STEP energy services

Fourth Quarter and Annual
Ended December 31, 2018

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 March 5, 2019 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 consolidated financial statements and notes thereto as at and for the year ended December 31, 2018 (the "Financial Statements"). 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, 2018 dated March 5, 2019 (the "AIF").

The financial results for the year ended December 31, 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 in the Unites States ("U.S.").

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 Canada and the 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.

CONSOLIDATED HIGHLIGHTS

($000s except percentages and per share amounts)	Three months ended December 31,		Year ended December 31,		
	2018	2017	**2018**	2017	2016
Consolidated revenue	**$ 169,028**	$ 154,253	**$ 781,763**	$ 553,220	$ 169,153
Net (loss) income attributable to shareholders	**$ (58,549)**	$ 17,548	**$ (39,304)**	$ 57,718	$ (19,956)
Per share-basic	**$ (0.88)**	$ 0.29	**$ (0.60)**	$ 1.02	$ (0.47)
Per share-diluted	**$ (0.89)**	$ 0.28	**$ (0.60)**	$ 1.00	$ (0.47)
Adjusted EBITDA [1]	**$ 12,302**	$ 35,962	**$ 117,637**	$ 123,584	$ 6,222
Adjusted EBITDA % [1]	**7%**	23%	**15%**	22%	4%

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

As at December 31, ($000s except shares and per share amounts)		2018		2017		2016
Cash and cash equivalents	$	**364**	$	36,859	$	2,151
Working capital (including cash and cash equivalents)	$	**67,158**	$	121,032	$	29,872
Total assets	$	**887,908**	$	533,845	$	335,140
Total long-term financial liabilities	$	**260,451**	$	8,049	$	33,994
Shares outstanding basic		**66,682,319**		60,309,738		47,719,703
Weighted average shares – basic		**65,033,085**		56,528,016		42,400,845
Weighted average shares – diluted		**65,352,565**		57,752,867		42,400,845

OPERATIONAL

($000's except per day, days, units, and HP)		Three months ended December 31,				Year ended December 31,		
		2018		2017		2018		2017
Total fracturing operating days (1)		**424**		378		**1,933(2)**		1,483
Fracturing revenue per operating day	$	**290,292**	$	259,866	$	**286,343**	$	246,527
Fracturing capacity (HP):								
Average active HP		**367,500**		187,500		**341,000**		160,688
Exit active HP		**367,500**		209,000		**367,500**		209,000
Total HP (3)		**490,000**		297,500		**490,000**		297,500
Proppant pumped (tonnes)		**287,000**		151,000		**1,070,000**		646,000
Total coiled tubing operating days (1)		**911**		1,237		**4,666**		4,259
Coiled tubing revenue per operating day	$	**50,432**	$	45,290	$	**48,920**	$	44,053
Coiled tubing capacity:								
Average active coiled tubing units		**21**		19		**21**		16
Exit active coiled tubing units		**17**		19		**17**		19
Total coiled tubing units		**26**		19		**26**		19
Capital expenditures (4)	$	**26,785**	$	32,020	$	**125,027**	$	110,955

(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 second quarter of 2018 have been amended to 199 from the previously disclosed 242.
(3) Represents total owned HP, of which 367,500 HP is currently deployed. The remainder requires certain maintenance, refurbishment and rebranding.
(4) Capital expenditures includes non-cash expenditures from the addition of capital leases for light duty vehicles.

UPDATE

The fourth quarter of 2018 was challenged with extreme volatility in commodity prices, reinforcing caution among STEP's clients spending plans and leading to a deferral or cancellation of completion programs. This manifested into an oversupply of service equipment which negatively impacted equipment utilization and pricing. This was most pronounced in Canada as an overall reduction in commodity prices was exacerbated by market egress capacity limitations that drove Canadian producer netbacks to dangerously low levels. In the U.S., pipeline egress issues continued to be a near term industry hurdle as a deferral of completion programs resulted in a growing inventory of drilled and uncompleted Permian wells. The Company was quick to react to this new environment as it restructured its operations to match management's conservative outlook and implemented the following measures:

- Reducing staffed equipment to meet near term demand expectations. In Canada, STEP reduced staffed coiled tubing units to nine units and reconfigured the composition of horsepower to have six fracturing spreads active and deployed, representing 225,000 HP (which includes 117,500 HP with dual fuel capabilities). In the U.S., STEP reduced its active staffed equipment to eight coiled tubing units and during the third quarter of 2018, reduced fracturing operating capacity from four fleets to three in response to lower demand and uneconomic spot pricing.

- Placing a hiring freeze in the fourth quarter and implementing plans to reduce overhead and administrative spending that led to a reduction of overhead positions by 13% early in 2019. These very difficult reductions were required to bring overhead and administrative levels in line with near term activity expectations. The result of the reduction in positions and hiring freeze is expected to save approximately $4.1 million annually. Alongside the reduction of STEP's operating capacity, the Company also reduced field staffing by 12% since the end of the third quarter. All severance and related costs will be reflected in STEP's first quarter of 2019 financial statements.
- Utilizing cash flow from operations to pay down debt in the fourth quarter of 2018 by $39.7 million to bring total outstanding debt at December 31, 2018 to $254.6 million (before deferred financing costs). In addition, the Company optimized its payment cycle to better represent industry practices.
- Reducing the 2018 capital budget by $20 million to $141 million. Spending on ongoing projects was focused on critical items. Management elected to defer spending approximately $14 million of its remaining capital that was largely slated to reactivate select equipment and will monitor market demand and activity levels to determine timing and needs for this spend. Capital expenditures were $26.8 million in the fourth quarter of 2018, representing a decrease of 16% from the same period in 2017.

Fourth quarter results also included an impairment loss of $46.0 million on the carrying amount of goodwill. The impairment of goodwill in the U.S. fracturing cash generating unit ("CGU") resulted from the deterioration of the oil and gas industry, primarily due to Texas pipeline egress issues and oversupply of equipment leading to price pressure in Oklahoma.

Subsequent to year end, the Company entered into an agreement with its syndicate of lenders to make certain amendments to its credit facilities in order to provide increased financial flexibility. These amendments comprised of a change to the maximum Funded debt to Adjusted bank EBITDA ratio, the replacement of the Fixed Charge Coverage ratio to an Interest Coverage Ratio, and the inclusion of an equity cure provision. Further details can be found in the 'Capital Management' section.

FINANCIAL HIGHLIGHTS – FULL YEAR 2018 COMPARED TO 2017

- Generated full year consolidated revenue of $781.8 million, compared to $553.2 million in 2017, representing an increase of 41%. The increase compared to the prior year is attributable to the Tucker Acquisition, increased equipment deployed and modest increases in revenue per operating day. The Tucker Acquisition contributed $202.9 million of fracturing revenue in 2018.
- Adjusted EBITDA of $117.6 million (or 15%) in 2018 compared to $123.6 million (or 22%) in 2017. Adjusted EBITDA margin was impacted by decreased utilization levels in the second half of the year, margin compression due to competitive pressure, and increased maintenance performed while assets were idle.
- Net loss for the year was $39.3 million compared to net income of $57.7 million in the prior year. 2018 net loss was impacted by $46.0 million of impairment charges to goodwill associated with the U.S. fracturing CGU as well as increased finance expenses related to interest on borrowings outstanding to finance the Tucker Acquisition. Before the effect of the impairment net income for the year was $6.7 million.
- On April 2, 2018, STEP completed the purchase of all of the issued and outstanding capital stock of Tucker for $340.2 million (U.S. $263.6 million) after closing adjustments.

FINANCIAL HIGHLIGHTS – FOURTH QUARTER 2018 COMPARED TO 2017

- Generated fourth quarter consolidated revenue of $169.0 million, compared to $154.3 million in the fourth quarter of 2017, representing an increase of 10%. The increase compared to the prior year is primarily attributable to the Tucker Acquisition and increased equipment deployed offset by decreased utilization due to significant commodity price volatility and client budget exhaustion. The Tucker Acquisition contributed $49.3 million of fracturing revenue in the fourth quarter of 2018.
- Adjusted EBITDA was $12.3 million (or 7%) in the fourth quarter of 2018 compared to $36.0 million (or 23%) in the same period of 2017. The decrease in margin percentage is due to inefficiencies from low utilization as a result of client hesitation to spend capital in an extremely volatile commodity price market. During this period, the Company took measures to align its operations with management's cautious outlook.

- Net loss for the fourth quarter was $58.5 million compared to net income of $17.5 million in the same quarter of 2017. 2018 net loss was impacted by $46.0 million of impairment charges to goodwill associated with the U.S. fracturing CGU as well as increased finance expenses related to interest on borrowings outstanding to finance the Tucker Acquisition.

OPERATIONAL HIGHLIGHTS

- Consolidated fracturing services delivered a 12% improvement in quarterly revenue per operating day to $290,292 relative to the same period in 2017, primarily due to operating additional equipment and the impact of higher daily revenue from U.S. Fracturing operations. The results also benefited from a strengthened U.S. dollar relative to the Canadian dollar.
- Total fracturing operating days grew both quarterly and year over year as a result of increased operating fleet. Activity levels faced headwinds in the fourth quarter from extreme commodity price volatility and client budget exhaustion, that translated into lower overall demand for completion operations. In response to the reduced demand outlook, management reduced its active fracturing spread count to nine spreads exiting 2018, with six spreads operating in Canada and three spreads in the U.S.
- Consolidated coiled tubing revenue per operating day increased 11% to $50,432 in 2018 as newer, higher capacity units were deployed predominantly in the U.S. market.
- Active coiled tubing units decreased to 17 at the end of 2018 from 19 in 2017. Based on weak fourth quarter market conditions, the Company idled equipment to match management's cautious outlook. Two units remain available for deployment should market conditions allow and two units require refurbishment.

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. $263.6 million, after 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 $3.0 million relating to advisory, due diligence, and legal fees. These have been expensed in the consolidated statements of net (loss) income 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 in the second quarter of 2018 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 acquisition with cash, drawing on its new credit facility and the issuance of common shares. The Company secured a new $330.0 million revolving syndicated credit facility, a Canadian $10.0 million operating facility, and a U.S. $7.5 million operating facility (together, the "New Credit Facilities"). Costs incurred to arrange the New Credit Facilities were $2.4 million and are recorded as deferred financing costs and expensed over the life of the New Credit Facilities. STEP also raised $56.3 million through the issuance of 6,055,000 common shares at a price of $9.30 per common share, which included 675,000 common shares issued pursuant to the partially exercised over-allotment option granted to the syndicate of underwriters. Total costs related to the equity offering were $2.9 million less $0.8 million in deferred tax which have been recognized in share capital.

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.

INDUSTRY CONDITIONS & OUTLOOK

CANADIAN OPERATIONS

Extreme commodity price volatility at the end of 2018 has created a cautious outlook for industry capital spending in 2019. Recent client budgets underpin a commitment to spend within cash flow which has resulted in lower expected year over year activity. This is evidenced by 30% to 35% lower rig counts to begin 2019. STEP expects to realize normal utilization for its manned equipment through the remainder of the first quarter, barring a negative impact of an early spring.

Outlook on Canadian completions activity beyond the first quarter remains less clear as producers are opting to position themselves defensively with the current cautious market backdrop and have yet to provide clarity for second half completion programs. As mentioned in STEP's business update on October 25, 2018, securing long term arrangements with tier 1 clients who are expected to have active work programs has proven to be fortuitous considering current industry conditions. STEP's Canadian operations began 2019 operating nine coiled tubing units and six fracturing spreads, representing 225,000 HP, and will continue to monitor its operating capacity based on industry demand and long term economic returns.

U.S. OPERATIONS

STEP's outlook for its U.S. operations remain unchanged from its third quarter disclosure, as management continues to expect the current market for fracturing services to be challenged as a result of the decline in oil prices in the fourth quarter and until Texas pipeline-related egress issues are alleviated. Industry watchers expect that this will occur in the second half of 2019, with client discussions continuing to support a tightening of fracturing capacity alongside pipeline capacity additions. Management also anticipates short-term demand for coiled tubing services will remain tempered until completions activity increases.

Specific to STEP's U.S. fracturing services, the Oklahoma market continues to exhibit an oversupply of equipment leading to competitors bidding for jobs with minimal margin contribution. The Company has been successful in retaining its core client relationships but has seen the spot market demand deteriorate, resulting in weak utilization quarter-to-date. Management continues to evaluate its fleet distribution strategy and is analyzing potential long-term arrangements in other basins. STEP's U.S. operations began 2019 operating eight coiled tubing units and three fracturing spreads, representing 142,500 HP.

CAPITAL UPDATE

As previously disclosed, STEP opted to reduce the 2018 capital spending program by $20 million to $141 million based on an assessment of market conditions. Due to continued commodity price volatility and client spending uncertainty in the fourth quarter, the Company also elected to defer spending approximately $14 million of this remaining capital which was largely slated to reactivate select equipment. Management will continue to monitor market conditions and may choose to spend this deferred capital to reactive equipment if economic and strategic justification materializes.

In keeping with management's conservative outlook for 2019, STEP's board of directors has approved a 2019 capital program of $48 million which is largely comprised of maintenance capital to sustain its current operating fleet. Total 2019 capital spend is projected to be $60 million, should the Company elect to spend the 2018 carry forward capital. Management will conservatively balance the Company's capital program and available equipment levels based on market dynamics and economic returns.

PRIMARY OBJECTIVES

The Company's short term objectives were confirmed upon approval of the 2019 budget, and include:

- Managing costs and cost inflation: minimizing the cost structure of the Company and the effects that increasing completions activity will have on ongoing operating costs;
- Optimization of our capital structure: focus on debt repayment;
- Driving efficiency: using our scale and technology to further optimize our field operations and processes to improve returns;
- Maximize profitability: value creation approach based on returns and profitability; and
- Personnel retention and recruitment: reducing our turnover to lower personnel costs and provide flexibility to reactivate idled equipment to service excess customer demand.

Our primary long-term objective of prudent management and measured growth is expected to add long-term value on a per share basis.

CANADIAN OPERATIONS OVERVIEW

STEP provides integrated well services which includes fracturing solutions and coiled tubing services for completion operations. The Company's Canadian coiled tubing units are designed to service the deepest wells in the region. It currently maintains a fleet of 14 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. Canadian operations currently include six fracturing spreads representing 225,000 HP (including approximately 117,500 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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended December 31, 2018	2017	Year ended December 31, 2018	2017
Revenue:				
Fracturing	$ 73,814	$ 98,229	$ 350,628	$ 365,599
Coiled tubing	23,942	35,639	128,260	129,695
	97,756	133,868	478,888	495,294
Expenses:				
Cost of sales	97,880	109,950	436,135	404,256
Selling, general and administrative	5,322	4,755	20,461	18,483
Results from operating activities	$ (5,446)	$ 19,163	$ 22,292	$ 72,555
Add non-cash items:				
Depreciation	11,970	8,055	44,581	29,323
Share-based compensation	169	1,258	5,784	5,844
Adjusted EBITDA (1)	$ 6,693	$ 28,476	$ 72,657	$ 107,722
Adjusted EBITDA % (1)	7%	21%	15%	22%
Sales mix (% of segment revenue)				
Fracturing	76%	73%	73%	74%
Coiled tubing	24%	27%	27%	26%
Fracturing services				
Fracturing revenue per operating day	$ 245,230	$ 259,866	$ 245,195	$ 246,527
Number of fracturing operating days (2)	301	378	1,430	1,483
Active pumping HP, end of period	225,000	209,000	225,000	209,000
Idle pumping HP, end of period	72,500	88,500	72,500	88,500
Total pumping HP, end of period (3)	297,500	297,500	297,500	297,500
Proppant pumped (tonnes)	192,000	151,000	701,000	640,000
Coiled tubing services				
Coiled tubing revenue per operating day	$ 49,775	$ 43,356	$ 46,420	$ 43,391
Number of coiled tubing operating days (2)	481	822	2,763	2,989
Active coiled tubing units, end of period	9	13	9	13
Idle coiled tubing units, end of period	5	-	5	-
Total coiled tubing units, end of period	14	13	14	13

(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.

FULL YEAR 2018 HIGHLIGHTS – CANADA

Canadian revenue for the year ended December 31, 2018 was $478.9 million, a decrease of 3% from 2017 revenue of $495.3 million due to fewer operating days in both fracturing and coiled tubing. In 2018, activity in western Canada was impacted by extreme commodity price differentials, weather challenges, industry capital spending caution, and client budget exhaustion in the fourth quarter of the year. This was especially apparent on the fracturing service line where decreased operating days were responsible for approximately $14.9 million less revenue year over year. Revenue per operating day remained relatively consistent year over year, although an oversupplied market emerged in the later part of 2018 which resulted in weakening demand and downward pricing pressure.

Adjusted EBITDA in respect of STEP's Canadian operations for the year ended December 31, 2018 was $72.7 million (or 15%), in comparison with $107.7 million (or 22%) in 2017. The margin percentage decrease is attributable to lower activity levels across a larger fixed cost asset base and increases in general operating expenses including maintenance performed during the year.

FOURTH QUARTER 2018 HIGHLIGHTS – CANADA

Revenue in the fourth quarter of 2018 was $97.8 million, a decrease of 27% from the same quarter of 2017. The decrease is related to the market activity slow down which impacted utilization and revenue per operating day. Fourth quarter 2018 fracturing operating days decreased by 20% and coiled tubing operating days decreased by 41% relative to the fourth quarter of 2017. Fracturing revenue per operating day decreased by 6% quarter over quarter as the over supplied market increased competition for limited work.

Adjusted EBITDA in respect of STEP's Canadian operations for the three months ended December 31, 2018 was $6.7 million (or 7%), in comparison with $28.5 million (or 21%) in the comparable 2017 period. The fourth quarter margin percentage decrease is a result of weak utilization relative to the Company's fixed cost structure. Additionally, there were increases in expense from fuel consumption and maintenance performed in the quarter. At the end of 2018, the Company responded to continued industry uncertainty by reducing headcount, deferring or cancelling capital and revaluating overhead and SG&A.

OPERATING HIGHLIGHTS – CANADIAN FRACTURING SERVICES

- During the fourth quarter of 2018, STEP reconfigured its composition of horsepower for its fracturing fleet. At year end, six fracturing spreads were staffed, deployed and active with active horsepower of 225,000 HP.
- STEP's Canadian operations pumped 192,000 tonnes of proppant over 3,148 stages in the fourth quarter of 2018, while the comparable quarter in 2017 saw 151,000 tonnes pumped over 3,480 stages.
- The Company has aligned with clients who are expected to remain active in the WCSB despite the current cautious outlook for Canadian oil and gas capital expenditures.
- In Canada, STEP capitalizes fluid ends when it is determined that it has an estimated useful life that exceeds 12 months. Fluid ends installed in the three months ended December 31, 2018 totalled approximately $1.1 million and year to date $4.7 million.
- The completion of the new, more efficient, STEP-XPRS fracturing spread positions the Company to gain market share in the active, shallow oil focused plays, such as the Viking, Cardium, and Shaunavon. The first job for this unit was completed in January 2019.

OPERATING HIGHLIGHTS – CANADIAN COILED TUBING SERVICES

- During the fourth quarter of 2018, the Company introduced its newest and most technologically innovative coiled tubing unit to the market and completed its first job in January 2019. This latest unit provides real-time downhole data, analysis, and customizable automation parameters.
- The Company has staffed nine units going into the first quarter of 2019 to meet current activity levels. Additional units will be re-staffed and deployed as market conditions and economic returns allow.
- Well lengths continued to increase in the year, and STEP's technologically advanced equipment is able to service these with a current depth record of 7,325 metres with 2-3/8" (60.3mm) coiled tubing.

UNITED STATES OPERATIONS OVERVIEW

STEP's U.S. business began by offering coiled tubing services to E&P companies in 2015. STEP currently maintains a fleet of 12 coiled tubing units in the Permian and Eagle Ford basins in Texas and the Haynesville shale basin in Louisiana, with the flexibility to increase its operating capacity on a short-term basis as needed. STEP closed the Tucker Acquisition on April 2, 2018, positioning 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, country and formation diversification, and the ability to offer integrated services in the U.S. Financial results, when compared to prior periods, are impacted by the addition of Tucker.

($000's except per day, days, units, proppant pumped and HP)	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Revenue:				
Fracturing	$ 49,270	$ -	$ 202,873	$ -
Coiled tubing	22,002	20,385	100,002	57,926
	71,272	20,385	302,875	57,926
Expenses:				
Cost of sales	74,752	13,692	286,154	44,221
Selling, general and administrative	4,466	815	12,819	3,127
Results from operating activities	$ (7,946)	$ 5,878	$ 3,902	$ 10,578
Add non-cash items:				
Depreciation	13,144	1,402	39,462	4,605
Share-based compensation	411	206	1,616	679
Adjusted EBITDA (1)	$ 5,609	$ 7,486	$ 44,980	$ 15,862
Adjusted EBITDA % (1)	8%	37%	15%	27%
Sales mix (% of segment revenue)				
Fracturing	69%	0%	67%	0%
Coiled tubing	31%	100%	33%	100%
Fracturing services				
Fracturing revenue per operating day	$ 400,568	$ -	$ 403,325	$ -
Number of fracturing operating days (2)	123	-	503(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	-
Proppant pumped (tonnes)	96,000	-	369,000	-
Coiled tubing services				
Coiled tubing revenue per operating day	$ 51,168	$ 49,120	$ 52,550	$ 45,611
Number of coiled tubing operating days (2)	430	415	1,903	1,270
Active coiled tubing units, end of period	8	6	8	6
Idle coiled tubing units, end of period	4	-	4	-
Total coiled tubing units, end of period	12	6	12	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 the second quarter U.S. fracturing have been amended to 199 from the previously disclosed 242.*
(4) *Represents total owned HP, some of which will require capital for maintenance, refurbishment, and rebranding.*

FULL YEAR 2018 HIGHLIGHTS – U.S.

U.S. revenue in the year ended December 31, 2018 was $302.9 million, an increase from 2017 revenue of $57.9 million due to fracturing assets acquired through the Tucker Acquisition and increased coiled tubing equipment deployed. Fracturing contributed 67% of the annual U.S. revenue in 2018. U.S. coiled tubing services continued to gain market share through the addition of new spreads in 2018, increasing operating days by 50% to 1,903 by year end. Coiled tubing revenue per day increased year over year by 15% to $52,550 per day as favourable operating conditions in the Permian basin increased demand for larger coiled tubing units.

Adjusted EBITDA in respect of STEP's U.S. operations for the year ended December 31, 2018 was $45.0 million (or 15%), in comparison with $15.9 million (or 27%) in 2017. Adjusted EBITDA percentage was negatively impacted by low fracturing utilization in the fourth quarter as many clients faced budget exhaustion or were experiencing capital program delays from egress issues in the Permian. Increased competitive pressures were also exhibited in Oklahoma resulting in service pricing pressure. Payroll increases were implemented early in the year to remain competitive and continued demand for high quality professionals continued to put pressure on labour costs. Inflationary pressures in high demand regions, resulting in increased costs associated with travel and consumables, further impacted margins.

FOURTH QUARTER 2018 HIGHLIGHTS – U.S.

Revenue in the three months ended December 31, 2018 increased to $71.3 million, up from $20.4 million in the same period of 2017, primarily as a result of the Tucker Acquisition. Fracturing contributed 69% of the U.S. revenue in the fourth quarter. Fracturing revenue per day of $400,568 a marginal change from the prior quarter as a change in client mix offset continued price pressure. Fourth quarter coiled tubing operating days increased by 4% versus the same period in 2017 as decreases due to deferred activity in the Permian basin reduced the impact of new equipment deployments. Despite a competitive spot market pricing environment, coiled tubing revenue per operating day remained consistent in U.S. dollars year over year but benefited from U.S. dollar strengthening relative to the Canadian dollar.

Adjusted EBITDA in respect of STEP's U.S. operations was $5.6 million (or 8%), compared to $7.5 million (or 37%) for the fourth quarter of 2017. Adjusted EBITDA percentage was impacted by low utilization as clients demonstrated capital discipline in a volatile commodity market and restricted spending late in 2018. Additionally, the Company maintained existing staff and support structure in anticipation of stronger utilization in 2019.

OPERATING HIGHLIGHTS – U.S. FRACTURING SERVICES

- During the year, STEP opted to reduce its U.S. fracturing operating capacity from four to three fleets in recognition of near term lower demand and uneconomic spot market pricing. In the fourth quarter, fracturing averaged 142,500 HP deployed and the Company expects to have three spreads remain active until longer term client demand and favourable economic conditions exist.
- The combination of the Tucker and STEP operating bases positions the Company to provide integrated services to a broader client base in multiple formations. During the fourth quarter of 2018, STEP initiated fracturing work for the first time on wells in the Eagle Ford basin.
- U.S. fracturing pumped 96,000 tonnes of proppant over 675 stages in the fourth quarter of 2018.
- STEP's policy is to expense fluid ends to repairs and maintenance if their estimated useful life is less than 12 months. STEP expensed fluid ends valued at $0.6 million during the fourth quarter and $4.1 million since closing of the Tucker Acquisition.

OPERATING HIGHLIGHTS – U.S. COILED TUBING SERVICES

- STEP deployed four coiled tubing units during the year, increasing the fleet by 67%, expanding its ability to meet client demand and broaden its operating areas to pursue opportunities in additional regions.
- Pipeline egress issues in the Permian have led to deferred completion programs; as a result, the inventory of drilled uncompleted wells in the Permian increased by 19% in the fourth quarter of 2018. Industry watchers expect these wells will require completions when egress is resolved which is expected in the second half of 2019.
- In the fourth quarter, STEP deployed its 14 ft wide coiled tubing unit which began work in the Permian in October 2018. This 14 ft wide design is capable of carrying 8,000 m (26,000 ft) of 2-5/8" coiled tubing to meet the increasing demand for longer reach lateral wells.

CONSOLIDATED FINANCIAL REVIEW

The financial results reflect the Tucker Acquisition and therefore include revenue and expenses for the period from April 2, 2018 to December 31, 2018. Financial results, when compared to prior periods, will be impacted by the Tucker Acquisition. The Tucker Acquisition contributed $49.3 million and $202.9 million of fracturing revenue in the three and twelve months ended December 31, 2018, respectively.

($000's except per share amounts)	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Revenue	$ 169,028	$ 154,253	$ 781,763	$ 553,220
Cost of sales	172,632	123,642	722,288	448,477
Gross (loss) profit	(3,604)	30,611	59,475	104,743
Selling, general and administrative	9,787	5,571	33,280	21,610
Results from operating activities	(13,391)	25,040	26,195	83,133
Finance costs	3,733	107	11,456	1,110
Foreign exchange loss	2,967	371	2,288	708
(Gain) Loss on disposal of property and equipment	(3,534)	247	(4,907)	(1,849)
Transaction costs	98	175	3,019	2,158
Amortization of intangibles	1,589	10	4,605	485
(Gain) Loss on foreign exchange forward contracts	(44)	-	1,175	-
Impairment of goodwill	46,000	-	46,000	-
Net (loss) income before income tax	(64,200)	24,130	(37,441)	80,521
Income tax expense (recovery)	(5,651)	6,582	1,863	22,803
Net (loss) Income	(58,549)	17,548	(39,304)	57,718
Other comprehensive income (loss)	23,925	(36)	25,027	(2,678)
Total comprehensive income (loss)	$ (34,624)	$ 17,512	$ (14,277)	$ 55,040
Net (loss) income per share – basic	$ (0.88)	$ 0.29	$ (0.60)	$ 1.02
Net (loss) income per share – diluted	$ (0.89)	$ 0.28	$ (0.60)	$ 1.00
Adjusted EBITDA [(1)]	$ 12,302	$ 35,962	$ 117,637	$ 123,584
Adjusted EBITDA % [(1)]	7%	23%	15%	22%

[(1)] See Non-IFRS Measures.

CAPITAL EXPENDITURES [(2)]

($000s)	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Canada	$ 12,835	$ 23,685	$ 81,134	$ 79,935
United States	13,950	8,335	43,893	31,020
Total capital expenditures	$ 26,785	$ 32,020	$ 125,027	$ 110,955

(2) Capital expenditures include 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 twelve months ended December 31, 2018, depreciation and amortization expense increased to $26.7 million and $88.6 million, respectively, from $9.5 million and $34.4 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 deployment.

Finance costs

STEP's finance costs of $3.7 million and $11.5 million for the three and twelve months ended December 31, 2018, respectively, increased from $0.1 million and $1.1 million in the same periods of 2017. The increase is primarily due to a higher outstanding balance on the Company's credit facilities in 2018 related to borrowings to fund the Tucker Acquisition. The effective borrowing rate for loans and borrowings for the three months ended December 31, 2018 is approximately 4.4%. Additionally, interest on finance leases increased because of an expanded fleet of leased vehicles and deferred finance charges increased from the amortization of debt issuance costs incurred during the year.

Foreign exchange gains and losses

STEP recorded a foreign exchange loss of $3.0 million and $2.3 million for the three and twelve months ended December 31, 2018, respectively, versus a loss of $0.4 million and a loss $0.7 million in the comparable periods of 2017. The increase is primarily due to the increase in debt denominated in U.S. dollars. Foreign exchange gains and losses arose 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 $3.5 million and $4.9 million for the three and twelve months ended December 31, 2018, respectively, compared to losses of $0.2 million and gains $1.8 million in the comparable periods of 2017. The increases are related to the disposal of more non-core assets in the latter part of 2018. Proceeds on sale of $4.7 million and $6.6 million were recognized in the three and twelve months ended December 31, 2018, respectively.

Impairment

As required by IAS 36, the Company performed its annual impairment tests on goodwill for the U.S. fracturing CGU. The results of this calculation concluded an impairment loss of $46.0 million on the carrying amount of goodwill was required. The impairment of goodwill in the U.S. fracturing CGU resulted from the deterioration of the oil and gas industry, primarily Texas pipeline egress issues and oversupply of equipment leading to pricing pressure in Oklahoma. Additionally, management concluded that the excess of carrying amount of the net assets over the market capitalization of the Company as well as volatility in current commodity pricing were indicators for impairment. Based on management's assessment, no impairments were required for the Canadian Fracturing, Canadian Coiled Tubing or U.S. Coiled Tubing CGUs at December 31, 2018.

Transaction costs

Transaction costs of $0.1 million and $3.0 million for the three and twelve months ended December 31, 2018, respectively, relate to pre-acquisition, due diligence and legal costs related to the Tucker Acquisition.

Foreign exchange forward contract gains and losses

For the year ended December 31, 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.

Share-based compensation

For the three and twelve months ended December 31, 2018, STEP recorded share-based compensation expense of $0.6 million and $7.4 million, respectively, compared to $1.5 million and $6.5 million in the same periods of 2017. The decrease in the quarterly expense is due to recoveries from the mark to market of cash settled director share units. The annual increase in expense is due to the addition of units outstanding for the new U.S. fracturing employees as well as the Company's 2018 incentive compensation program.

Income taxes

STEP recorded an income tax recovery of $5.7 million for the three months ended December 31, 2018 and expense of $1.9 million for the year ended December 31, 2018, respectively, compared to an expense of $6.6 million and $22.8 million for the comparable periods of 2017. The average combined tax rate was approximately 27% for the three months and year ended December 31, 2018 and 2017.

LIQUIDITY AND CAPITAL RESOURCES

($000s)		Three months ended December 31,				Year ended December 31,		
		2018		2017		**2018**		2017
Net cash provided by (used in)								
Operating activities	**$**	**45,558**	$	12,020	**$**	**110,896**	$	49,143
Investing activities		**(9,207)**		(29,471)		**(445,924)**		(90,284)
Financing activities		**(41,223)**		(5,945)		**297,622**		75,998
Impact of foreign exchange on cash		**564**		49		**911**		(149)
Increase (decrease) in cash and cash equivalents	**$**	**(4,308)**	$	(23,347)	**$**	**(36,495)**	$	34,708
Open cash balance		**4,672**		60,206		**36,859**		2,151
Ending cash balance	**$**	**364**	$	36,859	**$**	**364**	$	36,859

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled $45.6 million and $110.9 million for the three months and year ended December 31, 2018, respectively, compared to $12.0 million and $49.1 million for the comparable periods of 2017. The increase in net cash provided by operating activities for the three months and year ended December 31, 2018 compared to the same periods in 2017 was primarily due to changes in working capital offset by lower net income. As activity slowed in the fourth quarter, Adjusted EBITDA decreased and the accounts receivable balance declined when amounts were collected.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled $9.2 million and $445.9 million for the three months and year ended December 31, 2018, respectively. In the fourth quarter, capital spending of $23.9 million was offset by a recovery of $14.8 million from purchase adjustments in the Tucker Acquisition. The annual increase relative to the same period in 2017 can be attributed to the Tucker Acquisition as well as a slightly increased capital program in the current year.

NET CASH PROVIDED BY FINANCING ACTIVITIES

Net cash used by financing activities totaled $41.2 million for the three months ended December 31, 2018 as the Company focused on debt repayment. For the year ended December 31, 2018, the net cash provided by financing activities was $297.6 million. On April 2, 2018, the Company closed an equity financing providing gross proceeds of $56.3 million. As well, the Company had borrowings of $254.6 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 December 31, 2018, STEP had positive working capital of $67.2 million, compared to $121.0 million as at December 31, 2017. Trade and other receivables decreased from $139.3 million at December 31, 2017 to $124.6 million at year end, due to lower fourth quarter activity in 2018. Trade and other payables increased to $84.1 million at December 31, 2018 from $64.6 million at December 31, 2017 due to the inclusion of Tucker's trade and other payables. Available financial resources at December 31, 2018 were $96.0 million, consisting of cash on hand and the remaining capacity on the New Credit Facilities. Available financial resources combined with forecasted cash flow from operations in 2019 are expected to be sufficient to finance the 2019 capital program and allow for additional debt repayment.

CAPITAL MANAGEMENT

As at December 31, ($000s)		2018		2017
Shareholders' equity	$	478,604	$	431,040
Obligations under finance lease		16,499		11,764
Loans and borrowings		252,441		1,813
Total capital	$	747,544	$	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 March 5, 2019, there were 66,682,319 Common Shares issued and outstanding.

DEBT:

At December 31, 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 December 31, 2018, the Funded debt to Adjusted bank EBITDA ratio was 2.20:1.

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 December 31, 2018, the Fixed Charge Coverage Ratio was 4.82:1.00.

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 fourth quarter of 2018 was approximately 4.39%. At December 31, 2018, the full amount of the facility was available to be drawn on the New Credit Facilities of which there was $254.6 million outstanding and the Company was in compliance with all covenants.

SUBSEQUENT EVENT

On March 5, 2019, the Company's credit facilities were amended (together the "Amended Credit Facilities"). The primary amendments include a change to the Funded debt to Adjusted bank EBITDA ratio, the removal of the Fixed Charge Coverage ratio, and an addition of the Interest Coverage ratio. Interest continues to be payable monthly, at the bank's prime lending rate plus 50 basis points to 300 basis points depending on certain financial ratios of the Company. Under the Amended Credit Facilities, any leases accounted for as an operating lease in effect on December 31, 2018 will continue to be recognized as operating leases for the purposes of calculating the financial covenants.

Key changes to financial covenants are summarized below:

1) Funded debt to Adjusted bank EBITDA ratio is calculated the same, however it is now required to meet the following ratios:

Quarters Ended	Required Funded debt to Adjusted bank EBITDA ratio
March 31, 2019	3.50:1 or less
June 30, 2019	4.00:1 or less
September 30, 2019 to December 31, 2019	4.50:1 or less
March 31, 2020	4.00:1 or less
June 30, 2020	3.50:1 or less
September 30, 2020 and thereafter	3.00:1 or less

2) Interest coverage ratio refers to the ratio of Adjusted bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on capitalized lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance advances. This ratio is not to fall below 3.00:1 or less.

An equity cure is available for the purposes of determining compliance with the Funded Debt to Adjusted bank EBITDA ratio. The equity cure is available for use up to two times, in non-consecutive quarters, until the expiry of the Amended Credit Facilities. Each use of the equity cure is limited to $25 million from the issuance of equity securities and must be utilized to repay borrowings under the Credit Facilities.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	$ 84,079	$ -	$ -	$ -	$ -	**$ 84,079**
Income tax payable	4,572	-	-	-	-	**4,572**
Operating leases and office space [(1)]	5,073	3,709	3,530	2,519	5,102	**19,933**
Finance leases [(2)]	9,046	6,263	2,219	18	-	**17,546**
Loans and borrowings [(3)]	11,061	11,092	257,362	-	-	**279,515**
Capital expenditure commitments [(4)]	8,204	-	-	-	-	**8,204**
Total commitments	$ 122,035	$ 21,064	$ 263,111	$ 2,537	$ 5,102	**$ 413,849**

[(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 December 31, 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 to which the Company may be subject 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)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue								
Canadian Operations	**97,756**	147,964	68,038	165,130	133,868	159,211	92,437	109,778
United States Operations	**71,272**	92,577	116,563	22,463	20,385	16,326	13,009	8,206
	169,028	240,541	184,601	187,593	154,253	175,537	105,446	117,984
Net (loss) income attributable to shareholders	**(58,549)**	9,260	(8,431)	18,416	17,548	28,575	2,600	8,992
Adjusted EBITDA [3]								
Canadian Operations	**6,693**	35,190	(3,438)	34,212	28,476	45,483	13,318	20,445
United States Operations	**5,609**	7,261	24,542	7,568	7,486	4,560	3,121	695
	12,302	42,451	21,104	41,780	35,962	50,043	16,439	21,140
Capital expenditures								
Canadian Operations	**12,835**	22,589	29,368	16,342	23,685	17,486	24,305	14,459
United States Operations	**13,950**	11,711	9,977	8,255	8,335	7,852	8,349	6,484
	26,785	34,300	39,345	24,597	32,020	25,338	32,654	20,943
Per Common Share								
Net (loss) income – basic	**(0.88)**	0.14	(0.13)	0.30	0.29	0.48	0.05	0.18
Net (loss) income – diluted	**(0.89)**	0.14	(0.13)	0.29	0.28	0.46	0.04	0.18
Adjusted EBITDA [3] – basic	**0.18**	0.64	0.32	0.70	0.60	0.83	0.29	0.43
Adjusted EBITDA [3] – diluted	**0.18**	0.63	0.31	0.68	0.57	0.81	0.28	0.43

[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)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Canada								
Exit active fracturing spreads	**6**	8	8	8	7	6	5	5
Exit active HP (000's)	**225**	225	225	225	209	177	145	145
Total HP (000's)	**298**	298	298	298	298	298	298	298
Exit active coiled tubing units	**9**	13	13	13	13	12	11	10
Total coiled tubing units	**14**	13	13	13	13	12	12	12
United States								
Exit active fracturing spreads	**3**	3	4	-	-	-	-	-
Exit active HP (000's)	**143**	143	193	-	-	-	-	-
Total HP (000's)	**193**	193	193	-	-	-	-	-
Exit active coiled tubing units	**8**	9	8	8	6	6	4	4
Total coiled tubing units	**12**	11	10	8	6	6	4	4

FOURTH QUARTER – 2018

STEP generated revenue of $169.0 million, Adjusted EBITDA of $12.3 million, and net loss of $58.5 million. Decrease in financial and operational performance relative to the third quarter of 2018 is due to lower industry activity during the quarter as a result of client budget exhaustion and Canadian oil and gas market uncertainties. The Company had approximately 75% of its total fracturing HP and approximately 87% of its coiled tubing capacity active during the quarter. Pricing continued to be impacted from an oversupply of horsepower in the market. Margins decreased as a result of fixed cost structure staffed for higher expected utilization in 2019. The Company also recorded an impairment of $46.0 million to goodwill associated with the U.S. fracturing CGU.

THIRD QUARTER – 2018

The Company generated record quarterly revenue of $240.5 million, Adjusted EBITDA of $42.5 million, and net income of $9.3 million. The record quarterly revenue reflects increased equipment deployed across all service lines and the addition of the U.S. fracturing assets from the Tucker Acquisition. Pricing began to soften as supply outstripped demand in both the Canadian and U.S. markets. The Company had approximately 78% of its total fracturing HP and approximately 89% of its coiled tubing capacity active during the quarter. Activity was marginally impacted by client work deferrals in U.S. fracturing and economic uncertainty in Canada. Integration of the Tucker professionals and business processes continued, and U.S. labor inflation plateaued.

SECOND QUARTER – 2018

STEP generated revenue of $184.6 million, Adjusted EBITDA of $21.1 million, and negative net income of $8.4 million. The second quarter traditionally results in net losses in the industry due to seasonality. The Company closed the Tucker Acquisition in the quarter and these assets bolstered operating results through the typically slower quarter. The Company had approximately 79% of its total fracturing HP and approximately 91% of its coiled tubing capacity active during the quarter. Pricing for our services continued to increase as demand outstripped supply, which was offset by inflation in input costs such as chemicals, hauling, proppant, coiled tubing strings, and personnel as well as due diligence and acquisition costs incurred in the quarter.

FIRST QUARTER – 2018

The Company generated revenue of $187.6 million, Adjusted EBITDA of $41.8 million, and net income of $18.4 million. Increased North American drilling activity combined with relative strength in crude oil prices through the fourth quarter of 2017 led to improved demand for the Company's services in the first quarter of 2018. STEP realized increased utilization across its entire fleet compared to the fourth quarter of 2017. The Company had approximately 72% of its total fracturing HP and approximately 94% of its coiled tubing capacity active during the quarter. The increase in industry activity led to some inflation in input costs, including personnel, chemicals, hauling, proppant, and coiled tubing strings.

2018 COMPARED WITH 2016

2018 revenue and adjusted EBITDA were significantly higher than in 2016 as a result of increased equipment deployed, strengthening pricing and the Tucker Acquisition. Despite the better industry conditions in 2018 relative to 2016, net loss in 2018 was significantly higher than the net loss in 2016 due to the recognition of the previously mentioned impairment charges of $46.0 million (2016 - nil) on goodwill and increased finance expense.

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 December 31, 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 (loss) income before finance costs, depreciation and amortization, loss (gain) on disposal of property and equipment, current and deferred income tax provisions and recoveries, share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. 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 (loss) income.

($000s)	Three months ended December 31,		Year ended December 31,		
	2018	2017	**2018**	2017	2016
Net (loss) income	**$ (58,549)**	$ 17,548	**$ (39,304)**	$ 57,718	$ (19,956)
Add (deduct):					
Depreciation and amortization	**26,702**	9,468	**88,646**	34,413	22,783
Loss (gain) on disposal of P&E	**(3,534)**	247	**(4,907)**	(1,849)	(1,511)
Finance costs	**3,733**	107	**11,456**	1,110	937
Income tax expense (recovery)	**(5,651)**	6,582	**1,863**	22,803	(5,033)
Foreign exchange forward contract (gain) loss	**(44)**	-	**1,175**	-	-
Share-based compensation	**580**	1,464	**7,401**	6,523	8,918
Transaction costs	**98**	175	**3,019**	2,158	-
Foreign exchange (gain) loss	**2,967**	371	**2,288**	708	84
Impairment of goodwill	**46,000**	-	**46,000**	-	-
Adjusted EBITDA	**$ 12,302**	$ 35,962	**$ 117,637**	$ 123,584	$ 6,222

ACCOUNTING POLICIES AND ESTIMATES

RECENT ACCOUNTING PRONOUNCEMENTS

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards when they become effective.

IFRS 16: Leases

In January 2016, the International Accounting Standards Board issued IFRS 16 Leases ("IFRS 16"), which require lessees to recognize virtually all leases on the balance sheet. Recognition exemptions permitted include short term leases or leases for which the underlying asset is of low value. IFRS 16 replaces existing lease guidance including IAS 17 Leases.

IFRS 16 is applied using a full retrospective approach where the standard is applied retrospectively to each prior reporting period presented applying IAS 8 or using the modified retrospective approach where the standard is applied retrospectively with no restatement of prior period financial information. The Company will use the modified retrospective approach upon adoption.

Under IFRS 16, a lessee will recognize right of use assets and corresponding lease liabilities at inception of the lease. Anticipated impacts of IFRS 16 include an increase in assets and liabilities as well as an increase in depreciation expense and decrease in operating costs. Upon application of this standard, it is expected that the operating lease commitments disclosed in Note 19 will be the primary source of changes to the statements of financial position and the timing of expenses in the statements of net (loss) income.

The Company intends to adopt IFRS 16 in its annual period beginning January 1, 2019. New assets and liabilities to be recognized primarily include office and operating facilities and office equipment. The impact is an increase to liabilities, an increase to property and equipment, and a decrease to retained earnings as at January 1, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). STEP became a reporting issuer in the second quarter of 2017. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of STEP are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company.

The Company's designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in securities legislation. Additionally, the Company's designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). The design of the Company's ICFR was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In accordance with the requirements of NI 52-109, an evaluation of the effectiveness of the Company's DC&P and ICFR was carried out under the supervision of the CEO and CFO at December 31, 2018. Based on this evaluation, the CEO and CFO have concluded that the Company's DC&P and ICFR are effectively designed and operating effectively. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

Management has limited the scope on the design of the Company's DC&P and ICFR 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 DC&P and ICFR 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 JUDGEMENTS

This MD&A is based on the Company's audited consolidated financial statements for the year ended December 31, 2018. The preparation of the annual consolidated financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Notes 1 and 2 to the audited consolidated financial statements for the year ended December 31, 2018 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in the financial statements.

Business Combination

The Company estimates the fair value of assets acquired and liabilities incurred as well as any fair value of intangible assets identified as a result of business combinations. This requires an assessment of estimated cash flows and market conditions in order to determine the fair value of net identifiable assets. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets, goodwill, and deferred taxes in the purchase price equation. Goodwill is allocated to the CGU which represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

In 2018, the Company performed a fair value assessment as a result of the business combination with Tucker which occurred on April 2, 2018.

Estimates of collectability of accounts receivable

The Company's management regularly reviews outstanding accounts receivable and follows up with clients when settlement has not occurred on a timely basis. A provision for doubtful accounts of $2.8 million has been established as at December 31, 2018 (December 31, 2017 – $0.4 million) based on management's assessment of the Company's accounts receivable. This assessment of collectability involves significant judgment and frequently involves material dollar amounts. As such, the Company's operating results could be affected if bad debts in excess of the allowance are actually experienced.

Impairment

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. Assets are grouped into CGUs, the lowest level with separately identifiable cash inflows that are largely independent of the cash inflows of other assets, for the purposes of measuring recoverable amounts. The recoverable amount is determined as the greater of the CGU's value in use ("VIU") and fair value less costs to sell ("FVLCTS"). CGUs are not larger than an operating segment. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. FVLCTS is defined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable parties, less the costs to dispose of the CGU.

Goodwill is reviewed for impairment annually or any time there is an indicator of impairment. Goodwill acquired through a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the related business combination. The operating segment represents the lowest level within the Company at which goodwill is monitored for internal management purposes. The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

Impairment losses for assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the assets' carrying value does not exceed the carrying amount that would be determined, net of amortization or depreciation, if no impairment loss had been recognized.

As at December 31, 2018, the Company identified indicators of impairment due to the excess of carrying amount of the net assets of the Company over the market capitalization of the Company as well as volatility in current commodity pricing. Additionally, Goodwill is allocated to each of the cash-generating units expected to benefit from a business combination and must be tested at least annually for impairment.

Inventory

Inventory is measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less estimated costs of completion and selling expenses. Coil tubing string inventory cost is determined on a specific item basis. All other inventory value is determined using weighted average cost.

Depreciation and amortization

Depreciation or amortization of an asset begins when it is available for use, and ceases at the earlier of the date the asset is derecognized or classified as available for sale. Depreciation does not cease when an asset becomes idle or is retired from active use unless the asset is fully depreciated. Assets under construction are not depreciated until they are available for use. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected. Intangible assets are amortized over their estimated useful lives.

Management believes that its assessment and choice of estimates used in calculating depreciation are reasonable, however, there is no certainty that the depreciation and amortization expense provided will correctly measure the actual reduction in value of asset used over time.

Functional Currency
Management applies judgment in determining the functional currency of its foreign subsidiaries. The decision is influenced by the currency that is used for sales prices, labour, materials and other costs as well as financings and receipts from operations.

Tax positions
The Company is subject to income and commodity taxes. Judgment is required in determining provisions for taxation. There are many transactions and calculations for determination of the various tax assets and liabilities. The Company maintains provisions for tax assets and liabilities. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, the Company is subject to ongoing audits, and it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will be recognized in the financial statements in the period in which such determination is made.

Share-based payments
The fair value of share options and performance warrants is estimated at the grant date using the Black-Scholes option pricing model, which includes estimating underlying assumptions related to the risk-free interest rate, average expected option life, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

Litigation
The Company establishes provisions for legal claims when the outcome of such matters is probable. Facts and circumstances surrounding the matter and input from legal and other advisors are considered in establishing the estimate.

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

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. If any of the following risks occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly.

- The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile.
- The Company's industry is affected by excess equipment levels.
- Merger and acquisition activity among the Company's clients may constrain demand for the Company's services.
- The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially.
- The Company's access to capital may become restricted or repayment could be required.
- The Credit Facilities contain covenants that restrict STEP's ability to engage in certain transactions and may impair its ability to respond to changing business and economic conditions.
- The Company's industry is intensely competitive.
- Possible Failure to Realize Anticipated Benefits of the Tucker Acquisition
- Fluctuations in currency exchange rates could adversely affect the Company's business.
- Potential Undisclosed Liabilities Associated with the Tucker Acquisition
- The Company's direct and indirect exposure to volatile credit markets could adversely affect the Company's business.

- If the Company is unable to obtain raw materials, diesel fuel and component parts from its current suppliers it could have a material adverse effect on the Company's business.
- STEP's reliance on equipment suppliers and fabricators exposes it to risks including timing of delivery and quality of equipment.
- Federal, provincial and state legislative and regulatory initiatives relating to fracturing could result in increased costs and additional operating restrictions or delays.
- The Company is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.
- Cyber-attacks and loss of the Company's information and computer systems could adversely affect the Company's business.
- The Company may be exposed to third-party credit risk.
- The Company's operations are subject to hazards inherent in the oilfield services industry, which risks may not be covered to the full extent by the Company's insurance policies.
- Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business.
- The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.
- The Company relies on a few key professionals whose absence or loss could disrupt its operations and have a material adverse effect on its business.
- The Company is, and may become, subject to legal proceedings which could have a material adverse effect on its business, financial condition and results of operations.
- Failure to maintain the Company's safety standards and record could lead to a decline in the demand for services.
- The Company may be unable to effectively manage its growth in the U.S.
- Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations.
- Failure to continuously improve operating equipment and proprietary fluid chemistries could negatively affect the Company's results of operations.
- Actual results may differ materially from management estimates and assumptions.
- The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting.
- The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results.
- Recent political and social events and decisions made in the U.S. could have an adverse effect on the Company.
- There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement.
- Improper access to confidential information could adversely affect the Company's business.
- Conservation measures and technological advances could reduce demand for oil and natural gas.
- Radical activism could harm the Company’s business.
- Some of the Company's directors and officers have conflicts of interest as a result of their involvement with other oilfield services companies.
- The Company's current technology may become obsolete or experience a decrease in demand.
- The price of the Common Shares could be volatile.
- The ARC Funds maintain control of the Company.
- There may be no return on investment in the Common Shares.
- The Common Shares will be subject to further dilution.
- Residents of the U.S. may have limited ability to enforce civil remedies.
- The Company has no plans to pay dividends.

For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading “Risk Factors” in the AIF which is available on the SEDAR website at www.sedar.com.

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: 2019 operation outlook; anticipated market recovery; supply and demand for oilfield services and industry activity levels, including the Company’s integrated service offerings; the Company’s anticipated business strategies and expected success; expected completion of Permian pipeline projects in the second half of 2019; expected reduction in pricing pressure; expected 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; the Company’s expected performance in 2019; future development activities; the Company’s ability to retain existing clients and attract new business; and monitoring of client capital budgets and market conditions.

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; pricing of the Company’s services; the Company’s ability to market successfully to current and new clients; the Company’s ability to utilize its equipment; the Company’s ability to obtains qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company’s capital program; the Company’s future debt levels; the impact of competition on the Company; the Company’s ability to obtain financing on acceptable terms; 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 of the oil and natural gas industry; excess equipment levels; competition in the oilfield services industry; restrictions on access to capital; reliance on suppliers of raw materials, diesel fuel and component parts; reliance on equipment suppliers and fabricators; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; merger and acquisition activity among the Company’s clients; federal and provincial legislative and regulatory initiatives could result in increased costs and additional operating restrictions or delays; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; loss of a significant client could cause the Company’s revenue to decline substantially; negative chase flows from operating activities; third part credit risk; hazards inherent in the oilfield services industry which may not be covered to the full extent by the Company’s insurance policies; difficulty in retaining, replacing or adding personnel; seasonal volatility due to adverse weather conditions; reliance on a few key employees; legal proceedings involving the Company; failure to maintain the Company’s safety standards and record; inability to manage growth; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results may differ materially from management estimates and assumptions; and the risk factors set forth under the heading “Risk Factors” in the AIF.