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 May 7, 2018 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three months ended March 31, 2018 (the "Financial Statements") and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2017. Readers should also refer to the "Forward-looking statements" legal advisory at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Readers should review the section regarding "Non-IFRS Measures". Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2017 dated March 19, 2018 (the "AIF").

CORPORATE OVERVIEW

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

Founded in 2011, as a specialized, deep capacity coiled tubing company, STEP is a Canadian market leader for fully integrated, deep capacity coiled tubing and fracturing solutions and has taken its successful focus on safety, efficiency, and execution to U.S. markets. Our Canadian fracturing and coiled tubing services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the United States ("U.S."), we focus our coiled tubing services in the Permian and Eagle Ford in Texas and the Haynesville in Louisiana. The acquisition of Tucker Energy Service Holdings Inc. positions STEP to add fracturing services to its U.S. based customers and provides entry into key high-growth basins.

Fracturing services continue to expand

STEP's fracturing business is primarily focused on the deeper, more technically challenging plays in Alberta and northeast British Columbia, with growing exposure to oilier plays in eastern Alberta and south Saskatchewan. STEP currently operates eight fracturing spreads representing 225,000 horsepower ("HP") (including 100,000 HP with dual fuel capabilities) in Canada. STEP has an additional 72,500 HP available for deployment, some of which will require capital for maintenance, refurbishment, and rebranding. The Company will continue to deploy HP as dictated by the markets ability to support strong utilization and pricing. On February 22, 2018, STEP announced the acquisition of Tucker Energy Services Holdings, Inc. ("Tucker"), which has expanded the Company's fracturing capacity by approximately 40% and provided a strategic entry into the U.S. fracturing market. The Acquisition includes four fracturing spreads (representing 192,500 HP), two coiled tubing spreads, and 15 wireline units.

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

STEP provides coiled tubing services to Canadian and U.S. E&P companies for completion operations of new wells and workovers to improve producing wells. STEP's coiled tubing units are designed to service the deepest wells in North America. We currently operate a fleet of 21 coiled tubing spreads, including eight in the U.S. STEP has plans to build and deploy additional coiled tubing spreads into both markets in 2018 as supported by market demand.

STEP's culture and equipment sets us apart

A cornerstone of STEP's success is our high-performance, safety-focused culture. Our four core values; **Safety**, **Trust**, **Execution** and **Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety. Our commitment to these values results in fewer non-productive hours, is instrumental in attracting and retaining top talent and helps STEP attract and retain high-quality clients with similar values. STEP scored 95% in its 2017 Certificate of Recognition safety audit and is an award-winning service provider, receiving the EY Entrepreneur Of The Year™ 2017 award in oil and gas services, the OGM Safety Award, Top Safety Culture Award - Large Enterprises Category, and being a recipient of Canada's Best Managed Companies. STEP believes our commitment to modern

equipment differentiates us in the market place. We are continually developing and deploying technology to advance our business.

CONSOLIDATED HIGHLIGHTS

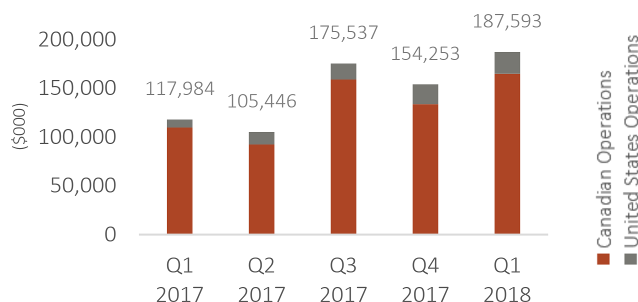
FINANCIAL

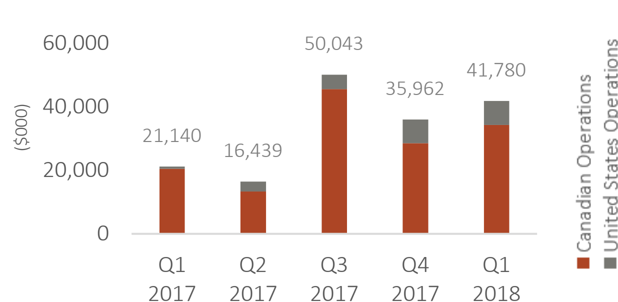
($000s except percentages, shares and per share amounts)	Three months ended March 31, 2018	2017
Consolidated revenue	$ 187,593	$ 117,984
Net income attributable to shareholders	$ 18,416	$ 8,992
Per share-basic	$ 0.30	$ 0.18
Per share-diluted	$ 0.29	$ 0.18
Adjusted EBITDA [(1)]	$ 41,780	$ 21,140
Adjusted EBITDA % [(1)]	22%	18%

BALANCE SHEET

($000s except shares and per share amounts)	At as March 31, 2018	As at December 31, 2017
Cash and cash equivalents	$ 40,296	$ 36,859
Working capital	$ 128,071	$ 121,032
Total assets	$ 579,892	$ 533,845
Total long-term financial liabilities	$ 7,311	$ 8,049
Shares outstanding		
Basic	60,434,971	60,309,738
Weighted average shares – basic	60,420,318	56,528,016
Weighted average shares – diluted	62,492,198	57,752,867

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





(1) See Non-IFRS Measures.

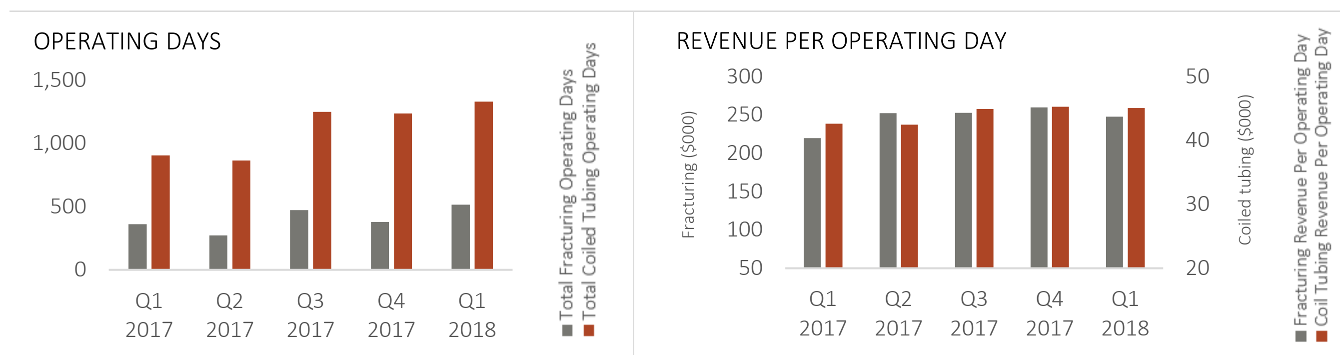
FINANCIAL HIGHLIGHTS

- Additional equipment deployments allowed STEP to report record quarterly revenue of $187.6 million.
- STEP generated record first quarter Adjusted EBITDA of $41.8 million, driven by strong utilization, cost control and operating efficiency initiatives.
- STEP exited the quarter with $40.3 million in cash and an undrawn $100.0 million available on its credit facility.
- During the quarter, STEP announced the agreement to acquire all of the issued and outstanding capital stock of Tucker for gross proceeds of US$275 million. This transaction closed April 2, 2018.

OPERATIONAL

($000's except per day, days, units, and HP)	Three months ended March 31, 2018	2017
Total fracturing operating days [1]	515	361
Fracturing revenue per operating day	$ 247,779	$ 219,781
Fracturing capacity (HP):		
Average active HP	214,333	133,500
Exit active HP	225,000	145,000
Total HP [2]	297,500	297,500
Proppant pumped (tonnes)	209,000	147,900
Total coiled tubing operating days [1]	1,330	906
Coiled tubing revenue per operating day	$ 45,102	$ 42,652
Coiled tubing capacity:		
Average active coiled tubing units	20	14
Exit active coiled tubing units	21	14
Total coiled tubing units	21	16
Capital expenditures	$ 24,597	$ 20,943

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



OPERATIONAL HIGHLIGHTS

- During the quarter, STEP's Canadian operations deployed one additional fracturing spread representing 16,000 HP to the WCSB and two additional coiled tubing spreads in West Texas.
- Additional equipment deployed, in combination with strong demand for our services enabled STEP to increase total combined operating days by 46% for the first quarter of 2018, compared to the 2017 comparable period.
- STEP's fracturing services delivered growth in revenue per day from the more intensive Duvernay and Montney formations with the addition of the 8th fracturing spread.
- The Medicine Hat facility gives STEP more capacity to target the Viking, Shaunavon and Bakken formations and the Company will be deploying additional specialized, fit-for-purpose, equipment to service these less HP intensive oil plays in the second half of 2018.
- Coiled tubing services in the U.S. continue to deliver growth in revenue per day with consistent demand driving incremental pricing.
- Coiled tubing revenue per operating day increased from $42,652 during the first quarter of 2017 to $45,102 for the quarter ending March 2018 as a result of increased running meters in Canada and an increase in day rates in the U.S.

SUBSEQUENT EVENTS

U.S. STRATEGIC ACQUISITION OF TUCKER

On April 2, 2018, the Company closed the previously announced agreement to acquire all of the issued and outstanding capital stock of Tucker for total cash consideration of US$275 million, before closing adjustments (the "Acquisition").

STEP funded the Acquisition of CAD$355.0 million (US$275.0 million) with cash on hand of $24.0 million, the gross proceeds of the offering ("the Offering") of common shares of $56.3 million, and the balance funded from borrowings under the New Credit Facilities of $274.7 million. Costs related to the Acquisition are estimated to be $2.8 million in total, amounts incurred prior to quarter end have been booked to transaction costs on the March 31, 2018 financial statements. The Company is in the process of integrating Tucker, including assigning fair value to all of the working capital accounts, tangible and intangible assets and the resulting goodwill.

EQUITY ISSUANCE

On April 2, 2018, contingent with the completion of the Acquisition, the previously announced bought-deal equity financing (the "Offering") converted the Subscription Receipts to common shares of the Company. The Offering raised gross proceeds of $56.3 million by issuing 6,055,000 common shares for $9.30 each, which included 675,000 common shares issued pursuant to the partially exercised over-allotment option granted to the syndicate of underwriters. The proceeds of the offering were used to partially fund the Acquisition. Costs related to the equity offering are estimated to be $2.8 million, amounts incurred prior to quarter end have been booked to prepaid expenses and deposits on the March 31, 2018 financial statements until the Offering closed subsequent to quarter end when the total was classified as a reduction of share capital.

LOANS AND BORROWINGS

Commensurate with the closing of the Acquisition, the Company secured a new $330.0 million revolving syndicated credit facility, a $10.0 million operating facility and a U.S.$7.5 million operating facility (together the "New Credit Facilities"). The New Credit Facilities mature April 2, 2021 and may be extended for a period of up to 3 years with syndicate approval. 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 permanently reduce the New Credit Facility to not less than $300.0 million.

Security for the New Credit Facilities is provided by a general security agreement over the assets of the Company, including all present and after acquired personal property of the Company and all of its subsidiaries including mortgages on certain properties.

Interest is payable monthly, at the bank's prime lending rate plus 50 basis points to 200 basis points, dependent on the Funded debt to Adjusted bank EBITDA ratio of the Company as defined below.

The New Credit Facilities include 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 for the purposes of the covenant calculations differ from the Company's non-IFRS measure "Adjusted EBITDA" by the exclusion of realized foreign exchange (gain) loss. Funded debt to Adjusted bank EBITDA ratio is required to be 3.00:1 or less.
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.

Upon closing of the Acquisition, management estimated the Funded debt to Adjusted bank EBITDA ratio will approximate 1.30:1. The estimated ratio was calculated incorporating the 12 trailing months of Tucker's historical results, which have not been audited nor reviewed as Tucker was previously a private company. The actual ratio could differ materially from management's estimates and assumptions.

INDUSTRY CONDITIONS & OUTLOOK

STEP's completions commitments remain strong through Q2 2018, although management is anticipating that work deferrals may occur stemming from extended wet conditions related to the high amounts of winter snowfall. Through the back half of 2018, STEP's outlook is positive with expectations of strong utilization for current active equipment.

Management anticipates Canadian drilling activity in 2018 will remain more focused on oil and liquids-rich gas plays given the strengthening of oil prices and the impact of continued weakness in natural gas prices in Canada. This reinforces STEP's strategy to construct fit-for-purpose equipment to target shallow, oil-weighted areas where capital programs are anticipated to remain intact or expand. Should client drilling budgets expand, management anticipates there could be a shortage of pressure pumping equipment to service the incremental demand in Canada.

In the U.S., the market for completions activity remains robust and client inquiries continue to be supportive of deploying additional equipment to meet demand. The Company anticipates that our coiled tubing and recently acquired fracturing assets will experience strong utilization through 2018. Management believes that the impact of increased activity on fracturing demand could be compounded by labour constraints, attrition of older equipment and supply chain limitations which could extend the lead-time for construction, delivery and deployment of new capacity.

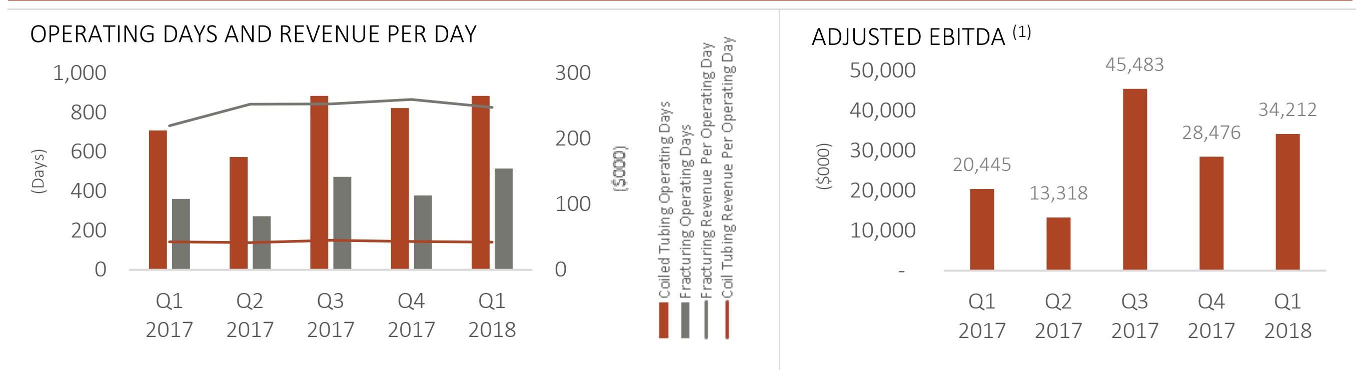
The demand for supply chain inputs is expected to drive modest cost inflation, specifically wage inflation for labour in the U.S. STEP will maintain our disciplined focus on operational efficiencies to assist with driving our financial performance. In addition, we will continue to monitor conditions in real-time to assess and anticipate the market's ability to absorb new capacity and adjust our activities accordingly.

CANADIAN OPERATIONS OVERVIEW

The Canadian operating segment provides fracturing and coiled tubing services to E&P companies operating in the WCSB. As at March 31, 2018, our Canadian operations were comprised of 297,500 fracturing HP, of which a fleet of eight fracturing spreads representing 225,000 HP were staffed for 24-hour operations; and 13 coiled tubing spreads, also staffed for 24-hour operations. The Canadian segment took delivery of the eighth fracturing spread in the first quarter of 2018.

($000's except per day, days, units, and HP)	Three months ended March 31, 2018	2017
Revenue:		
Fracturing	$ 127,606	$ 79,341
Coiled tubing	37,524	30,437
	165,130	109,778
Expenses:		
Cost of sales	135,575	92,874
Selling, general and administrative	5,647	4,476
Results from operating activities	$ 23,908	$ 12,428
Add non-cash items:		
Depreciation	8,791	6,457
Share-based compensation	1,513	1,560
Adjusted EBITDA [1]	$ 34,212	$ 20,445
Adjusted EBITDA % [1]	21%	19%
Sales mix (% of segment revenue)		
Fracturing	77%	72%
Coiled tubing	23%	28%
Fracturing services		
Fracturing revenue per operating day	$ 247,779	$ 219,781
Number of fracturing operating days [2]	515	361
Active pumping HP, end of period	225,000	145,000
Idle pumping HP, end of period	72,500	152,500
Total pumping HP, end of period [3]	297,500	297,500
Coiled tubing services		
Coiled tubing revenue per operating day	$ 42,400	$ 42,929
Number of coiled tubing operating days [2]	885	709
Active coiled tubing units, end of period	13	10
Idle coiled tubing units, end of period	-	2
Total coiled tubing units, end of period	13	12

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



(1) See Non-IFRS Measures.

First quarter year over year highlights – Canada

Completions activity in Canada remained strong allowing STEP to activate 80,000 HP and three deep capacity coiled tubing spreads since the first quarter of 2017. Through a combination of additional capacity, improved utilization and pricing, revenue increased 50% over the comparable period in 2017.

Adjusted EBITDA in Canada for the three months ended March 31, 2018 was $34.2 million (or 21%), in comparison with $20.4 million (or 19%) in the comparable 2017 period. The improvements are primarily attributable to pricing and utilization over an expanded fleet of deployed equipment, supported by cost containment measures and stronger operating efficiencies.

Revenue generated from integrated services that combined STEP's coiled tubing and fracturing services totalled approximately 32% for the three months ended March 31, 2018.

Fracturing services first quarter 2018 versus 2017

- Strong demand for service and increased fracturing capacity allowed the Company to increase operating days by 43%.
- Average revenue per fracturing operating day increased 13%. Improvement stems from increased stages and increased operational efficiency resulting in higher proppant pumped on a per day basis.
- STEP pumped approximately 209,000 tonnes of proppant over 5,000 stages in the first quarter of 2018, while the comparable quarter in 2017 saw approximately 147,900 tonnes pumped over 3,400 stages.
- The recent addition of the Medicine Hat operating base and the 8th fracturing spread better positions STEP to gain market share in the active Viking, Shaunavon and Cardium plays.

Coiled tubing services first quarter 2018 versus 2017

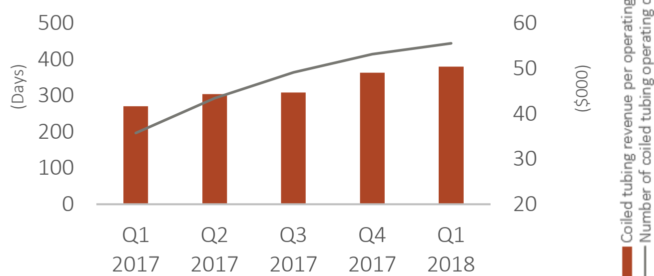
- Higher activity and increased capacity in Canada allowed coiled tubing services to improve operating days by 25%.
- Average revenue per coiled tubing operating day decreased 1%. The decrease in the period is largely attributable to the change in the mix of revenue between milling, coiled tubing fracturing, and stand by revenue.

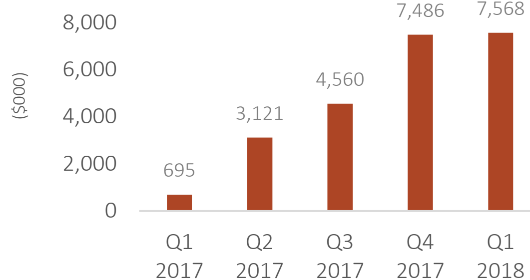
UNITED STATES OPERATIONS OVERVIEW

The U.S. operating segment provides coiled tubing services to an expanding client list in the Permian and Eagle Ford basins in Texas and the Haynesville shale in Louisiana. At March 31, 2018, STEP's U.S. operations included eight active coiled tubing spreads. The U.S. operations anticipate delivery of a ninth coiled tubing spread in the second quarter of 2018 and two additional coiled tubing spreads in the second half of 2018.

($000's except per day, days, and units)	Three months ended March 31, 2018	2017
Revenue	$ 22,463	$ 8,206
Expenses:		
Cost of sales	15,613	7,849
Selling, general and administrative	1,063	695
Results from operating activities	$ 5,787	$ (338)
Add non-cash items:		
Depreciation	1,519	895
Share-based compensation	262	138
Adjusted EBITDA [1]	$ 7,568	$ 695
Adjusted EBITDA % [1]	34%	8%
Coiled tubing services		
Coiled tubing revenue per operating day	$ 50,478	$ 41,654
Number of coiled tubing operating days [2]	445	197
Active coiled tubing units, end of period	8	4
Idle coiled tubing units, end of period	-	-
Total coiled tubing units, end of period	8	4

[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.





[1] See Non-IFRS Measures.

First quarter year over year highlights – U.S.

Growth in completion activity supported deploying four deep capacity coiled tubing spreads since the first quarter of 2017 including two during the first quarter of 2018. A growing client base and strong demand across all operating districts contributed to a 174% increase in revenue. Appreciation in the U.S. dollar versus the Canadian dollar over the course of the quarter amplified the revenue per day improvements realized by approximately 3%.

Adjusted EBITDA for the three months ended March 31, 2018 was $7.6 million (or 34% of revenue), an increase of 989% over the comparable period in 2017. The increase is attributable to strong utilization over a larger fleet of deployed equipment, improved pricing fundamentals and operating efficiencies.

Coiled tubing services first quarter 2018 versus 2017

- Increased industry activity combined with additional active equipment allowed coiled tubing services to improve operating days by 126%.
- Average revenue per coiled tubing operating day increased 21%. The increase is largely attributable to improved pricing driven by robust demand.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)	Three months ended March 31,	
	2018	2017
Revenue	$ **187,593**	$ 117,984
Cost of sales	**151,134**	100,723
Gross profit	**36,459**	17,261
Selling, general and administrative	**6,764**	5,171
Results from operating activities	**29,695**	12,090
Finance costs	**145**	569
Foreign exchange (gain) loss	**135**	(13)
Gain on disposal of property and equipment	**(117)**	(1,882)
Transaction costs	**1,153**	785
Amortization of intangibles	**10**	193
Unrealized loss on foreign exchange forward contracts	**1,771**	-
Net income before income tax	**26,598**	12,438
Income tax expense (recovery)	**8,182**	3,446
Net Income (loss)	**18,416**	8,992
Other comprehensive income (loss)	**1,387**	(278)
Total comprehensive income	$ **19,803**	$ 8,714
Net income	$ **18,416**	$ 8,992
Net income per share – basic	$ **0.30**	$ 0.18
Net income per share – diluted	$ **0.29**	$ 0.18
Adjusted EBITDA [1]	$ **41,780**	$ 21,140
Adjusted EBITDA % [1]	**22%**	18%

[1] *See Non-IFRS Measures.*

First quarter capital expenditures

($000s)	Three months ended March 31,	
	2018	2017
Canada	$ **16,342**	$ 14,459
United States	**8,255**	6,484
Total capital expenditures	$ **24,597**	$ 20,943

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 months ended March 31, 2018, depreciation and amortization expense increased by 37% to $10.3 million from $7.6 million in the comparable period of 2017. The increase was the result of assets built, activated and deployed over the past twelve months.

Finance costs

STEP's finance costs of $0.1 million for the three months ended March 31, 2018 decreased from $0.6 million in the same period of 2017, as the outstanding balance on the Company's credit facilities was higher in the first quarter of 2017. Charges in the current period are attributable to interest on leased light duty vehicles and amortization of deferred financing fees.

Foreign exchange gains and losses

STEP recorded a foreign exchange loss of $0.1 million for the three months ended March 31, 2018 versus a gain of $13 thousand in the comparable period in 2017, due to U.S. dollar appreciation in the first quarter of 2018. Foreign exchange gains and losses arose primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars.

Gains or losses on disposal of property and equipment

The Company recorded a gain on disposal of non-core property and equipment of $0.1 million for the three months ended March 31, 2018 compared to a gain of $1.9 million in the comparable period in 2017. Proceeds on sale of $208 thousand were recognized in the three months ended March 31, 2018.

Impairment

STEP reviews for indicators of impairment at each reporting period. Based on management's review, no indicators of impairment existed at March 31, 2018.

Transaction costs

Transaction costs expensed were $1.2 million for the three months ended March 31, 2018 as compared to $0.8 million in the first quarter of 2017. Costs in the current period relate to the Acquisition that closed on April 2, 2018, while comparable period costs relate to the IPO.

Foreign exchange forward contract gains and losses

STEP recorded a foreign exchange forward contract loss of $1.8 million for the three months ended March 31, 2018, as result of U.S. dollar appreciation on the forward contract entered into for the purposes of funding the Acquisition.

Income taxes

STEP recorded income tax expense of $8.2 million in the three months ended March 31, 2018 compared to $3.5 million in the comparable period of 2017. The average combined tax rate was approximately 27% in the three months ended March 31, 2018 and 2017.

Share-based compensation

For the three months ended March 31, 2018, STEP recorded share-based compensation expense of $1.8 million, compared to $1.7 million in the comparable period of 2017. The marginal increase is due to a growing headcount and resulting issuances in share based compensation instruments.

LIQUIDITY AND CAPITAL RESOURCES

($000s)	Three months ended March 31,	
	2018	2017
Net cash provided by (used in)		
Operating activities	**$ 26,596**	$ 3,453
Investing activities	**(20,065)**	(12,791)
Financing activities	**(3,136)**	16,028
Impact of foreign exchange on cash	**42**	23
Increase (decrease) in cash and cash equivalents	**$ 3,437**	$ 6,713
Ending cash balance	**$ 40,296**	$ 8,864

Net cash provided by operating activities

Net cash provided by operating activities totaled $24.0 million for the three months ended March 31, 2018, compared to $3.5 million in the comparable period in 2017. The increase in net cash provided by operating activities was due to increased activity and pricing. Trade and other receivables increased from $139.3 million at December 31, 2017 to $164.3 million at March 31, 2018, due to increased revenue in the first quarter. Trade and other payables increased from $64.6 million at December 31, 2017to $84.2 million at March 31, 2018 due to increased activity.

Net cash used in investing activities

Net cash used in investing activities totalled $20.1 million for the three months ended March 31, 2018, compared to $12.8 million in the comparable period in 2017. Relative to 2017, the increase in first quarter of 2018 is the result of more cash directed towards the deployment of assets under our capital program in combination with reduced proceeds from the disposal of non-core property and equipment.

Net cash provided by (used in) financing activities

Net cash used in financing activities of $0.1 million for the three months ended March 31, 2018 decreased compared to $16.0 million provided by financing activities in the comparable period of 2017. The decrease relates to the to the Company issuing 2.4 million common shares for aggregate proceeds of $15.0 million in the first quarter of 2017 pursuant to a subscription agreement entered into between the Company and ARC Energy Fund 8 on April 2, 2015.

Working capital and cash requirements

As at March 31, 2018, STEP had positive working capital of $128.1 million (including cash of $40.3 million), compared to $121.0 million (including cash of $36.9 million) as at December 31, 2017. Contributing to the increase is positive cash flows from operating activities. As at March 31, 2018, trade and other receivables increased to $164.3 million from $139.3 million as at December 31, 2017, due to higher activity in both Canada and the U.S while trade and other payables increased to $84.2 million at March 31, 2018 from $65.6 million as at December 31, 2017, with the growth related to the increased need for non-cash working capital to support ongoing operations and the capital program.

Capital management

($000s)	**As at March 31, 2018**	As at December 31, 2017
Shareholders' equity	**$ 452,585**	$ 431,040
Obligation under finance lease	**12,511**	11,764
Loans and borrowings	**1,813**	1,813
Total capital	**$ 466,909**	$ 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 May 7, 2018, there were 66,509,480 Common Shares issued and outstanding.

Debt:

At March 31, 2018, the Company has a borrowing agreement with a syndicate of financial institutions. The agreement is comprised of an operating facility and a revolving facility (together the "Existing Credit Facilities").

The Existing Credit Facilities mature May 31, 2020 and include a committed operating facility up to a maximum of $10.0 million and a committed revolving facility up to a maximum of $90.0 million, with an additional $25.0 million accordion feature available upon request by the Company, subject to review and approval by the agent and syndicate. The maturity date of the Existing Credit Facilities may be extended once for a period of up to 3 years. The Existing 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.

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

1. Funded debt to Adjusted bank EBITDA ratio refers to the ratio of total outstanding interest-bearing debt including capital lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions ("Funded debt") to earnings before interest, share-based compensation, non-recurring gains and losses on the sale of property and equipment, unrealized foreign exchange forward contract (gain) loss, unrealized foreign exchange gains and losses, taxes, depreciation, amortization, and impairment ("Adjusted bank EBITDA") of the Company for the twelve preceding months. Adjusted bank EBITDA for the purposes of the covenant calculations differ from the Company's non-IFRS measure "Adjusted EBITDA" by the exclusion of realized foreign exchange (gain) loss and transaction costs. Funded debt to Adjusted bank EBITDA ratio is required to be 4.00:1 or less for the fiscal quarter ending March 31, 2018, 3.75:1 or less for the fiscal quarter ending June 30, 2018, 3.50:1 or less for the fiscal quarter ending September 30, 2018, and 3.00:1 for the fiscal quarters ending December 31, 2018 and thereafter.

   At March 31, 2018, the Funded debt to Adjusted bank EBITDA ratio was 0.00:1 (December 31, 2017 – 0.00:1).

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

   At March 31, 2018, the Funded debt to capitalization ratio was 0.00:1 (December 31, 2017 - 0.00:1).

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

   At March 31, 2018, the Debt service coverage ratio was 22.15:1 (December 31, 2017 – 19.05:1).

Interest is payable monthly, at the bank's prime lending rate plus 50 basis points to 450 basis points, dependent on certain financial ratios of the Company. At March 31, 2018, the full amount was available to be drawn on the Existing Credit Facilities of which there were no amounts outstanding and the Company was in compliance with all covenants.

At March 31, 2018, short-term loans and borrowings outstanding are comprised of vendor financing related to the acquisition of property and equipment. Amounts incur no interest and payments commence in the fourth quarter of 2018.

Contractual obligations, commitments, and provisions

($000s)	Total	2018	2019	2020	Thereafter
Trade and other payables	**$ 84,209**	$ 84,209	$ -	$ -	$ -
Income tax payable	**6,756**	6,756	-	-	-
Foreign exchange forward contracts	**1,771**	1,771	-	-	-
Operating leases and office space [1]	**13,679**	1,530	2,859	2,890	6,400
Finance leases [2]	**13,071**	4,625	6,309	1,935	202
Loans and borrowings [3]	**2,464**	830	1,509	125	-
Capital expenditure commitments [4]	**55,682**	55,682	-	-	-
Total commitments	**$ 177,632**	$ 155,403	$ 10,677	$ 4,950	$ 6,602

[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.
[2] Balance includes interest portion of finance lease obligations.
[3] Balance relates to a vendor financing agreement and standby fees on the Facilities.
[4] A capital expenditure commitment is defined as a legally binding purchase agreement between the Company and the supplier as it relates to the Company's capital program.

Litigation

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

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

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance 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)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Revenue								
Canadian Operations	**165,130**	133,868	159,211	92,437	109,778	54,368	51,088	16,907
United States Operations	**22,463**	20,385	16,326	13,009	8,206	9,794	7,094	2,323
	187,593	154,253	175,537	105,446	117,984	64,162	58,182	19,230
Net income (loss) attributable to shareholders	**18,416**	17,548	28,575	2,600	8,992	(2,615)	(1,242)	(7,471)
Adjusted EBITDA [3]								
Canadian Operations	**34,212**	28,476	45,483	13,318	20,445	2,668	3,640	(3,019)
United States Operations	**7,568**	7,486	4,560	3,121	695	2,587	1,314	(634)
	41,780	35,962	50,043	16,439	21,140	5,255	4,954	(3,653)
Capital expenditures								
Canadian Operations	**16,342**	23,685	17,486	24,305	14,459	9,263	11,946	66,125
United States Operations	**8,255**	8,335	7,852	8,349	6,484	2,359	3,625	244
	24,597	32,020	25,338	32,654	20,943	11,622	15,571	66,369
Per Common Share								
Net income (loss) – basic	**0.30**	0.29	0.48	0.05	0.18	(0.05)	(0.03)	(0.18)
Net income (loss) – diluted	**0.29**	0.28	0.46	0.04	0.18	(0.05)	(0.03)	(0.18)
Adjusted EBITDA [3] – basic	**0.70**	0.60	0.83	0.29	0.43	0.11	0.10	(0.09)
Adjusted EBITDA [3] – diluted	**0.68**	0.57	0.81	0.28	0.43	0.11	0.10	(0.09)

[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)	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Canada								
Exit active fracturing spreads	**8**	7	6	5	5	3	3	2
Exit active HP (000's)	**225**	209	177	145	145	100	100	50
Total HP (000's)	**298**	298	298	298	298	298	298	290
Exit active coiled tubing units	**13**	13	12	11	10	10	8	7
Total coiled tubing units	**13**	13	12	12	12	12	12	12
United States								
Exit active coiled tubing units	**8**	6	6	4	4	4	3	2
Total coiled tubing units	**8**	6	6	4	4	4	3	3

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 both fixed and floating rates and, due to their short term nature, fair market value approximates carrying value.

Interest rate risk

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

Credit risk

The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk associated with its clients. The Company continually monitors individual client trade receivables, taking into account numerous 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. As well, in the current period, the Company has entered into forward foreign exchange contracts to hedge variability in significant currency denominated contracts.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements as at March 31, 2018 other than the operating leases described under "Contractual obligations and commitments".

NON-IFRS MEASURES

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

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

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

($000s)	Three months ended March 31,	
	2018	2017
Net income (loss)	$ **18,416**	$ 8,992
Add (deduct):		
Depreciation and amortization	**10,320**	7,545
Loss (gain) on disposal of P&E	**(117)**	(1,882)
Finance costs	**145**	569
Income tax expense (recovery)	**8,181**	3,446
Foreign exchange forward contract (gain) loss	**1,771**	-
Share-based compensation	**1,776**	1,698
Transaction costs	**1,153**	785
Foreign exchange (gain) loss	**135**	(13)
Adjusted EBITDA	$ **41,780**	$ 21,140

ACCOUNTING POLICIES AND ESTIMATES

Internal control over financial reporting

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". STEP's certifying officers are required to certify that the Company's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") are designed (developed and implemented) at March 31, 2018. The Company's designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in its securities legislation. Additionally, the Company's designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). Management will certify the operating effectiveness of DC&P and ICFR in place at December 31, 2018. The design of ICFR was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ending March 31, 2018, which have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Critical accounting estimates and judgments

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

(including IFRS 16), and practices involving the use of estimates and judgments that are critical to determining STEP's financial results.

Related parties

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

RISK FACTORS AND RISK MANAGEMENT

STEP's business is subject to a number of risks and uncertainties. Investors should review and carefully consider the risks described in the Company's annual MD&A and AIF dated March 19, 2018 prepared by management for the year ended December 31, 2017, which are specifically incorporated by reference herein. The Company's risk factors and management thereof has not changed substantially from those disclosed in the annual MD&A and the AIF dated March 19, 2018.

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 and any documents (or portions thereof) incorporated by reference 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: future commodity prices; anticipated market recovery; supply and demand for oilfield services and industry activity levels, including the Company's integrated services offerings; the Company's objectives, strategies and competitive strengths; future development activities; availability of fracturing equipment; the Company's ability to refurbish and deploy its idle capacity; the Company's ability to retain existing clients and attract new business; the Company's ability to attract and retain qualified personnel; expectations that the Company's competitive advantages will yield successful execution of its business strategy; capital resources and the Company's ability to raise capital; Funded debt to Adjusted bank EBITDA ratios; industry conditions pertaining to the oilfield services industry; the Company's treatment under governmental regulatory regimes; timing of delivery and deployment of additional fracturing and coiled tubing spreads; expected utilization rates; and monitoring of client capital budgets.

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: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; future oil, natural gas and natural gas liquids prices; 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-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business; levels of deployable equipment; future capital expenditures to be made by the Company; future sources of funding for the Company's capital program; the

Company's future debt levels; the impact of competition on the Company; and the Company's ability to obtain financing on acceptable terms.

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 realize anticipated benefits of acquisitions and dispositions; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results may differ materially from management estimates and assumptions; the direct and indirect costs of various greenhouse gas regulations; misappropriation or infringement of intellectual property rights; improper access to confidential information; conservation measures and technological advances; terrorist attacks or armed conflict; cyber attacks and the loss of the Company's information and computer systems; conflicts of interest of directors and officers; reassessment by tax authorities of the Company's income (loss) calculations; the Company's current technology may become obsolete or experience a decrease in demand; and capacity constraints and pressure on the Company's internal systems and controls.