shares. Such dividend DSUs are computed as the amount of any such dividend declared and paid per common share multiplied by the number of DSUs as applicable, recorded in the participant's DSU account on the date for the payment of such dividend, divided by the market price as at the dividend payment date.

A director cannot redeem and convert DSUs or dividend DSUs to cash until the director ceases to be a member of the Board. Once a director ceases to be a member of the Board, their DSUs and dividend DSUs will be settled by STEP making a cash payment equal to the number of DSUs (and dividend DSUs if applicable) multiplied by the closing price of the common shares on the TSX on the last trading day preceding the cessation date. This cash payment must occur no later than the last business day of the first calendar year commencing after the director ceases to be a member of the Board.

The table below summarizes the annualized amounts paid to each non-executive director for the year ended December 31, 2017.

Director	Annual DSU grant (\$)		Annual cash retainers (\$)			Total (\$) ⁽¹⁾
	Chair	Board member	Board or Committee Chair	Board member	Committee member	
Douglas Freel ⁽²⁾	100,000	–	–	75,000	–	175,000
Jeremy Gackle ⁽²⁾	–	90,000	18,000	35,000	9,000	152,000
Donna Garbutt	–	90,000	16,000	35,000	–	141,000
James Harbilas	–	90,000	–	35,000	12,000	137,000
Michael Kelly	–	90,000	24,000	35,000	3,000	152,000
Jason Skehar	–	90,000	–	35,000	6,000	131,000

Notes

- (1) *Directors may elect to receive all or a portion of cash retainers in the form of DSUs. Currently, Messrs. Freel, Gackle and Skehar and Ms. Garbutt have elected to receive all their compensation in the form of DSUs.*
- (2) *Cash retainers and DSU awards received by Messrs. Freel and Gackle are held for the benefit of ARC Financial Corp. or its affiliates pursuant to a written agreement between each individual and ARC Financial Corp.*

Directors' share ownership guidelines

STEP has adopted share ownership guidelines for non-executive directors to demonstrate their commitment to the achievement of long-term success and alignment of their interests with shareholders. The guidelines are outlined in the table below.

Director	Share ownership guideline		Total ownership attained (as of May 1, 2018)	
	Multiple of retainer	Amount (\$) ⁽¹⁾	Amount (\$) ⁽²⁾	Attained ⁽³⁾
Douglas Freel ⁽⁴⁾	3x	525,000	137,109	In-progress
Jeremy Gackle ⁽⁴⁾	3x	456,000	118,785	In-progress
Donna Garbutt	3x	423,000	105,074	In-progress
James Harbilas	3x	411,000	66,783	In-progress
Michael Kelly	3x	456,000	688,383	Yes
Jason Skehar	3x	393,000	556,272	Yes

Notes

- (1) *The share ownership guidelines for directors are based on the stated multiple of the Board member's total annual compensation.*
- (2) *Common shares or DSUs held for purposes of the share ownership guidelines are valued at the higher of value at the time of award or acquisition and the current market price of the shares.*
- (3) *Each director has five years from the later of the introduction of the share ownership guidelines (February 7, 2017) and the date of their election or appointment as a director to achieve this minimum share ownership guideline.*
- (4) *Messrs. Freel and Gackle are representatives of the ARC Group pursuant to the Investment Rights Agreement and are employed by ARC Financial Corp. All director compensation attributed to Messrs. Freel and Gackle in this Circular is for the benefit of the ARC Group. DSUs granted to Messrs. Freel and Gackle are held for the benefit of the ARC Group. ARC Energy Fund 6 holds 13,588,546 shares and ARC Energy Fund 8 holds 26,654,454 shares. ARC Group, Investment Rights Agreement, ARC Energy Fund 6 and ARC Energy Fund 8 are defined in the Other information – Controlling shareholder section.*

DIRECTOR COMPENSATION – 2017 DETAILS

Director compensation tables

The table below sets forth all amounts of compensation provided to non-executive directors for the year ended December 31, 2017. The DSU grants were prorated from May 2, 2017 to December 31, 2017 as such equity amounts were only payable for the period during which STEP was publicly listed. The retainer payments for 2017 were also prorated for Ms. Garbutt and Mr. Harbilas who joined the Board in April 2017.

Director	Fees earned (\$) ⁽¹⁾	Share-based awards - DSU value earned (\$) ⁽²⁾	Option-based awards (\$) ⁽³⁾	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total compensation (\$) ⁽⁴⁾	Total compensation paid in DSUs (%)
Douglas Freel ⁽⁵⁾	18,750	123,100	–	–	–	141,850	87
Jeremy Gackle ⁽⁵⁾	15,500	106,665	–	–	–	122,165	87
Donna Garbutt	–	94,912	–	–	–	94,912	100
James Harbilas	32,022	60,165	–	–	–	92,187	65
Michael Kelly	62,000	60,165	–	–	–	122,165	49
Jason Skehar	10,250	90,915	–	–	–	101,165	90

Notes

- (1) Fees earned in 2017 and due to be paid in cash were paid in 2017 or in first three months of 2018.
- (2) Directors have the option to take their cash retainers in DSUs. Represents directors equity incentive compensation in the form of DSU grants for 2017, in addition, to Messrs. Freel, Gackle and Skehar and Ms. Garbutt converted retainer payments for the second, third and fourth quarters of 2017 into DSUs. Messrs. Harbilas and Kelly received cash for their retainer fees.
- (3) No grants of prior options or performance warrants have been made to non-executive directors since the beginning of 2017.
- (4) The following table summarizes the amounts total compensation payable to each non-executive director in cash and DSUs valued at the date of the respective grants and annual retainer payments for the year ended December 31, 2017, including prorated amounts, where applicable:

Director	Prorated annual DSU grant (\$)		Annual cash retainers (\$) ⁽²⁾		
	Chair	Board member	Board or committee Chair	Director	Committee member
Douglas Freel ⁽⁵⁾	66,850	–	–	75,000	–
Jeremy Gackle ⁽⁵⁾	–	60,165	18,000	35,000	9,000
Donna Garbutt	–	60,165	10,901	23,846	–
James Harbilas	–	60,165	–	23,846	8,176
Michael Kelly	–	60,165	24,000	35,000	3,000
Jason Skehar	–	60,165	–	35,000	6,000

- (5) Cash retainers and DSU awards received by Messrs. Freel and Gackle are held for the benefit of ARC Financial Corp. or its affiliates pursuant to a written agreement between each individual and ARC Financial Corp.

Outstanding share-based awards and option-based awards

The tables below indicate, for each non-executive director, all outstanding awards as at December 31, 2017.

Director	Option-based awards				Share-based awards (DSUs)		
	Number of securities underlying unexercised prior options	Prior options exercise price	Prior option expiration date	Value of unexercised in-the-money prior options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) ⁽²⁾
Douglas Freel ⁽³⁾	–	–	–	–	–	–	106,825
Jeremy Gackle ⁽³⁾	–	–	–	–	–	–	93,338
Donna Garbutt	–	–	–	–	–	–	83,585
James Harbilas	–	–	–	–	–	–	61,729
Michael Kelly	27,000	5.00	March 12, 2019	142,020	–	–	61,729
	13,000	6.25	May 26, 2020	52,130			
	30,000	5.00	October 19, 2021	157,800			
Jason Skehar	13,000	6.25	May 26, 2020	52,130	–	–	82,632
	30,000	5.00	October 19, 2021	157,800			

Notes

- (1) The value of the unexercised in-the-money prior options is calculated using the December 31, 2017 closing price of \$10.26.
- (2) DSUs vest immediately upon grant and are not paid out until the director leaves the Board.
- (3) Cash retainers and DSU awards received by Messrs. Freel and Gackle are held for the benefit of ARC Financial Corp. or its affiliates pursuant to a written agreement between each individual and ARC Financial Corp.

Performance warrant-based awards				
Director	Number of securities underlying unexercised warrants	Warrant exercise price (\$)	Warrant expiration date	Value of unexercised in-the-money warrants (\$) ⁽¹⁾
Douglas Freel	–	–	–	–
Jeremy Gackle	–	–	–	–
Donna Garbutt	–	–	–	–
James Harbilas	–	–	–	–
Michael Kelly	147,000	7.50 - 15.65	March 12, 2019 - October 19, 2021	123,273
Jason Skehar	52,000	7.50 - 15.65	April 2, 2020 - October 19, 2021	37,203

Note

(1) The value of the unexercised in-the-money performance warrants is calculated using the closing market price at December 31, 2017 (\$10.26).

Incentive plan awards, value vested or earned

The table below indicates, for each non-executive director holding awards, a summary of the value of the award vested in accordance with their terms during the year ended December 31, 2017.

Director	Option/warrant based awards (value vested during the year) (\$) ⁽¹⁾	Share-based awards (value vested during the year) (\$) ⁽²⁾	Non-equity incentive plan compensation (value earned during the year) (\$)
Douglas Freel ⁽³⁾	–	104,350	–
Jeremy Gackle ⁽³⁾	–	91,165	–
Donna Garbutt	–	82,162	–
James Harbilas	–	60,165	–
Michael Kelly	95,532	60,165	–
Jason Skehar	86,752	80,665	–

Notes

- (1) The value vested for prior options vesting between May 2, 2017 to December 31, 2017 is calculated on the assumption that all prior options and performance warrants that vested were exercised on their respective vesting date.
- (2) DSUs vest immediately upon grant and are not paid out until the director leaves the Board. See the Components of director compensation, Director compensation tables and Outstanding share-based awards and option-based awards sections for more information about how the value of DSUs is determined.
- (3) Cash retainers and DSU awards received by Messrs. Freel and Gackle are held for the benefit of ARC Financial Corp. or its affiliates pursuant to a written agreement between each individual and ARC Financial Corp.

EXECUTIVE COMPENSATION DISCUSSION AND ANALYSIS

Executive summary

The Board and the C&CG Committee are responsible for the integrity of our compensation governance. The following discussion and analysis provides an overview of STEP's executive compensation philosophy, practices and processes, including:

- a summary of 2017 highlights
- principles and objectives of the STEP compensation program, including our long-term incentive plan and annual incentive plan
- a detailed discussion of each element of compensation, and
- a summary of the share ownership guidelines for executives.

The C&CG Committee met twice in 2017 since the IPO on May 2, 2017. Its activities and highlights during the year included reviewing and/or approving:

- in conjunction with the Board, adopting the employee PRSU Plan and director DSU Plan
- 2017 corporate performance targets and metrics
- long-term incentive plan grants, including PSUs, restricted share units ("RSUs", and with PSUs "share units"), DSUs, prior options, new options and performance warrants
- 2017 compensation plans and base pay adjustments
- 2017 STEP comparator group
- renewal of the health and dental benefits plans (Canada and United States ("U.S.)) and adoption of the U.S. 401(k) plan, and
- restoration of STEP's matching of savings plan and RRSP contributions.

For the year ended December 31, 2017, STEP's named executive officers ("named executive(s)") were:

Executive	Title
Regan Davis	President and Chief Executive Officer (CEO)
Robert Sprinkhuysen	Chief Financial Officer (CFO)
Stephen Glanville	Vice-President, Operations and Chief Operating Officer (COO)
Brock Duhon	Vice-President, Coiled Tubing Services, U.S. ⁽¹⁾
Michael Burvill	Vice-President, Fracturing Services ⁽²⁾

Notes

(1) Effective April 2, 2018, Mr. Duhon's title changed to Vice-President, Coiled Tubing Services and Open Hole Wireline Services, U.S.

(2) Effective April 2, 2018, Mr. Burvill's title changed to Senior Vice-President, Fracturing and Cased Hole Wireline Services.

Compensation highlights

STEP's success as an integrated fracturing, coiled tubing services and wireline provider is a result of attention to execution, technology, an engaged culture and core values focused on best practices in all aspects of its business. The C&CG Committee strongly believes these values should be reflected in STEP's governance practices and compensation program design. In 2017, STEP reviewed its compensation programs and related governance practices and transitioned those appropriate for a private equity-backed private company to those that are aligned to best practice for a publicly-traded company particularly as it relates to our long-term incentive plan.

STEP's annual incentive plan and long-term incentive plan payouts were impacted by a number of factors. The annual incentive plan is measured using the following metrics:

- total recordable incident frequency ("TRIF")
- Adjusted EBITDA (as defined in the *Other information – Non-IFRS measures* section), and
- revenue growth.

Share growth affects the ultimate payout values for STEP's long-term incentive plan for eligible non-executive employees in the PRSU Plan. It also affects the executive payouts with respect to the long-term incentive plans at the vesting periods of both the corporate and business unit PSUs, in conjunction with performance metrics associated with Adjusted EBITDA and the three-year average scores of the annual incentive plan.

Approach to executive compensation

The C&CG Committee is responsible for overseeing the compensation of STEP's executives. The Board recognizes the importance of appointing knowledgeable and experienced individuals to the C&CG Committee. In fulfilling its duties and responsibilities, the C&CG Committee seeks periodic input, advice and recommendations from various sources, including the Board, executives and external independent compensation consultants.

Decision making process

The C&CG Committee reviews the adequacy and form of STEP's compensation policies and practices, annually sets goals for and reviews the performance of the executives, including the president and CEO, and provides the Board with recommendations for annual compensation based on such review and other appropriate factors including Company and individual performance. The C&CG Committee also makes recommendations regarding the operation of the long-term incentive plan and other incentive plans.

The CEO is actively engaged in STEP's compensation programs (other than with respect to his own compensation). Our CEO conducts an annual evaluation of each named executive's performance, and recommends salary adjustments and performance scores which affect annual incentive plan awards to the C&CG Committee. When determining levels of compensation, the C&CG Committee considers CEO recommendations, performance, level of responsibility and other compensation awards or arrangements.

The Board reviews all recommendations of the C&CG Committee before final approval. Any director who is also an executive of STEP is excused from the Board meeting during any discussion of their compensation.

The Board retains the ability to make adjustments, upward or downward, to the formulaic results of STEP's compensation policies and practices based on broader performance and outcomes for shareholders. The Board considers that this informed judgement is important for establishing an overall assessment of performance, and to ensure that compensation and incentive plan designs achieve the intended results and avoids unintended consequences. In determining whether exercising informed judgement is warranted, the Board considers each element of compensation, along with the overall compensation package provided to each executive, and STEP's performance as a whole, specific business unit and individual performance. The Board, using its informed judgement, may alter, cancel or defer amounts payable under the annual and long-term incentive plans.

The C&CG Committee and the Board may exercise judgment in determining corporate performance and resulting incentive awards to avoid unintended consequences that may arise from the measures of corporate performance and their weighting.

Benchmarking

In determining levels of compensation each year, the C&CG Committee also reviews and considers executive compensation levels at a group of close operating peers for reference, and applies judgment in developing pay levels having considered the relative size and complexity of STEP as compared to such peers. In evaluating the appropriateness of STEP's current compensation programs, the following peer benchmark companies were chosen based on their similarity in size, scale and industry relative to STEP:

Company ⁽¹⁾	Employees	Market capitalization (\$) ⁽²⁾	Total assets (\$) ⁽²⁾	Revenue (\$) ⁽²⁾
Calfrac Well Services Ltd.	3,800	860	1,778	1,528
Trican Well Service Ltd.	2,067	1,381	1,506	930
Essential Energy Services Ltd.	470	102	219	176
Peer average	2,112	781	1,168	878
STEP	1,122	619	534	553

Notes

(1) Information current as of December 31, 2017. The information contained in this chart has been extracted from the respective AIF, management discussion and analysis and/or consolidated financial statements of each company for the year ended December 31, 2017.

(2) All dollar figures are shown in millions of Canadian dollars.

The C&CG Committee conducted a fulsome review of the compensation comparator group for named executives in order to ensure the ongoing relevance of constituent companies.

Independent advice

The C&CG Committee has sole authority to retain any compensation consultant used to assist in the evaluation of executive and director compensation. The C&CG Committee has authority to approve such consultants' fees and retention terms and to obtain advice and assistance from internal or external legal, accounting or other advisors.

The C&CG Committee retained Hugessen, an independent board advisor specializing in executive compensation, to assist with certain executive compensation matters in the context of transitioning to a publicly-traded organization. Specifically, Hugessen provided consulting services related to best practice analysis and design of STEP's long-term incentive plan and compensation-related governance provisions. For its services provided from December 2016 to December 2017, Hugessen received \$122,000 in compensation-related fees. A substantial portion of such fees were made payable in connection with STEP's IPO and the establishment of a long-term incentive plan for a publicly listed entity, and the C&CG Committee expects compensation-related fees to independent C&CG Committee advisors to be lower in subsequent years. A portion of such compensation-related fees paid to Hugessen in 2017 related to the review of employee and director compensation. Hugessen has not provided any additional non-compensation related services to STEP.

Principles and objectives

Compensation plays an important role in achieving and optimizing short and long-term business objectives that ultimately drive STEP's success.

The primary objectives of STEP's executive compensation program are:

- to attract and retain talented and experienced executives
- to motivate and reward executives whose knowledge, skills and performance are critical to STEP's success
- to encourage appropriate levels of risk taking by ensuring a significant portion of executive compensation is tied to individual and overall business performance, and
- to align the interests of executives and shareholders by motivating executives to increase shareholder value and reward executives when shareholder value increases.

To ensure executive pay is aligned with STEP's overall business strategy, the executive compensation program is driven by a set of core principles. While actual performance targets may vary each year, these principles remain constant.

Building shareholder value	The C&CG Committee seeks to focus the executive team on several key financial metrics that it considers key drivers of shareholder value, such as revenue growth, Adjusted EBITDA, and, commencing in 2018, the inclusion of the return on capital employed metric. These metrics are used in both the annual and long-term incentive plans.
Performance-based	Individual total compensation varies each year depending on corporate, business unit, and individual performance results.
Pay at risk	Executive compensation includes elements of pay at risk; such compensation is not paid until performance thresholds are met, and may increase or decrease depending on actual results. Compensation provided to our executive team pursuant to STEP's annual incentive plan and long-term incentive plan is pay at risk.
Building the business	Executive compensation plans include long-term incentive plans with a three year cliff vest that are focused on achieving corporate objectives and strategic plans with a medium to long-term view.
Workplace health and safety	Safety is embedded in STEP's core values. Safety targets, measured through TRIF, is a metric in the short and long-term incentive plans.
Incentive structure	The incentive structure is straightforward and easy to understand. The C&CG Committee believes if too many metrics are used, the overall effectiveness of the incentive programs may become diluted. Therefore, a limited number of metrics are used and these metrics are primarily quantitative in nature - focusing on financial measures, and are those that the executives have a reasonable ability to influence.
Teamwork	A portion of the long-term incentive plan bonus payable to executives working in the business units is related to overall corporate performance in addition to actual business unit performance.
Compensation risk mitigation	The executive compensation program includes components of both fixed and variable pay. Performance metrics align with STEP's business strategy. Maximum payouts under the incentive programs are capped, a clawback policy is in place, and executives are required to meet share ownership guidelines.

Executives' share ownership guidelines

STEP has adopted the following share ownership guidelines, pursuant to which our executives are required to hold, directly or indirectly, common shares with an aggregate value as follows:

Executive	Share ownership guidelines		Total ownership attained	
	Multiple of base pay	\$(¹)	\$(²)	Attained(³)
Regan Davis (President & CEO)	3x	1,095,000	1,374,840	Yes
Robert Sprinkhuysen (CFO)	2x	540,000	595,080	Yes
Stephen Glanville (Vice-President, Operations & COO)	2x	620,000	559,662	In-progress
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	1x	279,000(⁴)	211,356	In-progress
Michael Burvill (Vice-President, Fracturing Services)	1x	255,000	82,080	In-progress

Notes

- (1) Share ownership guideline is based on salaries as at December 31, 2017.
- (2) Common shares valued using the December 31, 2017 closing price of \$10.26. Common shares or DSUs held for purposes of the share ownership guidelines are valued at the higher of value at the time of award or acquisition and the current market price of the shares.
- (3) Each named executive has five years from the later of the introduction of the share ownership guidelines and the date of their election or appointment as an executive to achieve this minimum share ownership guideline.
- (4) For purposes of this table, salary and all other compensation, an average exchange rate for 2017 of USD 1.000:CAD 1.2976 was used.

Risks of compensation policies and practices & compensation governance

STEP's compensation program is designed to provide the executive team incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk.

The Board provides regular oversight of STEP's risk management practices, and delegates to the C&CG Committee the responsibility to provide risk oversight of STEP's compensation policies and practices, and to identify and mitigate compensation policies and practices that could encourage inappropriate or excessive risk taking by members of the executive team.

As part of its review and discussion of executive compensation, the Board and the C&CG Committee noted the following factors that discourage STEP's executives from taking unnecessary or excessive risk:

- STEP's approach to performance evaluation and compensation provides greater rewards to an executive achieving both short and long-term agreed upon objectives
- executives and directors are required to hold a minimum quantity of common shares under STEP's share ownership guidelines
- the ability of the Board to exercise its informed judgment with respect to incentive awards and payouts in the event incentives are understated or overstated due to extraordinary circumstances or conditions
- commitment to a periodic evaluation and testing by the C&CG Committee of variable compensation plan metrics
- caps on bonus payments, subject to the ability of the Board to exercise its informed judgement
- equity incentive awards in the form of PSUs
- prohibition on hedging for officers, directors and employees of STEP or entering into pledging transactions involving the common shares
- a formal clawback policy specifying the recoupment of incentive compensation applicable to the officers upon material financial restatements and misconduct, and
- use of independent compensation advisor(s), as appropriate.

The Board and the C&CG Committee firmly believe that STEP's total executive compensation program does not encourage officers to take unnecessary or excessive risk.

Hedging prohibition

STEP is of the view that our securities should be purchased for investment purposes only. Pursuant to STEP's disclosure, trading and confidentiality policy, transactions that could be perceived as speculative or influenced by positive or negative perceptions of STEP's prospects, including the use of puts, calls, collars, spread bets, contracts for difference and hedging transactions are not considered to be in STEP's best interests and must be avoided. In particular, directors, officers and employees of STEP are prohibited from engaging in hedging activities of any kind respecting STEP's securities or related financial instruments including, without limitation, selling a call or buying a put on STEP's securities or purchasing Company securities with the intention of reselling them within six months or selling Company securities with the intention of buying them within six months (other than the sale of Company securities shortly after they were acquired through the exercise of securities granted under a share-based compensation arrangement).

Clawback policy

The Board has adopted a clawback policy specifying the consequences with respect to incentive awards in the event of gross negligence, fraud or willful misconduct resulting in a restatement of STEP's financial statements. The clawback policy provides that where there is a restatement of the financial results of STEP for any reason other than a restatement caused by a change in applicable accounting rules or interpretations, and, in connection with such restatement an officer engaged in gross negligence, fraud or willful misconduct, the Board or the C&CG Committee may: (a) require that an officer return or repay to STEP, or reimburse STEP for, all or part of the after-tax portion of any excess compensation, and/or (b) cause all or part of any awarded and unpaid or unexercised performance-based compensation (whether vested or unvested) that constitutes excess compensation for an officer to be cancelled.

In determining whether to require any cancellation, repayment or reimbursement under the clawback policy, the Board or the C&CG Committee shall have regard to, in its sole discretion and in light of the circumstances, the best interests of STEP. In making such determination, the Board may take into account any considerations it deems appropriate, including, without limitation: (i) the applicable governing law including the likelihood of success and the cost of pursuing recovery, (ii) any prejudice to the interests of STEP, including in any related proceeding or investigation, and (iii) the participation of the officer in the circumstances relating to the financial restatement, including his or her involvement in any gross negligence, fraud or willful misconduct.

For purposes of the clawback policy, excess compensation means the difference between the amount of any performance-based compensation actually paid or awarded to an officer and the amount that would have been paid as calculated based on the financial statements of STEP as restated. Performance-based compensation includes all bonuses and other incentive compensation that is paid or awarded to any officer, the award, amount, payment and/or vesting of which was calculated having regard to or based in whole or in part on the application of performance criteria or financial metrics measured during the three years preceding the applicable restatement and includes incentive compensation awarded or paid in any form, including cash or equity-based, whether vested or unvested.

Components and pay mix

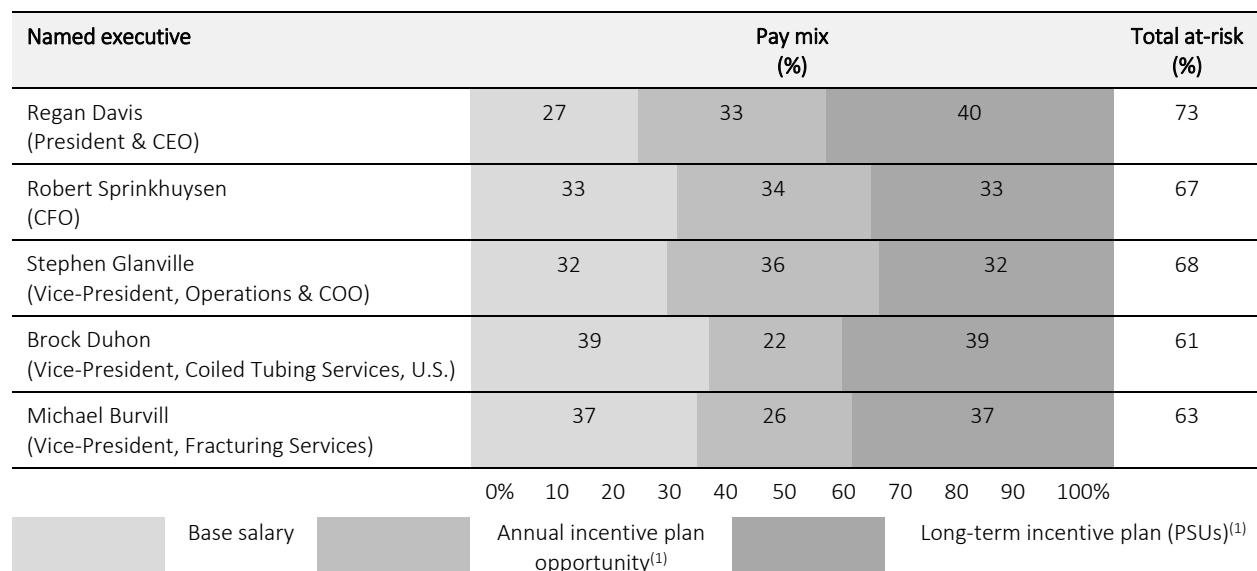
STEP has a pay-for-performance based compensation philosophy. In order to balance the need to attract and retain executives with a desire to balance cash cost and performance rewards, STEP's executive compensation philosophy is to position base salary at the market's 50th percentile, while the executives have the opportunity to realize total direct compensation levels including cash compensation and long-term incentives at or above the market's 75th percentile.

STEP's total executive compensation structure consists of three major elements:

- base salary
- annual incentives in the form of an annual cash bonus, and
- long-term equity incentives under the long-term incentive plan.

Perquisites and personal benefits are not expected to be a significant element of compensation for STEP's officers.

The following chart and discussion outlines the respective pay mix for STEP's named executives for the year ended December 31, 2017:



Note

(1) Denotes pay at risk components of total direct compensation.

Base salary

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of each of the named executives. This component of executive compensation is not pay at risk.

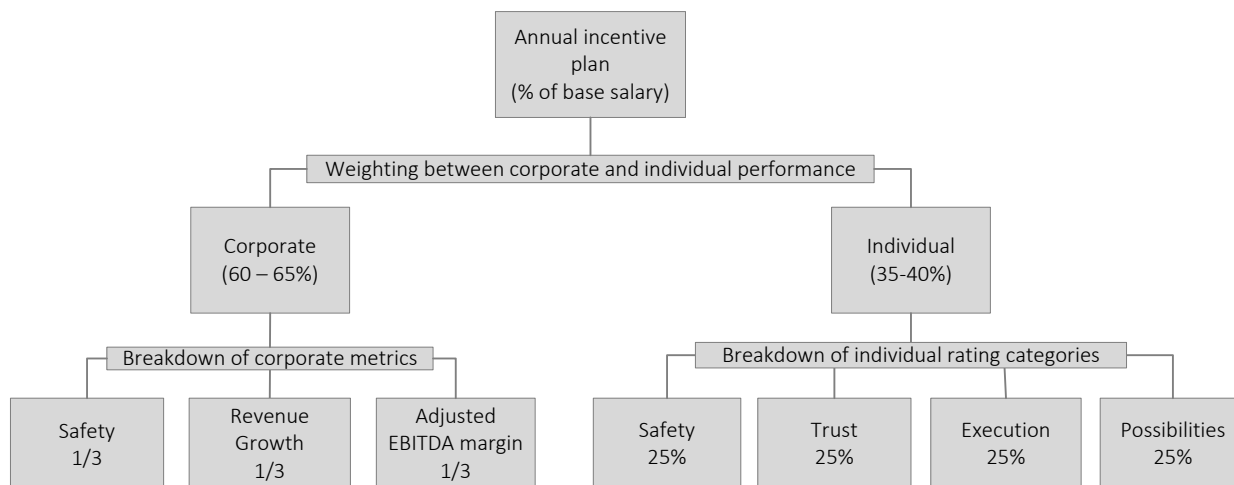
Salaries are reviewed annually by the C&CG Committee, taking into account the responsibilities, performance and experience of the executive, historical compensation and applicable provisions of named executives' employment agreements, the competitive market for talent, and the recommendations of the CEO (for all executives other than himself). The CEO's base salary is reviewed and recommended for adjustment, if any, by the C&CG Committee. In determining base salary levels, the C&CG Committee does not assign specific weighting to any of the above factors. In addition, salaries are reviewed to ensure they align with STEP's publicly traded peers.

Annual incentive plan (cash bonus)

The chart below provides a summary of STEP’s annual incentive plan for named executives. STEP provides an annual incentive plan based on an annual assessment of corporate and individual performance. This annual incentive plan is pay at risk designed to motivate named executives to meet short-term objectives aligned with the execution of STEP’s long-term strategy. The C&CG Committee reviews corporate and individual performance metrics annually for continued relevance, and these metrics were used again this year for purposes of setting the 2018 individual performance metrics, along with return on capital employed metric. Individual weightings include goals and objectives which are tied to STEP’s core values, whereby the aggregate individual score is an average of the individual’s score for each of the four core values (Safety, Trust, Execution, and Possibilities) as shown in the chart below.

The corporate metrics are scored equally. Corporate objectives for 2017 included financial and operational metrics, including safety performance, year-over-year revenue growth and Adjusted EBITDA. The C&CG Committee has determined that, commencing in 2018, return on capital employed will be included in this calculation as well.

Below is a sample calculation for STEP’s annual incentive plan:



Note

Individual performance is assessed at year-end through the following rating scale; a rating of four is the highest rating and receives 100 percent of the individual component of the annual incentive plan opportunity, a rating of three receives 90 percent of the individual component of the annual incentive plan opportunity, a rating of two receives 60 percent of the individual component of the annual incentive plan opportunity, and a rating of one receives 30 percent of the individual component of the annual incentive plan opportunity.

Annual incentive plan payout calculation

The annual cash bonus is determined by a formulaic calculation factoring the weightings in the table below with the actual performance scores achieved in the corporate and individual categories.

Incentive plan opportunity x corporate performance weighting x actual performance from corporate performance scorecard	+	Incentive plan opportunity x individual performance weighting x actual performance from individual performance rating	=	Total annual incentive plan cash bonus
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For example, assuming all performance metrics were met at maximum opportunity (100%) for corporate and individual performance for a vice-president with an annual incentive bonus opportunity of 60% of base pay with corporate and individual weightings of 60%/40% respectively:

60% incentive plan opportunity x 60% corporate weighting x 100% corporate performance	+	60% incentive plan opportunity x 40% individual weighting x 100% individual performance rating	=	Total incentive plan cash bonus (% of base salary)
60% x (60% x 100%) 36%		60% x (40% x 100%) 24%		60%

Annual incentive plan opportunity levels and weighting of performance measures for annual incentive plan awards for the year ended December 31, 2017 were as follows:

Named executive	Annual incentive plan opportunity (% of base salary)	2017 Performance measure relative weighting (% weighting)	
		Corporate	Individual
Regan Davis (President & CEO)	125	65	35
Robert Sprinkhuysen (CFO)	100	65	35
Stephen Glanville (Vice-President, Operations & COO)	110	65	35
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	60	60	40
Michael Burvill (Vice-President, Fracturing Services)	70	60	40

STEP's corporate performance scorecard related to the payment of cash bonuses is shown in the table below. With respect to additional awards outlined in the chart, the Board used informed judgement to increase the corporate score by 11.1 percent which reflects achievement of the top Adjusted EBITDA range to acknowledge the significant outperformance of STEP's results relative to budget and the additional expenses related to the IPO which were not contemplated when the scorecard was established. In aggregate, the additional amount awarded by the Board increased the annual incentive plan payout to named executives by seven percent.

Metric	Weighting	Corporate performance scorecard (%)		Actual result	Contribution to corporate score
		Range			
		(Low)	(High)		
Safety ⁽¹⁾	1/3	0	100	67	23.3
Revenue Growth (year over year)	1/3	10	40+	227	33.3
Adjusted EBITDA margin	1/3	10	25+	22.3	22.3
Additional award %					11.1
Total 2017 performance score					90.0%

Note

(1) Safety performance goals are established annually as measured by TRIF. The actual TRIF targets are not disclosed in this Circular for competitive reasons.

Using the STEP corporate performance scorecard and individual performance, the follow charts summarize the actual score each named executive earned pursuant to STEP's annual incentive plan in 2017.

Named executive	Corporate results (%) (weight x corporate score card)	Individual performance evaluation (%)	Individual performance results (%) (weight x individual performance)	Overall score awarded (%) (% of annual incentive plan opportunity)
Regan Davis (President & CEO)	65 x 90	100	35 x 100	93.5
Robert Sprinkhuysen (CFO)	65 x 90	100	35 x 100	93.5
Stephen Glanville (Vice-President, Operations & COO)	65 x 90	100	35 x 100	93.5
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	60 x 90	100	40 x 100	94.0
Michael Burvill (Vice-President, Fracturing Services)	60 x 90	100	40 x 100	94.0

The chart below summarizes the amounts each named executive earned pursuant to STEP's annual incentive plan in 2017. The overall payouts relative to annual incentive plan opportunity for each executive demonstrate the correlation between pay and performance under STEP's annual incentive plan. With respect to the additional awards outlined in the chart, the Board exercised its informed judgement to acknowledge the significant individual contribution of certain executive team members to STEP's performance in 2017, including contributions to significant year over year revenue growth and to our successful IPO, by approving additional annual incentive plan awards. These additional awards comprised nine percent of the total incentive payments made to the named executives.

Named executive	Annual Incentive Plan opportunity (%) ⁽¹⁾	Potential Annual Incentive Plan range (\$)	Overall score awarded (%)	Additional award (\$)	Total incentive payment (\$)
Regan Davis (President & CEO)	125	0 - 429,159	93.5	50,000	451,265
Robert Sprinkhuysen (CFO)	100	0 - 243,492	93.5	42,016	269,683
Stephen Glanville (Vice-President, Operations & COO)	110	0 - 310,348	93.5	—	290,176
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	60	0 - 156,867 ⁽²⁾	94.0	—	147,456 ⁽²⁾
Michael Burvill (Vice-President, Fracturing Services)	70 ⁽³⁾	0 - 145,294	94.0	25,378	161,956

Notes

(1) *Percentage of actual base earnings in 2017.*

(2) *Converted to Canadian dollars at the Bank of Canada exchange rate of 1.2545 CAD per USD (December 31, 2017).*

(3) *Mr. Burvill's annual incentive plan opportunity increased from 60% to 70% in August 2017.*

Long-term incentive plan

STEP's long-term incentive plan is designed to strengthen the alignment between executive compensation and the long-term interests of the shareholders. Prior to May 2, 2017, STEP's long-term incentive plan was comprised of prior options and performance warrants. Consistent with STEP's philosophy of being a market leader in practice and execution, the C&CG Committee has undertaken a comprehensive review of the long-term incentive plan and transitioned to a plan modeled after best practices for publicly-traded companies. The new executive long-term incentive plan is comprised of PSUs (Corporate and Business Unit, respectively) and new options. The value of the awards provided as PSUs and new options are not guaranteed, and are therefore pay at risk. Select non-executives in key roles are eligible to receive RSUs. Currently, the new long-term incentive plan reserves a maximum of five percent of the issued and outstanding common shares for issuance under the New Option Plan, the PRSU Plan and all other security-based compensation arrangements, excluding the prior options and the performance warrants.

More specifically, the long-term incentive plan provides that:

- the maximum number of common shares issuable to a reporting insider (as defined in the Canadian Securities Administrators National Instrument 55-104, *Insider Reporting Requirements and Exemptions*) within one year or at any time under all security-based compensation arrangements of STEP (excluding the prior options and performance warrants) shall not exceed five percent of the issued and outstanding common shares from time to time (calculated on a non-diluted basis), provided that for the purpose of the foregoing limit any securities issued under any incentive plan of STEP prior to the holder becoming a reporting insider shall be excluded for the purposes the foregoing limit, and
- the maximum number of common shares issuable to any one eligible holder (including a reporting insider) at any time under all security-based compensation arrangements of STEP (excluding the prior options and performance warrants) shall not exceed five percent of the issued and outstanding common shares from time to time (calculated on a non-diluted basis)

The table below sets out the number of shares underlying outstanding grants of, and available for grant under, each type of equity compensation on December 31, 2017.

Security	Number of shares underlying grants	Percentage of shares underlying grants (%) ⁽¹⁾	Number of shares available to grant ⁽²⁾	Percentage of shares available to grant (%)
Prior options	4,074,849	6.8	—	—
Performance warrants	8,758,680	14.5	—	—
PRSU Plan	431,546	0.7	1,578,779	2.62
New Option Plan	—	0	1,005,162	1.67
Total	13,265,075	22.0	2,583,941	4.29

Notes

(1) Percentages reflect undiluted percentages of the number of shares issued and outstanding at year end.

(2) Shares reserved for issuance pursuant to share units or new options that are terminated or are cancelled without having been redeemed or exercised, as applicable, will again be available for issuance under the PRSU Plan or the New Option Plan, respectively.

Benefits and perquisites

The C&CG Committee annually reviews the benefits provided to named executives, which are generally the same as those provided to other employees of STEP. We offer perquisites to the named executives, and only where we believe such perquisites are market competitive and promote the retention of or promote the efficient performance by the named executives.

In 2017, named executives' perquisites and benefits included a vehicle allowance or a company vehicle, related fuel and maintenance, parking, fitness membership subsidy, company provided health, dental and insurance benefits, and a company matching RRSP savings plan.

Former long-term incentive plan

In 2017, STEP discontinued the use of performance warrants and introduced PSUs and RSUs. In addition, STEP discontinued the granting of options under the Prior Option Plan and adopted the New Option Plan. Currently outstanding performance warrants and options granted under the Prior Option Plan will remain outstanding on their current terms. The former long-term incentive plan, consisting of prior options and performance warrants is detailed in the table below.

Former long-term incentive plan		
Plan	Pre-IPO up to May 1, 2017	After May 2, 2017
Prior options	<p>Granted to provide an incentive to directors, executives and employees to achieve the longer-term objectives of STEP and attract and retain the talent required for STEP to execute the long-term strategy.</p> <p>Quantity: based on individual position, performance, market conditions, stock price and availability for grant.</p> <p>Term: five years for Canadian holders; seven years for U.S. holders.</p> <p>Vest: one-third on each of the first three anniversaries of grant date.</p> <p>Adjustments made:</p> <ul style="list-style-type: none"> the expiry dates of prior options that were set to expire in 2016 were extended to April 2, 2020, and the expiry dates of prior options that were set to expire prior to November 2017 were extended to November 7, 2017. 	<p>No further grants and any outstanding prior options will vest and be exercisable based on terms of Prior Option Plan.</p> <p>Prior options may be exercised on a cashless basis upon the holder surrendering prior options with an in-the-money value equal to the aggregate exercise price for the issued shares.</p>
Performance warrants	<p>Performance warrants were historically granted in order to attract, retain and motivate directors, the executive team and employees to grow the equity of STEP by providing an opportunity to acquire an interest in STEP subject to a high level of share price performance.</p> <p>Each performance warrant is exercisable upon vesting for a common share upon payment of the applicable exercise price.</p> <p>Quantity: based on individual position, performance, market conditions, stock price and availability for grant.</p> <p>Term: five years for Canadian holders; seven years for U.S. holders.</p> <p>Vest: one-fifth on each of the first five anniversaries of grant dates.</p> <p>Adjustments Made:</p> <ul style="list-style-type: none"> the expiry dates of performance warrants that were set to expire in 2016 were extended to April 2, 2020, and the expiry dates of performance warrants that were set to expire prior to November 2017 were extended to November 7, 2017. 	<p>No further grants and any outstanding performance warrants will vest and be exercisable based on terms of the performance warrant agreement.</p> <p>Performance warrants may be exercised on a cashless basis upon the holder surrendering performance warrants with an in-the-money value equal to the aggregate exercise price for the issued shares.</p>

New Option Plan

In connection with the IPO, STEP adopted the New Option Plan, which superseded the Prior Option Plan and allows for the grant of new options to executives, employees and consultants of STEP. The objective of the New Option Plan is continuing to provide an incentive to achieve the longer-term objectives of STEP and attract and retain the talent required to execute our strategy. As of the date of this Circular, no grants have been made under the New Option Plan.

The Board has the authority to determine the terms and conditions of the New Option Plan or any new option, as outlined in table below.

New Option Plan	
Granting	<p>Price: provided that the exercise price per common share of each new option must not be less than the market price of the common shares at the time of the grant.</p> <p>Cashless options: Options may be exercised on a cashless basis upon the holder surrendering options with an in-the-money value equal to the aggregate exercise price for the issued shares.</p> <p>Term: unless otherwise determined by the Board, all new options will expire on the fifth anniversary of the date of grant, subject to earlier termination in the event the holder ceases to be an executive team member, employee or consultant of STEP or if the Board determines, in its sole discretion, to accelerate the expiry time in connection with a “change of control” (as defined in the New Option Plan).</p> <p>Vesting: new options will vest as to one-third of the total grant on each of the first three anniversaries of the grant date, or as otherwise set out by the Board in the applicable grant agreement.</p> <p>Accelerated vesting: except as otherwise provided by the New Option Plan, upon the occurrence of a change of control, vesting of new options will accelerate only if: (a) the continuing or successor entity fails to substitute or replace the new options with stock options of such continuing or successor entity on the same terms and conditions as the new options, or (b) within 12 months of the change of control, the service, consulting arrangement or employment is terminated other than for cause or the holder of the new options resigns for good reason.</p> <p>Status changes: vested options held by a holder who ceases to be an eligible participant under the New Option Plan: (a) due to termination for cause, terminate 10 days after the last date the holder was actively at work for STEP, (b) due to death or disability, terminate 180 days after the last date the holder was actively at work for STEP, and (c) for any reason other than termination for cause, death or disability, terminate 30 days after the last date the holder was actively at work for STEP.</p>
Administration	<p>The New Option Plan is reviewed by the Board, which may delegate authority over the administration and operation of the New Option Plan to a committee.</p>
Amendments without shareholder approval	<p>Subject to the applicable rules of the TSX, the Board may, from time to time, in its absolute discretion and without the approval of the shareholder, make amendments to the New Option Plan or any new option including, without limitation, any amendment:</p> <ul style="list-style-type: none"> • to the vesting provisions of the New Option Plan and any option agreement, including to accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of a new option • to the New Option Plan or a new option as necessary to comply with applicable law or the requirements of the TSX or any other regulatory body having authority over STEP, the New Option Plan or the shareholders • to the New Option Plan and any new option agreement to permit the conditional exercise of any new option, on such terms as it sees fit • of a “housekeeping” nature, including, without limitation, to clarify the meaning of an existing provision of the New Option Plan, correct or supplement any provision of the New Option Plan that is inconsistent with any other provision of the New Option Plan, correct any grammatical or typographical errors or amend the definitions in the New Option Plan regarding administration of the New Option Plan • respecting the administration of the New Option Plan, and

New Option Plan	
	<ul style="list-style-type: none"> in connection with a change of control so as to assist the holders to tender the underlying common shares to, or participate in, the actual or potential event or to obtain the advantage of holding the underlying common shares during such event and to terminate, following the successful completion of such event, on such terms as it sees fit, the new options not exercised prior to the successful completion of such event.
Amendments requiring shareholder approval	<p>Approval of the shareholders will be required for the following amendments to the New Option Plan or any new option:</p> <ul style="list-style-type: none"> any increase in the number of common shares reserved for issuance under the New Option Plan any amendment to increase or remove the insider participation limits set forth in the New Option Plan any reduction in the exercise price per common share of a new option, cancellation and reissue of new options or substitution of new options with cash or other awards on terms that are more favourable to the holders any extension of the expiry of a new option, except as otherwise provided by the New Option Plan any amendment that would permit new options to be transferable or assignable other than for normal estate settlement purposes any amendment that would materially modify the eligibility requirements for participation in the New Option Plan any amendment with respect to any of the amending provisions of the New Option Plan, and such other matters in respect of which the TSX may require approval by the shareholders of STEP.

Subject to the foregoing amendment provisions, the Board may, at any time and from time to time, without the approval of the holders of common shares, suspend, discontinue or amend the New Option Plan or a new option, provided that unless grantees holding at least 75 percent of the new options then issued and outstanding otherwise consent in writing, the Board may not suspend, discontinue or amend the New Option Plan or amend any outstanding new option in a manner that would materially adversely affect any new option previously granted to a grantee under the New Option Plan, and any such suspension, discontinuance or amendment of the New Option Plan or amendment to a new option shall apply only in respect of new options granted on or after the date of such suspension, discontinuance or amendment.

Performance and restricted share units (RSUs)

The Board adopted a RSU Plan pursuant to which the Board may, from time to time, determine those eligible persons of STEP who will receive a grant of share units.

STEP's RSU Plan objectives include:

- support the achievement of STEP's annual and long-term performance objectives
- ensure that interests of participants are aligned with the long-term success of STEP
- provide compensation opportunities to attract, retain and motivate the executive team and key technical and field personnel, critical to the long-term success of STEP, and
- mitigate excessive risk-taking by STEP's key employees.

The specifics of the Board authority related to the RSU Plan are outlined in the table below.

RSU Plan	
Administration	<p>The RSU Plan is administered by the Board. The Board has full and final discretion to interpret the provisions of the RSU Plan and to prescribe, amend, rescind and waive any rules and regulations implemented by the Board to govern the administration and operation of the RSU Plan, subject to any other limitations on STEP.</p> <p>Notwithstanding the foregoing or any other provision contained herein, the Board has the right to delegate the administration and operation of the RSU Plan to a committee of directors appointed from time to time by the Board.</p>
Amendments without shareholder approval	<p>The Board has authority to make amendments with respect to the following matters without shareholder approval, subject to TSX requirements:</p> <ul style="list-style-type: none">• correcting any defect or supply any omission or reconcile any inconsistency in the RSU Plan• amending, suspending or terminating the RSU Plan, or any portion thereof, at any time, subject to those provisions of applicable law (including, without limitation, the rules, regulations and policies of the TSX)• any amendment to the vesting provisions of the RSU Plan and any grant agreement, including to accelerate, conditionally or otherwise, on such terms as it sees fit, the vesting date of a share unit• any amendment to the RSU Plan or a share unit as necessary to comply with applicable law or the requirements of the TSX or any other regulatory body having authority over STEP, the RSU Plan or the shareholders• any amendment to the RSU Plan and any grant agreement to permit the conditional redemption of any share unit• any amendment of a housekeeping nature, including, without limitation, to clarify the meaning of an existing provision of the RSU Plan, correct or supplement any provision of the RSU Plan that is inconsistent with any other provision of the RSU Plan, correct any grammatical or typographical errors or amend the definitions in the RSU Plan regarding administration of the RSU Plan• any amendment respecting the administration of the RSU Plan, and• any other amendment that does not require the approval of the shareholders including, for greater certainty, an amendment in connection with a change of control to assist the participants of the RSU Plan to tender the underlying common shares to, or participate in, the actual or potential event or to obtain the advantage of holding the underlying common shares during such event, and to terminate, following the successful completion of such event, on such terms as it sees fit, the share units not redeemed prior to the successful completion of such event.

Amendments requiring shareholder approval	<p>Approval of the shareholders will be required for the following amendments:</p> <ul style="list-style-type: none"> • any increase in the maximum number of shares reserved for issuance under the PRSU Plan • any amendment expanding the categories of eligible person which would have the potential of broadening or increasing insider participation • any amendment extending the term of a share unit or any rights pursuant thereto held by an insider beyond its original expiry date • the addition of any other provision which results in participants receiving shares (other than the performance warrants), while no cash consideration is received by STEP • amendments to the amending provision within the PRSU Plan, and • such other matters in respect of which the TSX may require approval by the shareholders.
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Adjustments	<p>The Board may make such proportionate adjustments as it deems appropriate to the number and kind of shares authorized by the PRSU Plan, to the kind of shares or other securities covered by grants of share units under the PRSU Plan and in the number of share units and dividend share units provided in the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than nominal cash dividends) of STEP's assets to shareholders, or any other change in the capital of STEP affecting common shares, provided that no substitution or adjustment will obligate STEP to issue or sell fractional shares.</p>
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Information regarding STEP's PSU (Corporate) and PSU (Business Unit) program is outlined in the table below.

PSU (Corporate) and PSU (Business Unit) program	
Types	STEP grants two distinct types of PSUs: Corporate PSUs and Business Unit PSUs. The Business Unit PSUs provide another tool for key value drivers to have a direct link between business unit performance and the corporate objectives.
Eligibility	Corporate PSUs are awarded to named executives and individuals holding a Vice-President title. The Business Unit PSUs are awarded to individuals holding Operational Business Unit Vice-President titles, with separate performance criteria derived on business unit performance.
Vesting	<p>Three-year cliff vesting for Corporate PSUs.</p> <p>Three-year ratable vesting for Business Unit PSUs.</p>
Accelerated vesting	Except as otherwise provided by the PRSU Plan, upon the occurrence of a change of control, vesting of PSUs will accelerate only if: (a) the continuing or successor entity fails to substitute or replace the PSUs with share units of such continuing or successor entity on the same terms and conditions as the PSUs, or (b) within 12 months of the change of control, the service, consulting arrangement or employment is terminated other than for cause or the holder of the PSUs resigns for good reason.
Status changes	Vested PSUs held by a holder who ceases to be an eligible participant under the PRSU Plan: (a) due to termination for cause terminate 10 days after the last date the holder was actively at work for STEP, (b) due to death or disability terminate 180 days after the last date the holder was actively at work for STEP, and (c) for any reason other than termination for cause, death or disability terminate 30 days after the last date the holder was actively at work for STEP.
Award cycle	Board will determine annual grants following the release of year-end financial statements.

Performance multiplier for PSUs	<p>Multiplier on vested PSUs is based on the successful completion of the following performance criteria:</p> <p>Corporate: if the three year average corporate performance scorecard is: (i) <50%, then a 1.0x adjustment factor is applied to the three-year average to obtain the multiplier, (ii) >= 50%, then a 1.5x adjustment factor is applied to the three-year average to obtain the multiplier, and (iii) >=75%, then a 2.0x adjustment factor is applied to the three-year average to obtain the multiplier.</p> <p>Business Unit: successful completion of Adjusted EBITDA thresholds established for the respective business unit, subject to a multiplier, as approved annually by the Board. The multiplier ranges from 0 to 2x based on Adjusted EBITDA outcomes.</p> <p>The multipliers established for the PSUs (Corporate and Business Unit, respectively) are then applied to the PSUs at vesting date to determine actual amount vested and exercised.</p>
Details and expiry	<p>Each share unit granted to a participant under the PRSU Plan is credited to the participant's share unit account on the grant date. PRSUs are exercised and automatically expire on the vesting date.</p>
Dividend PSU	<p>From time to time, a participant's share unit account will be credited with additional share units in the form of Dividend PSUs on each dividend payment date in respect of which dividends are paid in the ordinary course on common shares. Such Dividend PSUs are computed as the amount of any such dividend declared and paid per common share multiplied by the number of PSUs recorded in the participant's share unit account on the date for the payment of such dividend, divided by the fair market value as at the dividend payment date. Dividend PSUs are deemed to have a performance multiplier of 1.0x.</p>
PRSU Plan - other	<p>Canadian participants may elect at any time to redeem vested share units on any date or dates after the date the share units become vested and on or before the expiry date. U.S. participants shall elect to redeem vested share units in accordance with the terms of the PRSU Plan.</p> <p>For so long as the rules of the TSX so require, all unallocated share units will be subject to renewal approval by the holders of the common shares at an annual general meeting of such shareholders held within three years following the listing of the common shares on the TSX and at each annual general meeting of such shareholders every three years after such meeting. The next such vote will be no later than the annual meeting of the shareholders in 2020.</p>

Information regarding STEP's RSU program is outlined in the chart below.

RSU program	
Types	STEP offers RSUs for select eligible employees which provides a competitive long-term incentive plan for purposes of retention and alignment with share price performance.
Eligibility	Mid-management, certain other corporate professionals and select field management personnel are eligible for RSU awards. Executives are not eligible for RSU awards.
Vesting	Three-year ratable vesting, one-third of the total grant on each of the first three anniversaries of the grant date. Dividend RSUs vest at the same time and in the same proportion as the associated RSUs.
Accelerated vesting	Except as otherwise provided by the PRSU Plan, upon the occurrence of a change of control, vesting of RSUs will accelerate only if: (a) the continuing or successor entity fails to substitute or replace the RSUs with share units of such continuing or successor entity on the same terms and conditions as the RSUs, or (b) within 12 months of the change of control, the service, consulting arrangement or employment is terminated other than for cause or the holder of the RSUs resigns for good reason.
Status changes:	Vested RSUs held by a holder who ceases to be an eligible participant under the PRSU Plan: (a) due to termination for cause terminate 10 days after the last date the holder was actively at work for STEP, (b) due to death or disability terminate 180 days after the last date the holder was actively at work for STEP, and (c) for any reason other than termination for cause, death or disability terminate 30 days after the last date the holder was actively at work for STEP.
Award cycle	Grant windows occur quarterly following release of STEP's annual and quarterly financial statements. Annual (evergreen) grants to occur on the anniversary quarter of an initial date grant.
Dividend RSU	From time to time, a participant's share unit account will be credited with additional share units in the form of Dividend RSUs on each dividend payment date in respect of which dividends are paid in the ordinary course on common shares. Such Dividend RSUs are computed as the amount of any such dividend declared and paid per common share multiplied by the number of RSUs recorded in the participant's share unit account on the date for the payment of such dividend, divided by the fair market value as at the dividend payment date.

Long-term incentive plan breakdown

The table below shows the percentage of named executive's base salary awarded for the year ended December 31, 2017 in the form of PSUs and new options as well as the long-term target as a percentage of base salary. Messrs. Duhon and Burvill receive PSUs (Business Unit) as leaders of distinct operational business units.

Named executive	Percentage of base salary			
	Long-term incentive plan target (%)	Provided in PSUs (Corporate) (%)	Provided in PSUs (Business Unit) (%)	Provided in new options (%)
Regan Davis (President & CEO)	150	150	—	—
Robert Sprinkhuysen (CFO)	100	100	—	—
Stephen Glanville (Vice-President, Operations & COO)	100	100	—	—
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	100	70	30	—
Michael Burvill (Vice-President, Fracturing Services)	100	70	30	—

2017 PSUs (Corporate) were granted as outlined in the table below.

PSUs (Corporate) calculation					
Grant:	<i>Target long-term incentive plan %</i>				
Vest:	<i>Granted * Multiplier</i>	<i>Cliff vest three years from grant date</i>			
Multiplier:	<i>Three-year average corporate score * adjustment factor (see table and example below)</i>				
Named executive	Target long-term incentive plan (%)⁽¹⁾	Base salary at time of grant (\$)	PSU value granted (\$)	Five-day VWAP⁽²⁾	PSU quantity granted⁽⁴⁾
	<i>(A)</i>	<i>(B)</i>	<i>(C = A * B)</i>	<i>(D)</i>	<i>(E = C/D)</i>
Regan Davis (President & CEO)	150	365,000	547,500	11.9904	45,662
Robert Sprinkhuysen (CFO)	100	270,000	270,000	11.9904	22,518
Stephen Glanville (Vice-President, Operations & COO)	100	310,000	310,000	11.9904	25,854
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.) ⁽³⁾	70	273,674	191,571	11.9904	15,977
Michael Burvill (Vice-President, Fracturing Services)	70	255,000	178,500	11.9904	14,887

Notes

- (1) *Target long-term incentive plan as a percentage of base salary.*
(2) *Five-day VWAP from November 27, 2017 to December 1, 2017 = \$11.9904.*
(3) *Converted to Canadian dollars at the Bank of Canada exchange rate of 1.2729 CAD per USD (December 1, 2017).*
(4) *Actual amount vested is equal to the PSU quantity granted times the PSU multiplier.*

Performance multiplier and adjustment factor		
3 year average of corporate score (%)	Adjustment factor	Potential multiplier⁽¹⁾
0 - 49	1.0x	0 - 0.49
50 - 74	1.5x	0.75 - 1.11
75+	2.0x	1.5 - 2.0

Note

- (1) *Assuming a three-year average corporate score of 70 percent yields an adjustment factor of 1.5 resulting in a multiplier of 1.05. An executive with 1,000 granted PSUs would have 1,050 PSUs vest using a multiplier of 1.05.*

2017 PSUs (Business Unit) were granted as outlined in the table below.

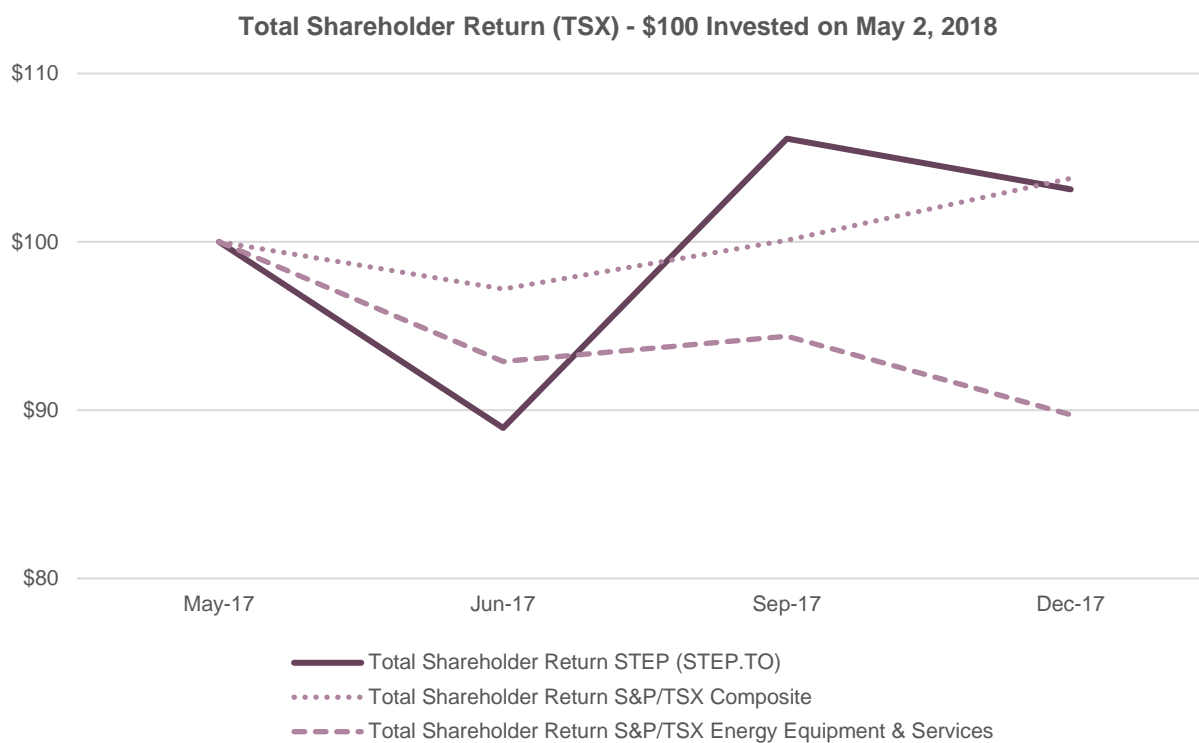
PSUs (Business Unit) calculation					
Granted: <i>Target long-term incentive plan % * Salary / VWAP</i>					
Vested: <i>Granted * Multiplier⁽¹⁾</i>					
Named executive	Target long-term incentive plan (%) ⁽²⁾	Base Salary at time of grant (\$)	PSU value granted (\$)	Five-day VWAP (\$) ⁽³⁾	PSU quantity granted ⁽⁴⁾
	<i>(A)</i>	<i>(B)</i>	<i>(C = A * B)</i>	<i>(D)</i>	<i>(E = C / D)</i>
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.) ⁽⁵⁾	30	273,674 ⁽⁵⁾	82,102	11.9904	6,847
Michael Burvill (Vice-President, Fracturing Services)	30	255,000	76,500	11.9904	6,380

Notes

- (1) *The multiplier factor has a range from 0 to 2x the original PSU grant based on the annual Adjusted EBITDA performance for the respective business units.*
- (2) *Target long-term incentive plan as percentage of base salary.*
- (3) *Five-day VWAP from November 27, 2017 to December 1, 2017 = \$11.9904.*
- (4) *Actual amount vested is equal to the PSU quantity granted times the PSU multiplier.*
- (5) *Converted to Canadian dollars at Bank of Canada foreign exchange rate of 1.2729 CAD per USD (December 1, 2017).*

Total shareholder return

The following graph compares the cumulative total shareholder return for \$100 invested in shares of STEP from May 2, 2017, the date STEP's shares were listed on the TSX, to December 31, 2017, as compared to the S&P/TSX Composite and Energy Equipment & Services indices.



EXECUTIVE COMPENSATION – 2017 DETAILS

Overview

In assessing the performance of each named executive for 2017, the CEO as well as the C&CG Committee considered the following performance criteria:

- named executive's contributions to the development and execution of STEP's business plans and strategies
- performance of the named executive's regional business units/functional areas
- achievement of the named executive's top priorities
- level and scope of responsibility
- tenure with STEP
- demonstrated leadership ability
- demonstrated commitment to the STEP vision and values, and
- work ethic.

Celebrating its seventh year in business, STEP achieved a number of accomplishments in 2017, including:

- the successful closing of STEP's \$100 million IPO on May 2, 2017
- the evaluation of a variety of business development and acquisition opportunities, including the opportunity that led to the successful acquisition of Tucker on April 2, 2018
- a score of 95 percent in our 2017 Certificate of Recognition safety audit
- recognition as an award-winning service provider: our founders received Ernst & Young's EY Entrepreneur Of The Year™ 2017 award in oil and gas services, and STEP is also a two-time recipient of Deloitte Canada's Best Managed Companies
- an achievement of \$124 million in Adjusted EBITDA (22 percent) versus budgeted Adjusted EBITDA of \$51 million (13 percent)
- year-end cash on the balance sheet of \$37 million
- return on capital employed of approximately 18 percent which is higher than our peers
- the addition of two new directors
- the expansion of coiled tubing services into the Haynesville shale with the opening of STEP's third U.S.-based service center in Arcadia, Louisiana, and
- a 60 percent expansion of the operations workforce in Canada and U.S.

Named executives' performance

The profiles below for each named executive provide a summary of total direct compensation awarded in 2017:

Regan Davis

President and Chief Executive Officer

Calgary, Alberta, Canada

Age: 53

Date of hire: March 21, 2011

Mr. Davis is responsible for the overall leadership of STEP and, in collaboration with the Board, provides guidance about the strategic direction, values and growth plans of the organization. This also includes extensive marketing and investor relations to create long-term sustainable value for STEP and its shareholders.

2017 key results:

- directed the organization through the completion of the IPO:
 - worked with the Board and the executive team to implement governance and reporting processes including executive compensation consistent with public company best practices, and
 - worked with the Chair and expanded the Board by two key members to coincide with the IPO
- engaged in extensive marketing and investor relations activities post IPO sharing the STEP opportunity with new and potential shareholders
- initiated a CEO succession plan, in collaboration with the Board
- participated in the CEO lead liquids-rich natural gas/light tight oil communication initiative, meeting directly with government in Ottawa to create awareness around the resource opportunity that Canada can capture if supported by the correct policies and cost structures
- explored several strategic business development opportunities resulting in the completion of the acquisition of Tucker, and
- provided passionate leadership in support of STEP's culture and core values.

Compensation	2017
Actual base earnings	\$343,327 ⁽¹⁾
Pay at risk	
Annual incentive plan	\$451,265 ⁽²⁾
Long-term incentive plan – performance share units (PSUs)	\$547,500 ⁽³⁾
Total direct compensation	\$1,342,092

Share ownership guidelines⁽⁴⁾

Minimum level of ownership	Minimum value ⁽⁵⁾	Ownership under the guidelines	
		STEP shares ⁽⁶⁾	Total ownership as a multiple of base salary
3x	\$1,095,000	\$1,374,840	3.8x

Notes

- (1) Denotes actual 2017 base earnings.
- (2) Includes the additional annual incentive plan award of \$50,000 issued pursuant to the Board's exercise of informed judgement to acknowledge the significant individual contribution of certain executive team members to STEP's performance in 2017.
- (3) Dollar value of PSUs as at grant date of December 4, 2017.
- (4) Mr. Davis has attained his holding requirements under the executive share ownership guidelines. See the Executives' share ownership guidelines section to learn more about our share ownership guidelines for executives.
- (5) Base salary as at December 31, 2017 was \$365,000.
- (6) Includes 90,667 shares held by Regan Davis Family Trust. Value was calculated using the December 31, 2017 closing market price of \$10.26.

Robert Sprinkhuysen

Chief Financial Officer
Calgary, Alberta, Canada
Age: 50

Date of hire: September 6, 2011

Mr. Sprinkhuysen is responsible for all corporate financial affairs including the corporate accounting and financial reporting, budgeting and planning, risk management, taxation, investor relations and legal matters.

2017 key results:

- oversaw the successful IPO in May 2017 which provided significant financial flexibility to execute STEP's capital program and pursue accretive opportunities
- oversaw the full transition to International Financial Reporting Standards ("IFRS") thereby establishing public company reporting standards
- engaged in extensive marketing and investor relations activities post IPO sharing the STEP opportunity with new and potential shareholders
- oversaw the successful implementation and rollout of a new platform to assist with managing long-term incentive plan
- supported the aggressive expansion of STEP's financial structure through the centralization of finance systems and processes in Canada, and the establishment of a U.S. based finance team, and
- supported STEP's aggressive growth plans resulting in substantial increase year-over-year in revenue, Adjusted EBITDA and operating days.

Compensation	2017
Actual base earnings	\$243,492 ⁽¹⁾
Pay at risk	
Annual incentive plan	\$269,683 ⁽²⁾
Long-term incentive plan – performance share units (PSUs)	\$270,000 ⁽³⁾
Total direct compensation	\$783,175

Share ownership guidelines⁽⁴⁾

Minimum level of ownership	Minimum value ⁽⁵⁾	Ownership under the guidelines	
		STEP shares ⁽⁶⁾	Total ownership as a multiple of base salary
2x	\$540,000	\$595,080	2.2x

Notes

(1) Denotes actual 2017 base earnings.

(2) Includes the additional annual incentive plan award of \$42,016 issued pursuant to the Board's exercise of informed judgement to acknowledge the significant individual contribution of certain executive team members to STEP's performance in 2017.

(3) Dollar value of PSUs as at grant date of December 4, 2017.

(4) Mr. Sprinkhuysen has attained his holding requirements under the executive share ownership guidelines. See the Executives' share ownership guidelines section to learn more about our share ownership guidelines for executives.

(5) Base salary as at December 31, 2017 was \$270,000.

(6) Value was calculated using the December 31, 2017 closing market price of \$10.26.

Stephen Glanville

Vice-President, Operations and Chief Operating Officer

Okotoks, Alberta, Canada

Age: 46

Date of hire: March 21, 2011

Mr. Glanville is responsible for STEP's coiled tubing and pressure pumping operations in Canada and the United States. In his portfolio, he also provides leadership to sales and marketing, and new technology development.

2017 key results:

- oversaw the deployment of four additional fracturing spreads representing 109,000 horsepower and three additional coiled tubing spreads to the Western Canadian Sedimentary Basin, and two additional coiled tubing spreads to the U.S. market
- led the operations teams record performance in safety metrics which resulted in a TRIF score considerably lower than the industry average
- oversaw the successful execution of expansion programs which included the deployment of equipment (new and refurbished) on time, with trained professionals to execute operations for expanded base of secured clients
- contributed to STEP's corporate culture through participation and support of corporate activities and gatherings throughout the year, and
- held positions as a director for the Petroleum Services Association of Canada's ("PSAC's") Stars and Spurs board of directors and also was a member of PSAC's hydraulic fracturing steering committee.

Compensation	2017
Actual base earnings	\$282,135 ⁽¹⁾
Pay at risk	
Annual incentive plan	\$290,176
Long-term incentive plan – performance share units (PSUs)	\$310,000 ⁽²⁾
Total direct compensation	\$882,311

Share ownership guidelines⁽³⁾

Minimum level of ownership	Minimum value ⁽⁴⁾	Ownership under the guidelines	
		STEP shares ⁽⁵⁾	Total ownership as a multiple of base salary
2x	\$620,000	\$559,662	1.8x

Notes

(1) Denotes actual 2017 base earnings.

(2) Dollar value of PSUs as at grant date of December 4, 2017.

(3) Mr. Glanville has until February 7, 2022 to meet his holding requirements under the executive share ownership guidelines. See the Executives' share ownership guidelines section to learn more about our share ownership guidelines for executives.

(4) Base salary as at December 31, 2017 was \$310,000.

(5) Value was calculated using the December 31, 2017 closing market price of \$10.26.

Brock Duhon

Vice-President, Coiled Tubing Services, U.S.

La Vernia, Texas, United States

Age: 39

Date of hire: May 25, 2015

Mr. Duhon is responsible for STEP's U.S.-based coiled tubing operations. In his portfolio, he also oversees STEP's newly acquired open-hole wireline business.

2017 key results:

- led the expansion into the Haynesville with the addition of two coiled tubing equipment spreads
- expanded client base and achieved revenue growth of 172 percent (exceeded forecasted revenue)
- maintained a fully staffed fleet in a very competitive labor market, field head count increased by 86 percent, and
- established a strong management team that will support expected growth in U.S. coiled tubing operations through 2018.

Compensation ⁽¹⁾	2017
Actual base earnings	\$270,635 ⁽²⁾
Pay at risk	
Annual incentive plans	\$147,456
Long-term incentive plan – performance shares units (PSUs)	\$273,673 ⁽³⁾
Total direct compensation	\$691,764

Share ownership guidelines⁽⁴⁾

Minimum level of ownership	Minimum value ⁽⁵⁾	Ownership under the guidelines	
		STEP shares ⁽⁶⁾	Total ownership as a multiple of base salary
1x	\$279,000	\$211,356	0.8x

Notes

- (1) Mr. Duhon's salary and annual incentive plan awards are paid in U.S. dollars. For purposes of this table, salary and all other compensation, an average exchange rate for 2017 of USD 1.000:CAD 1.2976 was used. For the annual incentive plan, the exchange rate at December 31, 2017 was used (USD 1.00:CAD 1.2545). For the long-term incentive plan, the exchange rate on the date of grant was used (USD 1.00:CAD 1.2729).
- (2) Denotes actual 2017 base earnings.
- (3) Mr. Duhon's total PSUs are comprised of \$191,572 PSUs (Corporate) and \$82,101 PSUs (Business Unit).
- (4) Mr. Duhon has until February 7, 2022 to meet his holding requirements under the executive share ownership guidelines. See the Executives' share ownership guidelines section to learn more about our share ownership guidelines for executives.
- (5) Base salary as at December 31, 2017 was \$279,000 (USD\$215,000 using an average exchange rate for 2017 of USD 1.000:CAD 1.2976).
- (6) Value was calculated using the December 31, 2017 closing market price of \$10.26.

Michael Burvill

Vice-President, Fracturing Services

Sylvan Lake, Alberta, Canada

Age: 43

Date of hire: April 20, 2015

Mr. Burvill is responsible for STEP's pressure pumping operations in Canada and the United States and, in collaboration with other members of the executive team, provides guidance about the strategic direction of the fracturing services business.

2017 key results:

- oversaw the growth of the fracturing services division, higher Canadian activity and strong demand for STEP's increased fracturing capacity allowed STEP to grow operating days by 226 percent over the comparable periods in 2016
- led a team of fracturing services professionals that pumped 646,000 tonnes of proppant over 14,100 stages in 2017, and
- successfully opened the Medicine Hat operating base in the third quarter of 2017 which allowed for more efficient operations in the active Viking play and closer proximity to the Shaunavon and Bakken plays.

Compensation	2017
Actual base earnings	\$225,974 ⁽¹⁾
Pay at risk	
Annual incentive	\$161,956 ⁽²⁾
Long-term incentive plan – performance share units (PSUs)	\$255,000 ⁽³⁾
Total direct compensation	\$642,930

Share ownership guidelines⁽⁴⁾

Minimum level of ownership	Minimum value ⁽⁵⁾	Ownership under the guidelines	
		STEP shares ⁽⁶⁾	Total ownership as a multiple of base salary
1x	\$255,000	\$82,080	0.3x

Notes

(1) Denotes actual 2017 base earnings.

(2) Includes the additional annual incentive plan award of \$25,378 issued pursuant to the Board's exercise of informed judgement to acknowledge the significant individual contribution of certain executive team members to STEP's performance in 2017.

(3) Mr. Burvill's total PSUs are comprised of \$178,500 PSUs (Corporate) and \$76,500 (Business Unit).

(4) Mr. Burvill has until February 7, 2022 to meet his holding requirements under the executive share ownership guidelines. See the Executives' share ownership guidelines section to learn more about our share ownership guidelines for executives.

(5) Base salary as at December 31, 2017 was \$255,000.

(6) Value was calculated using the December 31, 2017 closing market price of \$10.26.

Summary compensation table

The table below provides information concerning the compensation provided by STEP to each named executive for the year ended December 31, 2017 for services provided to them or a subsidiary of STEP.

Named executive	Year	Salary (\$) ⁽¹⁾	Share- based awards (\$) ⁽²⁾⁽³⁾	Option- based awards	Non-equity incentive plan compensation		Pension value	All other (\$) ⁽⁵⁾	Total compensation (\$)
					Annual incentive plans (\$) ⁽⁴⁾	Long- term incentive plans			
Regan Davis (President & CEO) ⁽⁶⁾	2017	343,327	547,500	–	451,265	–	–	47,600	1,389,692
Robert Sprinkhuysen (CFO)	2017	243,492	270,000	–	269,683	–	–	43,100	826,275
Stephen Glanville (Vice-President, Operations & COO)	2017	282,135	310,000	–	290,176	–	–	26,700	909,011
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.) ⁽⁷⁾	2017	270,635	273,673	–	147,456	–	–	43,600	735,364
Michael Burvill (Vice-President, Fracturing Services)	2017	225,974	255,000	–	161,956	–	–	25,500	668,430

Notes

(1) Actual base earnings in 2017. Named executives received base salary increases on August 8, 2017, primarily due to STEP transitioning from a private to a publicly listed entity and a subsequent compensation review by an independent board advisor, as indicated in the following chart:

Named Executive	Annualized	
	January 1, 2017 base (\$)	August 8, 2017 base (\$)
Regan Davis	330,000	365,000
Robert Sprinkhuysen	228,000	270,000
Stephen Glanville	265,000	310,000
Brock Duhon ⁽⁷⁾	265,000	279,000
Michael Burvill	208,125	255,000

(2) PSUs that cliff vest after three years were granted to named executives in 2017. For the purposes of this table, the value at grant date of \$11.9904 unit was based on a five-day VWAP. Further details related to the number of PSUs granted and payout calculation is in Components and pay mix section.

(3) No prior options or new options were granted to named executives in 2017.

(4) Reflects cash bonuses earned in 2017 which were paid in the first quarter of 2018.

(5) Denotes all other compensation. Other income for Messrs. Davis, Sprinkhuysen, Glanville and Burvill includes but is not limited to an automobile allowance, parking, health and dental benefits program and RRSP matched contributions. Mr. Duhon's other income is comprised of an automobile allowance and U.S. health and dental benefit premiums. Mr. Duhon is also eligible for STEP's 401(k) savings plan.

(6) Mr. Davis does not receive any additional compensation in his capacity as a director of STEP.

(7) Mr. Duhon's salary and annual incentive plan awards are paid in U.S. dollars. For purposes of this table, salary and all other compensation, an average exchange rate for 2017 of USD 1.000:CAD 1.2976 was used. For the annual incentive plan, the exchange rate at December 31, 2017 was used (USD 1.00:CAD 1.2545). For the long-term incentive plan, the exchange rate on the date of grant was used (USD 1.00:CAD 1.2729).

Incentive plan awards

Outstanding share-based awards and option-based awards

The following tables indicate, for each named executive, all outstanding awards as at December 31, 2017.

Named executive	Option-based awards (prior options)				Share-based awards (PSUs)		
	Number of securities underlying unexercised prior options	Prior option exercise price (\$)	Prior option expiration date	Aggregate value of unexercised in-the-money prior options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested ⁽²⁾	Market or payout value of share-based awards that have not vested (\$) ⁽³⁾	Market or payout value of vested share-based awards not paid out or distributed
Regan Davis (President & CEO)	231,000	5.00	April 2, 2020	3,593,500	45,662	468,487	—
	176,000	6.25	May 26, 2020				
	318,000	5.00	October 19, 2021				
Robert Sprinkhuysen (CFO)	120,000	5.00	April 2, 2020	2,133,100	22,518	231,035	—
	124,000	6.25	May 26, 2020				
	191,000	5.00	October 19, 2021				
Stephen Glanville (Vice-President, Operations & COO)	231,000	5.00	April 2, 2020	3,288,420	25,854	265,262	—
	176,000	6.25	May 26, 2020				
	260,000	5.00	October 19, 2021				
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	100,000	6.25	May 25, 2022	590,360	15,977	163,925	—
	36,000	5.00	October 19, 2023		6,847	70,253	
Michael Burvill (Vice-President, Fracturing Services)	80,000	6.25	April 20, 2020	1,551,640	14,887	152,740	—
	234,000	5.00	October 19, 2021		6,380	65,460	

Notes

- (1) The value of the unexercised in-the-money prior options is an aggregate amount calculated using the December 31, 2017 closing market price of \$10.26.
- (2) Further details related to the number of PSUs granted is in the Components and pay mix section.
- (3) PSU value calculated using the December 31, 2017 closing market price of \$10.26. Actual PSU payout may differ depending on achievement of different performance targets as noted in the Components and pay mix section.

Performance warrant-based awards				
Named executive	Number of common shares underlying unexercised warrants	Warrant exercise price (\$)	Warrant expiration date	Value of unexercised in-the-money warrants (\$) ⁽¹⁾
Regan Davis (President & CEO)	1,522,000	7.50 - 15.65	April 2, 2020 - October 19, 2021	1,266,997
Robert Sprinkhuysen (CFO)	913,000	7.50 - 15.65	April 2, 2020 - October 19, 2021	760,017
Stephen Glanville (Vice-President, Operations & COO)	1,400,000	7.50 - 15.65	April 2, 2020 - October 19, 2021	1,201,239
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	286,000	7.50 - 15.65	May 25, 2022 - October 19, 2023	80,754
Michael Burvill (Vice-President, Fracturing Services)	659,000	7.50 - 15.65	April 2, 2020 - October 19, 2021	296,481

Note

(1) *The value of the unexercised in-the-money performance warrants were calculated based on the December 31, 2017 closing price of \$10.26.*

Incentive plan awards - value vested or earned during the year

The table below indicates, for each named executive, a summary of the value of the awards vested in accordance with their terms as at December 31, 2017.

Named executive	Prior option/performance warrant-based awards - value vested during the year (\$) ⁽¹⁾	Share-based awards - value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation - value earned during the year (\$) ⁽³⁾
Regan Davis (President & CEO)	947,630	—	451,265
Robert Sprinkhuysen (CFO)	614,000	—	269,683
Stephen Glanville (Vice-President, Operations & COO)	810,821	—	290,176
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)	212,319	—	147,456 ⁽⁴⁾
Michael Burvill (Vice-President, Fracturing Services)	553,111	—	161,956

Notes

(1) *The value vested for prior options and performance warrants vesting between May 2, 2017 to December 31, 2017 is calculated on the assumption that all prior options and performance warrants that vested were exercised on their respective vesting date. The value vested for prior options and performance warrants vesting between January 1, 2017 to May 1, 2017 were calculated using the IPO offering price of \$10.00.*

(2) *No PSUs vested during the year.*

(3) *Includes cash bonuses earned in the year and paid in the first quarter of the subsequent year.*

(4) *Converted to Canadian dollars at the Bank of Canada exchange rate of 1.2545 CAD per USD (December 31, 2017).*

Termination and change of control benefits

STEP has written employment agreements with each named executive. The employment agreements with named executives, together with the Prior Option Plan, performance warrant certificates and PRSU Plan, provide that in the event (i) STEP terminates their employment other than for just cause or in connection with death or disability or (ii) the named executive terminates their employment in accordance with the terms of their employment agreement in connection with a change of control, the named executive has the entitlements set out in the table below.

The employment agreements of Messrs. Davis and Sprinkhuysen also provide that they shall have the right, but shall not be obligated, to terminate their employment and the employment agreement within 90 days following the occurrence of certain specified events such as material decreases in responsibility or salary. If either Messrs. Davis or Sprinkhuysen exercise such right, such named executive is entitled to the compensation outlined below.

Named executive	Element of compensation ⁽¹⁾	Termination without cause ⁽²⁾ OR change of control ⁽³⁾	Change of control payout is conditional upon: ⁽⁴⁾
CEO (Regan Davis)	Severance	An amount equal to 24 months of current base salary; and an amount equal to the greater of: (i) his 2016 bonus divided by 12, and (ii) his 2015+2016 bonuses divided by 24; multiplied by 24.	Termination by CEO in connection with change of control.
	Base salary	Accrued and unpaid base pay up to the termination date.	
	Annual incentive plan (cash bonus)	Any declared but unpaid bonus.	
	Benefits	10 percent of amount in <i>Severance</i> (above).	
	Prior options & performance warrants	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting upon liquidity event. ⁽⁵⁾	
	PSUs	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting under certain circumstances following change of control. ⁽⁶⁾	
CFO (Robert Sprinkhuysen)	Severance	An amount equal to 18 months of current base salary; and an amount equal to the greater of: (i) his 2016 bonus divided by 12, and (ii) his 2015+2016 bonuses divided by 24; multiplied by 18.	Termination by CFO in connection with change of control.
	Base salary	Accrued and unpaid base pay up to the termination date.	
	Annual incentive plan (cash bonus)	Any declared but unpaid bonus.	
	Benefits	10 percent of amount in <i>Severance</i> (above).	
	Prior options & performance warrants	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting upon liquidity event. ⁽⁵⁾	
	PSUs	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting under certain circumstances following change of control. ⁽⁶⁾	

Named executive	Element of compensation ⁽¹⁾	Termination without cause ⁽²⁾ OR change of control ⁽³⁾	Change of control payout is conditional upon: ⁽⁴⁾
COO (Stephen Glanville)	Severance	An amount equal to 18 months of current base salary; and an amount equal to the greater of: (i) his 2016 bonus divided by 12, and (ii) his 2015+2016 bonuses divided by 24; multiplied by 18.	Termination by COO in connection with change of control AND good reason.
	Base salary	Accrued and unpaid base pay up to the termination date.	
	Annual incentive plan (cash bonus)	Any declared but unpaid bonus.	
	Benefits	10 percent of amount in <i>Severance</i> (above).	
	Prior options & performance warrants	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting upon liquidity event. ⁽⁵⁾	
	PSUs	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting under certain circumstances following change of control. ⁽⁶⁾	
Vice-President (Michael Burvill)	Severance	An amount equal to 12 months of current base salary.	Termination by vice-president in connection with change of control AND good reason.
	Base salary	Accrued and unpaid base pay up to the termination date.	
	Annual incentive plan (cash bonus)	Any declared but unpaid bonus.	
	Benefits	10 percent of amount <i>in Severance</i> (above).	
	Prior options & performance warrants	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting upon liquidity event. ⁽⁵⁾	
	PSUs	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting under certain circumstances following change of control. ⁽⁶⁾	
Vice-President (Brock Duhon)	Severance	An amount equal to 110% of current base salary.	Termination by vice-president in connection with change of control AND good reason.
	Base salary	Accrued and unpaid base pay up to the termination date.	
	Annual incentive plan (cash bonus)	Any declared but unpaid bonus.	
	Prior options & performance warrants	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting upon liquidity event. ⁽⁵⁾	
	PSUs	If vested, exercisable for 30 days; if unvested, only subject to accelerated vesting under certain circumstances following change of control. ⁽⁶⁾	

Notes

- (1) *Refer to the Components and pay mix – New Option Plan section for treatment of new options, none of which have currently been granted to the named executives, but which may be granted in the future.*
- (2) *Assumes termination by STEP other than termination for just cause or in connection with death or disability.*
- (3) *Change of control is defined to include:*
 - (a) *the acquisition by a person or persons acting jointly or in concert and their respective affiliates and associates, other than the ARC Group, of more than 50 percent of the votes that may be cast to elect directors (assuming the conversion or exercise of all convertible securities held by such persons, but otherwise on a non-diluted basis)*
 - (b) *an amalgamation, arrangement, merger or other consolidation with another company pursuant to which the shareholders immediately prior thereto do not hold more than 50 percent of the votes that may be cast to elect directors of the successor or continuing entity*
 - (c) *a liquidation, dissolution or winding-up of STEP, or*
 - (d) *a sale, lease or other disposition of all or substantially all of the assets of STEP, but explicitly excluding an initial public offering, reverse take-over pursuant to which the shareholders will hold more than 50 percent of the votes that may be cast to elect directors of the successor or continuing entity and any internal reorganization where beneficial ownership remains unchanged.*
- (4) *In the event of a change of control, the CEO and the CFO may elect to terminate the employment agreement and receive the severance amounts set out in the table. In the event that there is a change of control and, within 90 days of the change of control, good reason exists, the COO and the Vice-Presidents may elect to terminate the employment agreement and receive the severance amounts set out in the table. Good reason is defined to include, subject to certain exceptions and certain variations between the agreements: (i) a material decrease in title, position or responsibilities, (ii) an individual material reduction in salary, (iii) a material reduction in benefits or perquisites, and (iv) for the CEO, CFO and COO, relocation more than 50 kilometers away from Calgary, Alberta without consent.*
- (5) *Refer to note (2) to the table under "Non-competition and non-solicitation" for description of what constitutes a liquidity event.*
- (6) *Conditions triggering accelerated vesting of PSUs are outlined in Components and pay mix – Performance and restricted share units (PRSUs) section.*

Non-competition and non-solicitation

If, in connection with the termination of their employment, Messrs. Davis, Sprinkhuysen or Glanville were entitled to receive the severance payments set forth above, they would be subject to an 18-month non-solicitation and non-competition period. If Messrs. Sprinkhuysen or Glanville were not entitled to severance, they would be subject to an 18-month non-solicitation and 12-month non-competition period. If Mr. Davis resigns and is not entitled to the severance payments set forth below, STEP may elect to make a non-compete payment equivalent to such severance amount in which case Mr. Davis will be subject to an 18-month non-competition period but he will otherwise not be subject to non-solicitation or non-competition periods.

If, in connection with the termination of their employment, Messrs. Burvill or Duhon were entitled to receive the severance payments set forth above, they would be subject to a 12-month non-solicitation and non-competition period. If Messrs. Burvill or Duhon were not entitled to severance, they would be subject to a 12-month non-solicitation and 6-month non-competition period.

Termination and change of control

The table below summarizes the incremental payments that would be received by each named executive in each circumstance in which the named executive ceases to be employed by STEP, calculated as of December 31, 2017.

Named executive	Triggering event	
	Change of control termination ⁽¹⁾⁽²⁾	Termination without cause ⁽³⁾
Regan Davis (President & CEO)		
Severance ⁽⁴⁾	\$1,128,854	\$1,128,854
Prior option-based awards value ⁽⁵⁾	\$3,593,500	\$2,243,129
Performance warrants ⁽⁶⁾	\$1,266,997	\$976,206
Performance share units ⁽⁷⁾	\$468,487	—
Total obligation	\$6,457,838	\$4,348,189
Robert Sprinkhuysen (CFO)		
Severance ⁽⁴⁾	\$580,580	\$580,580
Prior option-based awards value ⁽⁵⁾	\$2,133,100	\$1,297,583
Performance warrants ⁽⁶⁾	\$760,017	\$501,719
Performance share unit ⁽⁷⁾	\$231,035	—
Total obligation	\$3,704,732	\$2,379,882
Stephen Glanville (Vice-President, Operations & COO)		
Severance ⁽⁴⁾	\$686,399	\$686,399
Prior option-based awards value ⁽⁵⁾	\$3,288,420	\$2,141,438
Performance warrants ⁽⁶⁾	\$1,201,239	\$963,055
Performance share units ⁽⁷⁾	\$265,262	—
Total obligation	\$5,441,320	\$3,790,892

Named executive	Triggering event	
	Change of control termination ⁽¹⁾⁽²⁾	Termination without cause ⁽³⁾
Brock Duhon (Vice-President, Coiled Tubing Services, U.S.)⁽⁸⁾		
Severance ⁽⁴⁾	\$306,882	\$306,882
Prior option-based awards value ⁽⁵⁾	\$590,360	\$330,455
Performance warrants ⁽⁶⁾	\$80,754	\$23,031
Performance share units ⁽⁷⁾	\$234,178	–
Total obligation	\$1,212,174	\$660,368
Michael Burvill (Vice-President, Fracturing Services)		
Severance ⁽⁴⁾	\$280,500	\$280,500
Prior option-based awards value ⁽⁵⁾	\$1,551,640	\$624,149
Performance warrants ⁽⁶⁾	\$296,481	\$64,800
Performance share units ⁽⁷⁾	\$218,200	–
Total obligation	\$2,346,821	\$969,449

Notes

- (1) Assumes, for Mr. Davis and Mr. Sprinkhuysen, termination by the named executive in connection with a change of control OR good reason (single trigger) and, for Messrs. Glanville, Burvill and Duhon, termination by the named executive in connection with a change of control AND as a result of good reason (double trigger).
- (2) Assumes the change of control is also deemed a liquidity event for purposes of the Prior Option Plan and the performance warrants. Specifically, those instruments that are unvested will vest immediately upon a liquidity event which, for purposes of the Prior Option Plan and the terms of the performance warrants means (i) the sale of all or substantially all of the common shares for cash or securities, (ii) a merger, amalgamation, arrangement or other similar transaction involving STEP pursuant to which holders of common shares receive cash or securities, or (iii) the sale of all or substantially all of the assets of STEP followed by a liquidating distribution of cash or securities to the shareholders of STEP entitled to assets upon a liquidating distribution, provided that if the consideration received by holders of common shares is securities rather than cash, such securities are considered liquid for all shareholders as determined by the Board and listed on the TSX or such other stock exchange approved by the Board.
- (3) Assumes termination by STEP other than termination for just cause, in connection with death or disability or in connection with a liquidity event.
- (4) Cash severance payments reflect the amount the named executive would have been entitled to receive as at December 31, 2017.
- (5) The value of prior options is calculated using the difference between the grant price and the December 31, 2017 closing price of \$10.26.
- (6) The value of performance warrants is calculated as of December 31, 2017.
- (7) PSU values as of December 31, 2017, assuming a multiplier of one on a possible performance multiplier range of 0 -2x.
- (8) Mr. Duhon's salary and annual incentive plan awards are paid in U.S. dollars. For purposes of this table compensation was calculated using an average exchange rate of USD 1.000:CAD 1.2976 on December 31, 2017.

OTHER INFORMATION

CONTROLLING SHAREHOLDER

Pursuant to an investment rights agreement (“Investment Rights Agreement”) dated February 7, 2017 between STEP, ARC Energy Fund 6 (as defined below) and ARC Energy Fund 8 (as defined below), for so long as ARC Energy Fund 6 and ARC Energy Fund 8 and the investors therein and other related funds advised by ARC Financial Corp. (collectively, the “ARC Group”) owns or exercises control or direction over 10 percent or more of the outstanding shares, the ARC Group will have the right to nominate one representative to stand for appointment and election as a director of STEP, for so long as the ARC Group owns or exercises control or direction over 25 percent or more of the outstanding shares, the ARC Group will have the right to nominate two representatives to stand for appointment and election as directors of STEP and for so long as the ARC Group owns or exercises control or direction over 45 percent or more of the outstanding shares, the ARC Group will have the right to nominate three representatives to stand for appointment and election as directors of STEP, and such nominees will be included in any slate of directors proposed by STEP. The ARC Group nominees for the Meeting are Douglas Freel and Jeremy Gackle.

To the knowledge of STEP’s directors and executive officers, no person, firm or corporation directly or indirectly, beneficially owns, or controls or directs, more than 10 percent of the shares, except as set out below:

Name	Number and class of voting shares	Percentage of outstanding shares (%) as of May 1, 2018
ARC Energy Fund 6 ⁽¹⁾	13,588,546 common shares	20.4
ARC Energy Fund 8 ⁽²⁾	26,654,454 common shares	40.1

Notes

- (1) ARC Energy Fund 6 is comprised of ARC Energy Fund 6 Canadian Limited Partnership, ARC Energy Fund 6 United States Limited Partnership, ARC Energy Fund 6 International Limited Partnership and ARC Capital 6 Limited Partnership (collectively, “ARC Energy Fund 6”).
- (2) ARC Energy Fund 8 is comprised of ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership (collectively, “ARC Energy Fund 8”).

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any informed person of STEP, any proposed director of STEP or any associate or affiliate of any informed person or proposed director of STEP, in any transaction during 2017 or in any proposed transaction which has materially affected or would materially affect STEP.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or nominee for director, senior officer, or anyone who has been a director or senior officer of STEP at any time since January 1, 2017, or of any associate or affiliate of any of the foregoing individuals, in any matter to be acted on at the Meeting, other than the election of directors or the appointment of auditors, except for as set forth in this Circular.

MANAGEMENT CONTRACTS

No management functions of STEP are performed by a person or corporation other than the directors or executive officers of STEP.

STEP'S EQUITY COMPENSATION PLANS

Each of STEP's equity compensation plans, including the (i) New Option Plan, performance warrants and PRSU Plan, and (ii) DSU Plan for non-executive directors, was adopted by STEP prior to the listing of the common shares on the TSX and prior to STEP being subject to the TSX requirement that all security based compensation arrangements receive securityholder approval. Following completion of the IPO, STEP's current equity compensation plans, and any new equity compensation plans that may be adopted by STEP in the future, are subject to all applicable requirements of the TSX including, without limitation, the requirement to obtain securityholder approval for amendments when required by the plan and the requirement to obtain periodic securityholder approval for all unallocated options, rights or other entitlements under security based compensation agreements, such as the New Option Plan, which do not have a fixed maximum aggregate of securities issuable.

As at December 31, 2017	Number of common shares to be issued upon exercise of outstanding new options, PSUs, RSUs and DSUs (a)	Weighted-average exercise price of outstanding new options, PSUs, RSUs and DSUs (b)	Number of common shares remaining available for future issuance under equity compensation plans (excluding common shares reflected in column (a)) (c)
Equity compensation plans approved by securityholders	n/a	n/a	nil
Equity compensation plans not approved by securityholders:			
Prior Option Plan	4,074,849	5.50	nil
Performance warrants	8,758,680	10.91	nil
PRSU Plan ⁽¹⁾	431,546	nil	1,578,779
New Option Plan	–	–	1,005,162
Total	13,265,075	8.89	2,583,941

Notes

(1) PSU calculations also include a multiplier.

Dilution impact

STEP monitors the outstanding number of new options and share units ("dilution") and the number of new options and share units issued each year ("burn rate"). The table below shows these measures. Prior options and performance warrants are not shown below as we have not issued prior options or performance warrants since prior to our IPO.

	New Option Plan 2017 (%)	PRSU Plan 2017 (%)
Dilution ⁽¹⁾	1.67	3.33
Burn rate ⁽²⁾	0	0.76

Notes

(1) The total number of new options or share units, as applicable, available to be issued, plus all options or share units outstanding that have not yet been exercised, expressed as a percentage of the total number of issued and outstanding shares as at December 31, 2017.

(2) The total number of new options or share units granted in 2017, expressed as a percentage of the weighted average number of shares issued and outstanding during the year ended December 31, 2017.

CEASE TRADE ORDERS, BANKRUPTCIES, SANCTIONS AND PENALTIES

To the knowledge of STEP, none of the proposed directors: (a) are, or have been within the past 10 years, a director or officer of any company (including STEP) that was the subject of a cease trade order (including a management 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, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “Order”), that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an Order that was issued after the director or 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.

To the knowledge of STEP, none of the proposed directors: (a) are, or have been within the past 10 years, a director or officer of any company (including STEP) 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 the past 10 years, 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, officer or shareholder.

To the knowledge of STEP, none of the proposed directors (nor any personal holding company of any of such persons) 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 in making an investment decision.

LOANS TO DIRECTORS AND EXECUTIVES

STEP is not aware of any individuals who are either current or former officers, directors or employees of STEP, or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of STEP or otherwise) that is owing to: (i) STEP or any of its subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by STEP or any of its subsidiaries.

Except for: (i) indebtedness that has been entirely repaid on or before the date of this Circular, and (ii) routine indebtedness (as defined in Form 51-102F5 of the Canadian Securities Administrators), STEP is not aware of any individuals who are, or who at any time since inception were, a director or officer of STEP, a proposed nominee for election as a director or an associate of any of those directors, officers or proposed nominees who are, or have been since the beginning of the most recently completed financial year, indebted to STEP or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by STEP or any of its subsidiaries.

NON-IFRS MEASURES

This Circular 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 measures should be read in conjunction with STEP’s annual audited financial statements and the accompanying notes thereto for the year ended December 31, 2017.

“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, current and deferred income tax, share-based compensation, impairment, 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 STEP’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. STEP uses Adjusted EBITDA internally to evaluate operating and segment performance, because the executive team believes it provides better comparability between periods. A chart showing the reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income (loss) can be found in the *Other information – Non-IFRS measures* section of STEP’s management’s discussion and analysis (“MD&A”) for the year ended December 31, 2017.

ADDITIONAL INFORMATION & TRANSFER AGENT

Additional information relating to STEP is available on SEDAR at (www.sedar.com). For financial information, see our most recent annual audited consolidated financial statements and MD&A. Copies of these documents are available on our website (www.stepenergyservices.com).

Shareholders can request a free paper copy of this Circular, and the AIF, annual audited consolidated financial statements and MD&A for STEP's financial year ended December 31, 2017, by contacting STEP's transfer agent:

TSX Trust Company

301 - 100 Adelaide Street West
Toronto, Ontario, Canada
M5H 4H1

Telephone: 1.416.361.0930
Toll Free: 1.866.600.5869
Fax: 1.416.595.9593
Email: TMXInvestorServices@tmx.com

For all other investor related inquiries, please contact: investor_relations@step-es.com.

BOARD OF DIRECTORS

You may contact the Board directly by writing to:

Chair of the Board of Directors
c/o General Counsel
STEP Energy Services Ltd.
Bow Valley Square II
1200, 205-5th Ave SW
Calgary, Alberta, Canada
T2P 2V7

CORPORATE HEAD OFFICE

STEP Energy Services Ltd.
Bow Valley Square II
1200, 205-5th Avenue SW
Calgary, Alberta, Canada
T2P 2V7

SHAREHOLDER PROPOSALS

Shareholder proposals must be submitted no later than March 27, 2019 to be considered for inclusion in next year's management information circular for the purposes of STEP's annual meeting of shareholders to be held in 2019.

CURRENCY OF INFORMATION & DIRECTORS' APPROVAL

Except where otherwise expressly stated, the information contained in this Circular is given as of the date below.

The Board has approved the contents and the sending of this Circular to the shareholders.

Dated as of May 1, 2018.

SCHEDULE A — STEP ENERGY SERVICES LTD.

BOARD OF DIRECTORS — MANDATE

1. Purpose

The members of the board of directors (respectively, the “**Directors**” and the “**Board**”) have the responsibility to oversee the conduct of the business of STEP Energy Services Ltd. (“**STEP**”) and to oversee the activities of management who are responsible for the day-to-day conduct of the business.

2. Composition

The Board shall be comprised of at least three independent Directors unless an exemption contained in National Instrument 52-110 – *Audit Committees of the Canadian Securities Administrators* (“**NI 52-110**”) is available). The definition of independence is as provided by applicable law and stock exchange listing standards. No Director will be considered independent unless the Director has no “material relationship” (as such term is defined in NI 52-110) with STEP, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with STEP.

The Board shall appoint a Chair from among its members. The role of the **CHAIR IS TO ACT AS THE LEADER OF** the Board, to manage and coordinate the activities of the Board and to oversee execution by the Board of this written mandate. If the Chair is not independent, a majority of the Board’s independent Directors shall appoint an independent lead Director (the “**Lead Director**”) from among the Directors, who will be responsible for ensuring that the Directors who are not independent and management have opportunities to meet without management and non-independent Directors, as required, and will assume such other responsibilities as the independent directors may designate in accordance with any applicable position descriptions or other applicable guidelines that may be adopted by the Board from time to time.

The Board may, from time to time, engage consultants or members of STEP’s management team that are not directors of STEP and these persons may attend meetings or portions of meetings as invited guests of the Board. Otherwise, the Board will consist only of Directors and only Directors and a Corporate Secretary, appointed by the Board, may attend meetings of the Board.

3. Operation

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including, subject to the terms of any agreement relating to board nomination rights between STEP and any of its shareholders, selecting its Chair, nominating candidates for election to the Board, constituting committees of the full Board and determining Director compensation. Subject to the articles and by-laws of STEP and the *Business Corporations Act* (Alberta), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to Committees of the Board.

The full Board considers all major decisions of STEP, except that certain analyses and work of the Board will be performed by standing committees empowered to act on behalf of the Board. STEP has a number of standing committees, including the Audit Committee, the Compensation and Corporate Governance Committee and the Health and Safety Committee, and has the authority to appoint other committees to steward certain other matters. Each standing committee must have a mandate that has been approved by the Board.

Each committee shall operate according to the mandate approved by the Board and outlining its duties and responsibilities and the limits of authority delegated to it by the Board. The Board shall review and reassess the adequacy of the mandate of each committee on a regular basis and, with respect to the Audit Committee, at least once a year.

The Chair of the Board shall annually propose the leadership and membership of each committee. In preparing recommendations, the Chair of the Board will take into account the preferences, skills and experience of each Director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholder meeting or as needed to fill vacancies during the year.

The Board will hold four regularly scheduled meetings each year. The Board shall meet at the end of its regular quarterly meetings without members of management being present. Special meetings will be called as necessary. Directors are expected to attend all Board meetings and all Board committee meetings where such Director is a member of such committee, although it is understood that conflicts may occasionally arise that prevent a Director from attending a meeting. Attendance at Board meetings and Board committee meetings in person is preferred, but attendance by teleconference or other electronic communication established by the Board or such Board committee is permitted. In advance of each regular Board and Board committee meeting and, to the extent feasible each special meeting, information and presentation materials relating to matters to be addressed at the meeting will be distributed to each Director. It is expected that each Director will review presentation materials in advance of a meeting.

The Chair of the Board presides at all meetings of the Board and shareholders. Minutes of each meeting shall be prepared by the Corporate Secretary (or in his or her absence a secretary who has been appointed for the purposes of the meeting). The Chief Executive Officer (“CEO”), if he or she is not a Director, shall be available to attend all meetings of the Board or Committees of the Board upon invitation by the Board or any such Committee. Members of management and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board. Following each meeting, the Corporate Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings. Supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the CEO or Corporate Secretary.

4. Responsibilities

The Board is responsible under law to supervise the management of the business and affairs of STEP. In broad terms the stewardship of STEP involves the Board in strategic planning, risk identification, management and mitigation, senior management determination and succession planning, communication planning and internal control integrity.

5. Specific Duties

Without limiting the foregoing, the Board shall have the following specific duties and responsibilities:

A. Legal Requirements

- I. The Board has the oversight responsibility for meeting STEP’s legal requirements and for approving and maintaining STEP’s documents and records;
- II. The Board has the statutory responsibility to:
 - o manage or supervise the management of the business and affairs of STEP;
 - o act honestly and in good faith with a view to the best interests of STEP;
 - o exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and
 - o act in accordance with its obligations contained in the Business Corporations Act (Alberta) and the regulations thereto, STEP’s articles and other relevant legislation and regulations.
- III. The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
 - o any submission to the shareholders of a question or matter requiring the approval of the shareholders;
 - o the filling of a vacancy among the Directors;
 - o the issuance of securities;
 - o the declaration of dividends;
 - o the purchase, redemption or any other form of acquisition of shares issued by STEP;
 - o the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of STEP from STEP or from any other person, or procuring or agreeing to procure purchasers for any such shares;
 - o the approval of management proxy circulars;
 - o the approval of any take-over bid circular or directors’ circular; and
 - o the approval of financial statements of STEP.

B. Strategy Determination

- I. The Board has the responsibility to adopt a strategic planning process for STEP and to participate, on at least an annual basis, with management directly or through its Committees in approving goals and the strategic plan for STEP by which STEP proposes to achieve its goals. The strategic plan will take into account, among other things, the opportunities and risks of STEP’s business. The Board shall monitor the implementation and execution of the tasks constituent to the corporate strategy.

- II. To be effective, the strategy will result in creation of value over the long term while always preserving STEP's license to conduct its business among its various stakeholders. For the purpose of this clause, "stakeholder" will mean any party, group or institution whose reasonable approval is required for STEP to execute its Board-approved strategy.

C. Managing Risk

- I. The Board has the responsibility to identify and understand the principal risks of the business in which STEP is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to establish systems to monitor and manage those risks with a view to the long-term viability of STEP. It is the responsibility of management to ensure that the Board and its Committees are kept well informed of changing risks. The principle mechanisms through which the Board reviews risks are through the execution of the duties of the Audit Committee, the Compensation and Corporate Governance Committee and the Health and Safety Committee and through the strategic planning process. It is important that the Board understands and supports the key risk decisions of management.

D. Appointment, Training and Monitoring Senior Management

- I. The Board has the responsibility:
 - o to appoint the CEO and establish a description of the CEO's responsibilities and other senior management's responsibilities, to monitor and assess the CEO's performance, to determine the CEO's compensation, and to provide advice and counsel in the execution of the CEO's duties;
 - o to approve the appointment and remuneration of STEP's senior management; and
 - o to establish provisions for the training and development of management and for the orderly succession of management.

E. Reporting and Communication

- I. The Board has the responsibility:
 - o to ensure compliance with the reporting obligations of STEP, including that the financial performance of STEP is properly reported to shareholders, other security holders and regulators on a timely and regular basis;
 - o to recommend to shareholders of STEP a firm of chartered accountants to be appointed as STEP's auditors;
 - o to ensure that the financial results of STEP are reported fairly and in accordance with generally accepted accounting principles;
 - o to ensure the timely reporting of any change in the business, operations or capital of STEP that would reasonably be expected to have a significant effect on the market price or value of the common shares of STEP;
 - o to establish a process for direct communications with shareholders and other stakeholders through appropriate Directors, including through the Whistleblower Policy;
 - o to ensure that STEP has in place a policy to enable STEP to communicate effectively with its shareholders and the public generally; and
 - o to report annually to shareholders on its stewardship of the affairs of STEP for the preceding year.

F. Monitoring and Acting

- I. The Board has the responsibility:
 - o to establish policies and processes for STEP to operate at all times within applicable laws and regulations to the highest ethical and moral standards (advancing the interests of STEP, including the pursuit of differentiating performance in meeting the reasonable needs of all stakeholders of STEP);
 - o to ensure that management has and implements procedures to comply with, and to monitor compliance with, significant policies and procedures by which STEP is operated;

- to promote, and to ensure that management promotes, high environmental standards in STEP's operations in compliance with environmental laws and legislation;
- to ensure that management establishes appropriate programs and policies for the health and safety of STEP's employees in the workplace;
- to monitor STEP's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;
- to take action when performance falls short of its goals and objectives or when other special circumstances warrant or when changing circumstances in the business environment create risks or opportunities for STEP;
- to approve annual (or more frequent as the Board feels to be prudent from time to time) operating and capital budgets and review and consider amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business that may significantly impact the value of or opportunities available to STEP; and
- to implement internal control and information systems and to monitor the effectiveness of same so as to allow the Board to conclude that management is discharging its responsibilities with a high degree of integrity and effectiveness. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

G. Governance

I. The Board has the responsibility:

- to develop a position description for the Chair of the Board;
- to facilitate the continuity, effectiveness and independence of the Board by, among other things:
 - appointing from amongst the Directors an Audit Committee, a Compensation and Corporate Governance Committee, and a Health and Safety Committee and such other Committees of the Board as the Board deems appropriate;
 - defining the mandate, including both responsibilities and delegated authorities, of each Committee of the Board;
 - establishing a system to enable any Director to engage an outside adviser at the expense of STEP;
 - ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, each Director, each Committee of the Board and each Committee's Chair;
 - reviewing annually the composition of the Board and its Committees and assess Directors' performance on an ongoing basis, and propose new members to the Board;
 - identifying and providing continuing education for the Directors so that the Directors may maintain or enhance their skills and abilities as Directors, as well as to ensure their knowledge and understanding of STEP's business remains current; and
 - reviewing annually the adequacy and form of the compensation of the Directors.

H. New Director Orientation

- I. New Directors will be provided with an orientation which will include written information about the duties and obligations of Directors and the business and operations of STEP, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other Directors.
- II. While not an absolute requirement, certification of directors through the Institute of Corporate Directors ("ICD") or other such competent body that educates and assesses directors for competence to direct Canadian corporations is preferred.

I. Conflicts of Interest

- I. Directors have a duty to act honestly and in good faith with a view to the best interests of STEP and to exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

- II. Each Director serves in his or her personal capacity and not as an employee, agent or representative of any other company, organization or institution, even if the Director is employed by a shareholder or any other entity which does business with STEP. In providing direction to STEP, Directors acknowledge that the wellbeing of STEP is their sole concern. Any Director must not be affected in his or her deliberations and decision making by any relationship with any outside person or party including any specific shareholder no matter which one and no matter what the relationship between the Director and that Shareholder. Directors shall not allow personal interests to conflict with their duties to STEP and shall avoid and refrain from involvement in situations of conflict of interest.
- III. A Director shall disclose promptly any circumstances such as an office, property, a duty or an interest, which might create a conflict or perceived conflict with that Director's duty to STEP.
- IV. A Director shall disclose promptly any interest that Director may have in an existing or proposed contract or transaction of or with STEP.
- V. The disclosures contemplated in paragraphs (II) and (III) above shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any Committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur by e-mail to the other Directors immediately upon realization of the conflicting situation and then confirmed at the first Board and/or Committee meeting after the Director becomes aware of the potential conflict of interest that is attended by the conflicted Director.
- VI. A Director's disclosure to the Board or a Committee of the Board shall disclose the full nature and extent of that Director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board or such Committee of the Board.
- VII. A Director with a conflict of interest or who may be perceived as being in a conflict of interest with respect to STEP shall abstain from discussion and voting by the Board or any Committee of the Board on any motion to recommend or approve the subject matter of such conflict unless the matter relates primarily to the Director's remuneration or benefits or as otherwise permitted by applicable law or regulation. If the conflict of interest is obvious and direct, the Director shall withdraw while the item is being considered.
- VIII. Without limiting the generality of "conflict of interest", it shall be deemed a conflict of interest if a Director, a Director's relative, a member of the Director's household in which any relative or member of the household is involved has a direct or indirect financial interest in, or obligation to, or a party to a proposed or existing contract or transaction with STEP.
- IX. Directors shall not use information obtained as a result of acting as a Director for personal benefit or for the benefit of others.
- X. Any Director shall not use or provide to STEP any information known by the Director that through a relationship with a third party the Director is not legally able to use or provide.
- XI. Directors shall maintain the confidentiality of all information and records obtained as a result of acting as a Director.

J. Mandate Review

- I. This Mandate shall be reviewed and approved by the Board each year after the annual general shareholder meeting of STEP.

K. General

- I. The Board may perform any other activities consistent with this Mandate, STEP's Articles and any governing laws as the Board deems necessary or appropriate.

SCHEDULE B — COMMITTEE MANDATES

AUDIT COMMITTEE MANDATE

1. Introduction

The Audit Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of STEP Energy Services Ltd. (“**STEP**”). The primary function of the Committee is to assist the Board by:

- I. working with the Chief Executive Officer to recruit persons to hold key positions in the financial management of STEP including the Chief Financial Officer, the Controller and any other persons hired to be the primary interface between STEP and its financial agents, lenders or shareholders;
- II. recommending to the Board for consideration and further recommendation to the shareholders the appointment and compensation of the external auditor;
- III. overseeing the work of the external auditor, including gaining an understanding of disagreements between the external auditor and management;
- IV. overseeing the assignment of non-audit services to the external auditor, including but not restricted to pre-approving all non-audit services (or delegating such pre-approval, if and to the extent permitted by law) to be provided to STEP or its subsidiary entities (“**subsidiaries**”) by the external auditor;
- V. reviewing and approving any proposed hiring of any current or former partner or employee of the current or former external auditor of STEP or its subsidiaries;
- VI. establishing procedures for the receipt, retention and treatment of complaints received by STEP regarding accounting, internal controls or auditing matters, and for anything that may be required beyond STEP’s Whistleblower Policy for the confidential, anonymous submission by employees of STEP or its subsidiaries of concerns regarding questionable accounting or auditing matters;
- VII. reviewing and approving the quarterly financial statements, the related Management Discussion and Analysis (“**MD&A**”), and similar financial information provided by STEP to any governmental body, the shareholders of STEP or the public, including by way of press release;
- VIII. reviewing and recommending that the Board approve annual financial statements, the related MD&A, and similar financial information provided by STEP to any governmental body, the shareholders of STEP or the public, including by way of press release; and
- IX. satisfying itself that adequate procedures are in place for the compilation, calculation and review of STEP’s disclosure of financial information, other than as described in VII above, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.

The Committee should primarily fulfill these roles by carrying out the activities enumerated in this Mandate.

2. Composition and Meetings

- I. The Committee must be comprised of a minimum of three directors, as appointed by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) of the Canadian Securities Administrators unless the Board determines that an exemption contained in NI 52-110 is available and determines to rely thereon, and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- II. All of the members of the Committee must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by STEP’s financial statements.
- III. The members of the Committee and its Chair shall be elected by the Board on an annual basis, or until they are removed or their successors are duly appointed.

- IV. The members of the Committee may be removed or replaced by the Board at any time. The Chair of the Committee may be removed by the Board at any time. Any member shall automatically cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains.
- V. The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee should meet within forty-two (42) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within eighty-five (85) days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.
- VI. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of STEP with senior employees, officers and the external auditor, and others as they consider appropriate. For greater certainty, corporate information includes information relating to STEP's affiliates, subsidiaries and their respective operations.
- VII. In order to foster open communication, the Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with STEP's interim financial statements and the Committee should meet not less than quarterly with the auditors, independent of the presence of management.
- VIII. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote and in such cases the undecided matter should be referred to the Board as a whole.
- IX. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
- X. Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, any Lead Director, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary shall also be entitled to call a meeting.
- XI. Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of each meeting will be recorded and reviewed for errors or omissions and then filed with the Corporate Secretary and made available to any director at any time. The Committee should report on its activities at each quarterly meeting of the Board or more frequently as material issues are addressed by the Committee. It will be the responsibility of the Chair to report to the Board or delegate such reporting.
- XII. Any issue arising from these meetings that bear on the relationship between the Board and management should be communicated to the Board by a member of the Committee, the Committee being responsible to designate the member responsible for such report.

3. Role

In addition to the matters described in the Introduction, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

A. General

- Review and recommend to the Board changes to this Mandate, as considered appropriate from time to time.
- Review any and all disclosure regarding the Committee as contemplated by NI 52-110.
- Oversee by direct involvement or by delegation to the Disclosure Committee of management the disclosure of STEP's quarterly and annual financial statements and related filings.
- Summarize in STEP's disclosure materials the Committee's composition and activities, as required.

B. Internal Controls

- Satisfy itself on behalf of the Board with respect to STEP's internal control systems, including in particular but not exclusively:
 - matters relating to derivative instruments;
 - management's identification, monitoring and development of strategies to avoid and /or mitigate business risks;
 - the adequacy of the security measures that are in place in respect of STEP's information systems and the information technology that is utilized by STEP; and
 - ensuring compliance with legal and regulatory requirements.

C. Documents/ Reports Review

- Review and recommend to the Board for approval STEP's annual financial statements; and
- Review and approve STEP's quarterly financial statements, including in each case any certification, report, opinion or review rendered by the external auditor, and related MD&A.
 - The process of reviewing annual and quarterly financial statements should include but not be limited to:
 - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing financial reporting relating to asset retirement obligations;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors;
 - obtaining explanations of significant variances with comparative reporting periods; and
 - determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.
 - Review the financial statements, prospectuses, MD&A, annual information forms and all public disclosure containing financial information that is based upon the financial statements of STEP that has not previously been released, before release and prior to Board approval, if required.
 - Seek to ensure that adequate procedures are in place for the review of STEP's disclosure of financial information extracted or derived from STEP's financial statements and periodically assess the adequacy of those procedures.

D. External Auditor

- Recommend to the Board the nomination of the external auditor for shareholder approval, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor. Instruct the external auditor that its ultimate client is the shareholders of STEP as a group.
- Advise the external auditor that it is required to report directly to the Committee, and not to management of STEP and, if it has any concerns regarding the conduct of the Committee or any member thereof, it should contact the Chair of the Board or any other director.
- Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- Review and discuss, on an annual basis, with the external auditor all significant relationships they have with STEP, its management or employees to determine their independence.
- Review and approve requests for any material management consulting or other engagement to be performed by the external auditor and be advised of any other material study undertaken by the external auditor at the request of management that is beyond the scope of the audit engagement letter and related fees.
- Review the performance of the external auditor and any proposed dismissal or non-renewal of the external auditor when circumstances warrant.

- Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has or has not taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- Review with external auditors (and internal auditor if one is appointed by STEP) their assessment of the internal controls of STEP, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
- Communicate directly with the external auditor, and arrange for the external auditor to report directly to the Committee.
- Communicate directly with the external auditor, and arrange for the external auditor to be available to the Committee and the full Board as needed.

E. Financial Reporting Processes

- Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as the Committee sees fit.
- Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of STEP's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices relative to STEP's peers.
- Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- Consider proposed major changes to STEP's accounting principles and practices.

F. Reporting Process

- If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- Review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of STEP and its subsidiaries.
- Periodically consider the need for an internal audit function, if not present.
- Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- Where there are significant unsettled issues between management and the external auditors that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- Review the system in place to seek to ensure that the financial statements, related MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
- When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

G. Risk Management

- Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- Review, not less than quarterly, a mark to market assessment of STEP's hedge positions and counterparty credit risk and exposure.

H. General

- If considered appropriate, conduct or authorize investigations into any matters within the Committee's scope of activities. The Committee is empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of STEP) the compensation for any such advisors.
- Perform any other activities as the Committee deems necessary or appropriate.

4. Complaint Procedures

A. Submitting a Complaint

- Anyone may submit a whistle blower notice or complaint regarding conduct by STEP or its subsidiaries or their respective employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair or in his/her absence or by his/her delegation, any other member of the Committee should oversee the treatment of such complaints.

B. Procedures

- The Chair of the Committee is designated to receive and administer or supervise the administration of employee complaints with respect to accounting or financial control matters.
- In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint in accordance with STEP's Whistleblower Policy, and such complaint shall be addressed in accordance with that policy.

C. Records and Report

- The Chair of the Committee should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Committee.

Compensation and Corporate Governance Mandate

1. Purpose

The Compensation and Corporate Governance Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of STEP Energy Services Ltd. (“**STEP**”). The primary function of the Committee is to assist the Board by:

- (a) reviewing and approving STEP’s goals and objectives, and structuring, reviewing and approving and then recommending to the Board the compensation of the Chief Executive Officer (the “CEO”) and other members of the senior management team in light of those goals and objectives;
- (b) administering STEP’s compensation plans for senior management and the Board, including stock-based compensation and such other compensation plans or structures as are adopted by STEP from time to time;
- (c) providing broad oversight of STEP’s compensation strategy including a charge to ensure that STEP is able to secure and, maintain employment of and, train and develop the skills of persons with the talent to enable STEP to meet its business objectives and execute its business strategies;
- (d) reviewing STEP’s Disclosure, Trading and Confidentiality Policy (the “Disclosure Policy”), Code of Business Conduct and Ethics (the “Code”) and similar policies and practices as required;
- (e) assessing the effectiveness of the Board as a whole (including any committees thereof) as well as discussing the contribution of individual members;
- (f) considering questions of management succession;
- (g) assessing the performance of the CEO, each director and other key personnel of STEP;
- (h) periodically assessing STEP’s governance. In this regard, the Committee will look to foster an environment of full open communication in which all directors are encouraged to participate in Board and Committee dialogue and in which any director or other person commonly in attendance at Board meetings is discouraged from discouraging participation or intimidating others from contributing. In performing this duty, the Chair of the Committee will be charged with discussing the Committee’s views including the conduct of directors and providing the Committee’s views. The Committee is to be particularly alert to proper conduct in possible cases of conflicts of interest, and appropriate and respectful interaction with other directors and servants of STEP including employees, consultants, contractors and others;
- (i) proposing new nominees for appointment to the Board while not impairing in any way the right of any other Committee, any director or any group of directors or the Board as whole to also propose new nominees for appointment to the Board;
- (j) recommending to the Board to consider measures to seek the resignation or removal of directors where their current or past conduct is or has been improper (illegal or in violation of STEP’s policies or disruptive to the effective and reputable conduct of the Board or STEP’s business) or liable to adversely affect STEP or its reputation; and
- (k) orienting new directors.

2. Composition and Meetings

- (a) The Committee shall be comprised of at least three (3) directors of STEP appointed by the Board. A majority of the members shall be “independent” for the purposes of National Policy 58-201 – Corporate Governance Guidelines and shall be (or shall become within a reasonable period of time after appointment) familiar with recent compensation and corporate governance practices and with STEP’s compensation and staffing policies and programs. It is the desired objective of STEP that all directors, especially those who are Committee members, possess ICD.D or other similar certification.
- (b) The Chair of the Board of Directors may be a full member of the Committee. If he or she is not a member of the Committee, he or she will nonetheless be entitled to attend and participate (except if he or she is conflicted) in the discussion of meetings of the Committee. He or she will have a vote as to Committee matters if and only if he or she is a member of the Committee.
- (c) The members of the Committee and its Chair shall be elected by the Board on an annual or more frequent basis as the Board deems appropriate. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

- (d) The members of the Committee may be removed or replaced by the Board at any time. The Chair may be removed by the Board or the Committee, in consultation with the Board, at any time. Any member shall automatically cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee or expand or contract the Committee provided that it always contains, at least, three directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as the Committee members are duly notified of any meeting a quorum, being at least half, of the remaining members are in attendance.
- (e) The Committee may delegate any or all of its functions to any of its members or any sub-set thereof, or other persons, from time to time as it sees fit.
- (f) The Committee shall meet at least two times per annum or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings or to provide information as necessary. The Committee shall have full access to all information, except as prohibited by law (including conflicts of interest of one or more Committee members), it deems appropriate for the purpose of fulfilling its role.
- (g) The Committee may if considered appropriate, conduct or authorize investigations into any matters within the Committee's scope of activities. The Committee is empowered to retain independent counsel, accountants, outside compensation specialists or other experts and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of STEP) the compensation for any such advisors.
- (h) At all meetings of the Committee every question shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote. Any issue not resolvable by a majority of the non-conflicted members of the Committee at a properly convened meeting of the Committee will be referred, for resolution, to the Board as a whole.
- (i) A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee, but in any event not less than two.
- (j) Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, any Lead Director, the CEO, the Chief Financial Officer or the Corporate Secretary shall also be entitled to call a meeting.
- (k) Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of each meeting will be recorded and reviewed by the Committee for errors or omissions and then filed with the Corporate Secretary and made available to any director at any time upon request to the Corporate Secretary. The Chair will report on Committee activities to the full Board at least two times per annum.
- (l) Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chair of the Board by the Committee Chair.

3. Role

In addition to the matters described in Section 1, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

1) General

- (a) Review and recommend to the Board changes to this Mandate, as considered appropriate from time to time.
- (b) Review and make recommendations to the Board on STEP's general compensation philosophy and oversee the development and administration of compensation programs.
- (c) Review and make recommendations to the Board on such other human resources and compensation matters, as are considered important from time to time.
- (d) The mandate to review is without power to demand change. The power to demand change is a broader corporate right that the Board should hold unto itself as a whole.
- (e) Oversee the preparation of and recommend to the Board any required disclosures of governance practices to be included in any disclosure document of STEP, as required.

2) *Review and Recommendation of Compensation*

- (a) Review the senior management and Board compensation policies and/or practices followed by STEP and seek to ensure such policies are designed to recognize and reward performance and establish a compensation framework, which results in the effective development and execution of a Board-approved strategy. To be effective, the strategy will result in creation of value over the long term while always preserving STEP's license to conduct its business among its various stakeholders. For the purpose of this clause, "stakeholder" will mean any party, group or institution whose reasonable approval is required for STEP to execute its Board-approved strategy.
- (b) Seek to ensure that base salaries are competitive relative to the industry and that bonuses, if any, reflect industry-competitive cash compensation relative to corporate performance and considering individual performance in the context of the overall performance of STEP. Overall performance should be measured by the degree that STEP's strategy (as proposed and justified by management and modified and approved by the Board) and value growth performance (as compared to its peers including other Canadian public companies of a similar size and other Canadian oilfield services companies of a similar size in general and also the Canadian oilfield services companies with the most similar scope of business) differentiate. Participation in stock-based compensation should reflect the level of responsibility and level of contribution of participants within STEP.
- (c) Develop, for review and approval of the Board, a written position description for the CEO.
- (d) Annually evaluate STEP's and the senior executive's performance by the degree that STEP's strategy (as proposed and justified by management and modified and approved by the Board) and value growth performance (as compared to its peers including other Canadian public companies of a similar size and other Canadian oilfield services companies of a similar size in general and also the Canadian oilfield services companies with the most similar scope of business) differentiate.
- (e) Annually, review and recommend to the Board an evaluation of the performance of senior executives and provide recommendations for annual compensation based on such evaluation and other appropriate factors, including industry competitiveness relative to position descriptions and Corporate and individual performance.

3) *Compensation Programs*

- (a) Administer any stock-based compensation plan and such other compensation plans or structures for non-senior executive employees as are adopted by STEP from time to time in accordance with the terms of the applicable plan or structure, including the recommendation to the Board of the grant of stock options or other compensation in accordance with the terms of the applicable plan or structure.
- (b) Regularly review all incentive compensation plans and stock-based plans and, in the Committee's discretion, make recommendations to the Board for consideration.
- (c) Review employee benefit plans and reports and, in the Committee's discretion, make recommendations to the Board for consideration.

4) *Compensation Risk Oversight*

- (a) Provide risk oversight in respect of STEP's compensation policies and practices.
- (b) Identify any compensation policies or practices that could encourage senior executives or other individuals in a principal business unit or a division of STEP to take inappropriate or excessive risks.
- (c) Identify any other risks that may arise from STEP's compensation policies and practices that are reasonably likely to have a material adverse effect on STEP.

5) *Report on Executive Compensation*

- (a) Oversee and approve a report prepared by management on senior executive compensation on an annual basis in connection with the preparation of the annual management information circular or as otherwise required pursuant to applicable securities laws.
- (b) To the extent applicable, the report on executive compensation should describe the process undertaken by the Committee and should speak to evaluation criteria considered for each senior executive's compensation.
- (c) Review in advance all proposed executive compensation disclosure.

6) Compensation of the Board of Directors

- (a) Review and recommend to the Board the compensation of the Board members, including annual retainer, meeting fees, stock-based compensation and other benefits conferred upon the Board members. The Committee should pay particular attention to independent review and competitiveness relative to STEP's peers with regard to this matter.

7) Human Resources Matters

- (a) Review annually the effectiveness of the CEO, and in consultation with the CEO, other senior management and other executive officers, including their contributions, performance and qualifications.
- (b) Consider such other human resources matters as are delegated to the Committee by the Board, for review or recommendation, as considered appropriate from time to time.

8) Governance

- (a) As a duty but not to the exclusion of other directors performing on their own or in groups this same function, review, on a periodic basis, the size and composition of the Board, make recommendations as to the number of independent directors and advise the Board on filling vacancies.
- (b) Facilitate the independent functioning of the Board, including by assessing which directors are independent directors and which independent directors serve the Board as a matter of duty to a third party and identifying areas of conflict of interest between STEP and any such third parties, and seek to maintain an effective relationship between the Board and senior management of STEP.
- (c) Review, annually, the mandates of the Board and its committees and recommend to the Board such amendments to those mandates as the Committee believes are necessary or desirable.
- (d) Review, annually, the position descriptions for the Chair of the Board and the Chair of each committee of the Board and recommend to the Board such amendments to those position descriptions as the Committee believes are necessary or desirable.
- (e) Assess, annually, the effectiveness of the Chair of the Board, the Board as a whole, all committees of the Board and the contribution, competency, skill and qualification and, if applicable, position distributions, of individual directors, including making recommendations where appropriate that a sitting director be removed or not re-appointed.
- (f) Review, on a periodic basis, the Code, recommend to the Board any changes thereto as considered appropriate from time to time, ensure that management has established a system to monitor compliance with the Code, and review management's monitoring of STEP's compliance with the Code.
- (g) Establish a process for direct communications with shareholders and other stakeholders, including through STEP's Whistleblower Policy.
- (h) Develop a process to address any conflict of interest and to periodically review such process. This process should be particularly sensitive to conflicts arising from any director's obligations to any entity which may directly or through ownership, governance or contract have obligations to competitors, service providers, customers, or employers of people with the skills of STEP's staff.
- (i) Review, on a periodic basis, senior management succession plans.
- (j) Coordinate orientation for new directors and oversee continuing education programs for all directors.

9) Reporting Process

- (a) Review and submit to the Board, as a whole, recommendations concerning executive and board compensation, compensation plan matters and corporate governance. Such reports may be oral or in writing. Unless such matters are delegated specifically to the Committee, the Committee shall only make recommendations to the Board for their consideration and approval, if appropriate. The Board will then have the authority to instruct management to implement the Board's directives.
- (b) Review with the Board the Committee's judgment as to the quality of STEP's governance and suggest changes to STEP's operating governance guidelines as determined appropriate.

10) Nominating Role

- (a) As necessary or appropriate, establish qualifications for directors and procedures for identifying possible nominees who meet these criteria. In so doing, the Committee should consider desired competencies, backgrounds and skills and the appropriate size of the Board.
- (b) Consider, in recommending to the Board suitable candidates to be nominated for election as directors at the next annual meeting of shareholders of STEP:
 - (i) the competencies and skills considered necessary for the Board, as a whole, to possess;
 - (ii) the competencies and skills of the existing members of the Board;
 - (iii) the needs of the Board and the competencies and skills each new nominee will bring to the boardroom; and
 - (iv) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board.

11) Share Ownership Policies

- (a) Periodically review the policy on mandatory share ownership for directors and senior officers of STEP and, in the Committee's discretion, recommend any changes to the Board for consideration.

HEALTH AND SAFETY COMMITTEE MANDATE

1. Introduction

The Health and Safety Committee (the “**Committee**”) is a committee of the board of directors (the “**Board**”) of STEP Energy Services Ltd. (“**STEP**”). The primary function of the Committee is to assist the Board by:

- I. overseeing STEP’s policies and management systems which are designed to cause it to comply with applicable laws and regulations with respect to (i) the protection of the health and safety of all persons associated with the operations of STEP, (ii) the protection of the biological and physical environments, and (iii) the relationship of STEP with the communities nearest its operations;
- II. reviewing and commenting upon management’s strategies to enhance STEP’s image among its stakeholders;
- III. evaluating the performance of STEP with respect to the matters identified in subparagraph I above; and
- IV. reviewing management strategies to avoid and/or mitigate risks associated with undesired health, safety and environment risks.

2. Composition and Meetings

- The Committee shall be comprised of at least two (2) directors of STEP who are appointed by the Board. A majority of the members of the Committee shall be “independent” for the purposes of National Policy 58-201 – Corporate Governance Guidelines and each member shall (or shall become within a reasonable period of time after appointment) familiar with health, safety, environmental, community engagement and public policy matters as they pertain of the business and operations of STEP.
- The members of the Committee and its Chair shall be elected by the Board on an annual basis, or until they are removed or their successors are duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- The members of the Committee may be removed or replaced by the Board at any time. The Chair may be removed by the Board at any time. Any member who is a director shall automatically cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains
- The Committee may delegate any or all of its functions to any of its members or any sub-set thereof, or other persons, from time to time as it sees fit.
- The Committee shall meet at least two times per annum or more frequently as circumstances require. The Committee may ask members of management or others to attend meetings or to provide information as necessary. The Committee shall have full access to all information it deems appropriate for the purpose of fulfilling its role.
- The Committee may if considered appropriate, conduct or authorize investigations into any matters within the Committee’s scope of activities. The Committee is empowered to retain independent counsel, accountants or other experts and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of STEP) the compensation for any such advisors.
- At all meetings of the Committee every question shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote. Any matters upon which the majority will of a duly constituted meeting in which a quorum participated cannot be determined shall be referred to the full Board.
- A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee.
- Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours’ notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, any Lead Director, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary shall also be entitled to call a meeting.
- Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. It will be considered best practice, but not necessary, to allow the Chair to approve any proposed meeting agenda. Minutes of each meeting will be recorded and circulated to directors who are not members of the Committee or otherwise made available at subsequent meetings of the Board.
- Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Board by the Committee Chair.

3. Role

In addition to the matters described in the Introduction, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

A. General

- Review, annually, and recommend to the Board changes to this Mandate, as considered appropriate from time to time.
- Record minutes of its meetings, review them for errors or omissions and submit them to the Corporate Secretary who will file them and make them available to any Director.

B. Health, Safety, Environment and Community Engagement

- Monitor changes to applicable laws, regulations and rules and industry standards in regard to health, safety and environmental matters.
- Monitor on a regular basis, the existing health, safety and environmental practices, procedures and policies of STEP as prepared by and updated from time to time by management to ensure that they comply with applicable laws, regulations and rules, conform to industry standards and prevent or mitigate losses and, in the discretion of the Committee, direct changes to such practices, procedures and policies.
- Review periodically the relationship of STEP with the communities affected by its business and operations.
- Consider and implement policies for the improvement of the relationship of STEP with the communities affected by its business and operations.
- Evaluate the effectiveness of the implementation of STEP's policies relating to health, safety and environmental matters.
- Direct the preparation of, and then review and consider, reports and recommendations issued by management or by external advisors relating to health and safety issues, compliance matters and the interaction of STEP with the communities affected by its business and operations, together with management's response to those reports and recommendations.
- From time to time, tour STEP's operations, interview the senior officers of STEP responsible for operations and a sampling of the operating personnel and report to the Board on such meetings.
- Review periodically STEP's emergency response plan, if any, and state of readiness to respond to crisis situations.
- Review any civil or criminal occupational health and safety or environmental proceedings, claims, orders, actions or government investigation contemplated or threatened against STEP.
- Review circumstances involving any emergency that forces the indefinite shut-down of operations, loss of safe operating control, serious injuries or fatalities among employees, contractors or the public; extensive damage to property or a serious harm to the environment.
- Review health, safety, and environmental programs implemented by management for any of STEP's employees.

C. Reporting Process

- Submit to the Board, as a whole, reports concerning health, safety and environmental matters. Such reports may be oral or in writing. Unless such matters are delegated specifically to the Committee, the Committee shall only make recommendations to the Board for their consideration and approval, if appropriate. The Board will then have the authority to instruct management to implement the Board's directives.