

STEP

energy services

TSX STEP

Second Quarter

Management Discussion and Analysis

As at and for the three and six months ended June 30, 2019

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 August 7, 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 unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and six months ended June 30, 2019 (the "Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2018 and related MD&A (the "Annual MD&A"). 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"). Tucker Energy Services Holdings, Inc. was acquired by STEP to form the U.S. fracturing operations effective April 2, 2018 (the "Tucker Acquisition") and was a provider of fracturing, coiled tubing, and wireline services.

STEP 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 fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Haynesville in Louisiana and the SCOOP/STACK in Oklahoma.

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

FINANCIAL

(\$000s except percentages and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Consolidated revenue	\$ 186,577	\$ 184,601	\$ 363,046	\$ 372,194
Net (loss) income attributable to shareholders	\$ (6,024)	\$ (8,431)	\$ (6,629)	\$ 9,985
Per share-basic	\$ (0.09)	\$ (0.13)	\$ (0.10)	\$ 0.16
Per share-diluted	\$ (0.09)	\$ (0.13)	\$ (0.10)	\$ 0.15
Weighted average shares – basic	66,719,341	66,409,034	66,709,806	63,431,219
Weighted average shares – diluted	66,719,341	68,941,930	66,709,806	65,791,902
Adjusted EBITDA ⁽¹⁾	\$ 20,339	\$ 21,104	\$ 46,955	\$ 62,884
Adjusted EBITDA % ⁽¹⁾	11%	11%	13%	17%

⁽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. "Adjusted EBITDA %" is calculated as Adjusted EBITDA divided by revenue.

(\$000s except shares and per share amounts)	As at June 30,	As at December 31,
	2019	2018
Cash and cash equivalents	\$ 1,113	\$ 364
Working capital (including cash and cash equivalents) ⁽²⁾	\$ 87,678	\$ 67,158
Total assets	\$ 885,948	\$ 887,908
Total long-term financial liabilities ⁽²⁾	\$ 268,097	\$ 260,451
Shares outstanding	66,761,417	66,682,319

⁽²⁾ See Non-IFRS Measures. "Working capital" and "Total long-term financial liabilities" are financial measures not presented in accordance with IFRS. "Working capital" is equal to total current assets less total current liabilities. "Total long-term financial liabilities" is comprised of Loans and borrowings, Long-term lease obligations and Other liabilities.

OVERVIEW

STEP achieved strong second quarter results in challenging market conditions and expected Canadian seasonal slowdowns. Canadian operations were confronted by a slow start to the period, typical for the second quarter, but recovered mid-quarter. Beneficial weather, combined with active key clients who executed pad work and exceptional execution by our field professionals led to high pumping efficiencies and record proppant placed per day. STEP secured several key contracts in late 2018, which supported base line activity in the quarter. U.S. operations benefited from an increased contribution from fracturing services but results continued to be tempered by competitive pressures stemming from new coiled tubing entrants to the market and a fundamental over-supply of fracturing equipment. Demand for fracturing services increased from the first quarter due to our key client relationships and having repositioned our assets. U.S. Coiled tubing managed staffed units to meet near term demand and moved assets within the operating region to drive additional utilization. Management was successful in leveraging client relationships to create new opportunities across business lines in the U.S.

In reaction to challenging market conditions in both Canada and the U.S., management focused on the variables within the Company's control. As has been previously discussed, we are enjoying success with cost reduction, securing and executing on larger strategic work programs, pumping efficiencies, relocation of assets to create new opportunities and conservative deployment of capital. These activities allowed the Company to maintain positive margins and generate improved results from Canadian operations relative to 2018.

- Generated consolidated revenue for the three and six months ended June 30, 2019 of \$186.6 million and \$363.0 million, respectively, compared to \$184.6 million and \$372.2 million in the same periods of 2018. The quarter over quarter increase of 1% is primarily attributable to increased Canadian fracturing activity over the prior year. Revenue for the six months ended June 30, 2019 decreased by 2% over the prior year primarily due to less coiled tubing days worked, client supplied sand in Canada and pricing pressure in the U.S.
- Adjusted EBITDA was \$20.3 million (or 11% of revenue) in the second quarter of 2019 compared to \$21.1 million (or 11%) in the same period of 2018. Adjusted EBITDA margins were maintained quarter over quarter due to a continued focus on cost management and operating efficiencies. Also contributing to margin performance was the higher volume of client supplied sand programs undertaken in the quarter. These programs typically yield higher operating margin percentages but will have a lower total invoice value. For the six months ended June 30, 2019, Adjusted EBITDA decreased by 25% primarily due to the decreased revenue compared to the same six month period in the prior year combined with severance and restructuring costs incurred in the first quarter of 2019.
- Net loss for the three and six months ended June 30, 2019 was \$6.0 million and \$6.6 million, respectively, compared to net loss of \$8.4 million and net income of \$10.0 million in the same periods of 2018. Net loss for the quarter ended June 30, 2019 decreased from the prior year as 2018 included transaction costs related to the Tucker Acquisition. For the six months ended June 30, 2019 net income decreased from the prior year due to the general activity slow down in the WCSB offset by a full six month contribution of U.S. Fracturing.
- Effective January 1, 2019, the Company implemented the following accounting changes:
 - IFRS 16 replaces existing lease guidance including IAS 17, Leases. IFRS 16 requires the recognition of most leases previously recognized as operating leases onto the balance sheet. These are recognized as right-of-use assets and additional lease liabilities. The Company has applied the standard using the modified retrospective approach in which the cumulative impact of initial application is recognized as an adjustment to the opening balance of retained earnings with no restatement of prior period information. As a result of the implementation of IFRS 16, for the three and six months ended June 30, 2019, \$0.6 million and \$1.3 million of expenses that otherwise would have been booked to operating and selling, general and administrative expenses was recorded as a reduction to the lease liability, respectively. See the "New Accounting Pronouncements" section of this MD&A for more details.
 - The Company reorganized the composition of its operating segment disclosure to reflect how management makes strategic decisions and assesses the performance of the Company's operations. Corporate activities are now separated from Canadian and U.S. Operations. The Company has reclassified prior period information to align with the new composition of operating segments.

INDUSTRY CONDITIONS & OUTLOOK

During the second quarter, commodity prices were volatile. The news of global trade, geopolitical and economic uncertainty will continue to influence commodity prices as the year progresses. Drilling and completion activity is unlikely to improve materially in the second half of the year, as clients complete 2019 capital programs and remain focused on spending within cash flows. As clients finalize their mid-year capital reviews during July and August, management expects to have additional clarity on activity for the second half of the year. Within STEP service markets, equipment over-supply has challenged asset utilization and increased pressure on an already-competitive pricing environment.

CANADIAN OPERATIONS

Solid contributions from key contracts, consistent asset utilization, and larger pad work, coupled with better weather in June, contributed to second quarter results. For both fracturing and coiled tubing services, STEP anticipates maintaining current manned capacity at second quarter exit levels for the balance of the year. Active capacity adjustments may be made as management continues to monitor industry demand, evaluates economic returns, and receives additional clarity on client activity post mid-year capital reviews. Pricing is expected to remain generally flat from current levels through the second half of the year.

U.S. OPERATIONS

STEP delivered strong execution and utilization of manned equipment in both fracturing and coiled tubing in the second quarter. During the quarter, a fourth fracturing spread was deployed intermittently to service key clients, while coiled tubing utilized nine staffed units throughout the quarter. The over-supplied fracturing market led some providers to stack equipment during the quarter. Conversely, more coiled tubing equipment came into the market, further pressuring pricing.

The outlook remains cautious for fracturing and coiled tubing services through the back half of the year. STEP has good visibility on work volumes for three fracturing spreads through mid-fourth quarter. In the U.S., pricing is expected to remain generally flat through the second half of the year.

CAPITAL UPDATE

There have been no changes to the previously approved \$48 million 2019 maintenance capital program or the reserved \$14.2 million from the 2018 program for the reactivation of the fourth U.S. spread. Management will prudently control all capital expenditures based on near term demand and active horsepower expectations.

CANADIAN OPERATIONS REVIEW

STEP provides integrated 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. The Company currently maintains a fleet of 16 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). STEP has an additional 72,500 HP available for deployment, some of which will require capital for maintenance and refurbishment. The Company will deploy HP as dictated by the market's ability to support strong utilization, pricing and acceptable returns on capital employed.

(\$000's except per day, days, units, proppant pumped and HP)				
	Three months ended June 30,		Six months ended June 30,	
	2019	2018 ⁽⁴⁾	2019	2018 ⁽⁴⁾
Revenue:				
Fracturing	\$ 53,224	\$ 41,017	\$ 135,575	\$ 168,624
Coiled tubing	22,881	27,021	48,756	64,545
	76,105	68,038	184,331	233,169
Expenses:				
Cost of sales	78,241	79,608	173,432	213,526
Selling, general and administrative	2,488	3,561	4,784	7,159
Results from operating activities	\$ (4,624)	\$ (15,131)	\$ 6,115	\$ 12,484
Add non-cash items:				
Depreciation	12,897	11,949	25,738	20,306
Share-based compensation	599	665	875	1,197
Adjusted EBITDA ⁽¹⁾	\$ 8,872	\$ (2,517)	\$ 32,728	\$ 33,987
Adjusted EBITDA % ⁽¹⁾	12%	(4%)	18%	15%
Sales mix (% of segment revenue)				
Fracturing	70%	60%	74%	72%
Coiled tubing	30%	40%	26%	28%
Fracturing services				
Fracturing revenue per operating day ⁽¹⁾	\$ 208,722	\$ 238,472	\$ 205,729	\$ 245,449
Number of fracturing operating days ⁽²⁾	255	172	659	687
Proppant pumped (tonnes)	186,000	101,000	420,000	310,000
Stages completed	2,367	1,352	5,592	6,341
Horsepower				
Active pumping HP, end of period	225,000	225,000	225,000	225,000
Idle pumping HP, end of period	72,500	72,500	72,500	72,500
Total pumping HP, end of period ⁽³⁾	297,500	297,500	297,500	297,500
Coiled tubing services				
Coiled tubing revenue per operating day ⁽¹⁾	\$ 50,399	\$ 45,954	\$ 49,649	\$ 43,819
Number of coiled tubing operating days ⁽²⁾	454	588	982	1,473
Active coiled tubing units, end of period	9	13	9	13
Idle coiled tubing units, end of period	7	-	7	-
Total coiled tubing units, end of period	16	13	16	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 some of the remainder requires certain maintenance and refurbishment.

⁽⁴⁾ 2018 amounts were reclassified as the Company reorganized the composition of its operating segments. See "Corporate review" section.

FINANCIAL HIGHLIGHTS – CANADA

Revenue for the three and six months ended June 30, 2019 was \$76.1 million and \$184.3 million, respectively, compared to \$68.0 million and \$233.2 million for the same periods in 2018. The increase in quarterly revenue is primarily due to 48% more fracturing days worked in 2019 offset by fracturing revenue per day declining by 12% when compared to the same period of the prior year. Many clients provide their own proppant which decreases revenue and revenue per day but is expected to yield higher operating margins. Clients provided approximately 61% of the proppant placed in the quarter. Dry conditions, particularly in June, allowed key clients to commence their summer completion programs. Revenue for the six months ended June 30, 2019 decreased by 21% compared to the prior year due to the general market activity slow-down in the WCSB and the impact of client supplied proppant. The ongoing political uncertainty in Canada, pipeline take-away capacity and commodity price volatility have reinforced client spending caution and supported the desire to manage capital expenditures within cash flows.

Adjusted EBITDA for the three and six months ended June 30, 2019 was \$8.9 million (or 12% of revenue) and \$32.7 million (or 18%), respectively, compared to a loss of \$2.5 million (or -4%) and positive \$34.0 million (or 15%) for the same periods in 2018. The second quarter 2019 Adjusted EBITDA increase of \$11.4 million over the second quarter of 2018 is primarily due to higher fracturing activity and the Company's 2018 response to continued industry uncertainty by reducing headcount, deferring or cancelling growth capital and re-evaluating overhead and selling, general and administrative spending. The \$1.3 million decrease for the six months ended June 30, 2019 Adjusted EBITDA compared to the prior year is primarily attributable to decreased activity. The Company's vendors have been collaborative in a challenging Canadian oil and gas sector by offering competitive pricing and helping us maintain a lean and efficient supply chain.

Management is committed to improving returns on capital employed by managing capacity and focusing on efficiency and cost control.

OPERATING HIGHLIGHTS – CANADIAN FRACTURING SERVICES

- The Company's strategy to align with clients who were expected to remain active in the WCSB in 2019 resulted in six fracturing spreads being staffed and deployed with active horsepower of 225,000 HP.
- Working for clients in the Montney and Duvernay resulted in improved efficiencies demonstrated by record proppant pumped per day resulting in increased margins in the quarter. Second quarter 2019 saw 79 tonnes of proppant pumped per stage compared to 73 in the first quarter of 2019.
- Second quarter operating days were higher than the prior year due to favourable weather conditions and client's pad work reducing mobilization and travel time between pumping days.
- STEP capitalizes fluid ends when it is determined that it has an estimated useful life that exceeds 12 months. Fluid ends are capitalized in Canada based on a review of usage history, however had the Company expensed fluid ends, the cost of sales for the three and six months ended June 30, 2019 would have been increased by approximately \$2.5 million and \$4.1 million, respectively.

OPERATING HIGHLIGHTS – CANADIAN COILED TUBING SERVICES

- The Company staffed an average of nine units throughout the second quarter of 2019. The number of units staffed and deployed will be adjusted depending on market conditions and economic returns.
- STEP's commitment to technology and deep capacity equipment have enhanced utilization in otherwise challenging conditions. Clients have received STEP-conneCT and STEP-IQ technologies positively, which has increased demand for our services.

UNITED STATES OPERATIONS REVIEW

STEP's U.S. business commenced operations in 2015 with coiled tubing services. STEP currently maintains a fleet of 13 coiled tubing units in the Permian and Eagle Ford basins in Texas, the SCOOP/STACK in Oklahoma and the Haynesville shale basin in Louisiana. STEP closed the Tucker Acquisition on April 2, 2018, which established its U.S. fracturing operations. The fracturing operations include four fracturing spreads (representing 192,500 HP, of which three spreads are currently operating).

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended June 30,		Six months ended June 30,	
	2019	2018 ⁽⁴⁾	2019	2018 ⁽⁴⁾
Revenue:				
Fracturing	\$ 85,158	\$ 88,524	\$ 125,393	\$ 88,524
Coiled tubing	25,314	28,039	53,322	50,501
	110,472	116,563	178,715	139,025
Expenses:				
Cost of sales	104,006	100,514	175,526	115,975
Selling, general and administrative	3,355	2,172	5,505	3,325
Results from operating activities	\$ 3,111	\$ 13,877	\$ (2,316)	\$ 19,725
Add non-cash items:				
Depreciation	11,830	11,923	23,740	13,760
Share-based compensation	686	662	1,210	1,063
Adjusted EBITDA ⁽¹⁾	\$ 15,627	\$ 26,462	\$ 22,634	\$ 34,548
Adjusted EBITDA % ⁽¹⁾	14%	23%	13%	25%
Sales mix (% of segment revenue)				
Fracturing	77%	76%	70%	64%
Coiled tubing	23%	24%	30%	36%
Fracturing services				
Fracturing revenue per operating day ⁽¹⁾	\$ 397,935	\$ 444,842	\$ 398,073	\$ 444,842
Number of fracturing operating days ⁽²⁾	214	199	315	199
Proppant pumped (tonnes)	224,000	159,000	319,000	159,000
Stages completed	1,087	1,064	1,611	1,064
Horsepower				
Active pumping HP, end of period	142,500	192,500	142,500	192,500
Idle pumping HP, end of period	50,000	-	50,000	-
Total pumping HP, end of period ⁽³⁾	192,500	192,500	192,500	192,500
Coiled tubing services				
Coiled tubing revenue per operating day ⁽¹⁾	\$ 49,733	\$ 53,715	\$ 49,927	\$ 52,225
Number of coiled tubing operating days ⁽²⁾	509	522	1,068	967
Active coiled tubing units, end of period	9	8	9	8
Idle coiled tubing units, end of period	4	2	4	2
Total coiled tubing units, end of period	13	10	13	10

⁽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, some of which will require capital for maintenance and refurbishment.

⁽⁴⁾ 2018 amounts were reclassified as the Company reorganized the composition of its operating segments. See "Corporate review" section.

FINANCIAL HIGHLIGHTS – U.S.

Revenue of \$110.5 million in the three months ended June 30, 2019 decreased by \$6.1 million from the same quarter in 2018. Fracturing services saw pricing pressure as the revenue per day declined by 11% over the prior year, offset by fracturing operating days increasing by 8%. During the second quarter 2019, the fourth U.S. fracturing spread was deployed intermittently to service key clients, although it has not been permanently staffed. For the six months ended June 30, 2019 revenue was \$178.7 million, a 29% increase from \$139.0 million in 2018. The year to date increase in revenue of \$39.7 million is primarily due to the U.S. fracturing operations being acquired in April 2018, whereas the assets generated revenue for a full six months of 2019. Fracturing revenue year to date increased by 42% as a result. Coiled tubing had consistent operating days year over year with the strongest demand noted at the end of the second quarter 2019. As a result of competitors continuing to bring coiled tubing equipment to market, further price deterioration was noted in the quarter. Management will continue to monitor and adjust operating capacity and efficiencies to optimize margin contributions.

In the U.S., seasonality is generally not a factor and, as a result, the prior quarter is often utilized when comparing financial results. Revenue and adjusted EBITDA increased by 62% and 123%, respectively due to the repositioning of fracturing assets into South and West Texas which allowed us to service key fracturing clients and resulted in 113 more pumping days in the second quarter. Day rates for both fracturing and coiled tubing services remained relatively unchanged from the prior quarter.

Adjusted EBITDA for the second quarter 2019 was \$15.6 million (or 14% of revenue) compared to \$26.5 million (or 23%) for the same quarter in the prior year. Adjusted EBITDA percentage was impacted by pricing pressure across all service lines and increased operating costs related to field professionals and equipment maintenance. Compared to the prior year, the six-month ended June 30, 2019 Adjusted EBITDA decreased by 34%.

OPERATING HIGHLIGHTS – U.S. FRACTURING SERVICES

- Management has been diligently managing capacity. This resulted in intermittent use of the fourth fracturing spread during the second quarter, therefore averaging three spreads fully deployed for the quarter (142,500 HP). Underutilized senior Canadian professionals were temporarily sent to the U.S. to aid operations.
- STEP benefited from strong client relationships and flexible staffing solutions to fill gaps in the schedule to increase utilization in the quarter compared to first quarter.
- In the second quarter of 2019, U.S. fracturing pumped 224,000 tonnes (493 million pounds) of proppant over 1,087 stages (206 tonnes/stage) compared to the second quarter of 2018 where the Company pumped 159,000 tonnes (350 million pounds) of proppant over 1,064 stages (149 tonnes/stage). The Company has begun to see U.S. clients explore de-bundling sand and chemicals from pressure pumping services in specific U.S. basins.
- STEP capitalizes fluid ends when it is determined that they have an estimated useful life that exceeds 12 months. Based on a review of usage history in the U.S. fluid ends are expensed. U.S. fracturing expensed fluid ends for the three and six months ended June 30, 2019 of \$4.4 million (U.S. \$3.3 million) and \$6.1 million (U.S. \$4.5 million), respectively.

OPERATING HIGHLIGHTS – U.S. COILED TUBING SERVICES

- Drilled and uncompleted wells in the Permian remain at robust levels. These wells will require completions when pipeline related egress and other regional challenges are resolved.
- In the U.S., STEP staffed an average of nine coiled tubing units in the second quarter of 2019. Additional capacity has come to the market and is resulting in increased competition and pricing declines. These conditions are expected to persist until industry demand increases.
- Management will adjust capacity, to optimize utilization and efficiency to drive returns.

CORPORATE REVIEW

Effective January 1, 2019, the Company reorganized the composition of its operating segments to reflect how management makes strategic decisions and assesses the performance of the Company's operations. Corporate activities are separated from Canadian and U.S. Operations. Corporate costs include the executive team, Board of Directors, and other activities that benefit Canadian and U.S. operating segments collectively. The Company has reclassified prior period information to align with the new composition of operating segments.

(\$0 00's)	Three months ended June 30,		Six months ended June 30,	
	2019	2018 ⁽³⁾	2019	2018 ⁽³⁾
Expenses:				
Cost of sales	\$ 572	\$ 554	\$ 1,200	\$ 1,133
Selling, general and administrative	5,197	4,149	9,595	7,339
Results from operating activities	(5,769)	(4,703)	(10,795)	(8,472)
Add non-cash items:				
Depreciation	311	69	627	185
Share-based compensation	1,298	1,793	1,761	2,634
Adjusted EBITDA ⁽¹⁾	\$ (4,160)	\$ (2,841)	\$ (8,407)	\$ (5,651)
Adjusted EBITDA % ^(1,2)	(2%)	(2%)	(2%)	(2%)

⁽¹⁾ See Non-IFRS Measures.

⁽²⁾ Adjusted EBITDA percentage calculated using the Consolidated revenue for the period.

⁽³⁾ 2018 amounts were reclassified as the Company reorganized the composition of its operating segments.

FINANCIAL HIGHLIGHTS – CORPORATE

Corporate results from operating activities were \$5.8 million in expenses for the second quarter of 2019 compared to \$4.7 million in 2018. Selling, general and administrative expenses increased 25% when compared to the same period of 2018. The increase is primarily due to professional, tax and legal fees that are not expected to recur in the future.

CONSOLIDATED FINANCIAL REVIEW

(\$000's except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue	\$ 186,577	\$ 184,601	\$ 363,046	\$ 372,194
Cost of sales	182,819	180,676	350,158	330,634
Gross profit	3,758	3,925	12,888	41,560
Selling, general and administrative	11,040	9,882	19,884	17,823
Results from operating activities	(7,282)	(5,957)	(6,996)	23,737
Finance costs	3,672	3,478	6,925	3,623
Foreign exchange (gain) loss	(584)	254	(1,849)	389
Gain on disposal of property and equipment	(336)	(305)	(1,009)	(423)
Transaction costs	-	1,772	-	2,925
Amortization of intangible assets	1,556	1,418	3,331	1,428
Loss (gain) on foreign exchange forward contracts	-	(552)	383	1,219
Net (loss) income before income tax	(11,590)	(12,022)	(14,777)	14,576
Income tax expense (recovery)	(5,566)	(3,591)	(8,148)	4,591
Net (loss) Income	(6,024)	(8,431)	(6,629)	9,985
Other comprehensive income (loss)	(7,652)	7,186	(16,445)	8,573
Total comprehensive income (loss)	\$ (13,676)	\$ (1,245)	\$ (23,074)	\$ 18,558
Earnings (loss) per share – basic	\$ (0.09)	\$ (0.13)	\$ (0.10)	\$ 0.16
Earnings (loss) per share – diluted	\$ (0.09)	\$ (0.13)	\$ (0.10)	\$ 0.15
Adjusted EBITDA ⁽¹⁾	\$ 20,339	\$ 21,104	\$ 46,955	\$ 62,884
Adjusted EBITDA % ⁽¹⁾	11%	11%	13%	17%

⁽¹⁾ See Non-IFRS Measures.

OTHER ITEMS

Depreciation and amortization

For the three and six months ended June 30, 2019, depreciation and amortization expense increased to \$26.6 million and \$53.4 million, respectively, from \$25.4 million and \$35.7 million in the same periods of 2018. The increase in quarterly expense is due to the additional capital deployed. The year to date increase was primarily the result of assets acquired in the Tucker Acquisition, additional equipment deployments over the past 12 months, and additional right-of-use assets from the implementation of IFRS 16.

Finance costs

STEP's finance costs of \$3.7 million and \$6.9 million for the three and six months ended June 30, 2019, respectively, increased from \$3.5 million and \$3.6 million in the corresponding periods of 2018. The increase is primarily due to a higher outstanding balance on the Company's credit facilities in 2019 related to borrowings to fund the purchase of the U.S fracturing operations. The effective borrowing rate for loans and borrowings for the three months ended June 30, 2019 is approximately 4.55%, increasing from 4.31% in the second quarter of 2018. Additionally, interest on lease obligations increased due to the adoption of IFRS 16 Leases.

Foreign exchange gains and losses

STEP recorded a foreign exchange gain of \$0.6 million and \$1.8 million for the three and six months ended June 30, 2019, respectively, compared to losses of \$0.3 million and \$0.4 million in the relevant periods of 2018. Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations. The increase year over year is primarily due to an increase in debt and exchange rate volatility. From December 31, 2018 to June 30, 2019 the Canadian to United States dollar exchange rate changed from \$1.364:\$1.00 to \$1.309:\$1.00.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of property and equipment of \$0.3 million and \$1.0 million for the three and six months ended June 30, 2019, respectively, compared to \$0.3 million and \$0.4 million in the same periods of 2018. The increase is related to the disposal of more light duty vehicles in 2019. Cash proceeds were \$0.8 million in the six months ended June 30, 2019.

Impairment

STEP reviews for indicators of impairment at each reporting period. Based on management's review, no indicators of impairment existed at June 30, 2019.

Transaction costs

There were no transaction costs recorded in 2019. Transaction costs in 2018 relate to pre-acquisition, due diligence and legal costs related to the Tucker Acquisition.

Foreign exchange forward contract gains and losses

For the six months ended June 30, 2019, STEP recorded a foreign exchange forward contract loss of \$0.4 million compared to a loss of \$1.2 million in the comparable period of 2018. Occasionally, the Company enters into U.S. dollar denominated forward contracts for the purposes of mitigating foreign exchange risk. Cash outflows related to the instruments were \$0.3 million in the first quarter of 2019.

Share-based compensation

For the three and six months ended June 30, 2019, STEP recorded share-based compensation expense of \$2.6 million and \$3.8 million, respectively, compared to \$3.1 million and \$4.9 million in the same periods of 2018. The decrease in expense from 2018 is due to the vesting of prior options and performance warrants and the 2018 performance multiplier offset by new instruments.

Income taxes

STEP recorded a total income tax recovery of \$5.6 million for the three months ended June 30, 2019, compared to a recovery of \$3.6 million for the comparable period of 2018. The net loss before income taxes was comparable between the two periods, however the tax recovery was greater in 2019 as the Alberta provincial government enacted a 4% reduction in corporate taxes phased in through 2022. This resulted in a one-time tax recovery of \$2.2 million on opening temporary differences that will reverse in the future.

STEP recorded an income tax recovery of \$8.1 million for the six months ended June 30, 2019, compared to an expense of \$4.6 million for the comparable period of 2018. The decrease in taxes is predominantly due to the decrease in income (loss) before taxes. The effective tax rate is higher for the six months ended June 30, 2019 given the Alberta provincial government enacted a 4% reduction in corporate taxes by 2022 while STEP was already in a tax recovery position. This resulted in a one-time tax recovery of \$2.2 million on opening temporary differences that will reverse in the future. The effective tax rate is also impacted by changes in tax rates on opening temporary differences because of a difference in state apportionment from STEP's United States operations.

TOTAL CAPITAL EXPENDITURES ⁽²⁾

(\$000s)	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Capital program additions	\$ 12,130	\$ 36,603	\$ 22,477	\$ 59,403
Lease right-of-use asset additions	1,843	2,742	10,308	4,539
Total capital expenditures	\$ 13,973	\$ 39,345	\$ 32,785	\$ 63,942
Capital was incurred for:				
Canada	\$ 11,081	\$ 29,368	\$ 22,686	\$ 45,710
United States	\$ 2,892	\$ 9,977	\$ 10,099	\$ 18,232

⁽²⁾Capital expenditures include non-cash expenditures from the addition of right-of-use assets under leases.

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

LIQUIDITY AND CAPITAL RESOURCES

(\$000s)	Three months ended		Six months ended	
	2019	June 30, 2018 ⁽¹⁾	2019	June 30, 2018 ⁽¹⁾
Net cash provided by (used in)				
Operating activities	\$ 1,730	\$ 8,162	\$ 18,493	\$ 34,758
Investing activities	(10,155)	(368,883)	(20,099)	(388,948)
Financing activities	2,343	332,738	2,052	329,602
Impact of foreign exchange on cash	155	349	303	391
Increase (decrease) in cash and cash equivalents	\$ (5,927)	\$ (27,634)	\$ 749	\$ (24,197)
Opening cash balance	7,040	40,296	364	36,859
Ending cash balance	\$ 1,113	\$ 12,662	\$ 1,113	\$ 12,662

1) The Company restated certain June 30, 2018 amounts as a result of the finalization of the purchase price allocation for the Tucker Acquisition which occurred in the fourth quarter of 2018.

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled \$1.7 million and \$18.5 million for the three and six months ended June 30, 2019, respectively, compared to \$8.2 million and \$34.8 million in the comparable periods of 2018. The decrease in net cash provided by operating activities for the three and six months ended June 30, 2019 compared to the same periods in 2018 was primarily due to lower net income and higher finance costs offset by higher depreciation.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled \$10.2 million and \$20.1 million for the three and six months ended June 30, 2019, respectively. 2018 included \$340.2 million related to the Tucker Acquisition. Due to management's conservative outlook the 2019 maintenance capital budget is more modest when compared to the 2018 growth and maintenance budget. By focusing on staffed equipment, the maintenance focused capital program is actively being managed and will be reduced or deferred where possible.

NET CASH PROVIDED BY FINANCING ACTIVITIES

Net cash provided by financing activities totaled \$2.3 million and \$2.1 million for the three and six months ended June 30, 2019, respectively. Current year movements in financing activities consist of borrowings on the facilities to fund working capital, offset by payments related to leases. Prior year amounts include equity financing and borrowings on the credit facilities primarily used to fund the Tucker Acquisition.

WORKING CAPITAL AND CASH REQUIREMENTS

As at June 30, 2019, STEP had positive working capital of \$87.1 million, compared to \$67.2 million as at December 31, 2018. Trade and other receivables increased from \$124.6 million as at December 31, 2018 to \$163.0 million as at June 30, 2019, due to the increase in activity late in the quarter in both Canada and the U.S. Trade and other payables increased to \$104.6 million at quarter end from \$84.1 million as at December 31, 2018 as a result of higher activity in the later part of the quarter, primarily in U.S. fracturing. Available financial resources as at June 30, 2019 were \$92.5 million, consisting of cash on hand and the remaining capacity on the Amended 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 (\$000s)	June 30, 2019	December 31, 2018
Shareholders' equity	\$ 458,279	\$ 478,604
Lease obligations	20,573	16,499
Loans and borrowings	255,557	252,441
Total capital	\$ 734,409	\$ 747,544

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 leases as capital. Debt includes the current and long-term portions of bank indebtedness, vendor financings and obligations under leases.

Equity:

As at August 7, 2019, there were 66,761,417 Common Shares issued and outstanding.

Debt:

On June 25, 2019, the Company amended its syndicated borrowing agreement to extend the maturity of the facility to June 25, 2022. The Company's agreement is comprised of operating facilities (one Canadian and one U.S.) and a revolving facility (together the "Amended Credit Facilities"). The Amended Credit Facilities include a Canadian \$330.0 million revolving credit facility, a Canadian \$10.0 million operating facility and a U.S. \$7.5 million operating facility. The maturity date of the Amended Credit Facilities may be extended for a period of up to three years with syndicate approval. The Amended 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. 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. 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 Amended Credit Facilities. Under the Amended Credit Facilities, any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants.

The Amended 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 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. Also, realized foreign exchange (gain) loss is excluded from Adjusted bank EBITDA. This is a difference from the Company's non-IFRS measure "Adjusted EBITDA". The Company is required to meet the following funded debt to adjusted bank EBITDA ratios:

Quarters Ended	Required Funded debt to Adjusted bank EBITDA ratio
June 30, 2019	4.00:1 or less
September 30, 2019 and 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

At June 30, 2019, the Funded debt to Adjusted bank EBITDA ratio was 2.76:1.00.

- 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 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 and LIBOR advances. Interest on lease obligations for current and future leases which would have been accounted for as an operating lease at December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. This ratio is not to fall below 3.00:1.

At June 30, 2019, the Interest Coverage Ratio was 6.81:1.00.

Interest is 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. The effective borrowing rate for loans and borrowings for the second quarter of 2019 was approximately 4.55%. At June 30, 2019, the full amount of the facility was available to be drawn on the Amended Credit Facilities of which there was \$255.6 million outstanding (\$258.5 million before deferred financing costs of \$2.9 million) and the Company was in compliance with all covenants.

Subsequent event

As of August 8, 2019, the Amended Credit Facilities will be further amended to increase the U.S. operating facility to U.S. \$20.0 million to accommodate growth in U.S. operations. This will be achieved with a corresponding decrease in the revolving credit facility. The facilities will be comprised of a Canadian \$313.3 million revolving credit facility, a Canadian \$10.0 million operating facility, and a U.S. \$20.0 million operating facility.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

(\$000s)	2019	2020	2021	2022	Thereafter	Total
Trade and other payables	\$ 104,648	\$ -	\$ -	\$ -	\$ -	\$ 104,648
Income tax payable	1,470	-	-	-	-	1,470
Operating commitments ^(1,2)	512	1,322	1,305	1,252	1,642	6,033
Short-term and low value lease obligations ⁽²⁾	175	149	-	-	-	324
Lease obligations ^(2,3)	5,106	8,692	5,260	1,581	1,537	22,176
Loans and borrowings ⁽⁴⁾	5,928	11,791	11,759	264,116	-	293,594
Capital expenditure commitments ⁽⁵⁾	2,287	-	-	-	-	2,287
Total commitments	\$ 120,126	\$ 21,954	\$ 18,324	\$ 266,949	\$ 3,179	\$ 430,532

⁽¹⁾ The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to seven years with an option to renew upon expiry.

⁽²⁾ Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.31 CAD.

⁽³⁾ Balance includes interest portion of lease obligations.

⁽⁴⁾ Includes estimated interest and principle repayments, based on current amounts outstanding and current interest rates at June 30, 2019. Both are variable in nature.

⁽⁵⁾ 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)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2019	2019	2018	2018	2018	2018	2017	2017
Revenue								
Canadian Operations	76,105	108,226	97,756	147,964	68,038	165,130	133,868	159,211
United States Operations	110,472	68,243	71,272	92,577	116,563	22,463	20,385	16,326
	186,577	176,469	169,028	240,541	184,601	187,593	154,253	175,537
Net (loss) income attributable to shareholders								
	(6,024)	(602)	(58,549)	9,260	(8,431)	18,416	17,548	28,575
Adjusted EBITDA ^(3,4)								
Canadian Operations	8,872	23,856	8,995	35,998	(2,517)	36,505	30,199	47,556
United States Operations	15,627	7,009	8,816	9,568	26,462	8,086	7,926	4,784
Corporate ⁽⁴⁾	(4,160)	(4,248)	(5,509)	(3,115)	(2,841)	(2,811)	(2,163)	(2,297)
	20,339	26,617	12,302	42,451	21,104	41,780	35,962	50,043
Capital expenditures ⁽⁵⁾								
Canadian Operations	11,081	11,605	12,835	22,589	29,368	16,342	23,685	17,486
United States Operations	2,892	7,207	13,950	11,711	9,977	8,255	8,335	7,852
	13,973	18,812	26,785	34,300	39,345	24,597	32,020	25,338
Per Common Share								
Net (loss) income – basic	(0.09)	(0.01)	(0.88)	0.14	(0.13)	0.30	0.29	0.48
Net (loss) income – diluted	(0.09)	(0.01)	(0.89)	0.14	(0.13)	0.29	0.28	0.46
Adjusted EBITDA ⁽³⁾ – basic	0.30	0.40	0.18	0.64	0.32	0.70	0.60	0.83
Adjusted EBITDA ⁽³⁾ – diluted	0.30	0.40	0.18	0.63	0.31	0.68	0.57	0.81

⁽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.

⁽⁴⁾ Prior years amounts were reclassified as the Company reorganized the composition of its operating segments. See "Corporate review" section.

⁽⁵⁾ Capital expenditures include amounts added in respect of finance right-of-use assets.

Quarterly Operating Summary								
(000's, except units)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2019	2019	2018	2018	2018	2018	2017	2017
Canada								
Exit active fracturing spreads	6	6	6	8	8	8	7	6
Exit active HP (000's)	225	225	225	225	225	225	209	177
Total HP (000's)	298	298	298	298	298	298	298	298
Exit active coiled tubing units	9	9	9	13	13	13	13	12
Total coiled tubing units	16	14	14	13	13	13	13	12
United States								
Exit active fracturing spreads	3	3	3	3	4	-	-	-
Exit active HP (000's)	143	143	143	143	193	-	-	-
Total HP (000's)	193	193	193	193	193	-	-	-
Exit active coiled tubing units	9	9	8	9	8	8	6	6
Total coiled tubing units	13	12	12	11	10	8	6	6

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, trade and other receivables, income tax receivable, trade and other payables, income tax payable, lease obligations and loans and borrowings.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and income tax payable, 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. Based on the average outstanding debt for the quarter a 1.0% change in the bankers prime rate would result in a \$0.6 million increase or decrease in interest expense for the three month period ended June 30, 2019.

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, considering numerous quantitative and qualitative factors including industry conditions, payment history and financial conditions in assessing credit risk. This review, together with ongoing monitoring of the amount and age of balances outstanding 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 uses an 'expected credit loss' ("ECL") model to value the impairment of accounts receivable. 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 and debt held in U.S. dollars. 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. From time to time the

Company enters into foreign currency forward contracts to mitigate currency exposure the Company faces. As at June 30, 2019, the Company did not have any open forward contracts.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2019 other than the commitments 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 June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net (loss) income	\$ (6,024)	\$ (8,431)	\$ (6,629)	\$ 9,985
Add (deduct):				
Depreciation and amortization	26,594	25,359	53,436	35,679
Gain on disposal of property and equipment	(336)	(305)	(1,009)	(423)
Finance costs	3,672	3,478	6,925	3,623
Income tax expense (recovery)	(5,566)	(3,591)	(8,148)	4,591
Foreign exchange forward contract (gain) loss	-	(552)	383	1,219
Share-based compensation	2,583	3,120	3,846	4,896
Transaction costs	-	1,772	-	2,925
Foreign exchange (gain) loss	(584)	254	(1,849)	389
Adjusted EBITDA	\$ 20,339	\$ 21,104	\$ 46,955	\$ 62,884

In addition to the above non-IFRS financial measure, this MD&A refers to Revenue per operating day. Revenue per operating day is calculated based on total revenue divided by total operating days. An operating day is defined as any coiled tubing and fracturing work that is performed in a 24-hour period, exclusive of support equipment. This calculation may fluctuate based on both pricing and sales mix. “Adjusted EBITDA %” is calculated as Adjusted EBITDA divided by revenue.

“Working capital” and “Total long-term financial liabilities” are financial measures not presented in accordance with IFRS. “Working capital” is equal to total current assets less total current liabilities. “Total long-term financial liabilities” is comprised of Loans and borrowings, Long-term lease obligations and Other liabilities. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for

measures prepared in accordance with IFRS. These non-IFRS measures have no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

ACCOUNTING POLICIES AND ESTIMATES

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 16: Leases

IFRS 16 is effective as of January 1, 2019. IFRS 16 replaces existing lease guidance including IAS 17, Leases and related interpretations. Upon identification of a lease contract, IFRS 16 requires the recognition of a right-of-use asset and lease liability. The Company has applied the standard using the modified retrospective approach in which the cumulative impact of initial application is recognized as an adjustment to the opening balance of retained earnings with no restatement of prior period information, subject to elected practical expedients.

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to perform this assessment, the Company determines whether: i.) The Company has the right to obtain substantially all of the economic benefits from use of the asset through the period of use; and ii.) The Company has the right to direct the use of the identified asset.

The term of the lease is determined as the non-cancellable period of a lease and periods in which there is reasonable certainty the Company will exercise an option to extend or cancel a lease. The Company considers all relevant facts and circumstances that would create an economic incentive to extend or terminate a lease.

At the commencement date of a lease, the Company measures lease liabilities at the present value of remaining estimated lease payments, discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. Prospectively, the carrying amount of lease liabilities is increased by interest, offset by lease payments made. The initial cost of right-of-use assets is measured as the value of the lease liability, adjusted for any lease incentives received and initial direct costs. Right-of-use assets are depreciated over the lease term and recognized as cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are presented within Property and Equipment (see Note 3). The Company primarily leases light duty vehicles, office buildings, service centers, and copiers. Recognition exemptions permitted include short term leases or leases for which the underlying asset is of low value. If a contract meets these criteria the Company expenses the payments in the consolidated statements of net (loss) income and other comprehensive (loss) income.

Upon adoption, previously recognized operating commitments disclosed in the annual consolidated financial statements for the year ended December 31, 2018 meeting IFRS 16 recognition criteria were measured at the present value of remaining future lease payments using the Company's incremental January 1, 2019 borrowing rate. For leases previously recognized as finance leases under IAS 17, the carrying amounts of the lease asset and lease liability at January 1, 2019 were determined using the carrying amounts of the lease asset and lease liability under IAS 17 immediately before that date. The Company applied the following practical expedients on initial adoption of IFRS 16 for previously recognized operating commitments: account for leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases; account for lease payments as an expense for which the underlying asset is of low dollar value; and use hindsight in applying the new standard for lease terms where the contract contains options to extend or terminate the lease. The impact of adoption of IFRS 16 was a \$7.2 million increase to lease liabilities, a \$0.1 million decrease to accrued payables, a \$6.9 million increase to property and equipment, and a \$0.2 million decrease to retained earnings as at January 1, 2019 using an average incremental borrowing rate of 5.1%.

As a result of the implementation of IFRS 16, for the three and six months ended June 30, 2019, \$0.6 million and \$1.3 million of expenses that otherwise would have been booked to operating and selling, general and administrative expenses was recorded as a reduction to the lease liability, respectively.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2019. The preparation of the unaudited condensed consolidated interim 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 consolidated interim financial statements for the three and six months ended June 30, 2019 and Notes 1 and 2 to the audited annual consolidated financial statements for the year ended December 31, 2018 for a description of the Company's accounting policies, impacts of changes in significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP's financial results.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period. Due to the maturation of the business and the acquisition of Tucker, STEP reassessed its operating segments. The realignment of operating segments assigned the separate disclosure of Corporate costs in addition to the Canadian Operations and U.S. Operations geographical segments. The Company also reclassified specified cost of sales and selling, general, and administrative costs.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's existing internal control over financial reporting ("ICFR") except as described below that occurred during the period ending June 30, 2019, which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Since March 31, 2019, the Company has implemented changes in its ICFR related to the previous scope limitation regarding the acquisition of Tucker, in which the controls, policies and procedures of Tucker were excluded from the Company's ICFR. No limitation is required or reported as of June 30, 2019 for the design or implementation of disclosure controls and procedures and internal control over financial reporting, as the Company has ensured that its ICFR processes and controls are implemented and now cover all aspects of the acquired Tucker business. The Company intends to confirm operating effectiveness for year-end 2019.

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. 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: 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; effect of weather conditions on the Company's operations; expected completions activity, utilization levels and operating margins 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; planned redeployment of a fourth fracturing crew in the U.S; the Company's ability to retain existing clients and attract new business; monitoring of industry demand, client capital budgets and market conditions; and increased clarity on client activity in the third and fourth quarters of 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; 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 obtain 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 cash flows from operating activities; third party 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.