MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of November 7, 2018 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and nine months ended September 30, 2018 (the "Financial Statements") and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2017. Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2017 dated March 19, 2018 (the "AIF"). The financial results for the three and nine months ended September 30, 2018 include the results of the Company's business and the results of Tucker Energy Services Holdings, Inc. ("Tucker"). Tucker was acquired by STEP effective April 2, 2018 (the "Tucker Acquisition") and is a provider of fracturing services, coil tubing, and wireline services.

CORPORATE OVERVIEW

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP now provides an integrated solution for deep capacity coiled tubing services and fracturing to exploration and production ("E&P") companies in the Canada and the United States ("U.S."). Our Canadian integrated services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our coiled tubing services are focused in the Permian and Eagle Ford in Texas and the Haynesville in Louisiana. The Tucker Acquisition in the second quarter of 2018 allowed STEP to add fracturing services to its U.S. service offerings and provided an entry into key, high-growth oil and gas basins in Oklahoma and Texas.

A cornerstone of STEP's success is our high-performance, safety-focused culture. Our four core values; Safety, Trust, Execution and Possibilities inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

Canadian operations

STEP provides integrated well services including coiled tubing services for completion operations of new wells and workovers to improve producing wells. STEP's Canadian coiled tubing units are designed to service the deepest wells in the region. We currently operate a fleet of 13 coiled tubing units in the WCSB. STEP's Canadian fracturing business is primarily focused on the deeper, more technically challenging plays in Alberta and northeast British Columbia, with growing exposure to oilier plays in eastern Alberta and south Saskatchewan. STEP currently operates eight fracturing spreads representing 225,000 horsepower ("HP") (including approximately 100,000 HP with dual fuel capabilities) in Canada. STEP has an additional 72,500 HP available for deployment, some of which will require capital for maintenance, refurbishment, and rebranding. The Company will deploy HP as dictated by the markets ability to support strong utilization and pricing.

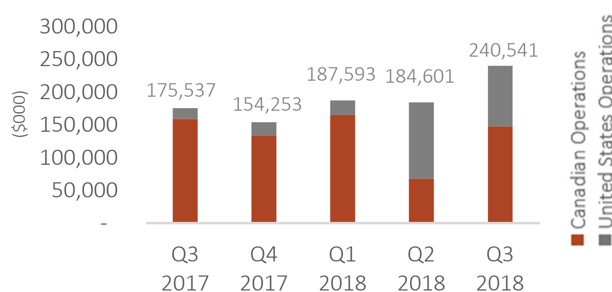
U.S. operations

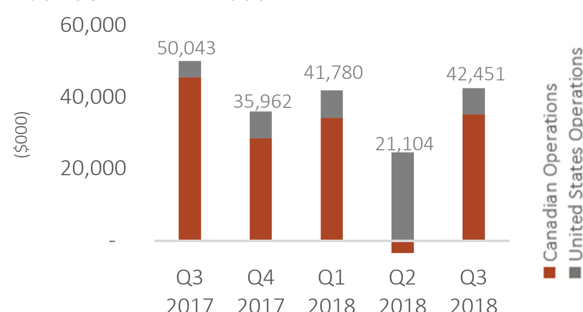
STEP's U.S business began by offering coiled tubing services to E&P companies in 2015. STEP currently operates a fleet of nine coiled tubing units, with plans to deploy two additional coiled tubing units in late 2018 or early 2019 as supported by market demand. On April 2, 2018, STEP closed the Tucker Acquisition, which expanded the Company into the U.S. fracturing market. The Tucker Acquisition included four fracturing spreads (representing 192,500 HP, of which three spreads are currently operating), two coiled tubing units (not currently active), and 15 wireline units. The Tucker Acquisition positioned STEP to capitalize on a number of advantages including: size of the U.S. market, client diversification, commodity and formation diversification, and the ability to offer integrated services in the U.S.

CONSOLIDATED HIGHLIGHTS

FINANCIAL

($000s except percentages and per share amounts)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Consolidated revenue	$ **240,541**	$ 175,537	$ **612,735**	$ 398,967
Net income attributable to shareholders	$ **9,260**	$ 28,575	$ **19,245**	$ 40,167
Per share-basic	$ **0.14**	$ 0.48	$ **0.30**	$ 0.72
Per share-diluted	$ **0.14**	$ 0.46	$ **0.29**	$ 0.71
Adjusted EBITDA [1]	$ **42,451**	$ 50,043	$ **105,335**	$ 87,621
Adjusted EBITDA % [1]	**18%**	29%	**17%**	22%





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

BALANCE SHEET

($000s except shares and per share amounts)	At as September 30, 2018	As at December 31, 2017
Cash and cash equivalents	$ **4,672**	$ 36,859
Working capital (including cash and cash equivalents)	$ **116,802**	$ 121,032
Total assets	$ **983,527**	$ 533,845
Total long-term financial liabilities	$ **296,173**	$ 8,049
Shares outstanding basic	**66,596,644**	60,309,738
Weighted average shares – basic	**64,497,647**	56,528,016
Weighted average shares – diluted	**65,673,283**	57,752,867

FINANCIAL HIGHLIGHTS

- Generated third quarter and year to date consolidated revenue of $240.5 million and $612.7 million, respectively, compared to $175.5 million and $399.0 million in the same periods of 2017, representing increases of 37% and 54%. The increases compared to prior year are attributable to the Tucker Acquisition and increased equipment deployed. The Tucker Acquisition contributed $65.1 million of fracturing revenue in the third quarter of 2018 ($153.6 million for the year to date).
- Earned Adjusted EBITDA of $42.5 million (or 18%) in the third quarter and $105.3 million (or 17%) for the first nine months of 2018. In the third quarter of 2018, the U.S. segment generated Adjusted EBITDA $7.3 million (or 8%), and Canadian operations contributed Adjusted EBITDA of $35.2 million (or 24%).
- On April 2, 2018, STEP completed the purchase of all of the issued and outstanding capital stock of Tucker for $355.0 million (U.S. $275.0 million) before closing adjustments.
- Implemented a North American procurement strategy to gain economies of scale and capture cost savings across all business units.

OPERATIONAL

($000's except per day, days, units, and HP)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Total fracturing operating days [1]	623	472	1,509 [2]	1,105
Fracturing revenue per operating day	$ 278,122	$ 252,912	$ 285,234	$ 241,964
Fracturing capacity (HP):				
Average active HP	384,200	176,750	328,700	151,750
Exit active HP	367,500	176,750	367,500	176,750
Total HP [3]	490,000	297,500	490,000	297,500
Proppant pumped (tonnes)	313,000	201,000	782,000	495,000
Total coiled tubing operating days [1]	1,315	1,250	3,755	3,022
Coiled tubing revenue per operating day	$ 51,157	$ 44,930	$ 48,553	$ 43,546
Coiled tubing capacity:				
Average active coiled tubing units	21	17	21	15
Exit active coiled tubing units	22	18	22	18
Total coiled tubing units	24	18	24	18
Capital expenditures [4]	$ 34,300	$ 25,338	$ 98,242	$ 78,934

(1) An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.
(2) Q2 2018 U.S fracturing operating days were revised to align with the corporate definition of an operating day. As a result, the operating days for U.S. fracturing have been amended to 199 from the previously disclosed 242.
(3) Represents total owned HP, of which 367,500 HP is currently deployed.
(4) Capital expenditures included non-cash expenditures from the addition of capital leases for light duty vehicles.

OPERATIONAL HIGHLIGHTS

- Across all regions, active fracturing spreads increased to 11 in Q3 2018, including three from the Tucker Acquisition, from six in Q3 2017, while active coiled tubing units increased to 22 in Q3 2018 from 18 in Q3 2017.
- STEP's fracturing services delivered growth in revenue per day primarily from the addition of U.S. operations through the Tucker Acquisition. The results also benefited from U.S. dollar strength relative to the Canadian dollar.
- Management categorizes the fracturing market as oversupplied in both Canada and the U.S. which has put downward pressure on pricing. Consolidated revenue per operating day for fracturing services was $278,122, an increase of 10% relative to the same period in 2017 this increase is attributed to the impact of higher daily revenue from our U.S. fracturing business. Consolidated coiled tubing revenue per operating day increased 14% to $51,157.
- Third quarter 2018 coiled tubing operating days were 1,315 compared to 1,250 in the same period of the prior year. Continued coiled tubing rig deployments have been enabled by consistent market expansion and strong client support.
- Throughout the quarter, STEP continued the integration of the Tucker operations in Oklahoma. The Company has moved senior leadership to the U.S. and employee retention has been high, allowing the Company to provide uninterrupted services to clients. Additionally, all key client relationships have been maintained and continue to support fracturing operations.
- The Tucker business provides STEP new locations focused in Oklahoma and the opportunity to offer integrated services and broaden our client base.

INDUSTRY CONDITIONS & OUTLOOK

CANADIAN OPERATIONS

Activity levels in the fourth quarter thus far have benefited from work deferrals that carried over from the third quarter. Market over supply conditions for fracturing services are expected to persist through out the quarter which will negatively impact spot pricing for services. As is typically experienced, activity is expected to slow in the later part of the quarter due to the traditional holiday season and budget exhaustion.

Referencing the Company's October 25, 2018 business update press release, STEP is well positioned for an active 2019. The Company has invested capital to enhance its fracturing asset base with efficient continuous duty assets, bi-fuel equipment, technology platforms and fine-tuning its high-performance operating model. These investments position the company to execute at a very high level and maintain profitable operations in a competitive environment. Over the past 12 months, STEP has completed work for several large-cap operators, demonstrating its unique capabilities and high quality field execution and as a result, has successfully expanded its scope of committed work with these clients in 2019.

As previously announced, STEP has secured firm commitments for more than half of its manned fracturing fleets in 2019. STEP has also broadened its service offering to include coiled tubing services for these clients. The Company expects to have active work programs which positions STEP to improve second quarter 2019 performance relative to the second quarter of 2018. In addition, the portfolio of committed work is expected to provide key strategic benefits, including

- Effectively hedging a portion of STEP's revenue stream to offset the fixed cost element of its business while maintaining flexibility between full year committed work and spot market activity;
- Aligning STEP to clients which have large capital programs, diversified market egress arrangements and existing processing and infrastructure facilities, insulating them from short-term commodity volatility;
- Providing a basis of consistent utilization that should result in year-over-year margin improvement; and
- Allowing STEP to leverage its quality and safety-focused field execution, technology-focused asset base and low-cost structure.

STEP has a proud track record of industry-leading returns and margin performance, and management believes that the strategy deployed for 2019 will allow the Company to maintain that position.

U.S. OPERATIONS

In the U.S., STEP expects current market conditions for fracturing services to continue to be challenging until egress issues in major resource basins have been alleviated. Management expects demand for coiled tubing services to temper during the same period as completion activity is curtailed. Client discussions confirm that fracturing capacity should tighten in the second half of 2019, with most industry watchers predicting increased completions activity as a result of ongoing drilling and the increasing inventory of drilled and uncompleted wells. The Company's strategy to increase its business scale and capabilities in the U.S., particularly given the headwinds to growth in the Canadian markets, has positioned it to benefit from higher activity levels when these issues are alleviated.

CAPITAL UPDATE

Based on an assessment of current market conditions, management has elected to reduce STEP's 2018 capital program by $20 million, bringing the total projected capital spend to $141 million, inclusive of 2017 carry forward capital.

Under the revised plan, STEP will take delivery of its two fit-for-purpose Viking spreads by year end and will utilize horsepower currently dedicated to this Viking market to support existing larger, deeper market spreads. In Canada, to accommodate the work scope recently awarded to the Company, STEP expects to operate eight fracturing spreads, representing approximately 255,000 HP, along with 16 coiled tubing spreads in the first quarter of 2019.

In the U.S., STEP will take delivery of its two remaining deep capacity coiled tubing spreads. Upon completion of the 2018 capital program, STEP expects to operate three fracturing spreads, with one unstaffed spread, along with 11 coiled tubing spreads.

Management will continue to monitor industry activity levels and will adjust available equipment as market demand and economic returns dictate.

SIGNIFICANT EVENTS

U.S. STRATEGIC ACQUISITION OF TUCKER

Effective April 2, 2018, the Company acquired all of the issued and outstanding shares of Tucker for total consideration of U.S. $275 million, before closing adjustments. Tucker provides oil and gas services to the U.S. oil and gas industry, primarily in the SCOOP/STACK and Woodford plays in Oklahoma. Tucker offers fracturing solutions, coiled tubing, and wireline services, and its primary client base includes supermajor oil and gas companies and large independent E&P companies. Acquisition related expenses were $2.9 million relating to advisory, due diligence, and legal fees. These have been expensed in the consolidated statements of net income (loss) and other comprehensive income (loss) as transaction costs.

Strategic rationale

- Strategic entry into the U.S. fracturing market in high-growth U.S. basins, including all required infrastructure and workforce necessary to provide quality services.
- Tucker is well positioned to capitalize on U.S. growth as fracturing demand is expected to increase with a rise in horizontal drilling activity and fracturing intensity.
- Tucker provides fracturing solutions to a long tenured client base that includes supermajors and large independents. The addition of the fourth spread has facilitated discussions with new clients and allows for the leveraging of clients of the U.S. coil business to utilize integrated services.
- Tucker's performance & safety driven culture is aligned with STEP's four core values of safety, trust, execution and possibilities.

The Company financed the Tucker Acquisition with cash, drawings on its credit facility and the issuance of common shares. The Company secured a new $330.0 million revolving syndicated credit facility, $10.0 million operating facility, and U.S. $7.5 million operating facility (together, the "New Credit Facilities"). Costs incurred to arrange the new credit facities were $2.4 million and are recorded as deferred financing costs and expensed over the life of the facility. As well, STEP converted the previously announced bought-deal equity financing subscription receipts to common shares of the Company. The equity financing raised $56.3 million through the issuance of 6,055,000 common shares for $9.30 per common share, which included 675,000 common shares issued pursuant to the partially exercised over-allotment option granted to the syndicated of underwriters. Total costs related to the equity offering were $2.9 million less $0.8 million deferred tax.

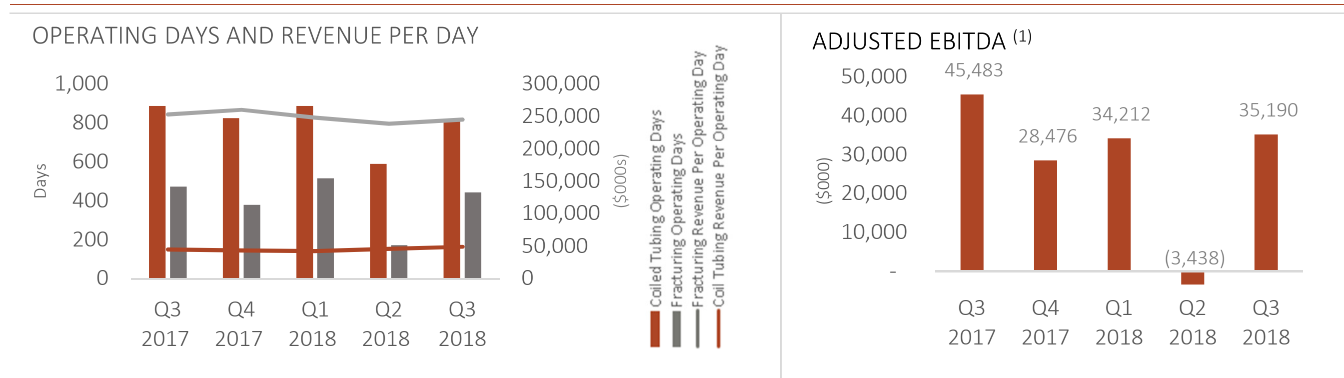
The Tucker Acquisition has been accounted for as a business combination using the acquisition method on April 2, 2018, whereby the acquired tangible and intangible assets and assumed liabilities are recorded at their estimated fair values at the date of acquisition. STEP has made a preliminary assessment of the purchase price equation which is subject to finalization. The Company has one year from the acquisition date to obtain information about facts and circumstances that existed as of the acquisition date which could have an impact on the measurement of amounts recognized. The actual amount assigned to the fair value of the identifiable assets and liabilities acquired could result in changes to earnings in periods subsequent to the Tucker Acquisition, and those changes could be material. The estimate of the purchase price allocation is based off the best available information and certain assumptions that management of STEP believe are reasonable under the circumstances. During the quarter, STEP finalized the settlement of the preliminary closing adjustments to U.S.$13.0 million bringing the net purchase price to U.S.$262.0 million. The final purchase price allocation is dependent on the finalization of independent valuator reports and an assessment of working capital.

CANADIAN OPERATIONS OVERVIEW

The Canadian operating segment provides fracturing and coiled tubing services to E&P companies operating in the WCSB. As at September 30, 2018, our Canadian operations were comprised of 297,500 fracturing HP, of which a fleet of eight fracturing spreads representing 225,000 HP and 13 coiled tubing units were deployed and staffed for 24-hour operations. The remaining 72,500 HP requires certain maintenance and refurbishment.

($000's except per day, days, units, and HP)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenue:				
Fracturing	$ 108,191	$ 119,375	$ 276,815	$ 267,371
Coiled tubing	39,773	39,836	104,317	94,055
	147,964	159,211	381,132	361,426
Expenses:				
Cost of sales	121,640	118,081	338,254	294,306
Selling, general and administrative	4,338	4,301	15,140	13,728
Results from operating activities	$ 21,986	$ 36,829	$ 27,738	$ 53,392
Add non-cash items:				
Depreciation	11,801	7,710	32,611	21,268
Share-based compensation	1,403	944	5,615	4,586
Adjusted EBITDA [(1)]	$ 35,190	$ 45,483	$ 65,964	$ 79,246
Adjusted EBITDA % [(1)]	24%	29%	17%	22%
Sales mix (% of segment revenue)				
Fracturing	73%	75%	73%	74%
Coiled tubing	27%	25%	27%	26%
Fracturing services				
Fracturing revenue per operating day	$ 244,777	$ 252,912	$ 245,186	$ 241,964
Number of fracturing operating days [(2)]	442	472	1,129	1,105
Active pumping HP, end of period	225,000	176,750	225,000	176,750
Idle pumping HP, end of period	72,500	120,750	72,500	120,750
Total pumping HP, end of period [(3)]	297,500	297,500	297,500	297,500
Coiled tubing services				
Coiled tubing revenue per operating day	$ 49,163	$ 45,013	$ 45,713	$ 43,404
Number of coiled tubing operating days [(2)]	809	885	2,282	2,167
Active coiled tubing units, end of period	13	12	13	12
Idle coiled tubing units, end of period	-	-	-	-
Total coiled tubing units, end of period	13	12	13	12

[(1)] See Non-IFRS Measures.
[(2)] An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.
[(3)] Represents total owned HP, of which 225,000 HP is currently deployed and the remainder of which requires certain maintenance and refurbishment.



(1) *See Non-IFRS Measures.*

Q3 and year-to-date 2018 highlights – Canada

Revenue in the third quarter of 2018 was $148.0 million, a decrease of 7% from the same quarter of 2017, primarily due to fewer days worked in both fracturing and coiled tubing, as well fracturing revenue per day decreased modestly. Activity in the third quarter was once again impacted by weather. Specifically, early snow and rain during September resulted in operational setbacks and delays. For the nine months ended September 30, 2018, revenue increased by 5% over the same period in 2017 due to more equipment in service and slightly increased day rates.

Adjusted EBITDA in Canada for the three months ended September 30, 2018 was $35.2 million (or 24%), in comparison with $45.5 million (or 29%) in the comparable 2017 period. The third quarter margin percentage decrease is attributable to lower utilization, activity deferrals and a 3% increase in operating costs resulting from a higher fixed cost structure relative to activity levels. For the nine months ended September 30, 2018, Adjusted EBITDA decreased by $13.3 million over the same period in 2017.

Fracturing services

- At quarter end, eight fracturing spreads were staffed, deployed and active.
- Weather related delays impacted utilization in the third quarter and have extended into the fourth quarter of 2018 and, when coupled with recent volatility in Canadian oil price differentials and client capital spending discipline, has led to clients rescheduling approximately $11.5 million of work into the fourth quarter of 2018 or the first quarter of 2019.
- Average revenue per fracturing operating day softened in the third quarter 2018 as compared to the third quarter 2017 by 3% as the available horsepower in the market is slightly greater than the current demand.
- STEP pumped 198,000 tonnes of proppant over 5,062 stages in the third quarter of 2018, while the comparable quarter in 2017 saw 201,000 tonnes pumped over 4,398 stages.
- Operating costs for the three months ended September 30, 2018 decreased by $3.1 million primarily as a result of less variable inputs required for less days worked.
- In Canada, STEP capitalizes fluid ends if it is determined that it has an estimated useful life exceeding 12 months. Fluid ends installed in the three months ended September 30, 2018 totalled $1.3 million and year to date $3.6 million.
- The addition of our Medicine Hat operating base and the eighth fracturing spread earlier in 2018 positions STEP to gain market share in the active shallow oil focused Viking, Shaunavon and Cardium plays.

Coiled tubing services

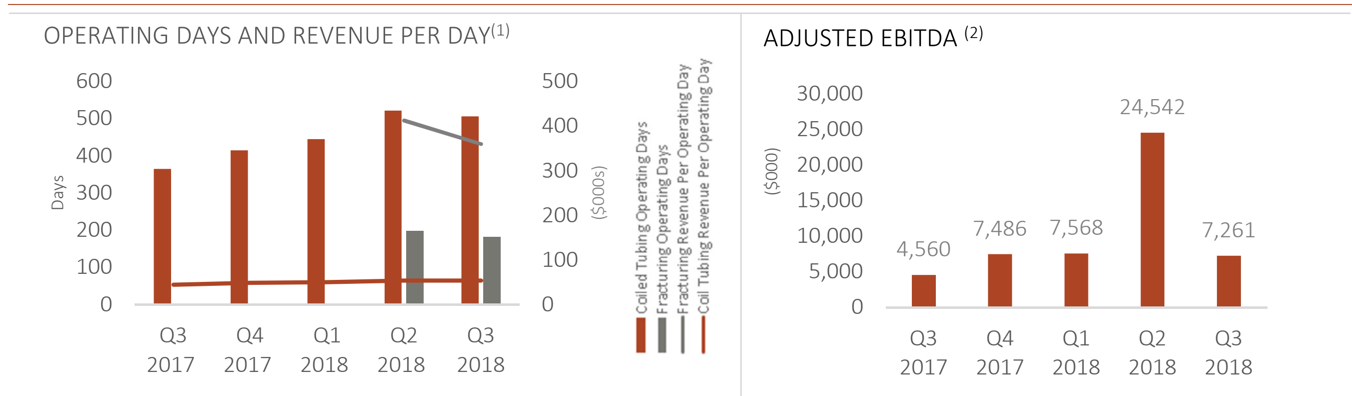
- Coiled tubing operating days decreased by 9% in the third quarter of 2018 when compared to the same period of the prior year due to the early winter conditions in September 2018 and slower than expected industry activity.
- Average revenue per coiled tubing operating day for the quarter increased 9% compared to the third quarter of 2017. The increase in the period is attributable to an increase in stand-alone fluid pumping and nitrogen services.
- Operating costs for the three months ended September 30, 2018 increased by $2.2 million over the same quarter in the prior year due to payroll on additional units and increased fuel cost due to rising prices. However, STEP recently received exemption from steel tariffs for most of its imported coiled tubing from the U.S. which would have otherwise resulted in increased future costs.
- Well length continued to increase in the quarter, and STEP's equipment is able to service these wells with a current depth record of 7,325 metres with 2-3/8" (60.3mm) coiled tubing.

UNITED STATES OPERATIONS OVERVIEW

The U.S. operating segment provides coiled tubing services to clients in the Permian and Eagle Ford basins in Texas and the Haynesville shale basin in Louisiana. During the third quarter, STEP's ninth coiled tubing spread was delivered to West Texas. This unit is a new 14 foot wide design capable of carrying 11,500 m (37,920 ft) of 2-3/8" coiled tubing and was put into service at the beginning of the fourth quarter. The U.S. segment also provides fracturing services, primarily in the SCOOP/STACK and Woodford plays in Oklahoma. The Tucker Acquisition, completed in the second quarter of 2018, included four fracturing spreads representing 192,500 HP (of which three spreads are currently operating), two coiled tubing units (not currently active), and 15 wireline units. Financial results, when compared to prior periods, are impacted by the addition of Tucker.

($000's except per day, days, units, and HP)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Revenue:				
Fracturing	**$ 65,079**	$ -	**$ 153,604**	$ -
Coiled tubing	**27,498**	16,326	**77,999**	37,541
	92,577	16,326	**231,603**	37,541
Expenses:				
Cost of sales	**94,736**	12,386	**211,402**	30,529
Selling, general and administrative	**3,979**	766	**8,354**	2,313
Results from operating activities	**$ (6,138)**	$ 3,174	**$ 11,847**	$ 4,699
Add non-cash items:				
Depreciation	**12,877**	1,245	**26,318**	3,203
Share-based compensation	**522**	141	**1,206**	473
Adjusted EBITDA [(1)]	**$ 7,261**	$ 4,560	**$ 39,371**	$ 8,375
Adjusted EBITDA % [(1)]	**8%**	28%	**17%**	22%
Sales mix (% of segment revenue)				
Fracturing	**70%**	0%	**66%**	0%
Coiled tubing	**30%**	100%	**34%**	100%
Fracturing services				
Fracturing revenue per operating day	**$ 359,552**	$ -	**$ 404,217**	$ -
Number of fracturing operating days [(2)]	**181**	-	**380** [(3)]	-
Active pumping HP, end of period	**142,500**	-	**142,500**	-
Idle pumping HP, end of period	**50,000**	-	**50,000**	-
Total pumping HP, end of period [(4)]	**192,500**	-	**192,500**	-
Coiled tubing services				
Coiled tubing revenue per operating day	**$ 54,344**	$ 44,728	**$ 52,952**	$ 43,908
Number of coiled tubing operating days [(2)]	**506**	365	**1,473**	855
Active coiled tubing units, end of period	**9**	6	**9**	6
Idle coiled tubing units, end of period	**2**	-	**2**	-
Total coiled tubing units, end of period	**11**	6	**11**	6

[(1)] See Non-IFRS Measures.
[(2)] An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.
[(3)] Q2 2018 U.S fracturing operating days were revised to align with the corporate definition of an operating day. As a result, the operating days for U.S. fracturing have been amended to 199 from the previously disclosed 242.
[(4)] Represents total owned HP



[1] *Q2 2018 U.S fracturing operating days were revised to align with the corporate definition of an operating day. As a result, the operating days for U.S. fracturing have been amended to 199 from the previously disclosed 242. This also impacted the calculation of revenue per day.*
[2] *See Non-IFRS Measures.*

Q3 and year-to-date 2018 highlights – U.S.

Revenue in the three and nine months ended September 30, 2018 increased to $92.6 million and $231.6 million, respectively, from $16.3 million and $37.5 million in the same periods of 2017, primarily as a result of the Tucker Acquisition. Fracturing contributed 70% of the U.S revenue in the third quarter. During the quarter, STEP opted to reduce its fracturing operating capacity from four to three fleets in recognition of near term lower demand and uneconomic spot market pricing.

Adjusted EBITDA in the U.S. for the three months and nine months ended September 30, 2018 was $7.3 million (or 8%) and $39.4 million (or 17%), respectively, compared to $4.6 million (or 28%) and $8.4 million (or 22%) for the same periods in 2017. The increases in Adjusted EBITDA are attributable to the addition of the Tucker assets and strong utilization of an expanded coiled tubing fleet. Adjusted EBITDA percentage was impacted by low utilization in the third quarter as some fracturing clients paused their capital programs to review their budgets. Labor inflation in the U.S. market has plateaued, as well the North American procurement strategy has led to savings on proppant and other inputs.

Fracturing services

- In Q3, fracturing averaged 159,200 HP deployed as a spread was temporarily parked at the end of July. Additionally, operating days were impacted by a major client who deferred work into the fourth quarter as they paused to reallocate capital through their 2019 budgeting process. Approximately $11 million (or 30 days) of work was deferred, but is expected to be completed in Q4 or early 2019.
- Pipeline takeaway issues in the Permian have led to deferred completion programs, however the inventory of drilled uncompleted wells in the Permian have increased by 12% in the quarter and approximately 3,700 wells will require completions when egress is resolved, expected in the second half of 2019.
- Revenue per day was $359,552 in the third quarter. Revenue benefitted from U.S. dollar strength; however, management has observed price pressure as U.S. dollar day rate decreased by 14% compared to Q2 2018 as competitors reactivate equipment and work deferrals leave gaps in the schedule.
- U.S. fracturing pumped 115,000 tonnes of proppant over 776 stages in the third quarter of 2018.
- Operating costs decreased by $7.3 million compared to the second quarter of 2018 due to decreased variable product expenses as a result of decreased operating days and less deployed equipment in Q3. Labor inflation in the U.S. market has plateaued, as well the North American procurement strategy has led to savings on proppant and other inputs.
- STEP's policy is to expense fluid ends to repairs and maintenance if their estimated useful life is less than 12 months. During the third quarter, STEP installed fluid ends in the U.S. of $0.8 million and since acquisition $3.5 million.
- The combination of the Tucker and STEP operating bases positions the Company to provide integrated services to a broader client base in more formations.

Coiled tubing services

- Third quarter industry activity remained strong, combined with additional active equipment allowed coiled tubing services to improve operating days by 39% over the same period in 2017.
- Average third quarter revenue per coiled tubing operating day increased 21% over the same period in 2017. The increase is largely attributable to improved pricing driven by robust demand in the Permian as U.S. dollar day rates increased by 16%, the remainder is due to the U.S. dollar gaining strength.

- The acquisition of Tucker's coiled tubing workforce provided an incremental labour pool which has assisted the Company in increasing utilization during labour challenges in certain U.S. operating regions.
- Coiled tubing cost of sales increased in the year compared to the prior year due to increases in coil string expenses. Payroll increases were implemented in the year to remain competitive within the current environment.
- STEP's newest 14' wide coiled tubing unit was delivered to the Permian in September 2018 and two additional coiled tubing units are scheduled for delivery in late 2018 or early 2019 as supported by market demand.

CONSOLIDATED FINANCIAL REVIEW

The financial results reflect the Tucker Acquisition and therefore include revenue and expenses for the period from April 2, 2018 to September 30, 2018. Financial results, when compared to prior periods, will be impacted by the Tucker Acquisition. The Tucker Acquisition contributed $153.6 million of fracturing revenue in the third quarter of 2018.

($000's except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue	$ 240,541	$ 175,537	$ 612,735	$ 398,967
Cost of sales	216,376	130,467	549,656	324,835
Gross profit	24,165	45,070	63,079	74,132
Selling, general and administrative	8,317	5,067	23,494	16,041
Results from operating activities	15,848	40,003	39,585	58,091
Finance costs	4,100	99	7,723	1,003
Foreign exchange (gain) loss	(1,069)	(119)	(680)	338
Gain on disposal of property and equipment	(951)	(95)	(1,373)	(2,096)
Transaction costs	(4)	452	2,921	1,983
Amortization of intangibles	1,588	128	3,016	475
Loss on foreign exchange forward contracts	-	-	1,219	-
Net income before income tax	12,184	39,538	26,759	56,388
Income tax expense (recovery)	2,924	10,963	7,514	16,221
Net Income (loss)	9,260	28,575	19,245	40,167
Other comprehensive income (loss)	(7,471)	(1,436)	1,118	(2,714)
Total comprehensive income (loss)	$ 1,789	$ 27,139	$ 20,363	$ 37,453
Net income (loss)	$ 9,260	$ 28,575	$ 19,245	$ 40,167
Net income (loss) per share – basic	$ 0.14	$ 0.48	$ 0.30	$ 0.72
Net income (loss) per share – diluted	$ 0.14	$ 0.46	$ 0.29	$ 0.71
Adjusted EBITDA [1]	$ 42,451	$ 50,043	$ 105,335	$ 87,621
Adjusted EBITDA % [1]	18%	29%	17%	22%

[1] See Non-IFRS Measures.

Capital expenditures [2]

($000s)	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Canada	$ 22,589	$ 17,486	$ 68,299	$ 56,249
United States	11,711	7,852	29,943	22,685
Total capital expenditures	$ 34,300	$ 25,338	$ 98,242	$ 78,934

(2) Capital expenditures included non-cash expenditures from the addition of capital leases for light duty vehicles.

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

Other Items

Depreciation and amortization

For the three and nine months ended September 30, 2018, depreciation and amortization expense increased to $26.3 million and $61.9 million, respectively, from $9.1 million and $24.9 million in the same periods of 2017. The increase was the result of the tangible and intangible assets acquired in the Tucker Acquisition, and additional equipment deployments over the past twelve months.

Finance costs

STEP's finance costs of $4.1 million and $7.7 million for the three and nine months ended September 30, 2018, respectively, increased from $0.1 million and $1.0 million in the same periods of 2017 as the outstanding balance on the Company's credit facilities was higher in 2018 due to borrowings to fund the Tucker Acquisition. The effective borrowing rate for loans and borrowings for the three months ended September 30, 2018 is 4.7%. Additionally, interest on finance leases increased because of an expanded fleet of leased vehicles.

Foreign exchange gains and losses

STEP recorded a foreign exchange gain of $1.1 million and $0.7 million for the three and nine months ended September 30, 2018, respectively, versus a gain of $0.1 million and a loss $0.3 million in the comparable periods of 2017. Foreign exchange gains and losses arose primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars by Canadian operations.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of non-core property and equipment of $1.0 million and $1.4 million for the three and nine months ended September 30, 2018, respectively, compared to gains of $0.1 million and $2.1 million in the comparable periods of 2017. The decrease related to the nine month ended period is due to the disposal of more non-core assets in 2017 versus 2018. Proceeds on sale of $1.3 million and $1.9 million were recognized in the three and nine months ended September 30, 2018, respectively.

Impairment

STEP reviews for indicators of impairment at each reporting period. Based on management's review, no indicators of impairment existed at September 30, 2018.

Transaction costs

Transaction costs of $0.0 million and $2.9 million for the three and nine months ended September 30, 2018, respectively, relate to pre-acquisition costs from the Tucker Acquisition.

Foreign exchange forward contract gains and losses

For the nine months ended September 30, 2018, STEP recorded a foreign exchange forward contract loss of $1.2 million. This is the result of U.S. dollar movement on forward contracts entered into for the purposes of mitigating foreign exchange risk on the Tucker Acquisition. Cash outflows related to the instruments were $1.2 million. The Company does not currently have any forward contracts.

Share-based compensation

For the three and nine months ended September 30, 2018, STEP recorded share-based compensation expense of $1.9 million and $6.8 million, respectively, compared to $1.1 million and $5.1 million in the same periods of 2017. The increase in expense is due to an addition to the number of units outstanding driven by the new Tucker employees as well as the 2018 incentive compensation program.

Income taxes

STEP recorded an income tax expense of $2.9 million in the three months ended September 30, 2018 and expense of $7.5 million in nine months ended September 30, 2018, compared to an expense of $11.0 million and $16.2 million in the comparable periods of 2017, respectively. The effective tax rate was approximately 28% in the three and nine months ended September 30, 2018 and 2017.

LIQUIDITY AND CAPITAL RESOURCES

($000s)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net cash provided by (used in)				
Operating activities	$ 17,934	$ 22,177	$ 65,338	$ 37,112
Investing activities	(34,910)	(19,153)	(436,717)	(55,799)
Financing activities	9,243	257	338,845	76,939
Impact of foreign exchange on cash	(6)	(126)	347	(197)
Increase (decrease) in cash and cash equivalents	$ (7,739)	$ 3,155	$ (32,187)	$ 58,055
Open cash balance	12,411	57,051	36,859	2,151
Ending cash balance	$ 4,672	$ 60,206	$ 4,672	$ 60,206

Net cash provided by operating activities

Net cash provided by operating activities totaled $17.9 million and $65.3 million for the three and nine months ended September 30, 2018, compared to $22.2 million and $37.1 million in the comparable periods of 2017. The decrease in net cash provided by operating activities for the three months ended September 30, 2018 compared to the same period in 2017 was primarily due to early winter conditions in Canada and some clients deferring work from Q3 2018 into the fourth quarter. The increase in net cash provided by operating activities over the nine month period was due to increased activity largely from the contribution of the Tucker Acquisition.

Net cash used in investing activities

Net cash used in investing activities totaled $34.9 million and $436.7 million for the three and nine months ended September 30, 2018, respectively. The increase relative to the same periods in 2017 can be attributed to the Tucker Acquisition as well as an increased capital program in the current year.

Net cash provided by financing activities

Net cash provided by financing activities totaled $9.2 million and $338.8 million for the three and nine months ended September 30, 2018, respectively. On April 2, 2018, the Company closed an equity financing providing gross proceeds of $56.3 million. As well, the Company had borrowings of $290.6 million on its New Credit Facilities. The proceeds of both were primarily used to finance the Tucker Acquisition. In 2017, financing activities provided cash from the issuance of shares pursuant to the initial public offering, offset by repayment of debt.

Working capital and cash requirements

As at September 30, 2018, STEP had positive working capital of $116.8 million, compared to $121.0 million as at December 31, 2017. Trade and other receivables increased from $139.3 million at December 31, 2017 to $193.4 million at September 30, 2018, due to the inclusion of Tucker's trade receivables. Trade and other payables increased to $108.3 million at September 30, 2018 from $64.6 million at December 31, 2017 due to increased activity, a larger capital budget and the inclusion of Tucker's trade and other payables.

Capital management

($000s)	As at September 30, 2018	As at December 31, 2017
Shareholders' equity	$ 512,247	$ 431,040
Obligations under finance lease	16,578	11,764
Loans and borrowings	288,189	1,813
Total capital	$ 817,014	$ 444,617

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

Equity:

As at November 7, 2018, there were 66,596,858 Common Shares issued and outstanding.

Debt:

At September 30, 2018, the Company has a borrowing agreement with a syndicate of financial institutions. The Company's agreement is comprised of operating facilities (one Canadian and one U.S.) and a revolving facility (together the "New Credit Facilities"). The New Credit Facilities mature on April 2, 2021 and include a $330.0 million revolving credit facility, Canadian $10.0 million operating facility and U.S. $7.5 million operating facility. The maturity date of the New Credit Facilities may be extended for a period of up to 3 years with syndicate approval. The New Credit Facilities include a general security agreement providing a security interest over all present and after acquired personal property of the Company and all of its subsidiaries including mortgages on certain properties. Under the New Credit Facilities, net proceeds raised pursuant to one or more equity issuances or proceeds of the issuance of any subordinated debt shall be applied to reduce the New Credit Facility to not less than $300.0 million.

The New Credit Facilities includes certain financial and non-financial covenants, including:

1) Funded debt to Adjusted bank EBITDA ratio refers to the ratio of total outstanding interest-bearing debt including capital lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to earnings before interest, share-based compensation, non-recurring gains and losses on the sale of property and equipment, unrealized foreign exchange gains and losses, taxes, depreciation, amortization, impairment, unrealized foreign exchange forward contract (gain) loss and transaction costs ("Adjusted bank EBITDA") of the Company for the twelve preceding months. Adjusted bank EBITDA includes the twelve month historical results of Tucker as though the Company owned Tucker throughout the measurement period. Also, realized foreign exchange (gain) loss is excluded from Adjusted bank EBITDA. These are differences from the Company's non-IFRS measure "Adjusted EBITDA". Funded debt to Adjusted bank EBITDA ratio is required to be 3.00:1 or less.

   At September 30, 2018, the Funded debt to Adjusted bank EBITDA ratio was 1.93:1.00.

2) Fixed Charge Coverage Ratio is calculated as Free Cash Flow to cash interest expense and scheduled principal repayments in respect of indebtedness. "Free Cash Flow" is defined as Adjusted Bank EBITDA, defined above, less maintenance capital expenditures, cash distributions and cash tax. This ratio is not to fall below 1.20:1.

   At September 30, 2018, the Fixed Charge Coverage Ratio was 8.06:1.00.

Interest is payable monthly, at the bank's prime lending rate plus 50 basis points to 200 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the third quarter of 2018 was approximately 4.7%. At September 30, 2018, the full amount of the facility was available to be drawn on the New Credit Facilities of which there was $290.6 million outstanding and the Company was in compliance with all covenants.

Contractual obligations, commitments, and provisions

($000s)	2018	2019	2020	Thereafter	Total
Trade and other payables	$ 100,976	$ 7,282	$ -	$ -	**$ 108,258**
Income tax payable	7,174	-	-	-	**7,174**
Operating leases and office space [1]	571	3,158	3,516	8,574	**15,819**
Finance leases [2]	2,479	8,745	4,551	1,687	**17,462**
Loans and borrowings [3]	3,208	12,726	12,761	293,763	**322,458**
Capital expenditure commitments [4]	17,685	-	-	-	**17,685**
Total commitments	$ 132,093	$ 31,911	$ 20,828	$ 304,024	**$ 488,856**

[1] The Company leases certain office and operating facilities. The lease terms range from one to six years with an option to renew upon expiry. Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.30 CAD.
[2] Balance includes interest portion of finance lease obligations.
[3] Includes interest calculated based on principle and rate outstanding at September 30, 2018, both amounts are variable in nature.
[4] A capital expenditure commitment is defined as a purchase agreement between the Company and the supplier as it relates to the Company's capital program.

Litigation

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

In January 2017, Calfrac Well Services Ltd. ("Calfrac") filed a statement of claim in the Judicial District of Calgary in the Court of Queen's Bench against the Company and an employee of the Company seeking $10.0 million in damages among other relief. Calfrac alleges that the employee, who is a former employee of Calfrac, misappropriated certain competitively sensitive materials from Calfrac. Calfrac further alleges that STEP benefited or made use of such materials, resulting in damages to Calfrac. STEP is presently investigating the claim and at this time intends to contest allegations made in the claim. While management does not believe that this action will have a material adverse effect on the business or financial condition of the company, no assurance can be given as to the final outcome of this or any other legal proceeding. If this claim, or any claims which the Company may be subject to in the future, were to be concluded in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SELECTED QUARTERLY INFORMATION

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

Quarterly Results Summary [2] ($000's, except per share amounts)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenue								
Canadian Operations	**147,964**	68,038	165,130	133,868	159,211	92,437	109,778	54,368
United States Operations	**92,577**	116,563	22,463	20,385	16,326	13,009	8,206	9,794
	240,541	184,601	187,593	154,253	175,537	105,446	117,984	64,162
Net income (loss) attributable to shareholders	**9,260**	(8,431)	18,416	17,548	28,575	2,600	8,992	(2,615)
Adjusted EBITDA [3]								
Canadian Operations	**35,190**	(3,438)	34,212	28,476	45,483	13,318	20,445	2,668
United States Operations	**7,261**	24,542	7,568	7,486	4,560	3,121	695	2,587
	42,451	21,104	41,780	35,962	50,043	16,439	21,140	5,255
Capital expenditures								
Canadian Operations	**22,589**	29,368	16,342	23,685	17,486	24,305	14,459	9,263
United States Operations	**11,711**	9,977	8,255	8,335	7,852	8,349	6,484	2,359
	34,300	39,345	24,597	32,020	25,338	32,654	20,943	11,622
Per Common Share								
Net income (loss) – basic	**0.14**	(0.13)	0.30	0.29	0.48	0.05	0.18	(0.05)
Net income (loss) – diluted	**0.14**	(0.13)	0.29	0.28	0.46	0.04	0.18	(0.05)
Adjusted EBITDA [3] – basic	**0.64**	0.32	0.70	0.60	0.83	0.29	0.43	0.11
Adjusted EBITDA [3] – diluted	**0.63**	0.31	0.68	0.57	0.81	0.28	0.43	0.11

[1] STEP's business is seasonal with the periods of greatest activity in Canada being in the first, third and fourth quarters. The U.S. is generally not affected by seasonality.
[2] Totals may not add due to rounding.
[3] See Non-IFRS Measures.

Quarterly Operating Summary (000's, except units)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Canada								
Exit active fracturing spreads	**8**	8	8	7	6	5	5	3
Exit active HP (000's)	**225**	225	225	209	177	145	145	100
Total HP (000's)	**298**	298	298	298	298	298	298	298
Exit active coiled tubing units	**13**	13	13	13	12	11	10	10
Total coiled tubing units	**13**	13	13	13	12	12	12	12
United States								
Exit active fracturing spreads	**3**	4	-	-	-	-	-	-
Exit active HP (000's)	**143**	193	-	-	-	-	-	-
Total HP (000's)	**193**	193	-	-	-	-	-	-
Exit active coiled tubing units	**9**	8	8	6	6	4	4	4
Total coiled tubing units	**11**	10	8	6	6	4	4	4

FINANCIAL INSTRUMENTS

Fair values

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

Interest rate risk

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

Credit risk

The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk associated with the balance. The Company continually monitors individual client trade receivables, considering numerous quantitative and qualitative factors including industry conditions, payment history and financial conditions in assessing credit risk. The Company uses an 'expected credit loss' ("ECL") model to value the impairment of financial assets. The Company measures potential loss exposure on trade and other receivables at an amount equal to lifetime ECL's.

Foreign currency risk

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

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements as at September 30, 2018 other than the operating leases described under "Contractual obligations, commitments and provisions".

NON-IFRS MEASURES

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

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

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

($000s)	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income (loss)	$ **9,260**	$ 28,575	$ **19,245**	$ 40,167
Add (deduct):				
Depreciation and amortization	**26,266**	9,083	**61,945**	24,946
Gain on disposal of P&E	**(951)**	(95)	**(1,373)**	(2,096)
Finance costs	**4,100**	99	**7,723**	1,003
Income tax (recovery) expense	**2,924**	10,963	**7,514**	16,221
Foreign exchange forward contract (gain) loss	**-**	-	**1,219**	-
Share-based compensation	**1,925**	1,085	**6,821**	5,059
Transaction costs	**(4)**	452	**2,921**	1,983
Foreign exchange loss	**(1,069)**	(119)	**(680)**	338
Adjusted EBITDA	$ **42,451**	$ 50,043	$ **105,335**	$ 87,621

ACCOUNTING POLICIES AND ESTIMATES

Internal control over financial reporting

There have been no changes in the Company's existing internal control over financial reporting except as described below that occurred during the period ending September 30, 2018, which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management has limited the scope on the design of disclosure controls and procedures and internal control over financial reporting of the Company to exclude the controls, policies and procedures of the Tucker entities. The scope limitation is in accordance with Section 3.3 of National Instrument 52-109, which allows an issuer to limit its design of internal control over

financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. The Company intends to complete the design of disclosure controls and procedures and internal control over financial reporting of Tucker by June 30, 2019, with operating effectiveness to be confirmed for year-end 2019.

Critical accounting estimates and judgments

This MD&A is based on the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018. The preparation of the interim consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Note 1 to the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and Notes 1 and 2 to the audited annual consolidated financial statements for the year ended December 31, 2017 for a description of the Company's accounting policies, impacts of future accounting pronouncements (including IFRS 16), and practices involving the use of estimates and judgments that are critical to determining STEP's financial results.

Related parties

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") and 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"), each a private equity fund advised by ARC Financial Corp. have been investors in the Company since 2011 and 2015, respectively. Together, ARC Energy Fund 6 and ARC Energy Fund 8 have provided three separate rounds of financing to the Company.

RISK FACTORS AND RISK MANAGEMENT

STEP's business is subject to a number of risks and uncertainties. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the annual MD&A, both of which are available on www.sedar.com. The Company's risk factors and management thereof has not changed substantially from those disclosed in the AIF and annual MD&A.

FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively, "forward-looking statements"). These statements relate to the expectations of management about future events, results of operations and STEP's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. While STEP believes the expectations reflected in the forward-looking statements included in this MD&A are reasonable, such statements are not guarantees of future performance or outcomes and may prove to be incorrect and should not be unduly relied upon.

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: fourth quarter 2018 and 2019 operation outlook; expected completion of Permian pipeline projects in the second half of 2019; expected reduction in pricing pressure; completions activity and utilization levels in 2019; expected profitability for fracturing services in 2019;

ability of the Company to maintain its track record of returns and margin performance; expected utilization levels in the fourth quarter of 2018; and the Company's expected performance in the fourth quarter of 2018 and in 2019.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; completion of, and timing for availability of, additional pipeline capacity; and client activity levels. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this MD&A: volatility in the oil and natural gas industry in North America; reduction in client activity levels; operational volatility due to adverse weather conditions; and the risk factors set forth under the heading "Risk Factors" in the Company's annual information form dated March 19, 2018.