



Annual Information Form

Year Ended December 31, 2017

March 19, 2018

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FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this Annual Information Form 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 Annual Information Form 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 Annual Information Form contains forward-looking statements pertaining to: future commodity prices; anticipated market recovery; projections of market prices and costs; supply and demand for oilfield services and industry activity levels, including the Company’s integrated services offerings; benefits to the Company of increased fracturing intensity; the Company’s objectives, strategies and competitive strengths; the completion of the Acquisition and the timing thereof; the financing of the Acquisition, including expectations regarding the availability of the New Credit Facilities and the timing thereof; 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; the Company’s dividend policy, should one be adopted, including the sustainability of dividend payments and the amount, timing and taxation of dividend payments; 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; industry conditions pertaining to the oilfield services industry; the Company’s treatment under governmental regulatory regimes; expected expansion and profitability from the U.S.; timing of delivery and deployment of additional fracturing and coiled tubing spreads; expected utilization rates; and monitoring of client capital budgets.

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 Annual Information Form: 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; HSE 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 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.

Readers are cautioned that the foregoing lists of factors are not exhaustive. See "*Risk Factors*".

NOTE ON SHARE REFERENCES

On February 7, 2017, the Company amended its articles of incorporation to consolidate the issued and outstanding Common Shares on a 5:1 basis. On exercise of Prior Options and Performance Warrants issued prior to the consolidation, holders will receive one-fifth of a Common Share for each Prior Option or Performance Warrant exercised. Unless otherwise specified, all references to Common Shares, the issuance of Common Shares or the exercise or conversion price of any securities to acquire Common Shares in this AIF are presented on a post-consolidation basis.

ABBREVIATIONS, DEFINITIONS & CONVENTIONS

Unless the context otherwise requires, in this Annual Information Form, the following terms and abbreviations have the meanings set forth below.

"ABCA" means the *Business Corporations Act* (Alberta), as amended;

"Acquisition" means the proposed acquisition of all of the issued and outstanding capital stock of Tucker from the Vendor;

"Acquisition Agreement" means the stock purchase agreement among the Company, the Purchaser and the Vendor dated February 22, 2018;

"AER" means the Alberta Energy Regulator;

"AIF" means this Annual Information Form;

"Annual Financial Statements" means the audited consolidated financial statements of STEP as at December 31, 2017 and 2016 and for the years then ended, together with the notes thereto and the auditor's report thereon;

"ARC Energy Fund 6" means, collectively, 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;

"ARC Energy Fund 8" means, collectively, 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;

"ARC Funds" means ARC Energy Fund 6 and ARC Energy Fund 8;

“Credit Agreement” means the credit agreement dated March 10, 2017, between STEP, as borrower, and Alberta Treasury Branches and certain other financial institutions, as lenders, and Alberta Treasury Branches, as administrative agent, as amended, restated, supplemented, replaced or otherwise modified from time to time;

“DSU” means a right to receive a cash payment equal to the trading price of the Common Shares on the date of departure and granted under the DSU Plan;

“DSU Plan” means the deferred share unit plan of the Company which was adopted in connection with the IPO;

"Board" means the board of directors of the Company;

"Common Shares" means the common shares in the capital of STEP;

“E&P” means oil and gas exploration and production;

“Escrow Agent” means TSX Trust Company in its capacity as escrow agent pursuant to the Subscription Receipt Agreement;

“Escrow Release Condition” has the meaning set out under “*General Development of the Business – Three-Year History & Significant Acquisitions – Recent Developments*”;

“Escrowed Funds” means the gross proceeds from the sale of the Subscription Receipts pursuant to the Offering;

"Existing Credit Facilities" means the Company's syndicated \$90 million revolving facility and a \$10 million operating facility, maturing on May 31, 2020, with a syndicate of financial institutions;

“Gasfrac” means, collectively, Gasfrac Energy Services Inc., Gasfrac Energy Services Limited Partnership, Gasfrac Services GP Inc., Gasfrac US Holdings Inc., Gasfrac Energy Services (US) Inc. and Gasfrac Luxembourg S.A.R.L.;

“GHG” means greenhouse gases;

“HP” means horsepower;

“HSE” means health, safety and environment;

“IPO” means the Company’s initial public offering, completed in May 2017;

“MD&A” means Management’s Discussion and Analysis, filed in conjunction with the Company’s annual and interim financial reports;

“New Credit Facilities” means the \$330 million revolving syndicated credit facility, the \$10 million operating facility and the U.S.\$7.5 million operating facility that are expected to be available under the amended and restated Credit Agreement on or prior to closing of the Acquisition;

“New Option” means an option to purchase a Common Share granted under the New Option Plan;

“New Option Plan” means the new stock option plan of the Company which was adopted in connection with the IPO;

“Offering” means the public offering of the Subscription Receipts;

“Performance Warrants” means the performance warrants issued to directors, officers, employees and consultants of the Company, no further awards of which are to be granted since the closing of the IPO. Each whole Performance Warrant is exercisable for one-fifth of a post-consolidation Common Share upon the payment of the applicable exercise price;

“Prior Option” means an option to purchase a Common Share granted under the Prior Option Plan. Each whole Prior Option is exercisable for one-fifth of a post-consolidation Common Share upon payment of the applicable exercise price;

“Prior Option Plan” means the stock option plan of the Company dated March 28, 2011 under which no further awards are to be granted since the closing of the IPO;

“proppant” is a solid material, typically sand, treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open, during or following a fracturing treatment;

“PRSU Plan” means the performance and restricted share unit plan of the Company which was adopted in connection with the IPO;

“psi” means pounds per square inch;

“PSU” means a right to receive a Common Share, based upon the achievement of certain performance criteria and granted under the PRSU Plan;

“Purchaser” means STEP Energy Services (Holdings) LLC, an indirect wholly-owned subsidiary of the Company;

“O&G” means oil and gas

“RSU” means a right to receive a Common Share under the PRSU Plan;

“Sanjel” means Sanjel Corporation and Sanjel Canada Ltd.;

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“Subscription Receipt Agreement” means the agreement dated March 15, 2018 among the Company, CIBC World Markets Inc., Peters & Co. Limited and the Escrow Agent;

“Subscription Receipts” means the subscription receipts offered pursuant to the Offering;

“Termination Time” means the earlier of (i) 5:00 p.m. (Calgary time) on June 29, 2018; (ii) the Acquisition Agreement being terminated; and (iii) the Company advising the Escrow Agent and the Underwriters or formally announcing to the public by way of a press release that it does not intend to proceed with the Acquisition;

“TSX” means the Toronto Stock Exchange;

“Tucker” means Tucker Energy Services Holdings, Inc.;

“WCSB” means the Western Canadian Sedimentary Basin; and

“Vendor” means Tucker Energy Services Ltd., the seller of Tucker.

Unless the context indicates otherwise, a reference in this AIF to "STEP" or the "Company" refers to STEP Energy Services Ltd. and, where appropriate in the context, to its direct or indirect subsidiaries and partnership interests.

Unless the context indicates otherwise, a reference in this AIF to "\$" or "dollars" are to Canadian dollars. All financial information with respect to the Company has been presented in Canadian dollars. Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

CORPORATE INFORMATION

General

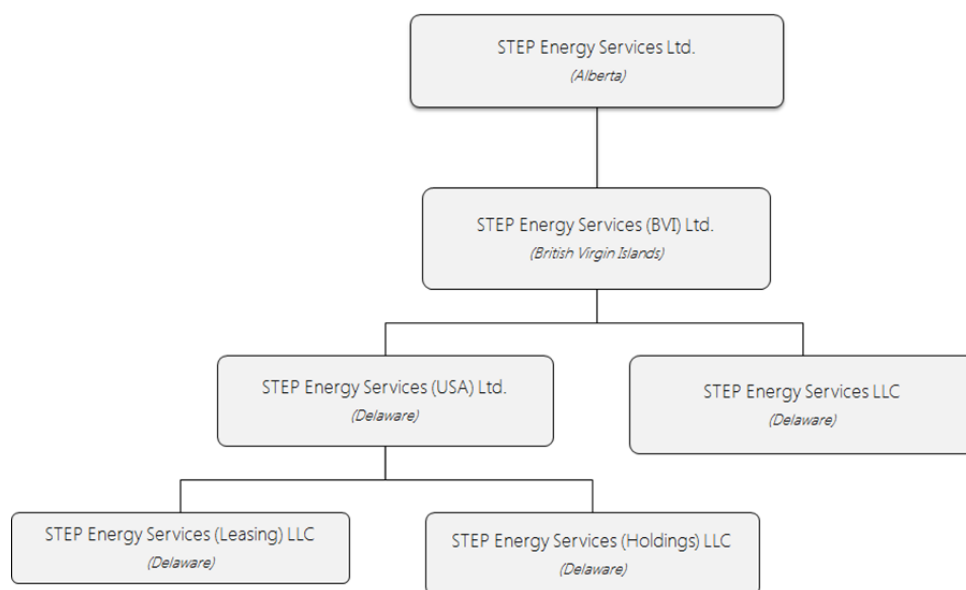
STEP was formed on March 25, 2011 by articles of incorporation under the ABCA and is an oilfield service company that provides specialized and fully integrated coiled tubing and fracturing solutions to service oil and natural gas wells in deep, technically challenging plays.

The Company's head office is located at Bow Valley Square II, 1200, 205 – 5th Ave SW, Calgary, Alberta, Canada T2P 2V7. The registered office of the Company is located at 4300 Bankers Hall West, 888 — 3rd Street S.W., Calgary, Alberta T2P 5C5.

In addition to its head office and technical center, both located in Calgary, the Company operates out of strategic locations in the WCSB including Red Deer, Blackfalds, Edson, Grande Prairie, and Medicine Hat in Alberta; and Fort St. John in British Columbia. The Company's United States operations are conducted out of San Antonio, Texas, and it operates out of strategic locations in Floresville and Midland, Texas, and Arcadia, Louisiana.

Inter-Corporate Relationships

The following diagram presents the name and jurisdiction of incorporation of STEP's material subsidiaries as at December 31, 2017, with the exception of STEP Energy Services (Holdings) LLC which was formed subsequently on February 21, 2018. The below diagram does not include all of the subsidiaries of STEP.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

STEP was founded in 2011 as a private company and began operations in the spring of 2012 as a specialized coiled tubing company. It has since grown to become an integrated fracturing and coiled tubing services provider. This has been accomplished through both the organic development of specialized fit-for-purpose equipment and through strategic acquisitions of assets. In September 2012, STEP expanded its initial coiled tubing operations through the acquisition of two coiled tubing spreads and five nitrogen pumps. Over the course of 2013 and 2014, the Company organically built-out its WCSB coiled tubing operations to a total fleet size of 14 purpose-built coiled tubing spreads. In 2015, STEP extended its coiled tubing operations into the Eagle Ford basin in Texas, United States. As at December 31, 2017 STEP's coiled tubing operations consisted of a fleet of 19 active coiled tubing spreads, with 13 operating in Canada and the remaining six operating in the U.S.

STEP began its fracturing operations in 2015. The fracturing service was a natural complement to the Company's original coiled tubing division as both are often at the well location at the same time and working together. STEP executed on key asset acquisitions totaling 297,500 HP during 2015 and 2016. The aggregate investment the Company has made to establish its fracturing operations, including any incremental capital expenditures required to modernize, retrofit and rebrand the assets and new technology additions, is estimated by management to be less than 50% of the equivalent new-build cost. As at December 31, 2017 STEP's Canadian operations had seven fracturing spreads active representing 209,000 HP.

On May 2, 2017, STEP completed its IPO, issuing 10 million common shares at a price of \$10 per common share for total gross proceeds of \$100 million. STEP became a "reporting issuer" or the equivalent in each of the provinces of Canada and its Common Shares trade on the TSX under the symbol "STEP".

Three Year History & Significant Acquisitions

Recent Developments

As at March 19, 2018, the Company's Canadian operations were comprised of 297,500 fracturing HP of which a fleet of eight fracturing spreads were staffed and operating representing 225,000 HP (including 100,000 HP with dual fuel capabilities), and the Company had an additional 72,500 HP available for deployment, some of which would require capital for maintenance, refurbishment and rebranding. As at March 19, 2018, the Company also had 13 purpose-built coiled tubing spreads staffed and deployed in Canada and eight coiled tubing spreads staffed and deployed in the U.S.

In March 2018, the Company took delivery of its seventh and eighth newly-built U.S. coiled tubing spreads and deployed them in Texas.

On March 15, 2018, STEP closed its previously announced bought-deal Offering, raising gross proceeds of \$56,311,500 by issuing 6,055,000 Subscription Receipts for \$9.30 each, which included 675,000 Subscription Receipts issued pursuant to the partially exercised over-allotment option granted to the syndicate of underwriters.

The issuance of Subscription Receipts is governed by the Subscription Receipt Agreement. The Escrowed Funds will be held by the Escrow Agent, and may, at the sole discretion of the Company and the underwriters, be invested in short-term obligations of, or guaranteed by, the Government of Canada (or other approved investments) until the earlier of: (i) all conditions, undertakings and other matters to be satisfied, completed or

otherwise met prior to the completion of the Acquisition have been satisfied, completed and otherwise met or waived, but for the payment of the purchase price, which is to be satisfied in part by the release of the Escrowed Funds pursuant to the terms of the Subscription Receipt Agreement (the “Escrow Release Condition”); or (ii) the Termination Time. Upon satisfaction of the Escrow Release Condition on or before the Termination Time and delivery of an irrevocable direction of the Company to the Escrow Agent (in its capacity as registrar and transfer agent of the Common Shares issuable pursuant to the Subscription Receipts) to issue the Common Shares issuable pursuant to the Subscription Receipts to holders of record of Subscription Receipts as at the date of release of the Escrowed Funds, the Escrowed Funds and the interest earned thereon, if any, less the remaining portion of the fees owing to the underwriters, will be released to the Company in connection with completion of the Acquisition. Upon release of the Escrowed Funds, each holder of Subscription Receipts will receive one Common Share for each Subscription Receipt held, without payment of additional consideration or further action on the part of the holder thereof. Upon satisfaction of the Escrow Release Condition and the issuance of the Common Shares, the Company will issue a press release specifying that the Common Shares have been issued.

If the Escrow Release Condition is not satisfied by the Termination Time, then holders of Subscription Receipts shall receive an amount equal to the full subscription price attributable to the Subscription Receipts and their pro rata entitlement to interest accrued on such amount. The Escrowed Funds will be applied toward payment of such amount.

On February 22, 2018, STEP entered into the Acquisition Agreement to acquire all of the issued and outstanding capital stock of Tucker for total cash consideration of U.S.\$275 million, before closing adjustments. STEP expects that the cash required to close the Acquisition will be funded with cash on hand and the net proceeds of the Offering, with the balance funded from borrowings under the New Credit Facilities. The Acquisition represents a “significant acquisition” to the Company for the purposes of Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*. Accordingly, the Company will be required under Canadian securities laws to file a business acquisition report in respect of the Acquisition, a copy of which will be available at www.sedar.com.

On February 22, 2018, STEP also obtained committed financing in respect of the New Credit Facilities. See “Description of Capital Structure & Dividend Policy – New Credit Facilities”.

2017

In December 2017, the Company deployed a seventh 24-hour fracturing spread representing 32,250 HP for an aggregate of 209,000 HP operating fracturing capacity.

On December 1, 2017, STEP announced and closed a \$65 million bought deal secondary offering at a price of \$12.25 per common share, together with an over-allotment option in favour of the underwriters (the “Secondary Offering”). Upon completion of the Secondary Offering in December 2017, a total of 5,957,000 common shares were sold for aggregate gross proceeds of \$72,973,250. The net proceeds of the Secondary Offering were paid to ARC Energy Fund 6 and ARC Energy Fund 8. STEP did not receive any proceeds from the Secondary Offering.

In October 2017, the Company deployed a 13th coiled tubing spread in Canada.

In September 2017, the Company took delivery of its sixth newly-built U.S. coiled tubing spread and deployed it in Louisiana.

In July 2017, the Company took delivery of its fifth newly-built U.S. coiled tubing spread and deployed it in Louisiana.

In June 2017, the Company deployed a sixth 24-hour fracturing spread representing 31,750 HP for an aggregate of 176,750 HP operating fracturing capacity.

On May 2, 2017, STEP completed its IPO, issuing 10 million common shares at a price of \$10 per common share for total gross proceeds of \$100 million.

On March 10, 2017, STEP entered into the Existing Credit Facilities. See *"Description of Capital Structure & Dividend Policy – Existing Credit Facilities"*. In the same month STEP set a new Canadian coiled tubing depth record for the Company of 7,200m (23,622 ft.) with 2-3/8" coiled tubing.

On February 22, 2017, the Company deployed a fifth 24-hour fracturing spread adding an additional 15,000 HP for an aggregate of 145,000 HP operating fracturing capacity.

On February 7, 2017, the Company amended its articles of incorporation to remove its private company restrictions, increase the maximum number of directors to 11, consolidate the issued and outstanding Common Shares on a 5:1 basis and add a class of preferred shares, issuable in series, with the Board having authority to determine, before the issuance thereof, the characteristics of such preferred shares.

In January 2017, the Company deployed its fourth 24-hour fracturing spread, adding an additional 30,000 HP for an aggregate of 130,000 HP operating fracturing capacity.

2016

In December 2016, STEP entered into an amended and restated letter loan agreement with Alberta Treasury Branches, as lender, providing for a secured revolving operating facility with a total commitment of \$60 million.

In October 2016, STEP redeployed a coiled tubing spread from Canada to the U.S. operations. Additionally, in October, STEP acquired a deep capacity coiled tubing unit from a competitor, expanding its Canadian fleet to 12 coiled tubing spreads.

Late in the second quarter and early in the third quarter of 2016, STEP acquired an additional 17,500 HP of equipment, increasing its pressure pumping fleet to 297,500 HP.

In August 2016, STEP completed the acquisition of an office and shop facility in Clairmont, Alberta. The facility, which includes an office and shop representing approximately 63,500 square feet on 19 acres, provides STEP with a significant operating base from which to service the region of northwestern Alberta and northeastern British Columbia.

In July 2016, STEP added its third 24-hour fracturing services spread representing STEP's second spread with bi-fuel fracturing capabilities. STEP's bi-fuel fracturing fleet, totaling 80,000 HP or approximately 30% of the total fleet, is one of the largest bi-fuel fracturing fleets in Canada. In the same month, STEP set a Canadian coiled tubing depth record for the Company of 7,091m (23,264 ft.) with 2-3/8" coiled tubing.

In May 2016, STEP acquired certain Canadian pressure pumping, coiled tubing, and nitrogen assets from Sanjel, which had entered into creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). The acquisition added 165,000 HP to STEP's existing fracturing fleet of 115,000 HP.

In April 2016, STEP took delivery of its newly-built third U.S. coiled tubing spread and deployed it in the Permian basin.

2015

In October and November 2015, STEP announced the deployment of its first and second 24-hour fracturing spreads, representing 12,500 HP and 37,500 HP, respectively. Also in November, STEP completed a record setting coiled tubing project in Alberta, hitting a depth of 7,069m (23,186 ft.) with 2-3/8" coiled tubing, making it the fourth depth record logged in a row by the Company's equipment.

In September 2015, STEP completed its first coiled tubing job in the Eagle Ford basin in Texas.

In August 2015, STEP celebrated the grand opening of its Fort St. John, British Columbia service center.

During the third quarter of 2015, STEP redeployed two coiled tubing spreads to, and established a new operating base in, Texas.

In April 2015, STEP acquired certain assets of Gasfrac, which had entered into creditor protection under the CCAA. The acquisition diversified the Company's service offering by adding fracturing equipment representing 115,000 HP. As part of the Gasfrac transaction STEP acquired certain intellectual property rights, operating premises in Edson, Alberta and Floresville, Texas, and an operating facility lease in Red Deer, Alberta.

DESCRIPTION OF THE BUSINESS & OPERATIONS

General Description

STEP is an oilfield service company that provides specialized and fully integrated coiled tubing and fracturing solutions. The Company leverages its fit-for-purpose coiled tubing and fracturing equipment to service oil and natural gas wells in deep, technically challenging plays. STEP has a high-performance safety focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its E&P clients.

STEP delivers solutions for increasingly complex and technically demanding well completion requirements. These requirements include longer lateral segments, higher pressure rates and proppant intensity, and multiple fracturing stages. STEP provides coiled tubing and fracturing services in some of the most active and complex plays in Canada, with a focus primarily on the Montney, Duvernay and Deep Basin. In the U.S., STEP provides coiled tubing services in the Permian and Eagle Ford basins and the Haynesville play. STEP's ability to provide both fracturing and coiled tubing services allows its clients to capitalize on operating efficiencies and integrated solutions for their deep and complex well requirements. The Company's safety and operational performance have enabled it to establish and retain a broad E&P client base in North America. STEP has also been able to increase the range of services provided to many of its existing Canadian clients, by either adding coiled tubing or fracturing to the initial service provided, or by expanding its offerings to additional areas/plays in which its clients operate.

Canadian and U.S. Markets



As at December 31, 2017, STEP's key assets were as follows:

In Canada:

- A fleet of 297,500 HP in fracturing capacity, with 209,000 HP servicing E&P companies in the Montney, Duvernay, and Deep Basin areas; and the balance expected to be deployed following maintenance, rebranding and refurbishment activities, as market conditions improve.
- 13 purpose-built coiled tubing spreads, with all currently deployed in primarily the same plays.

In the U.S.:

- Six purpose-built coiled tubing spreads all currently deployed, operating in the Permian and Eagle Ford basins in Texas, and the Haynesville in Louisiana.

The Company believes the demand for its Canadian integrated services will increase over the near, medium and long term as a result of a number of favourable industry trends. Drilling and completion activity has recently improved, supported by a recovery in commodity prices from the lows experienced in early 2016, STEP believes there are fundamental long-term supply and demand trends that will benefit the Company, including expected increases in:

- client completion and recompletion programs focused in the Montney, Duvernay and Deep Basin in Canada and the Permian and Eagle Ford basins and Haynesville play in the U.S. for 2018;
- the number of horizontal wells drilled;
- the length of the typical horizontal wellbore;
- the number of fracture stages and proppant per stage in a typical horizontal wellbore; and
- pad drilling.

The result of these trends is an expected increase in overall well activity as well as an increase in the fracturing intensity of these wells, creating an expected increase in the demand for STEP's services.

Fracturing Services

Fracturing services involve pumping a customized fracturing fluid through a wellbore and into a target reservoir formation. With the advent of the modern shale play, fracturing intensity (wells with longer laterals, increased fracturing stages and increased proppant per stage) has increased, requiring a considerable amount of technical skill from service companies designing fracturing fluids and the fracturing process. As a result, STEP's chemical lab solutions team is an integral part of the fracturing and re-fracturing operation, working closely with clients and field professionals to provide fit-for-purpose solutions in stimulation chemistry, acidizing and production enhancement, in addition to introducing newly developed proppant handling and blender technology and equipment.

STEP began its conventional fracturing operations in 2015, following the acquisition of certain liquid petroleum fracturing assets comprising of 115,000 fracturing HP from Gasfrac, which had entered into creditor protection under the CCAA. The assets acquired from Gasfrac included liquid propane fracturing equipment and certain intellectual property rights, as well as certain inventory (such as proppant), office furniture and fixtures, and land and buildings in Edson, Alberta and Floresville, Texas. Prior to the acquisition from Gasfrac, STEP did not offer conventional hydraulic fracturing services and only began offering such services following completion of the modifications and repurposing required of the Gasfrac assets (which were designed for liquid propane fracturing), and the purchase of other support equipment such as proppant handling and blender equipment, and the internal development of technology and related processes, all of which was required in order to deploy such assets for conventional fracturing.

Additionally, in May 2016, STEP acquired conventional hydraulic fracturing assets comprising of 165,000 fracturing HP from Sanjel, which had entered into creditor protection under the CCAA. The conventional hydraulic fracturing assets acquired from Sanjel included pressure pumping and coiled tubing equipment, as well as certain field equipment, office furniture and fixtures, rights in respect of certain intellectual property and certain inventory (such as chemicals and spare parts). Following the acquisition of the assets from Sanjel, STEP increased its fracturing workforce and independently bid for and secured fracturing services clients. The assets acquired from Sanjel were dormant at the time of acquisition, and have required maintenance and repair expenditures prior to deployment.

Late in the second quarter and early in the third quarter of 2016, STEP acquired an additional 17,500 HP of fracturing services equipment, increasing its pressure pumping fleet to 297,500 HP.

STEP offers fracturing services predominantly in the deeper, more technically challenging plays in Alberta and northeast British Columbia. As of December 31, 2017, the Company's hydraulic pressure pumping fleet consisted of 297,500 HP in Canada, of which 209,000 HP was active with the balance expected to be deployed, following maintenance, rebranding and refurbishment activities, as market opportunities dictate. STEP's pumping equipment includes a fleet combination of 2,250, 2,500 and 3,000 HP quintaplex pumps and associated equipment. The Company also offers one of the largest bi-fuel fleets in Canada, representing 100,000 HP, or approximately 34% of STEP's fleet. Bi-fuel equipment can run on either diesel or natural gas, notably reducing diesel consumption by up to 65%, lowering operating costs and reducing the impact to the environment. In addition, STEP provides a fully customizable web-based real-time viewing platform, "Fieldview", to monitor fracturing stimulations. Powered by MRL Integrated Solutions Ltd., Fieldview is accessible to all clients and STEP professionals to observe live treatments and evaluate previous stimulations.

The Company also places a strong focus on re-fracturing existing wells. Historically, horizontal multi-stage completions practices have been challenged to stimulate evenly across long intervals; accordingly, operators may consider re-fracturing their existing producing wells in order to access the unstimulated reservoir and

increase hydrocarbon capture. In 2017, the AER promoted re-fracturing, and encouraged operators to find new ways to improve production and reserve recovery from existing wells, by providing a royalty discount with the new modernized royalty framework. STEP's re-fracturing service line, with its proprietary diverting agent technologies ("STEP-PLEX"), allows for the customization of fracturing treatments in dynamic conditions to isolate dominant flow paths and redirect fracture fluids to new areas of the reservoir, thereby increasing fracture complexity and production performance. STEP-PLEX diverting agents are also customizable to prevent fluid loss and a loss of circulation, improving conductivity and bridging.

The success of the Company's fracturing services line is in part attributable to the reliable, safe and efficient delivery of fracturing services. STEP's dedicated logistics professionals ensure people, equipment, chemicals and proppant are in the right place at the right time. STEP has access to both northern white and domestic proppant; multiple transload sites to maximize efficiencies; proppant staging to provide on-time delivery; chemical bulk delivery services; and a supply of nitrogen and on-site storage, providing integrated completion services, such as lab testing and engineering modeling, and project management to STEP's clients.

Coiled Tubing Services

A coiled tube is a continuous long steel pipe that is transported on a reel and straightened when utilized. Coiled tubing services are primarily used in the completion of new wells or enhancement of existing wells. The first coiled tubing unit was developed in 1962 for well cleanouts. In 2016, an estimated 1,951 coiled tubing units existed worldwide, with the majority developed before 2010. The recent advancement of deep resource plays (Montney, Duvernay, Deep Basin, Permian, Eagle Ford, and Haynesville) and horizontal pad drilling has increased the demand for deeper, sophisticated coiled tubing units.

Over the last five years, coiled tubing has advanced from traditional well servicing (cleanouts, interventions) to becoming an integral part of the initial completions process. It is now commonly utilized for milling plugs, annular fracturing, and recompletions.

STEP believes that coiled tubing may be appropriately applied in connection with all completion methods, and therefore may be used on all well sites. For example, coiled tubing is compatible with the plug and perf well completion technique, or the sliding sleeve well completion frac-isolation system.

The Company's 19 coiled tubing units are designed for 38.1 mm to 73.0 mm (1-1/2" to 2-7/8") outside diameter with lengths that can service the deepest wells in North America, with a current depth record of 7,200 metres. To provide these services, STEP utilizes specialized coiled tubing units and associated equipment, including ultra-capacity reel trailers, twin 15,000 psi fluid pumps, purpose-built Command Centers, nitrogen pumping units and transports. STEP's fluid pumping equipment, which provides pumping support for coiled tubing operations, pump-down services and diagnostic fracture testing, is fully integrated with redundant twin quintaplex pumping units and can be used in conjunction with the Company's coiled tubing units or for stand-alone projects. STEP's nitrogen pumping units support coiled tubing and hydraulic fracturing operations, including nitrogen cleanouts and purging, well kick-arounds, nitrified acid assist, foam cementing assists, underbalanced drilling assists, pressure testing vessels, pipeline pigging and facility purging. Key equipment components have been selected to meet the demands of 24-hour continuous operations and high downhole pressures. The Company utilizes coiled tubing intervention modeling software to simulate well conditions and predict coiled tubing performance while in the field. Data acquisition software is used to monitor and record well conditions and coiled tubing spread parameters during the job, which are displayed real-time in the Company's control cab and can be monitored remotely.

In addition to the integration of the Company's fracturing and coiled tubing service lines, STEP also provides in-house engineering, lab, procurement, health, safety and environment, maintenance and operations management expertise to manage and optimize project outcomes. The utilization of a "Site Manager" model facilitates enhanced communication with onsite client personnel, enhanced communication with corporate personnel, ongoing training and mentoring, improved safety, and tighter management of operations.

Revenue Allocation

The following table shows the revenues generated in Canada and the United States over the past two years ended December 31, by service:

Location & Service	2016		2017	
	(\$) Amount	% of Total Revenue	(\$) Amount	% of Total Revenue
Canada				
Fracturing	\$71,883	42%	\$365,599	66%
Coil Tubing	75,290	46%	129,695	23%
Total	147,173	88%	495,294	89%
United States				
Coil Tubing	21,980	12%	57,926	11%
Total	\$169,153	100%	\$553,220	100%

OTHER BUSINESS INFORMATION

Target Market and Clients

STEP provides oilfield services to a broad range of publicly-owned and private E&P companies in Canada and the United States, from large, multinational to small, junior companies. The Company has enjoyed a stable relationship with its clients, but acknowledges that it operates in a highly competitive industry with other suppliers offering similar services. STEP attempts to mitigate this risk by utilizing service contracts where possible, and striving to produce safe, consistent, cost-effective, high-quality services. As at December 31, 2017, the Company's five largest clients collectively represented approximately 39% of its revenue and its largest client accounted for approximately 12% of its revenue.

See "Risk Factors – Risks Related to the Company – The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially".

Competitive Conditions

The markets in which the Company operates are highly competitive. To be successful, a service provider must provide services that meet the specific needs of the oil and natural gas E&P companies at competitive prices. The principal competitive factors in the oilfield services market are service and product quality, equipment capacity and availability, performance, technical knowledge and experience, safety performance and price. The Company currently operates in Canada and the United States. In each of these jurisdictions, the Company competes against a large number of other entities that offer similar services. STEP's competition includes multinational oilfield service companies as well as regional competitors. The Company's major competitors in Canada include Schlumberger Ltd., Halliburton Company, Essential Energy Services Ltd., Calfrac Well Services Ltd., Trican Well Service Ltd, Element Technical Services Inc., and Iron Horse Energy Services. While in the U.S. major

competitors include Conquest Completion Services/Viking Coiled Tubing, Key Energy Services, Keane Group, Coil Tubing Partners, Red Zone Coil Tubing, and Cretic Energy Services.

See *“Risk Factors – Risks Related to the Company – The Company’s industry is intensely competitive”*.

Contracts

The Company operates under a number of key supplier and client arrangements. These agreements set out the commercial terms under which the Company’s services will be provided. The majority of the arrangements do not contain a guaranteed minimum commitment of work. However, the Company has entered into a number of “right of first refusal” contracts, wherein certain clients have committed to providing the Company with the first right to perform coiled tubing or fracturing services in certain operating areas, and at least one “take-or-pay” contract for services performed in the U.S. wherein a client commits to a minimum payment obligation in exchange for exclusive use of equipment regardless of the actual amount of services performed.

Professionals

STEP started with three professionals in 2011 and has since successfully recruited experienced personnel, growing to 987 full time professionals in western Canada, and 135 full time professionals in Texas and Louisiana as at December 31, 2017.

Seasonality

In Canada, the level of activity in the oilfield services sector is influenced by seasonal weather patterns. On a quarterly basis, activity can vary greatly. In typical years, the first calendar quarter is the most active in the well stimulation services industry, the second quarter is the least active, and the third and fourth quarters typically reflect increasing activity over the preceding quarter. During the second quarter, commonly referred to as the “spring break-up”, the frost leaves the ground making certain roads incapable of supporting the weight of heavy equipment, resulting in restrictions in the level of oilfield servicing activity across western Canada.

Activity in the southern United States is generally not as influenced by seasonal conditions.

See *“Risk Factors – Risks Related to the Company – The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions”*.

Specialized Skill and Knowledge

The Company’s team is selected specifically for its technical and professional expertise, as well as cultural fit. This complementary mix is present in both corporate and field personnel, and has facilitated the advancement of operational efficiencies and technological improvements. The Company has made significant investments to recruit experienced employees, provide ongoing employee training programs and integrated a rigorous auditing process to ensure it complies with industry standards. Using progressive HSE management, training programs and individually selected third-party services allows STEP to meet its stringent client requirements.

See *“Risk Factors – Risks Related to the Company – The Company relies on a few key employees whose absence or loss could disrupt its operations and have a material adverse effect on its business”* and *“Risk Factors – Risks Related to the Company – Any difficulty in retaining, replacing or adding personnel could adversely affect the Company’s business”*.

Private Equity Investor

The ARC Funds have provided three separate financing commitment rounds, including two financing commitment rounds during the 2014-2016 downturn in the O&G industry. Mr. Freel, a Managing Director of ARC Financial Corp. (which advises the ARC Funds) serves as the Chair of the Board of STEP and brings over two decades of oilfield services industry experience in engineering and investment roles to the Company, including nine years with Schlumberger Ltd.

See “Principal Shareholders”.

Intellectual Property

The Company’s success in fracturing has been facilitated by its ability to provide customized fracturing fluids, which typically consist of a mix of proprietary chemicals that, together with STEP’s design of the fracturing process, result in its clients’ wells being more productive. STEP’s chemical lab solutions team works closely with clients and field professionals to provide fit-for-purpose solutions in stimulation chemistry, acidizing and production enhancement. The Company undertakes to protect the intellectual property that it develops through confidentiality agreements and, where appropriate, applications for patent protection.

See “Risk Factors – Risks Related to the Company – There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement”.

Regulation

The Company’s operations are subject to various federal, provincial, state and local laws affecting the oilfield services industry across Canada and the United States. These laws include those relating to employee health and safety, environmental permitting and licensing, the release of substances into the environment, emissions, water pollution, waste management, remediation of soil and groundwater contamination, land use, reclamation and restoration of properties, hazardous materials, and the O&G industry in the jurisdictions where STEP operates. STEP and its clients are required to adhere to these regulations and non-compliance can result in significant costs and liabilities. While STEP believes that its operations are in substantial compliance with these laws and regulations, and that continued compliance with current requirements would not have a material adverse effect on the Company, there is no assurance that this degree of compliance will continue into the future.

STEP does not believe that compliance with federal, provincial, state or local laws and regulations will have a material adverse effect on its business, financial position, or results of operations or cash flows. However, there can be no assurance that future events, such as changes in existing laws or enforcement policies, the promulgation of new laws or regulations, or the development or discovery of new facts or conditions adverse to its operations will not cause the Company to incur significant costs.

STEP’s clients are subject to extensive controls and regulations imposed by various levels of government. These governments may regulate or intervene with respect to price, taxes, royalties, and exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic and political conditions and could potentially have an adverse effect on the Company’s clients and thus an effect on its operations.

See “Risk Factors – Risks Related to the Company – Federal and provincial legislative and regulatory initiatives relating to fracturing could result in increased costs and additional operating restrictions or delays” and “Risk Factors – Risks Related to the Company – The Company is subject to a number of health, safety and

environmental regulatory laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities”.

Environmental Protection

The oilfield services industry is subject to environmental regulations pursuant to a variety of Canadian and United States federal, provincial, state and local legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain industry operations. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in significant penalties, material fines, and civil liability for pollution damage.

See “Risk Factors – Risks Related to the Company – The direct and indirect cost of various GHG regulations, existing and proposed, may adversely affect the Company’s business, operations and financial results”.

STEP is committed to meeting its responsibilities to protect the environment where it operates and has taken the required steps to ensure compliance with environmental legislation wherever it operates. The Company did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate any environmental protection requirements to have any material effects on capital expenditures or earnings in 2017. STEP operates one of the largest bi-fuel fracturing fleets in Canada, with capabilities of 100,000 HP. Bi-fuel reduces diesel consumption by up to 65% and importantly reduces the impact of carbon emissions to the environment.

DESCRIPTION OF CAPITAL STRUCTURE & DIVIDEND POLICY

Share Capital

The authorized share capital of the Company as of the date hereof consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of the date of this AIF, there are 60,434,971 Common Shares and nil preferred shares issued and outstanding. As at the date hereof, a total of 3,960,197 Common Shares are reserved for issuance on exercise of outstanding Options, 8,554,236 Common Shares are reserved for issuance on exercise of outstanding Performance Warrants and 430,844 Common Shares are reserved for issuance upon the redemption of outstanding PSUs and RSUs.

The following is a description of the rights, privileges, restrictions and conditions attaching to STEP’s share capital.

Common Shares

Holders of Common Shares are entitled to receive notice of, to attend and to vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares and are entitled to one vote per Common Share held at such meetings. If, as and when declared by the Board, holders of Common shares are entitled to receive dividends as may be declared thereon by the Board from time to time. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of STEP or any other distribution of STEP’s assets among its shareholders for the purpose of winding-up its affairs (a “Distribution”), holders of Common Shares are entitled, subject to the preferences accorded to holders of preferred shares and any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

Preferred Shares

The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the provisions of the ABCA, the Board shall fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limitation, participation rights in respect of a Distribution (if any), voting rights (if any) and dividend rights (if any). The preferred shares of each series will rank on parity with every other series of preferred shares of the Company and shall have priority over the Common Shares and any other shares of the Company ranking junior to the preferred shares with respect to redemption, the payment of dividends and any Distribution.

Options and Other Rights to Purchase Securities

Prior to the IPO, the Company's share-based compensation plans for employees and directors consisted of Prior Options and Performance Warrants. The Company implemented new share-based compensation plans following the IPO, including the New Option Plan, the PRSU Plan and the DSU Plan. Grants under the New Option Plan are exercisable for Common Shares, vest over a period of three years and have a maximum term of five years, or as otherwise set out by the Board in the applicable grant agreement. The Board may, from time to time, determine those eligible persons of the Company who will receive grants under the PRSU Plan. Grants under the PRSU Plan provide the holder a right to receive a Common Share for each whole vested share unit. Grants under the DSU Plan vest immediately and will be settled in cash in the amount equal to the closing price of the Company's common shares on the day before the Company elects to pay. The Company may elect to pay the DSUs at any point after the resignation is received from the Board member and before the last business day of the following year. Since the DSUs vest immediately, the fair value of the liability and the corresponding expense is charged to profit or loss at the grant date. Subsequently, at each reporting date between grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period.

The maximum number of Common Shares issuable under the New Option Plan and all other share based compensation arrangements (excluding the Prior Options and Performance Warrants) must not exceed 5% of the aggregate of the number of outstanding Common Shares. Effective May 2, 2017, no further awards under the Prior Option Plan are permitted and no further Performance Warrants may be granted.

For further information on options and other rights to purchase securities, please refer to "*Market for Securities – Prior Sales*" in this AIF, as well as the Company's annual and interim financial statements, the notes thereto and MD&A, filed on SEDAR.

Existing Credit Facilities

The Existing Credit Facilities are comprised of a \$90 million revolving loan and a \$10 million operating loan. Advances under the Existing Credit Facilities are available by way of prime-based loans in Canadian dollars, bankers' acceptances and bankers' acceptances equivalent advances, U.S. prime-based loans in U.S. dollars, guaranteed notes in Canadian dollars, LIBOR-based loans in U.S. dollars and letters of credit (to an aggregate maximum of \$2.5 million). Advances bear interest at the applicable margin determined in accordance with the method of loan advancement and standby fees are charged on the undrawn amounts of the facility. The Existing Credit Facilities expire on May 31, 2020 and are secured by a floating charge over STEP's assets. As at March 19, 2018, no amounts were drawn under the Existing Credit Facilities and STEP is in compliance with all of its covenants.

New Credit Facilities

On February 22, 2018, the Company obtained the Commitment Letter, pursuant to which ATB Financial and the Canadian Imperial Bank of Commerce have agreed to make available the New Credit Facilities consisting of a \$330 million revolving syndicated credit facility, a \$10 million operating facility and a U.S.\$7.5 million operating facility.

The representations and warranties and affirmative and negative covenants to be contained in the amended and restated Credit Agreement pursuant to which the New Credit Facilities will be extended are expected to be substantially similar to those in the Credit Agreement prior to its amendment and restatement, with more favorable financial covenants. The Funded Debt to Adjusted bank EBITDA ratio (as defined in the Annual Financial Statements) will be required to be no more than 3.00:1.00 at the end of each fiscal quarter. The Funded Debt to capitalization ratio and Debt Service Coverage Ratio (as described in the Annual Financial Statements) will no longer be required to be maintained. Instead, the Fixed Charge Coverage Ratio will be required to not be less than 1.20:1.00 at the end of each fiscal quarter. Fixed Charge Coverage Ratio is calculated as Adjusted bank EBITDA minus maintenance capital expenditure minus cash distributions minus cash taxes to cash interest expense plus the aggregate amount of all scheduled payments of permitted indebtedness of the Company for the twelve preceding months.

Under the amended and restated Credit Agreement, the availability of the New Credit Facilities will be subject to certain customary conditions, which the Company expects to be completed on or before the closing of the Acquisition. STEP's Existing Credit Facilities will remain in place and available for draws until such time as the New Credit Facilities become available.

Dividend Policy

The Company has never declared or paid any dividends nor does it anticipate paying any dividends. STEP currently intends to retain future earnings, if any, to finance future operations, the expansion of STEP's business and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

PRINCIPAL SHAREHOLDERS

To the knowledge of directors and officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, any class of voting securities carrying in aggregate 10% or more of the votes attached to such issued and outstanding voting securities, except as set out below:

Shareholder	Common Shares Held	Percentage Ownership
ARC Energy Fund 6	13,588,546	22.5%
ARC Energy Fund 8	26,654,454	44.1%

Investment Rights Agreement

On February 7, 2017, the Company and the ARC Funds entered into an agreement governing the rights and obligations of the ARC Funds and the Company (the “Investment Rights Agreement”). The following description of certain provisions of the Investment Rights Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Investment Rights Agreement, a copy of which is available at www.sedar.com.

Nomination and Related Rights

Pursuant to the Investment Rights Agreement, for so long as the ARC Group (which includes the ARC Funds and any other investment funds advised by ARC Financial Corp.) owns or exercises control or direction over 10% or more of the outstanding Common Shares, the ARC Group will have the right to nominate one representative to stand for appointment and election as a director of STEP; for so long as the ARC Group owns or exercises control or direction over 25% or more of the outstanding Common Shares, the ARC Group will have the right to nominate two representatives to stand for appointment and election as directors of STEP; and for so long as the ARC Group owns or exercises control or direction over 45% or more of the outstanding Common Shares, the ARC Group will have the right to nominate three representatives to stand for appointment and election as directors of STEP; and such nominees will be included in any slate of directors proposed by STEP. At such times as the ARC Group owns or exercises control or direction over 45% or more of the outstanding Common Shares and are entitled to have three nominees on the Board, one of such nominee directors shall, unless the ARC Group otherwise agree, be Chair of the Board. The Investment Rights Agreement provides that such rights are premised on a Board of up to seven directors, and if the size of the Board is increased to more than seven directors, then the ARC Group shall be entitled to nominate such number of additional representatives to the Board as are necessary such that the ARC Group’s minimum rights to nominees to the Board (as a percentage of the total number of directors on the Board) is proportionately maintained. The ARC Group currently has two representatives on the Board, being Mr. Freel (Chairman) and Mr. Gackle.

If requested by the ARC Group from time to time, subject to applicable securities laws, one of the nominees of the ARC Group is required to be appointed to each committee of directors formed by the Board.

Subscription Rights

Pursuant to the Investment Rights Agreement, for so long as the ARC Group owns or exercises control or direction over 10% or more of the outstanding Common Shares, the ARC Group will have the right to purchase securities of STEP in connection with any issue of Common Shares or securities convertible or exchangeable into or exercisable for Common Shares or other voting or participating securities of STEP (other than Common Shares or other such securities of STEP pursuant to a stock option or similar plan of STEP, any director, officer, employee or consultant purchase plan of STEP, or the issuance of performance warrants of STEP issued to any director, officer, employee or consultant of STEP and certain other exceptions as specified in the Investment Rights Agreement) in order to maintain its pro rata percentage ownership interest in STEP.

Registration Rights

The Investment Rights Agreement provides the ARC Group with the right, for so long as the ARC Group owns or exercises control or direction over 15% or more of the outstanding Common Shares, to require the Company to qualify Common Shares held by the ARC Group (a “Demanding Shareholder”) for distribution by way of a secondary offering prospectus prepared in accordance with applicable securities laws (a “Demand Distribution”) at any time after the date the Company becomes a “reporting issuer” under applicable securities laws in any

jurisdiction in Canada or the date on which securities of the Company are first listed on the Toronto Stock Exchange (or other stock exchange or market). The ARC Group is entitled to a maximum of five Demand Distributions in total, and a maximum of two Demand Distribution in any calendar year; provided, however, that the aggregate market value of the Common Shares specified in each request for a Demand Distribution is not less than \$10,000,000 (or, if less than \$10,000,000, then such securities must represent at least 33% of the total Common Shares then held by the ARC Group). The Company shall be responsible for paying all fees and expenses incurred in connection with such Demand Distribution up to a maximum of \$200,000 per Demand Distribution, and the ARC Group shall pay the balance of such fees and expenses in excess of \$200,000 and all underwriting discounts, commissions and similar fees and transfer taxes applicable to the Common Shares of such Demand Distribution. The ARC Group shall have the right to select the investment banker(s) and manager(s) to administer the offering of the Common Shares which are the subject of the Demand Distribution.

The Investment Rights Agreement provides the ARC Group with the right for so long as the ARC Group owns or exercises control or direction over 10% or more of the outstanding Common Shares to require the Company to include Common Shares held by the ARC Group in any qualification or registration of the Company's Common Shares under applicable securities laws (a "Piggyback Distribution"). The Company must cause to be included in the Piggyback Distribution all Common Shares that a member of the ARC Group (a "Participating Shareholder") requests to be included in the Piggyback Distribution; provided, however, that: (a) if a Piggyback Distribution is to occur in conjunction with a distribution of securities by the Company and the managing underwriters or agents advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Company and the ARC Group, each acting reasonably, the Company will include in such distribution: (i) first, as many of the Common Shares (or other securities) that the Company proposes to sell from treasury as will not cause the distribution to exceed the maximum offering size, and (ii) second, as many of the Participating Shareholder's Common Shares requested to be included in such distribution as will not cause the distribution to exceed the maximum offering size; and (b) if a Piggyback Distribution is to occur in conjunction with a secondary distribution on behalf of another shareholder of the Company and the managing underwriters or agents advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to that other Shareholder and the ARC Group, then the number of Common Shares requested to be included by the Participating Shareholder will be included in such distribution pro rata (based upon each security holder's (including the ARC Group's) relative security holdings to each other) with the Common Shares or other securities request to be included in such distribution. The Company shall have the right to select the investment banker(s) and manager(s) to administer the offering from treasury and of the Common Shares which are subject to the Piggyback Distribution. The expenses pursuant to the Piggyback Distribution will be paid by the Company to the extent permitted by applicable law, except that each Participating Shareholder shall be responsible for the underwriting discounts, commissions and similar fees, and transfer taxes applicable to the Common Shares of such Participating Shareholder included in such Piggyback Distribution.

Upon receipt of a request from the ARC Group for a Demand Distribution or a Piggyback Distribution, and subject to the execution and delivery of an underwriting agreement in form and content satisfactory to the Company, acting reasonably, the Company will use its reasonable commercial efforts to effect the distribution of the Common Shares which are the subject of a Demand Distribution or Piggyback Distribution. Pursuant to the Investment Rights Agreement, the Company is obligated to indemnify each member of the ARC Group participating in such distribution (and their managers, directors, officers, employees, shareholders, partners and agents) for any untrue or alleged untrue statement of a material fact contained in any prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make any statement therein not misleading. Pursuant to the

Investment Rights Agreement, each Demanding Shareholder or Participating Shareholder, as the case may be, may be requested by the Company to indemnify the Company for any untrue statement or alleged untrue statement of a material fact contained in any prospectus, or any amendment thereof or supplement thereto, relating solely to the ARC Group furnished to the Company in writing by the ARC Group and stated to be specifically for use in any such document, or any omission or alleged omission to state therein a material fact relating to the ARC Group required to be stated therein or necessary to make any statement therein not misleading.

Termination

The Investment Rights Agreement will terminate on the earliest of the following dates: (i) upon the written agreement of the parties thereto providing for such termination, (ii) at the time that the ARC Group no longer owns or exercises control or direction over any outstanding Common Shares or other exercisable or convertible securities of STEP, and (iii) at the time that the ARC Group has owned or exercised control or direction over less than 10% of the Common Shares (assuming the exercise or conversion of convertible securities of STEP owned or controlled or directed by the ARC Group, but otherwise calculated on a non-diluted basis) over a period of three consecutive months.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the trading symbol “STEP”. The following table sets forth the market price ranges and the trading volumes of the Common Shares for the financial year ended December 31, 2017, as well as for the current year-to-date:

	Price Range (\$ per Common Share)		Volume
	High	Low	
2017			
May	10.10	9.00	2,164,675
June	9.75	7.77	422,394
July	9.60	7.79	462,352
August	9.83	8.51	235,517
September	10.97	9.00	2,143,341
October	12.48	10.58	1,880,788
November	15.93	11.50	1,532,482
December	12.20	10.10	1,822,650
2018			
January	12.55	10.05	1,952,950
February	10.82	9.11	1,465,458
March	9.42	8.79	990,086

Prior Sales

During the financial year ended December 31, 2017, the following Prior Options and Performance Warrants, shown on a post-consolidation basis, were issued to employees, officers and directors of STEP. See “*Note on Share References*” for information regarding the number of Common Shares underlying the Prior Options and Performance Warrants.

Date of Issuance	Number and Type of Securities	Issue Price per Security (\$)	Aggregate Funds Received (\$)
January 1, 2017	4,000 Prior Options	10.00	Nil
January 4, 2017	11,000 Prior Options	10.00	Nil
January 8, 2017	4,000 Prior Options	10.00	Nil
January 9, 2017	4,000 Prior Options	10.00	Nil
January 16, 2017	4,000 Prior Options	10.00	Nil
January 22, 2017	5,400 Prior Options	10.00	Nil
January 29, 2017	9,000 Prior Options	10.00	Nil
January 30, 2017	17,000 Prior Options	10.00	Nil
February 1, 2017	2,000 Prior Options	10.00	Nil
February 2, 2017	4,000 Prior Options	10.00	Nil
February 6, 2017	8,000 Prior Options	10.00	Nil
February 13, 2017	4,000 Prior Options	10.00	Nil
February 15, 2017	2,000 Prior Options	10.00	Nil
March 13, 2017	15,000 Prior Options	10.00	Nil
March 17, 2017	24,000 Prior Options	10.00	Nil
March 20, 2017	8,000 Prior Options	10.00	Nil
April 12, 2017	290,800 Performance Warrants ⁽¹⁾	11.50 – 17.50	Nil

Note:

(1) Issued in series with an exercise price of \$11.50 for Series 1, \$13.00 for Series 2, \$14.50 for Series 3, \$16 for Series 4 and \$17.50 for Series 5 and 20% of the Performance Warrants issued allocated to each series.

During the financial year ended December 31, 2017, the Company also granted an aggregate of 208,079 PSUs, each entitling the holder thereof to acquire one Common Share in accordance with the terms of the PRSU Plan and 223,467 RSUs, each entitling the holder thereof to acquire one Common Shares in accordance with the terms of the PRSU Plan.

DIRECTORS & EXECUTIVE OFFICERS

Directors & Executive Officers - General Information

The following table lists the names of the directors and officers, their municipalities of residence, positions and offices with the Company and principal occupations. All directors have been elected to serve as such until the Company's next annual meeting of shareholders, or until his or her successor is duly elected, unless his or her office is vacated earlier in accordance with the by-laws of the Company or applicable law. Each director will devote the amount of time as is required to fulfill his or her obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board.

<u>Name, Province & Country of Residence</u>	<u>Position Held</u>	<u>Principal Occupation for Last 5 Years</u>	<u>Director Since</u>	<u>Common Share Ownership & Percentage^{1,2}</u>
Regan Davis ³ Calgary, AB Canada	President, Chief Executive Officer & Director	Chief Executive Officer of the Company since March 2011; has also been President since December 2013.	March 25, 2011	134,000 ⁴ (0.22%)
Douglas Freel ⁵ Calgary, AB Canada	Director (Chair)	Managing Director and Director at ARC Financial Corp. ("ARC") since 2016; prior to then other positions at ARC since 1998.	March 25, 2011	Nil (0.00%)

Jeremy Gackle ^{5,6,7} Calgary, AB Canada	Director	Senior Vice President at ARC since 2017; prior to then other positions at ARC since 2004.	March 25, 2011	Nil (0.00%)
Jason Skehar ³ Chestermere, AB Canada	Director	President & Chief Executive Officer at Bonavista Energy Corporation ("BEC") since December 2012; prior to that, Chief Operating Officer at BEC since 2008.	June 22, 2012	41,000 (0.07%)
Michael Kelly ^{8,9} Calgary, AB Canada	Director	Independent businessman. Executive Vice President at PTW Energy Services Ltd. ("PTW") from 2015-17; President of Hogarth Ventures Ltd. from 2013-15; various executive positions with Trican Well Service Ltd. ("Trican") from 1997-2013.	March 12, 2014	56,000 (0.09%)
James Harbilas ^{7,9} Cochrane, AB Canada	Director	Executive Vice President & Chief Financial Officer at Enerflex Ltd. and its predecessor since 2007.	May 2, 2017	Nil (0.00%)
Donna Garbutt ¹⁰ Acton, ON Canada	Director	Chief Executive Officer at Maxxam Analytics Corp. since November 2015; prior to that, roles of increasing responsibility for more than 20 years at Schlumberger, including President of Schlumberger Canada.	May 2, 2017	Nil (0.00%)
Robert Sprinkhuysen Calgary, AB Canada	Chief Financial Officer	Chief Financial Officer of the Company since 2011.	N/A	58,000 (0.10%)
Stephen Glanville Okotoks, AB Canada	Vice President, Operations & Chief Operating Officer	Chief Operating Officer of the Company since March 2011 and Vice President, Operations since November 2013.	N/A	54,548 (0.09%)
Baily Epp Airdrie, AB Canada	Vice President, Engineering & Technology	Vice President, Engineering & Technology of the Company since December 2013; from 2011 to 2013 he was the President of the Company.	N/A	52,000 (0.09%)
David Johnson Calgary, AB Canada	Vice President, Human Resources	Vice President, Human Resources of the Company since 2013.	N/A	28,000 (0.05%)
Rory Thompson Rimbey, AB Canada	Vice President, Coiled Tubing Services Canada	Vice President, Coiled Tubing Services Canada since April 2015; prior to that, held increasingly responsible positions with the Company starting in 2011.	N/A	41,383 (0.07%)
Brock Duhon Lavernia, TX United States	Vice President, Coiled Tubing Services U.S.	Vice President, Coiled Tubing Services U.S. since May 2015; prior to that, Vice President of Coiled Tubing at Pioneer Energy Services Corp from 2012-15.	N/A	20,600 (0.03%)

Mike Burvill Sylvan Lake, AB Canada	Vice President, Fracturing Services	Vice President, Fracturing Services of the Company since April 2015. Prior to that, Corporate Service Line Manager, Fracturing & Nitrogen Services at Trican since 2009.	N/A	8,000 (0.01%)
Todd Rainville Calgary, AB Canada	Vice President, Sales & Marketing	Vice President, Sales & Marketing of the Company since July 2015. Prior to that, Sales Manager at Calfrac since 2002.	N/A	24,000 (0.04%)
Lori McLeod-Hill Calgary, AB Canada	Vice President, Finance	Vice President, Finance of the Company since July 2015; prior to that Chief Financial Officer at Gasfrac Energy Services Inc. for two years and Chief Financial Officer at HSE Integrated Ltd. for 6 years.	N/A	20,000 (0.03%)

Notes:

1. Represents Common Shares beneficially owned, controlled or directed (directly or indirectly) by the director or officer.
2. Does not include Prior Options or Performance Warrants held by these individuals.
3. Member of Health and Safety Committee.
4. Includes 90,667 Common Shares held through Regan Davis Family Trust.
5. Messrs. Freel and Gackle are representatives of the ARC Group and are employed by ARC Financial Corp., which advises entities holding an aggregate of 40,243,000 Common Shares, representing approximately 66.6% of the issued and outstanding Common Shares.
6. Chair of Compensation and Corporate Governance Committee.
7. Member of Audit Committee.
8. Chair of Audit Committee.
9. Member of Compensation and Corporate Governance Committee.
10. Chair of Health and Safety Committee.

Directors & Executive Officers - Biographies

The following are brief profiles of the directors and officers of the Company, including a description of each individual's principal occupation within the past five years.

- **Regan Davis**, President, Chief Executive Officer and Director. Mr. Davis has served as Chief Executive Officer and a director of the Company since its inception in March 2011 and was also appointed President in December 2013. Mr. Davis is a professional engineer with over 25 years of energy industry experience and is a co-founder of the Company. Previously, Mr. Davis held senior positions at Renaissance Energy Ltd. and Enerline Restorations Ltd. Mr. Davis was the President and Chief Executive Officer of Flexpipe Systems Ltd. and most recently was the President and Chief Executive Officer at Severo Energy Ltd. Mr. Davis served as a board member with the Impact Society until September of 2017, previously holding the position as Chairman of the Board. Mr. Davis is currently the Chairman of the Board for CORE Linepipe. Mr. Davis graduated from the University of Alberta (1988) with a Bachelor of Science in Petroleum Engineering and is a certified director from the Institute of Corporate Directors.
- **Douglas Freel**, Director (Chair). Mr. Freel has served as a director of the Company since its inception in March 2011. Mr. Freel has been a Managing Director at ARC Financial Corp. since 2016. Mr. Freel joined ARC Financial Corp. in 1998, with over two decades of oilfield services industry experience in engineering and investment roles, including nine years with Schlumberger Ltd. In addition, Mr. Freel sits as the Chairman of the Board for the Impact Society. Mr. Freel received a Bachelor of Science in Engineering from Queen's University (1986) and a Master of Business Administration from the University of Toronto (1997).

- **Jeremy Gackle**, Director. Mr. Gackle has served as a director of the Company since its inception in March 2011. Mr. Gackle joined ARC Financial Corp. in 2004 and is currently a Senior Vice-President focused on the oilfield service sector. Since joining ARC in 2004, Mr. Gackle's role has transitioned from analytical support roles to responsibilities ranging from deal origination and structuring, to due diligence, execution, strategic development and investment monitoring. Mr. Gackle holds a Bachelor of Commerce in Finance from the University of Calgary (2005), is a CFA charter holder and is a certified director from the Institute of Corporate Directors.
- **Jason Skehar**, Director. Mr. Skehar has served as a director of the Company since June 2012. Mr. Skehar is currently President and Chief Executive Officer of Bonavista, and brings over 22 years of experience in the oil and gas industry. Mr. Skehar joined the Bonavista team in November 1999 as a Production Engineer and was promoted to the position of President and Chief Operating Officer in November 2008 and to his current position in December 2012. He started his career in 1994 as an Operations Engineer at Fletcher Challenge and, prior to joining Bonavista, held both production and exploitation positions at Renaissance Energy Ltd. and Probe Exploration Inc. Mr. Skehar graduated from the University of Saskatchewan (1994) with a Bachelor of Science in Mechanical Engineering.
- **Michael Kelly**, Director. Mr. Kelly is an independent businessman and has served as a director of the Company since March 2014. From 2015 until 2017 Mr. Kelly was Executive Vice-President and Chief Financial Officer at PTW, a private electric and instrumentation services company with operations spanning North America. From 2013 until joining PTW, Mr. Kelly was the President of Hogarth Ventures Ltd. where he provided consulting and advisory services to clients involved in the energy sector. From 1997 until 2013, Mr. Kelly served as an executive with Trican Well Service Ltd. ("Trican"); from 1997 to 2009, Mr. Kelly was the Vice-President, Finance and Chief Financial Officer, followed by the position of Senior Vice-President, EAME and CIS where he oversaw Trican's international operations until his departure in 2013. Mr. Kelly graduated from the University of Calgary (1988) with a Bachelor of Commerce. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Alberta.
- **James Harbilas**, Director. Mr. Harbilas has served as a director of the Company since May 2017. Mr. Harbilas is the Executive Vice-President and Chief Financial Officer at Enerflex and is responsible for overseeing and providing leadership and all financial affairs, reporting and corporate governance of Enerflex. Prior to joining Enerflex, Mr. Harbilas was Vice-President, Finance and Chief Financial Officer of Fortis Alberta Inc. Previously, he held senior positions in various financial capacities at SNC-Lavalin Group and AltaLink Management. Mr. Harbilas holds a Bachelor of Commerce and graduate diploma in accounting from Concordia University (1996). He is a Chartered Accountant and a member of the Institute of Chartered Accountants of Alberta, the Ordre des comptable agréés du Québec and Financial Executive Institute.
- **Donna Garbutt**, Director. Ms. Garbutt has served as a director of the Company since May 2017. Ms. Garbutt has been the Chief Executive Officer at Maxxam Analytics Corp. since November 2015. Prior to that, Ms. Garbutt spent over 20 years with Schlumberger, including as President of Schlumberger Canada. Earlier in her career, Ms. Garbutt held technology positions with several service firms, always with a focus on applied technology. She has over 25 years' experience in the O&G industry. Ms. Garbutt currently serves as a member of the Government of Canada's Science, Technology and Innovation Council and was previously on the Board of Directors of Petroleum Technology Alliance of Canada,

Petroleum Services Association of Canada, C.E. Franklin and Absolute Completions. Ms. Garbutt holds a Master of Business Administration from Athabasca University.

- **Robert Sprinkhuysen**, Chief Financial Officer. Mr. Sprinkhuysen has served as Chief Financial Officer of the Company since September 2011 and also served as Vice-President, Finance of the Company from September 2011 until July 2015. Mr. Sprinkhuysen has over 20 years of oilfield and related industry experience. Prior to joining STEP, Mr. Sprinkhuysen was Chief Financial Officer at Technicoil Corporation from 2008 to 2011. Previously, he held senior positions in various financial capacities at Enerflex Ltd. Mr. Sprinkhuysen received a Bachelor of Arts in Economics from Wilfrid Laurier University (1989) and a Bachelor of Commerce in Accounting from the University of Calgary (1991). Mr. Sprinkhuysen received his Chartered Accountant designation in 1995.
- **Stephen Glanville**, Vice-President, Operations and Chief Operating Officer. Mr. Glanville has served as Chief Operating Officer of the Company since its inception in March 2011 and has been Vice-President, Operations since November 2013. Mr. Glanville is a co-founder of the Company and is a certified engineering technologist with over 20 years of oilfield experience. Mr. Glanville's background includes 10 years with Schlumberger Limited working with the company's North American oilfield services divisions, and seven years with Sanjel managing the Canadian coiled tubing and nitrogen business unit. Most recently, he spent two years with Calfrac Well Services Ltd. as Manager of the Canadian Coiled Tubing division. Mr. Glanville is a former president of ICoTA Canada. Mr. Glanville received his diploma from the Southern Alberta Institute of Technology (1992).
- **Bailey Epp**, Vice President, Engineering and Technology. Mr. Epp is a co-founder of the Company and has served as Vice-President, Engineering and Technology since December 2013. Previously, Mr. Epp was the President of the Company from March 2011 until December 2013. Mr. Epp has over 19 years of oilfield experience. Prior to joining STEP, Mr. Epp worked at Sanjel as their Coil Tubing Business Line Manager and Engineering Manager and at BJ Services Ltd. as a Coiled Tubing Engineer, Drilling Division. Mr. Epp is the co-inventor of the patented "shockFrac" technology, a patent that was issued in 2011. Mr. Epp graduated from the University of Calgary (1998) with a Bachelor of Science in Mechanical Engineering.
- **David Johnson**, Vice-President, Human Resources. Mr. Johnson has served as Vice-President, Human Resources since July 2013. Mr. Johnson's 30 year energy industry career includes over 20 years of experience in human resources leadership roles with both domestic and international energy firms, including Mirant Canada Energy Marketing, Nexen and Prime West Energy Inc. Prior to joining STEP, Mr. Johnson led the human resources function at TAQA North as Vice-President, Human Resources for over 4 years. Mr. Johnson graduated from the University of Calgary (1986) with a Bachelor of Commerce and holds a Chartered professional in Human Resources designation from the Canadian Council of Human Resources Associations.
- **Rory Thompson**, Vice President, Coiled Tubing Services (Canada). Mr. Thompson has served as Vice-President, Coiled Tubing Services — Canada since April 2015. Mr. Thompson has 20 years of North American oilfield experience. Prior to being named to his current position, Mr. Thompson began his career at STEP in June 2011 as Operations Manager and was promoted to Director of Operations in January 2014. Prior to joining STEP, Mr. Thompson worked for Technicoil Corporation from 2001-2011, where he held various operations roles, including senior field superintendent. Before entering the coiled

tubing industry, Mr. Thompson was in the drilling sector with Layne Christensen Company and started out his oilfield career as a drilling roughneck.

- **Brock Duhon**, Vice President, Coiled Tubing Services (U.S.). Mr. Duhon has served as Vice-President, Coiled Tubing Services — U.S. since May 2015. Mr. Duhon has over 16 years of experience in the coiled tubing industry. Prior to joining STEP, Mr. Duhon worked at Pioneer Energy Services Corp. as Vice-President of Coiled Tubing Operations from 2012 to May 2015, prior to which he participated in a coiled tubing start-up, Go Coil LLC, from 2008 to 2012.
- **Mike Burvill**, Vice President, Fracturing Services. Mr. Burvill has served as Vice-President, Fracturing Services since April 2015. Mr. Burvill has over 20 years of experience in the O&G service industry. Prior to joining STEP, Mr. Burvill worked at Trican for 18 years, the last eight of which he was Corporate Service Line Manager, Fracturing and Nitrogen Services during which time he led Trican's global fracturing and nitrogen services exclusively. Prior to that he managed Trican's Central Alberta district that deployed coiled tubing, nitrogen, cementing, fracturing and acidizing services, and downhole tools.
- **Todd Rainville**, Vice President, Sales and Marketing. Mr. Rainville has served as Vice-President, Sales and Marketing since July 2015. Mr. Rainville has over 20 years' experience in both the oilfield E&P and service sector, starting first in drilling and completions before moving to service and eventually into sales and marketing. Mr. Rainville is a certified engineering technologist, having spent 13 years working at Calfrac Well Services Ltd. in technical services, as account manager and as sales manager. Mr. Rainville received his diploma from the Southern Alberta Institute of Technology (1989).
- **Lori McLeod-Hill**, Vice President, Finance. Ms. McLeod-Hill has served as Vice-President, Finance since July 2015. Ms. McLeod-Hill is a chartered accountant with 25 years of financial and leadership experience, with a focus on O&G services for the past nine years. Prior to joining STEP, Ms. McLeod-Hill worked at Gasfrac Energy Services Inc. as the Chief Financial Officer for 2 years. Previously, Ms. McLeod-Hill progressed into senior roles in both public and private companies including Telus Corporation, HSE Integrated Ltd. and DXP Canada Enterprises Ltd. Ms. McLeod-Hill graduated from the University of Calgary (1986) with a Bachelor of Commerce.

Committees of the Board of Directors

The Company currently has an Audit Committee, a Compensation & Corporate Governance Committee and a Health and Safety Committee. See "*Audit Committee*" for a description of the roles and responsibilities of the Audit Committee.

Share Ownership by Directors and Officers

As a group and as at the date of this AIF, the Company's officers and directors beneficially own or exercise control or direction over, directly or indirectly, 537,531 Common Shares, representing approximately 0.89% of the issued and outstanding Common on a non-diluted basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to

a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an “Order”), that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief officer or chief financial officer.

Except as described below, to the knowledge of the Company no director or officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or Shareholder.

- Ms. McLeod-Hill was the Chief Financial Officer of Gasfrac from September 2013 until June 2015. On January 15, 2015, Gasfrac commenced proceedings and obtained court protection under the CCAA pursuant to an initial order granted by the Court of Queen’s Bench in the Province of Alberta, as amended, whereby Gasfrac obtained protection from its creditors, other than in respect of Gasfrac’s primary secured lender. Substantially all of Gasfrac’s assets were sold under a court-ordered process approving the wind up of Gasfrac on March 16, 2015.

To the knowledge of the Company, no director or officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. For the purposes of this part, “order” means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Conflicts of Interest

Certain officers and directors of the Company are or may become officers and/or directors of other companies engaged in the oilfield services business generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company, and also by the Company’s code of business conduct and ethics. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a material contract or material transaction, whether made or proposed, the director shall disclose his interest in such contract or transaction to

the Company and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

Indemnity Agreements for Directors and Officers

STEP has entered into indemnity agreements with each of the current directors and certain of the officers pursuant to which STEP has agreed or will agree, as applicable, to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform or will conform, as applicable, to the provisions of the ABCA.

AUDIT COMMITTEE

Mandate

The Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors and reviewing, evaluating and approving the internal control and risk assessment systems that are implemented and maintained by management.

STEP's Audit Committee mandate sets out the committee's purpose, organization, duties and responsibilities. A copy of the mandate is attached hereto as Schedule "A".

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee consists of Messrs. Kelly (Chair), Harbilas and Gackle. Each of the members of the Audit Committee is considered "financially literate" and "independent" within the meaning of NI 52-110. Notwithstanding that Mr. Gackle is a representative of the ARC Funds, the Board has determined he is independent within the meaning of NI 52-110 and NI 58-101 because he is not an executive officer or director of, and does not have any control over the policy of ARC Financial Corp., ARC Energy Fund 6, ARC Energy Fund 8 or any of their affiliates, and based on the Board's actual observations of Mr. Gackle's conduct and contributions as a director of the Company since Mr. Gackle joined the Board in 2011, as well as his director education, certification and personal assessments.

The Company believes that each members of the Audit Committee possesses:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see “*Directors & Executive Officers - Biographies*”.

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors, KPMG LLP. The Audit Committee may delegate such pre-approval authority, if and to the extent permitted by law.

External Audit Service Fees

KPMG LLP has served as STEP’s external auditors since 2011. The following table lists the fees paid or payable to KPMG LLP, by category, for the last two fiscal years:

Audit Service	2016	2017
	(\$) Amount	(\$) Amount
Audit fees	\$106,529	\$445,000
Securities offerings	-	267,500
French translation	-	124,000
Total	\$106,529	\$836,500

RISK FACTORS

Following is a list of risks that the Company faces in its normal course of business. The risks and uncertainties set out below 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 cause the price of the Common Shares to decline. If any of the following risks actually occur, the Company’s business may be harmed and the Company’s financial condition and results of operations may suffer significantly.

Risks Related to the Company

The Company’s business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile.

The demand, pricing and terms for the Company’s services largely depend upon the level of expenditures made by E&P companies on exploration, development and production activities in North America. Expenditures by E&P companies are typically directly related to the demand for, and price of, O&G. Generally, when commodity prices and demand are predicted to be, or are relatively, high, demand for the Company’s services is high. The converse is also true.

The prices for oil and natural gas are subject to a variety of factors including: the demand for energy; the ability of OPEC to set and maintain production levels for oil; O&G production by non-OPEC countries; the decline rates for current production; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering O&G; technological advances affecting energy consumption; and weather conditions.

Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in O&G exploration, development and production activities and, in turn, decrease the demand for the Company's services.

In addition to current and expected future O&G prices, the level of expenditures made by E&P companies are influenced by numerous factors over which the Company has no control, including but not limited to: general economic conditions; the cost of exploring for, producing and delivering O&G; the expected rates of current production; the discovery rates of new O&G reserves; cost and availability of drilling equipment; availability of pipeline and other O&G transportation capacity; natural gas storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation; environmental regulation; ability of E&P companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company's industry is affected by excess equipment levels.

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company's industry is intensely competitive.

Each of the markets in which the Company participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas E&P companies at competitive prices. The principal competitive factors in the markets in which the Company operates are product and service quality and availability, technical knowledge and experience, reputation for safety and price. The Company competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services in all geographic regions in which the Company operates. In addition, the Company competes with several regional competitors and new entrants to the markets in which the Company operates will also compete with the Company. As a result of competition or new entrants to the fracturing or coiled tubing services markets, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

The Company's access to capital may become restricted or repayment could be required.

The Company's business plan is subject to the availability of additional financing for future costs of operations or expansion that may not be available, or may not be available on favourable terms. If the Company's cash flow from operations is not sufficient to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to the Company or at all. The Company's inability to raise capital could impede its growth and could materially adversely affect the business, financial condition and results of operations of the Company.

The Company is required to comply with covenants under its Credit Facilities, including covenants relating to financial ratios and capital asset values which affect the availability and/or price of funding. In the event that the Company does not comply with such covenants, the Company's access to capital could be restricted or

repayment could be required. Such non-compliance could result from an impairment charge to the Company's capital assets, which is determined based on management's estimates and assumptions when certain internal and external factors indicate the need for the Company to assess its capital assets balance for impairment. If realized, these risks could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Even if the Company is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing under its Credit Facilities, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. In addition, operating and financial restrictions exist under the Credit Facilities, which include restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Company's securities, incurrence of additional indebtedness, provision of guarantees, making of capital expenditures and entering into of certain transactions, among others.

Possible Failure to Realize Anticipated Benefits of the Acquisition

STEP is proposing to complete the Acquisition to strengthen STEP's position in the U.S. oilfield services industry and to create the opportunity to realize certain benefits.

Achieving the anticipated benefits of the Acquisition depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as STEP's ability to realize the anticipated growth opportunities and synergies from integrating Tucker's business into STEP's existing operations following the Acquisition. The integration of Tucker's business requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process which could have an adverse impact on STEP's business, financial condition, results of operations and cash flow. The integration process may result in the disruption of ongoing business, customer and employee relationships that may adversely affect STEP's ability to achieve some or all of the anticipated benefits of the Acquisition. There can be no assurance that STEP will be successful in integrating Tucker's operations, or that the expected benefits will be realized.

Possible Failure to Complete the Acquisition

Although the Company and the Purchaser have entered into the Acquisition Agreement with the Vendor, there is no guarantee that all of the conditions to the completion of the Acquisition will be satisfied or waived. The Acquisition is subject to completion of the conditions described herein and normal commercial risk that the Acquisition may not be completed on the terms negotiated or at all. There is a risk that sufficient funds may not be raised to finance the Acquisition, including in the event that the conditions to the Company's ability to draw on the New Credit Facilities are not satisfied or waived.

If closing of the Acquisition does not take place on or before the Termination Time, the Subscription Receipts will be cancelled and TSX Trust Company will repay to holders of Subscription Receipts an amount equal to the issue price therefore plus a *pro rata* share of the interest earned on the Escrowed Funds. In that case, the total return that a purchaser of Subscription Receipts would be entitled to receive would be limited to the purchaser's *pro rata* share of interest earned on the subscription price for such purchaser's Subscription Receipts. The purchaser would not be entitled to participate in any growth in the trading price of the Common Shares. Further, the purchaser would be restricted from using the funds devoted to the acquisition of the Subscription Receipts for any other investment opportunities until the Escrowed Funds are returned to the purchaser.

Regulatory Risk

The Acquisition is conditional upon, among other things, all waiting periods (and any extensions thereof) applicable to the Acquisition under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 having expired or been terminated. A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on STEP's ability to complete the Acquisition and on STEP's or Tucker's business, financial condition or results of operations. In addition, changes in laws or regulations, including tax laws, in the jurisdictions in which STEP, Tucker and their subsidiaries operate could have a negative effect on their respective businesses, financial condition and results of operations, or on the ability of STEP to achieve its anticipated benefits from the Acquisition.

Exchange Rate Risk

In addition to the net proceeds from the Offering, advances under the New Credit Facilities are anticipated to be used to fund the purchase price of the Acquisition. As STEP anticipates funding a portion of the purchase price of the Acquisition from a combination of Canadian and U.S. dollar denominated securities and credit facilities, and the purchase price of the Acquisition is denominated in U.S. dollars, a significant decline in the value of the Canadian dollar relative to the U.S. dollar at the time of closing of the Acquisition could increase the cost to STEP of funding the purchase price of the Acquisition.

STEP's consolidated results of operations may be negatively impacted by foreign currency fluctuations. As a result of the Acquisition, a significantly larger portion of STEP's revenues will be earned in U.S. dollars. Accordingly, fluctuations in exchange rates between the Canadian and U.S. dollar may have an increased adverse effect on STEP's results and financial condition. Future events that may significantly increase or decrease the risk of future movement in the exchange rates for these currencies cannot be predicted.

Potential Undisclosed Liabilities Associated with the Acquisition

In connection with the Acquisition, there may be liabilities that STEP failed to discover or was unable to quantify in its due diligence which was conducted prior to the execution of the Acquisition Agreement and which could have a material adverse effect on STEP's business, financial condition or future prospects. In addition, STEP may be unable to retain existing Tucker customers or employees following the Acquisition. STEP may not be indemnified for some or all of these liabilities.

The Company's direct and indirect exposure to volatile credit markets could adversely affect the Company's business.

The ability to make scheduled debt repayments, refinance debt obligations and access financing depends on the Company's financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain finance, business and other factors beyond its control. In addition, the Company's ability to refinance debt obligations and access financing is affected by credit ratings, if any, assigned to the Company and its debt. Continuing volatility in the credit markets could increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the ability of the Company, or third parties it seeks to do business with, to access those markets.

In addition, access to further financing for the Company or its clients remains uncertain. This condition could have an adverse effect on the industry in which the Company operates and its business, including future operating results. The Company's clients may curtail their drilling and completion programs, which could decrease demand for the Company's services and could increase downward pricing pressures. Further, certain clients could become unable to pay suppliers, including the Company, in the event they are unable to access the

capital markets to fund their business operations. Such risks, if realized, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

If the Company is unable to obtain raw materials, diesel fuel and component parts from its current suppliers it could have a material adverse effect on the Company's business.

The Company's ability to provide services to its clients is also dependent upon the availability at reasonable prices of raw materials which the Company purchases from various suppliers, most of whom are located in North America. If the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Company's clients could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

STEP's reliance on equipment suppliers and fabricators exposes it to risks including timing of delivery and quality of equipment.

STEP's ability to expand its operations and execute on its capital expenditure program is dependent upon timely delivery of new equipment. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts in a timely manner, complexity of new technology and inadequate financial capacity. STEP's capital expenditure program and operational planning depends, in part, upon planned equipment delivery schedules. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high-quality working equipment may have a material adverse effect on STEP's business, results of operations, cash flows and financial condition.

Fluctuations in currency exchange rates could adversely affect the Company's business.

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the exchange rates for United States dollars. Financial results from the Company's United States operations are denominated in United States dollars, so a decrease in the value of the United States dollar would decrease the Canadian dollar amount of such financial results from United States operations. In addition, world oil and natural gas prices are quoted in United States dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently affects the price received by Canadian producers of oil and natural gas, which in turn affects the Company's ability to secure profitable service contracts. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Company did not have any hedging positions as at December 31, 2017. STEP has entered into seven forward contracts subsequent to the year ended December 31, 2017. The goal of these instruments is to limit exposure to U.S. dollar fluctuations as it relates to the purchase price of the Acquisition. The contracts were entered into between March 7, 2018 and March 16, 2018 for a total amount of U.S.\$180 million at an average rate of one (1) U.S. dollar = 1.2952. All contracts settle between March 26, 2018 and April 30, 2018.

Merger and acquisition activity among the Company's clients may constrain demand for the Company's services.

Merger and acquisition activity amongst E&P companies may constrain demand for the Company's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects. Further, the acquiring company may have preferred supplier relationships with oilfield service providers other than STEP.

Federal, provincial and state legislative and regulatory initiatives relating to fracturing could result in increased costs and additional operating restrictions or delays.

The Company's business is dependent on its ability to conduct fracturing and horizontal drilling activities. Fracturing is the process of pumping a fluid or a gas under pressure down a well, which causes the surrounding rock to crack or fracture. The fluid, typically consisting of water, proppant, chemicals and other additives, flows into the cracks where the proppant remains to keep the cracks open and allow natural gas or liquids to be recovered. Fracturing fluids are produced back to the surface through the wellbore and are stored for reuse or future disposal in accordance with applicable regulations, which may include injection into underground wells.

Some provinces require the details of fracturing fluids to be submitted to regulators. In Alberta, the Alberta Energy Regulator has implemented restrictions and operating procedures regarding fracturing through Directive 083: Hydraulic Fracturing — Subsurface Integrity. In order to carry out fracturing operations a licensee must observe the prescribed setbacks for water wells and top of bedrock, conduct a risk assessment, and fulfill the reporting requirements set out in Directive 59: Well Drilling and Completion Data Filing Requirements which include reporting water source and fracture fluid data.

In British Columbia, the BCOGC is the provincial regulatory body responsible for overseeing O&G operations. The regulation of fracturing in British Columbia is conducted under numerous provincial acts and technical regulations. The BCOGC administers British Columbia's main legislative framework relating to O&G, the *Oil and Gas Activities Act*, and its associated regulations which regulate public safety and environmental protection related to fracturing, such as the *Drilling and Production Regulation* and the *Environmental Protection and Management Regulation*. Fracture Fluid Reports are required to be submitted and are publicly searchable online. Chemical disclosure including trade name, supplier, purpose, ingredients, and volume of water with injected ingredients must be submitted to an online database.

While fracturing has been in use and improved upon for many years, there has been increased focus on environmental aspects of fracturing practices in recent years. In the United States, the process has historically been regulated by state and local governments. Various states have proposed or adopted legislation regulating or requiring disclosure regarding hydraulic fracturing in connection with drilling operations. For example, pursuant to legislation adopted by the State of Texas in June 2011, the Texas Railroad Commission enacted a rule in December 2011, requiring disclosure of certain information regarding additives, chemical ingredients, concentrations and water volumes using hydraulic fracturing. The EPA has asserted federal regulatory authority over certain fracturing activities involving diesel under the Safe Drinking Water Act. In February 2014, the EPA issued permitting guidance for O&G fracturing activities using diesel fuels, which included a broad definition of diesel covering a variety of oils that are not diesel but that have similar carbon-chain molecules. In June 2016, the EPA issued a final rule establishing a zero discharge limitation for the discharge of wastewater from fracturing to publicly owned treatment works. The EPA recently undertook, and in December 2016 published its final assessment regarding, a broad study of fracturing in the O&G industry as it pertains to drinking water in the U.S. Any U.S. rules on fracturing could influence other jurisdictions' regulations and force oil and natural gas companies, including the Company's clients, to cease using the process or to add pollution control technology to their operations.

Due to recent seismic activity reported in the Fox Creek area of Alberta, the Alberta Energy Regulator has announced new seismic monitoring and reporting requirements for fracturing operators in the Duvernay zone in the Fox Creek area. These requirements include, among others, an assessment of the potential for seismicity prior to operations, the implementation of a response plan to address potential events, and the suspension of operations if a seismic event above a particular threshold occurs. The Alberta Energy Regulator continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if that is deemed to be necessary. In British Columbia, the BCOGC completed two reports on seismic events

related to fracturing, and has imposed mitigation measures, including regulations to shut down industry operations if seismic activity reaches a certain threshold. In contrast, in the United States the seismic concerns have focused primarily on injection wells rather than fracturing. State regulatory agencies have promulgated regulations related to seismic activity in connection with salt water disposal wells. For example, in October 2014 the Texas Railroad Commission enacted regulations requiring applicants for new disposal well permits to include specific information regarding historic earthquakes within 100 square miles of the proposed well location and authorizing Texas Railroad Commission staff to modify, suspend or terminate an injection well permit if the well is determined to be contributing to seismic activity.

Increased regulation and attention given to the fracturing process could lead to greater opposition, including litigation, to oil and natural gas production activities using fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil, natural gas, and natural gas liquids including from the development of shale plays, or could make it more difficult to perform fracturing. The adoption of additional federal, provincial or local laws or the implementation of regulations regarding fracturing could potentially cause a decrease in the completion of new oil and natural gas wells, increased compliance costs and time, which could materially adversely affect demand for the Company's fracturing services and, as a result, the Company's business, financial condition, results of operations and cash flows.

The Company is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities.

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of workers and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. The Company incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to loss of accreditation, damage to the Company's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company uses and generates hazardous substances and wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Company could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially.

The Company's client base consisted of approximately 73 oil and natural gas E&P companies as at December 31, 2017, ranging from large multi-national public companies to small private companies. Notwithstanding the Company's broad client base its five largest clients collectively accounted for approximately 39% of its revenue for the year ended December 31, 2017 and, of such clients, the single largest accounted for approximately 12% of the Company's revenue for the year ended December 31, 2017. There can be no assurance that the Company's relationship with these clients will continue, and a significant reduction or total loss of the business from these clients, if not offset by sales to new or existing clients, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company had negative cash flows from operating activities in its most recently completed financial year.

STEP had negative cash flows from operating activities in its most recently completed financial year. STEP's cash flow from operating activities is subject to a number of factors including O&G industry developments and market pricing. STEP does not anticipate that it will continue to have negative cash flows from operating activities for the year ended December 31, 2017, however, there can be no assurance that STEP will generate earnings, operate profitably or provide a return on investment in the future.

The Company may be exposed to third-party credit risk.

The Company's accounts receivable are with E&P companies, whose revenues may be impacted by fluctuations in commodity prices. In the event such entities fail to meet their contractual obligations to STEP, such failures could have a material adverse effect on STEP's business, financial condition, results of operations, cash flows and future prospects.

The Company's operations are subject to hazards inherent in the oilfield services industry, which risks may not be covered to the full extent by the Company's insurance policies.

The Company's operations are subject to hazards inherent in the oilfield services industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance generally in accordance with industry standards to address certain of these risks, such insurance may not be adequate to cover potential liabilities and may not be available in the future at rates that the Company considers reasonable and commercially justifiable. The payment of any uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Any difficulty in retaining, replacing or adding personnel could adversely affect the Company's business.

The Company may not be able to find enough skilled labour to meet its needs, and this could limit growth. The Company may also have difficulty finding enough skilled and unskilled labour in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield

services and as new HP is brought into service. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

Other factors can also affect the Company's ability to find enough workers to meet its needs. The nature of the Company's work requires skilled workers who can perform physically demanding work. Volatility in the oilfield services industry and the demanding nature of the work, however, may prompt workers to pursue other kinds of jobs that offer a more desirable work environment and wages competitive to the Company's. The Company's success depends on its ability to continue to employ and retain skilled technical personnel and qualified oilfield personnel. If the Company is unable to do so, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.

The level of activity in the Canadian oilfield services industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company relies on a few key employees whose absence or loss could disrupt its operations and have a material adverse effect on its business.

The Company's success depends in large measure on certain key personnel. Many key responsibilities within the Company's business have been assigned to a small number of employees. The loss of their services could disrupt the Company's operations. In addition, the Company does not maintain "key person" life insurance policies on any of its employees. As a result, the Company is not insured against any losses resulting from the death of its key employees. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

The Company is, and may become, subject to legal proceedings which could have a material adverse effect on its business, financial condition and results of operations.

The Company is, and from time to time, 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 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 particular, the Company is named as a defendant in a claim by Calfrac. See "*Legal Proceedings and Regulatory Actions*". 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 proceedings. If this claim, or any claims which the Company may be subject to in the future, were to be determined 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.

Failure to maintain the Company's safety standards and record could lead to a decline in the demand for services.

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, client specific safety requirements and health and safety legislation. In order to ensure compliance, the Company has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by clients in retaining oilfield service providers is safety. Deterioration of the Company's safety performance could result in a decline in the demand for the Company's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Company may be unable to effectively manage its growth.

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The Company's inability to deal with this growth could have a material adverse impact on its business, financial condition, results of operations and cash flows.

Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations.

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include: unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key employees and clients of the acquired company; and increased expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to the Company's shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Failure to continuously improve operating equipment and proprietary fluid chemistries could negatively affect the Company's results of operations.

The ability of the Company to meet its clients' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary fluid chemistries. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Actual results may differ materially from management estimates and assumptions.

In preparing consolidated financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. Estimates may be used in management's assessment of items such as allowance for doubtful accounts, business combinations, depreciation, impairment of assets, functional currency, fair values, income taxes, share-based compensation and asset retirement obligations. Actual results for all estimates could differ materially from the estimates and assumptions used by the Company, which could have a material adverse effect on STEP's business, financial condition, results of operations, cash flows and future prospects.

The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results.

The oil and natural gas industry's exploration and production facilities and other operations and activities emit GHGs and both E&P companies and oilfield services providers, like the Company, may be required to comply with GHG emissions legislation in Canada and the U.S. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. As a signatory to the UNFCCC and as a participant to the Copenhagen Agreement (a non-binding agreement created by the UNFCCC), the Government of Canada announced on January 29, 2010 that it will seek a 17% reduction in GHG emissions from 2005 levels by 2020. These GHG emission reduction targets are not binding. In May 2015, Canada submitted its INDC to the UNFCCC, ahead of COP 21, held in Paris. As a result, the Government of Canada will replace the 17% reduction target established in the Copenhagen Agreement with INDC of 30% reduction below 2005 levels by 2030. INDCs were communicated prior to the COP 21 and constitute the actions and targets that individual countries will undertake to help keep global temperatures from rising more than 2° Celsius and to pursue efforts to limit below 1.5° Celsius. The UNFCCC adopted the Paris Agreement on December 12, 2015.

In addition, on December 9, 2016, the Government of Canada formally announced the Pan-Canadian Framework on Clean Growth and Climate Change. As a result, the federal government will implement a Canada wide carbon pricing scheme beginning in 2018. This may be implemented through either a cap and trade system or a carbon tax regime at the option of each province or territory. The federal government will impose a price on carbon of \$10 per tonne on any province or territory which fails to implement its own system by 2018. This amount will increase by \$10 annually until it reaches \$50 per tonne in 2022 at which time the program will be reviewed.

On November 22, 2015, the Government of Alberta announced its Climate Leadership Plan which proposed, among other things, to introduce a carbon tax on all emitters. On June 13, 2016, the *Climate Leadership Act* was enacted introducing an initial economy-wide levy of \$20 per tonne effective January 1, 2017, and increasing to \$30 per tonne in January of 2018. All fuel consumption — including gasoline and natural gas—will be subject to the levy, with certain exemptions. A similar carbon tax has been in place in British Columbia since 2008 pursuant to the *Carbon Tax Act*. Pursuant to Alberta's *Oil Sands Emission Limit Act*, enacted on December 14, 2016, a 100 megatonne per year limit for GHG emissions associated with oil sands operations was implemented. Such operations currently emit roughly 70 megatonnes per year. Where large industrial emitters are concerned (100,000+ tonnes of GHGs per year), Alberta's *Specified Gas Emitters Regulation* ("SGER") was replaced at the

end of 2017 with the *Carbon Competitiveness Incentive Regulation* (“CCIR”), in which sector specific output-based carbon allocations will be used to ensure competitiveness, and further allows competitively impacted facilities which would otherwise not be subject to the SGER or CCIR to opt-in to the CCIR, in lieu of existing carbon levy obligations noted above. The CCIR requires reductions in GHG emissions intensity (e.g. the quantity of GHG emissions per unit of production) from emissions intensity baselines established for a particular product or sector in accordance with the CCIR. Regulated emitters are required to reduce their emissions intensity in accordance with established benchmarks under the CCIR, or assigned benchmarks for specific facilities. Compliance can be achieved through a combination of the following: (1) reducing emissions; (2) purchasing emissions offset credits from non-regulated emitters (generated through activities that result in emissions reductions in accordance with established protocols); (3) purchasing emissions performance credits from other regulated emitters that earned credits through the reduction of their emissions below the 100,000 tonne threshold; or (4) contributing to the Climate Change and Emissions Management Fund at a rate of \$30 per tonne of GHG emissions. As of January 1, 2018, emissions performance credits and emissions offsets are subject to limits on annual usage for compliance obligations and are subject to expiry periods of up to eight (8) years. Additionally, the Alberta government has set a target of reducing methane emissions from O&G operations by 45% by 2025, which will be achieved through new emission design standards for new facilities, a five-year voluntary methane reduction initiative and regulated mandatory standards starting in 2020.

In British Columbia, the GGRTA sets aggressive legislated targets for reducing greenhouse gases. Under the GGRTA, GHG emissions are to be reduced by at least 33 per cent below 2007 levels by 2020 and 80 per cent below 2007 by 2050. In addition to the economy-wide carbon tax, BC appears inclined to adopt a cap and trade program for GHG emissions and has passed legislation that would impose GHG emissions limits and permit emission offset projects under the *Greenhouse Gas Industrial Reporting and Control Act*, but the Act currently only applies limits to liquefied natural gas operations.

In recent years, the United States Congress has considered legislation to reduce emissions of GHGs, including methane, a primary component of natural gas, and carbon dioxide, a by-product of the burning of natural gas. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress or signed by the President in the near future, although energy legislation and other regulatory initiatives are expected to be proposed that may be relevant to GHG emissions issues. In addition, a number of states are addressing GHG emissions, primarily through the development of emission inventories or regional GHG cap and trade programs.

Independent of Congress, the EPA has adopted regulations controlling GHG emissions under its existing authority under the CAA. For example, following its findings that emissions of GHGs present an endangerment to human health and the environment because such emissions contributed to warming of the earth’s atmosphere and other climatic changes, the EPA has adopted regulations under existing provisions of the CAA that, among other things establish construction and operating permit reviews for GHG emissions from certain large stationary sources that are already potential major sources for conventional pollutants. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified production, processing, transmission and storage facilities in the United States on an annual basis.

Furthermore, in December 2015, at COP 21, like Canada the U.S. became a signatory to the Paris Agreement which has set broad goals to, among other things, limit global climate change to not more than 2 degrees Celsius (or less), preparing, maintaining and publishing national greenhouse gas reduction targets and creating a “carbon-neutral” world by 2050. The agreement came into force on November 4, 2016, however it is not clear whether the U.S. will remain a signatory after the election of President Trump who has previously communicated his intention to withdraw. Although it is not possible at this time to predict how new laws or regulations in the U.S. and Canada, or any legal requirements imposed following the United States and Canada agreeing to the Paris Agreement that may be adopted or issued to address GHG emissions would impact STEP’s

business, any such future laws, regulations or legal requirements imposing reporting or permitting obligations on, or limiting emissions of GHGs from, the Company's equipment and operations could require it to incur costs to reduce emissions of GHGs associated with its operations as well as delays or restrictions in its ability to permit GHG emissions from new or modified sources. Such changes could also decrease the E&P activity of the Company's clients.

The direct or indirect costs of compliance with these regulations may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. Any such regulations could also increase the cost of consumption, and thereby reduce demand for the oil, NGLs and natural gas the Company's clients produce. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict with certainty the impact on the Company and its operations and financial condition.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornados and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. Extreme weather conditions can interfere with the Company's operations and the E&P operations of its clients and increase the Company's costs, and damage resulting from extreme weather may not be insured. However, at this time, the Company is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations.

Changes resulting from the change in U.S. Administrations may result in legislative and regulatory changes that could have an adverse effect on the Company.

As a result of the 2016 U.S. presidential election and the related change in political agenda, coupled with the transition of administration, there is uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such U.S. support for existing treaty and trade relationships with other countries, including Canada. In particular, efforts by the U.S., Canada and Mexico to renegotiate the North American Free Trade Agreement may result in changes to tax treatment on goods imported to the U.S. and could, if implemented, have a significant impact on Canadian companies that do business in the U.S. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement.

The success and ability of the Company to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technology. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. The Company also relies on third parties from whom licences have been received to protect their proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will

actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may develop technology that is similar or superior to the technology of the Company or such third parties or design technology in such a way as to bypass the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect the Company's business.

While discussing potential business relationships or other transactions with third parties, STEP may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put STEP at competitive risk and may have a material adverse effect on its business. The harm to STEP's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, STEP will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause. In addition, the Company's efforts to protect its confidential information, as well as the confidential information of its clients, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Conservation measures and technological advances could reduce demand for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

A terrorist attack or armed conflict could harm the Company's business.

Terrorist activities (including environmental terrorism), anti-terrorist efforts and other armed conflicts involving Canada or other countries may adversely affect the Canadian and global economies and could prevent the Company from meeting its financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil, natural gas and natural gas liquids, potentially putting downward pressure on demand for the Company's services and causing a reduction in the Company's revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and the Company's operations could be adversely impacted if infrastructure integral to the Company's clients' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Cyber attacks and loss of the Company's information and computer systems could adversely affect the Company's business.

The Company is dependent on its information systems and computer based programs, including its well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in the Company's hardware or software network infrastructure, possible consequences include a loss of communication links and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on the Company's business.

The Company continues to face cyber security risks, and could be subject to cyber-security events directed against its information technology. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. A breach in the security of the Company's information technology could expose the Company's business to a risk of loss, misuse or interruption of critical information and functions. This could affect the Company's operations, damage its assets, result in safety incidents, damage to the environment, reputational harm, competitive disadvantage, regulatory enforcement actions and potential litigation, which could have a material adverse effect on the Company's operations, financial position and results of operations.

Some of the Company's directors and officers have conflicts of interest as a result of their involvement with other oilfield services companies.

Certain of the Company's directors and officers are also directors and officers of other oilfield services companies, and conflicts of interest may arise between their duties as officers and directors of STEP and as officers and directors of such other companies. To the extent that such other companies may participate in ventures in which the Company may participate, or in ventures which the Company may seek to participate, the Company's directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where the Company's directors and officers have an interest in other companies, such other companies may also compete with the Company in order to provide oilfield services to clients. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's profitability, results of operation and financial condition. As a result of these conflicts of interest, the Company may miss the opportunity to participate in certain transactions, which may have a material adverse effect on the Company's financial position.

A successful reassessment by tax authorities of the Company's income (loss) calculations could have a material adverse effect on the Company's financial condition and cash flows. Changes to tax laws, or the interpretation thereof, may have a detrimental effect on the Company.

The Company files all required income tax returns and believes that it is in full compliance with the provisions of applicable taxation legislation. However, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income (loss) for tax purposes or could change administrative practices to the Company's detriment. A successful reassessment of the Company's income tax filings by a tax authority may have an impact on current and future taxes payable, which could have a material adverse effect on the Company's financial condition and cash flows.

Income tax laws, including income tax laws applicable to the oilfield services industry and the taxation of dividends, and government incentive programs relating to the oilfield services industry may in the future be changed or interpreted in a manner that adversely affects STEP. Furthermore, tax authorities having jurisdiction over the Company may disagree with how the Company calculates its income for tax purposes or could change administrative practices to the Company's detriment.

The Company's current technology may become obsolete or experience a decrease in demand.

Certain of the Company's equipment may become obsolete or experience a decrease in demand through the introduction of competing products or new technologies that are lower in cost; exhibit enhanced performance characteristics; or are determined by the market to be preferable for environmental or other reasons. These changes could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. Although the Company makes reasonable efforts to keep current with the changing market for O&G services and technological and regulatory changes, there can be no assurance that the Company will be able to identify all changes to competing products or technology.

The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting.

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken and will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those that may be imposed on it under applicable securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. Additionally, implementing and monitoring effective internal controls can be costly. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

Risks Related to the Common Shares

The price of the Common Shares could be volatile.

A number of factors could influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry related developments and the impact of changes in the Company's daily operations. Each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in the Company's earnings estimates or other financial or operating metrics by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the Common Shares.

The ARC Funds maintain control of the Company.

ARC Energy Fund 6 and ARC Energy Fund 8 beneficially own or control 13,588,546 Common Shares and 26,654,454 Common Shares, respectively, which in the aggregate will represent approximately 66.6% of the Company's issued and outstanding Common Shares. As a result, the ARC Funds collectively have the ability to control (or veto) certain matters submitted to the Company's shareholders for approval, including without limitation the election and removal of directors, amendments to the Company's articles and by-laws and the approval of any business combination. This may negatively affect the attractiveness of the Company to third parties considering an acquisition of the Company or cause the market price of the Common Shares to decline. In addition, the ARC Funds are entitled to nominate up to three directors for election pursuant to the Investor Rights Agreement depending on the aggregate percentage of Common Shares they hold from time to time. The interests of the ARC Funds may not in all cases be aligned with interests of the Company's shareholders. In addition, the ARC Funds may have an interest in pursuing acquisitions, divestitures and other transactions that in the judgement of its management could enhance its equity investment, even though such transactions might involve risks to the Company's shareholders and may ultimately affect the market price of the Common Shares.

So long as the ARC Funds or their affiliates continue to own, directly or indirectly, a significant amount of the Common Shares and/or otherwise control a majority of the Board, the ARC Funds (or their affiliates) will continue to be able to strongly influence or effectively control the Company's decisions.

See "Principal Shareholders".

The ARC Funds are in the business of making investments in companies and have made investments in or may in the future make investments in businesses that directly or indirectly compete with certain portions of the Company's business or are suppliers or clients of the Company.

There may be no return on investment in the Common Shares.

There is no assurance that the business of the Company will be operated successfully, or that the business will generate sufficient income to allow investors to recoup all or any portion of their investment. There is no assurance that an investment in the Common Shares will earn a specified rate of return or any return over the life of the investment.

The Common Shares will be subject to further dilution.

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. The sale of a substantial number of the Common Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Shares and negatively impact the Company's ability to raise equity capital in the future.

Residents of the United States may have limited ability to enforce civil remedies.

STEP is organized under the laws of Alberta, Canada and its principal places of business are in Canada. STEP's directors and officers and the experts named herein are residents of Canada. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon those directors, officers and experts who are not residents of the United States or to enforce against them judgments of U.S. courts based upon civil liability under the U.S. federal securities laws or the securities laws of any state within the United States. There is doubt as to the enforceability in Canada against STEP or against any of the Company's directors, officers or experts who are not residents of the United States, in original actions or in actions for enforcement of judgments of U.S. courts of liabilities based solely upon the U.S. federal securities laws or the securities laws of any state within the United States.

The Company has no plans to pay dividends.

The Company currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Common Shares. Any future determinations to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. In addition, the Company's ability to pay dividends may be restricted by restrictions and/or limitations imposed by the Credit Agreement or any other future outstanding indebtedness of the Company. As a result, a holder of Common Shares may not receive any return on an investment in the Common Shares.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading “Forward-Looking Information & Statements”.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set out below, there are no legal proceedings that the Company is or was a party to, or that any of its property is or was a subject of, during the most recently completed financial year that were or are material to the Company, nor are any such legal proceedings known to the Company to be contemplated which could be deemed material to the Company.

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.

To the knowledge of management of the Company, there have not been any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the directors and officers of the Company, none of the directors or executive officers of the Company, nor any person or Company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the Company’s current year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The external auditors of the Company are KPMG LLP, Chartered Professional Accountants, 3100, 205 5th Avenue S.W., Calgary, Alberta T2P 4B9. KPMG LLP has been the Company’s auditors since 2011.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for the Acquisition Agreement, Credit Agreement and the Investment Rights Agreement, the Company is not party to any contracts material to its business or operation, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

KPMG LLP have confirmed that they are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

Other than as set out above, no other experts (whose profession or business gives authority to a report, valuation, statement or opinion made by them) were named in any securities disclosure document filed by the Company pursuant to NI 51-102 in the most recently completed financial year.

ADDITIONAL INFORMATION

Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the year ended December 31, 2017, which may be found on SEDAR under the Company's profile at www.sedar.com. Documents affecting the rights of shareholders, along with other information relating to STEP may also be found on SEDAR under the Company's profile at www.sedar.com.

SCHEDULE “A” – AUDIT COMMITTEE MANDATE

Introduction

The Audit Committee (the “Committee”) is a committee of the Board whose primary function is to assist the Board by:

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

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

Composition and Meetings

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

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

Role

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

A. General

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

B. Internal Controls. Satisfy itself on behalf of the Board with respect to STEP's internal control systems, including in particular but not exclusively:

- matters relating to derivative instruments;
- management's identification, monitoring and development of strategies to avoid and/or mitigate business risks;
- the adequacy of the security measures that are in place in respect of STEP's information systems and the information technology that is utilized by STEP; and
- ensuring compliance with legal and regulatory requirements.

C. Documents/ Reports Review

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

- Seek to ensure that adequate procedures are in place for the review of STEP's disclosure of financial information extracted or derived from STEP's financial statements and periodically assess the adequacy of those procedures.

D. External Auditor

- Recommend to the Board the nomination of the external auditor for shareholder approval, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor. Instruct the external auditor that its ultimate client is the shareholders of STEP as a group.
- Advise the external auditor that it is required to report directly to the Committee, and not to management of STEP and, if it has any concerns regarding the conduct of the Committee or any member thereof, it should contact the Chair of the Board or any other director.
- Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- Review and discuss, on an annual basis, with the external auditor all significant relationships they have with STEP, its management or employees to determine their independence.
- Review and approve requests for any material management consulting or other engagement to be performed by the external auditor and be advised of any other material study undertaken by the external auditor at the request of management that is beyond the scope of the audit engagement letter and related fees.
- Review the performance of the external auditor and any proposed dismissal or non-renewal of the external auditor when circumstances warrant.
- Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has or has not taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- Review with external auditors (and internal auditor if one is appointed by STEP) their assessment of the internal controls of STEP, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
- Communicate directly with the external auditor, and arrange for the external auditor to report directly to the Committee.
- Communicate directly with the external auditor, and arrange for the external auditor to be available to the Committee and the full Board as needed.

E. Financial Reporting Processes

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

F. Reporting Process

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

G. Risk Management

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

H. General

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

Complaint Procedures

A. Submitting a Complaint

- Anyone may submit a whistle blower notice or complaint regarding conduct by STEP or its subsidiaries or their respective employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing

matters. The Chair or in his/her absence or by his/her delegation, any other member of the Committee should oversee the treatment of such complaints.

B. Procedures

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

C. Records and Report

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