MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of August 1, 2018 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and six months ended June 30, 2018 (the "Financial Statements") and the MD&A and audited consolidated financial statements as at and for the year ended December 31, 2017. Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2017 dated March 19, 2018 (the "AIF"). The financial results for the three and six months ended June 30, 2018 include the results of the Company's business and the results of Tucker Energy Services Holdings Inc. ("Tucker"). Tucker was acquired by STEP effective April 2, 2018 (the "Acquisition") and is primarily a provider of fracturing services in addition to coil, wireline and tool services.

CORPORATE OVERVIEW

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP provides an integrated platform for deep capacity coiled tubing services and fracturing solutions to exploration and production ("E&P") companies in the Canadian and the United States ("U.S.") markets. Our Canadian integrated services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., we focus our coiled tubing services in the Permian and Eagle Ford in Texas and the Haynesville in Louisiana. The Acquisition of Tucker in the second quarter of 2018 allowed STEP to add fracturing services to its U.S. platform and provided entry into the Oklahoma market.

Canadian integrated services continue to grow organically

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

U.S. expansion offers new opportunities

STEP's U.S business began by offering coiled tubing services to E&P companies in 2015. STEP currently operates a fleet of eight coiled tubing units, with plans to build and deploy three additional coiled tubing units in 2018 as supported by market demand. On April 2, 2018, STEP closed the Acquisition of Tucker, which expanded the Company into the fracturing market. The Acquisition includes four fracturing spreads (representing 192,500 HP), two coiled tubing units, and 15 wireline units.

STEP's culture and equipment sets us apart

A cornerstone of STEP's success is our high-performance, safety-focused culture. Our four core values; **Safety**, **Trust**, **Execution** and **Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety. STEP believes our commitment to modern equipment differentiates us in the marketplace. We are continually developing and deploying technology to advance our business.

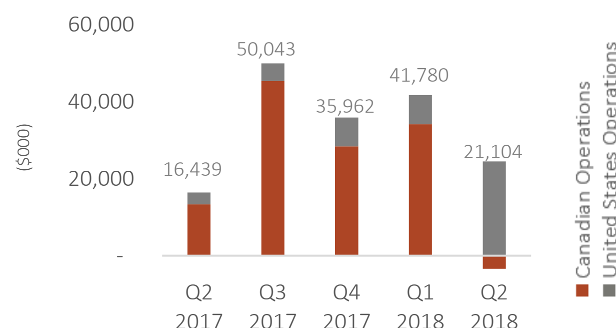
CONSOLIDATED HIGHLIGHTS

FINANCIAL

($000s except percentages and per share amounts)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Consolidated revenue	$ **184,601**	$ 105,446	$ **372,194**	$ 223,430
Net income attributable to shareholders	$ **(8,431)**	$ 2,600	$ **9,985**	$ 11,592
Per share-basic	$ **(0.13)**	$ 0.05	$ **0.16**	$ 0.22
Per share-diluted	$ **(0.13)**	$ 0.04	$ **0.15**	$ 0.22
Adjusted EBITDA [1]	$ **21,104**	$ 16,439	$ **62,884**	$ 37,580
Adjusted EBITDA % [1]	**11%**	16%	**17%**	17%

CONSOLIDATED REVENUE

CONSOLIDATED ADJUSTED EBITDA [1]



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

BALANCE SHEET

($000s except shares and per share amounts)	At as June 30, 2018	As at December 31, 2017
Cash and cash equivalents	$ **12,411**	$ 36,859
Working capital	$ **112,233**	$ 121,032
Total assets	$ **992,584**	$ 533,845
Total long-term financial liabilities	$ **286,264**	$ 8,049
Shares outstanding Basic	**66,593,190**	60,309,738
Weighted average shares – basic	**63,431,219**	56,528,016
Weighted average shares – diluted	**65,791,902**	57,752,867

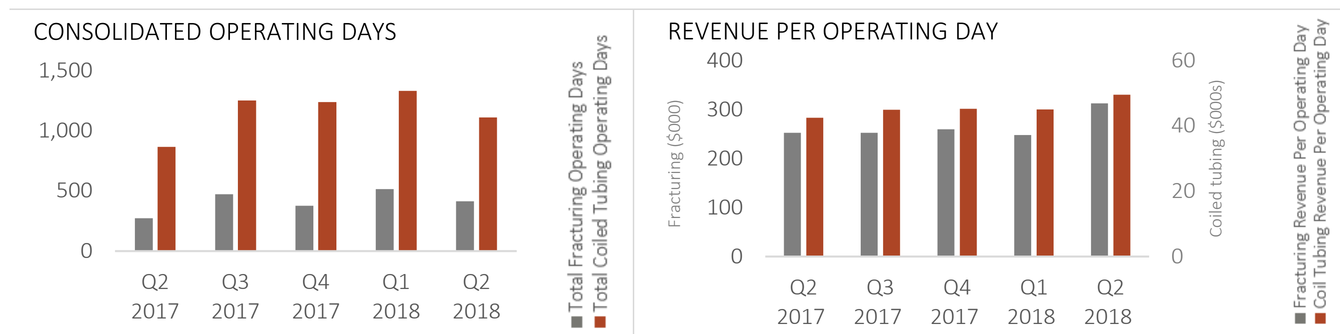
FINANCIAL HIGHLIGHTS

- Generated second quarter and first half consolidated revenue of $184.6 million and $372.2 million, respectively, compared to $105.4 million and $223.4 million in the same periods of 2017, representing increases of 75% and 67%. The increases are primarily attributable to the Tucker Acquisition, increased equipment deployed over the prior 12 months, improved pricing, and higher fracturing intensity. The Tucker Acquisition contributed $88.5 million of revenue in the second quarter of 2018.
- On April 2, 2018, STEP completed the purchase of all of the issued and outstanding capital stock of Tucker for $355.0 million (U.S.$275.0 million) before closing adjustments.
- Earned Adjusted EBITDA of $21.1 million (or 11%) in the second quarter and $62.9 million (or 17%) for the first six months of 2018. The second quarter is a period typically impacted by lower activity for oilfield service companies in Canada due to the seasonality of the business, however U.S. operations are typically not impacted by seasonality. In the second quarter of 2018, the U.S. segment generated Adjusted EBITDA $24.5 million (or 21%), which offset negative Adjusted EBITDA of $3.4 million (or -5%) incurred by the Canadian segment.

OPERATIONAL

($000's except per day, days, units, and HP)	Three months ended June 30, 2018	2017	Six months ended June 30, 2018	2017
Total fracturing operating days [1]	**414**	272	**929**	633
Fracturing revenue per operating day	**$ 312,901**	$ 252,405	**$ 276,800**	$ 233,800
Fracturing capacity (HP):				
Average active HP	**387,500**	145,000	**300,917**	145,000
Exit active HP	**417,500**	145,000	**417,500**	145,000
Total HP [2]	**490,000**	297,500	**490,000**	297,500
Proppant pumped (tonnes)	**260,000**	146,000	**469,000**	294,000
Total coiled tubing operating days [1]	**1,110**	866	**2,440**	1,772
Coiled tubing revenue per operating day	**$ 49,604**	$ 42,485	**$ 47,150**	$ 42,570
Coiled tubing capacity:				
Average active coiled tubing units	**21**	14	**20**	14
Exit active coiled tubing units	**21**	15	**21**	15
Total coiled tubing units	**23**	16	**23**	16
Capital expenditures	**$ 38,210**	$ 32,654	**$ 62,807**	$ 53,596

[1] An operating day is defined as any coiled tubing and fracturing work that is performed in a 24 hour period, exclusive of support equipment.
[2] Represents total owned HP, of which 417,500 HP is currently deployed and the remainder of which requires certain maintenance and refurbishment.



OPERATIONAL HIGHLIGHTS

- Early in the quarter, STEP began the integration of the Tucker operations in Oklahoma. Three fracturing spreads were operational on April 2, 2018 and the fourth spread was deployed in the second half of Q2 increasing the active horsepower in the U.S. from 142,500 HP to 192,500 HP.
- Across all regions, average active fracturing spreads increased to 12 in the second quarter of 2018 from five in Q2 2017, while average active coiled tubing units increased to 21 in Q2 2018 from 14 in Q2 2017.
- STEP's fracturing services delivered growth in revenue per day primarily from the addition of U.S. operations through the Tucker Acquisition. The results also benefited from U.S. dollar appreciation in the quarter relative to the Canadian dollar.
- The Tucker facilities provide STEP operations focused in Oklahoma and the opportunity to offer integrated services and broaden our client base.
- Coiled tubing services continue to deliver growth with revenue per operating day increasing from $42,485 during the second quarter of 2017 to $49,604 in the second quarter of 2018, in part due to the impact of a stronger U.S. dollar.
- The industry wide activation of previously idle horsepower is leading to moderate downward pressure on pricing.

INDUSTRY CONDITIONS & OUTLOOK

Significant amounts of snowfall during the first quarter of 2018 and the subsequent wet field conditions impacted the second quarter and resulted in slower activity in Canada. Although the quarter had a healthy level of completion commitments, these delays led to work deferrals which are anticipated to be executed in the third quarter, leading to expected strong utilization of STEP's current active asset base. Currently, STEP has commitments for the fourth quarter for over half of our manned Canadian fracturing fleets, with ongoing client discussions suggesting the quarter may see strong utilization. Most encouraging is discussions with clients looking to accelerate some first quarter 2019 programs forward into the fourth quarter of 2018.

Management characterizes the completions market in Canada as balanced to slightly over supplied. This is manifesting in a competitive pricing environment. While oil prices remain above levels where most producers have budgeted, we are seeing a measured approach to capital spending; however, we do expect client capital budgets to expand. Management anticipates the Canadian completions market could shift to a shortage of equipment with a modest increase in drilling activity. Currently, capital budgets continue to favour oil and liquids-rich gas plays, supporting STEP's 2018 strategy of investing in fit-for-purpose equipment to target shallow, oil-weighted areas.

In the U.S., completions activity remains robust although egress issues in the Permian have led to some E&P companies adjusting their capital deployment strategy. Utilization amongst the U.S. fracturing asset base is expected to remain strong through the end of the year, though management is monitoring transitory Permian basin takeaway issues and the effects it has on utilization and service pricing in the broader U.S. market. Specific to coiled tubing services, STEP continues to have strong demand supporting deployment of additional coiled tubing spreads. With coiled tubing services being a recent bottleneck in completions related work, management anticipates strong utilization for the remainder of the year.

STEP expects supply chain inputs to modestly drive cost inflation. Management will maintain a disciplined focus on operational efficiencies and will work to offset inflationary pressure. As an example, STEP recently implemented the SandCan® system in Canada, a containerized sand solution system combining transportation and on-site storage that provides ease of transportation from mine to well-site. The SandCan® system delivers efficiencies through reduced logistics costs and load/unload times; requires fewer trucks on site; and has no associated pneumatics or belts reducing repair and maintenance costs.

The U.S. and Canada imposed a 25% tariff on steel products that impacts operating costs for the Canadian oil and gas industry. Specific to STEP's operations, coiled tubing strings are sourced from U.S. manufacturers, whom secure steel from different parts of the world. Management is evaluating options to minimize the cost impact to our client base.

CAPITAL UPDATE

With the integration of the Tucker Acquisition, the board of directors has approved a revised 2018 capital program of $139 million, comprised of expansion capital of $86 million, maintenance capital of $42 million, and infrastructure and related investment of $11 million. The increase is partially a result of maintenance and refurbishment capital ascribed to the Tucker assets and other initiatives to enhance operational efficiencies and asset deployments. Expansion capital includes the purchase of auxiliary equipment, construction of fit-for-purpose equipment to target oil plays, and refurbishment and rebranding of idle fracturing assets.

STEP plans to continue to refurbish the remainder of its Canadian fracturing asset base. Completion of our ninth fracturing spread will provide optionality to deploy it as market conditions warrant. Our two fit-for-purpose Viking spreads will be field ready and manned during the second half of the year. These Viking spreads may displace our existing smaller capacity spreads, enabling horsepower to potentially be redeployed to bolster existing spreads, supporting higher intensity operations. As a result, upon completion of the 2018 capital program, in Canada STEP expects to operate between eight to ten fracturing spreads and will have one unstaffed fracturing spread along with 16 coiled tubing spreads, and expects to operate four fracturing spreads and 12 coiled tubing spreads in the U.S. (one coiled tubing spread is expected to remain inactive).

SIGNIFICANT EVENTS

U.S. STRATEGIC ACQUISITION OF TUCKER

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

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

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

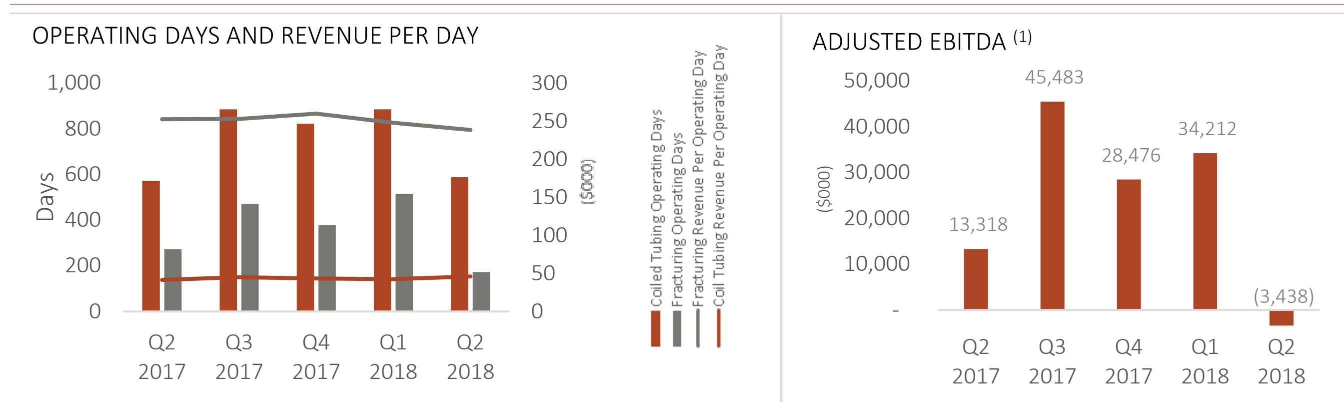
The Business Acquisition Report, filed on May 11, 2018, will be amended and restated to reflect additional adjustments to conform certain amounts capitalized in the financial statements of Tucker to align to STEP's accounting policies. STEP capitalizes assets that have an estimated useful life exceeding 12 months. Maintenance items that are expected to be consumed within 12 months are expensed in cost of sales.

CANADIAN OPERATIONS OVERVIEW

The Canadian operating segment provides fracturing and coiled tubing services to E&P companies operating in the WCSB. As at June 30, 2018, our Canadian operations were comprised of 297,500 fracturing HP, of which a fleet of eight fracturing spreads representing 225,000 HP and 13 coiled tubing units were deployed and staffed for 24-hour operations. The Canadian segment took delivery of the eighth fracturing spread in the first quarter of 2018.

($000's except per day, days, units, and HP)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue:				
Fracturing	**$ 41,017**	$ 68,655	**$ 168,624**	$ 147,996
Coiled tubing	**27,021**	23,782	**64,545**	54,219
	68,038	92,437	**233,169**	202,215
Expenses:				
Cost of sales	**81,038**	83,351	**216,615**	176,225
Selling, general and administrative	**5,154**	4,950	**10,801**	9,425
Results from operating activities	**$ (18,154)**	$ 4,136	**$ 5,753**	$ 16,565
Add non-cash items:				
Depreciation	**12,018**	7,100	**20,810**	13,557
Share-based compensation	**2,698**	2,082	**4,212**	3,642
Adjusted EBITDA [1]	**$ (3,438)**	$ 13,318	**$ 30,775**	$ 33,764
Adjusted EBITDA % [1]	**(5%)**	14%	**13%**	17%
Sales mix (% of segment revenue)				
Fracturing	**60%**	74%	**72%**	73%
Coiled tubing	**40%**	26%	**28%**	27%
Fracturing services				
Fracturing revenue per operating day	**$ 238,475**	$ 252,405	**$ 245,449**	$ 233,800
Number of fracturing operating days [2]	**172**	272	**687**	633
Active pumping HP, end of period	**225,000**	145,000	**225,000**	145,000
Idle pumping HP, end of period	**72,500**	152,500	**72,500**	152,500
Total pumping HP, end of period [3]	**297,500**	297,500	**297,500**	297,500
Coiled tubing services				
Coiled tubing revenue per operating day	**$ 45,954**	$ 41,505	**$ 43,819**	$ 42,293
Number of coiled tubing operating days [2]	**588**	573	**1,473**	1,282
Active coiled tubing units, end of period	**13**	11	**13**	11
Idle coiled tubing units, end of period	**-**	1	**-**	1
Total coiled tubing units, end of period	**13**	12	**13**	12

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



(1) See Non-IFRS Measures.

Q2 and first half 2018 highlights – Canada

Revenue in the second quarter of 2018 was $68.0 million, a decrease of 26% from the same quarter of 2017, primarily due to fewer fracturing days worked. Utilization in the quarter was impacted by wet weather through break-up, resulting in client scheduling challenges leading to work being deferred into the third quarter of 2018. For the six months ended June 30, 2018, revenue increased by 15% over the same period in 2017 due to more manned equipment in service.

Adjusted EBITDA in Canada for the three months ended June 30, 2018 was negative $3.4 million (or -5%), in comparison with positive $13.3 million (or 14%) in the comparable 2017 period. The decrease is attributable to lower utilization as a result of break-up and fracturing work deferrals. Operating costs were contained as staff levels were managed to fit activity and crews were redeployed to perform maintenance where necessary. For the six months ended June 30, 2018, Adjusted EBITDA decreased by 8% over the same period in 2017 due to the lower utilization.

Fracturing services

- At quarter end, eight fracturing spreads were staffed, deployed and active. STEP continues to have success and sees further potential in the East Duvernay shale as activity in the area is increasing.
- Average revenue per fracturing operating day softened in Q2 2018 vs Q2 2017 by 6% as the market balanced between available horsepower and demand.
- STEP completed its first successful field application using Sandcan® System in the quarter with positive results including the ability to move multiple proppant types, increased efficiency, decreased waste, lower silica dust and lower cost.
- STEP pumped 98,000 tonnes of proppant over 1,320 stages in the second quarter of 2018, while the comparable quarter in 2017 saw 143,000 tonnes pumped over 2,600 stages.
- In Canada, STEP capitalizes certain fluid ends that have an estimated useful life exceeding 12 months.
- The addition of our Medicine Hat operating base and the eighth fracturing spread positions STEP to gain market share in the active shallow oil focused Viking, Shaunavon and Cardium plays.

Coiled tubing services

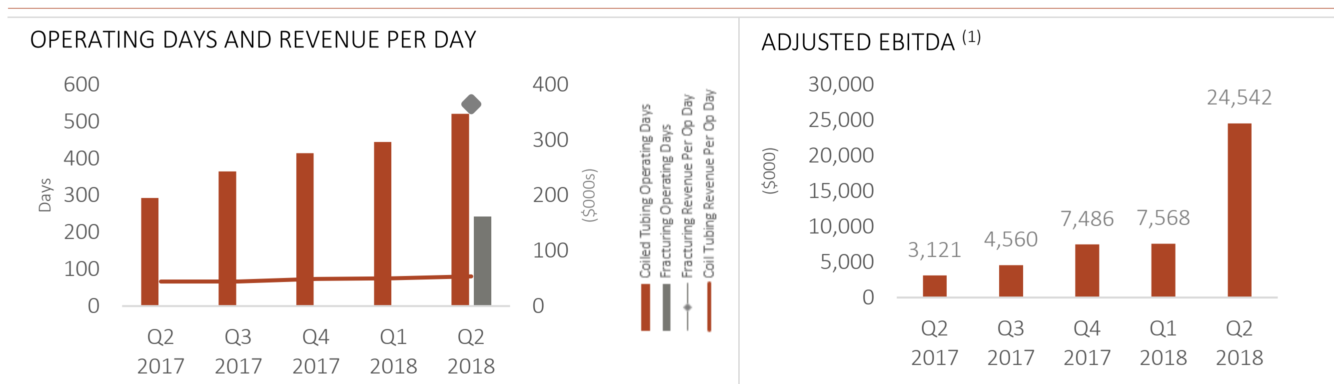
- Coiled tubing activity was consistent in the second quarter of 2018 when compared to the same period of the prior year.
- Average revenue per coiled tubing operating day for the quarter increased 11% compared to the second quarter of 2017. The increase in the period is largely attributable to the change in the mix of services to include more stand alone coil tubing activity.

UNITED STATES OPERATIONS OVERVIEW

The U.S. operating segment provides coiled tubing services to clients in the Permian and Eagle Ford basins in Texas and the Haynesville shale basin in Louisiana. Additionally, the U.S. operating segment began integrating the Tucker business during the quarter. Tucker provides fracturing and completion services, primarily in the SCOOP/STACK and Woodford plays in Oklahoma. The Acquisition included four fracturing spreads representing 192,500 horsepower, two coiled tubing units, and 15 wireline units. Financial results, when compared to prior periods, are impacted by the addition of Tucker.

($000's except per day, days, units, and HP)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue:				
Fracturing	$ 88,524	$ -	$ 88,524	$ -
Coiled tubing	28,039	13,009	50,501	21,215
	116,563	13,009	139,025	21,215
Expenses:				
Cost of sales	101,054	10,294	116,666	18,142
Selling, general and administrative	3,312	852	4,375	1,548
Results from operating activities	$ 12,197	$ 1,863	$ 17,984	$ 1,525
Add non-cash items:				
Depreciation	11,923	1,064	13,441	1,959
Share-based compensation	422	194	684	332
Adjusted EBITDA [1]	$ 24,542	$ 3,121	$ 32,109	$ 3,816
Adjusted EBITDA % [1]	21%	24%	23%	18%
Sales mix (% of segment revenue)				
Fracturing	76%	-%	64%	-%
Coiled tubing	24%	100%	36%	100%
Fracturing services				
Fracturing revenue per operating day	$ 365,498	$ -	$ 365,498	$ -
Number of fracturing operating days [2]	242	-	242	-
Active pumping HP, end of period	192,500	-	192,500	-
Idle pumping HP, end of period	-	-	-	-
Total pumping HP, end of period [3]	192,500	-	192,500	-
Coiled tubing services				
Coiled tubing revenue per operating day	$ 51,716	$ 44,401	$ 51,146	$ 43,296
Number of coiled tubing operating days [2]	522	293	967	490
Active coiled tubing units, end of period	8	4	8	4
Idle coiled tubing units, end of period	2	-	2	-
Total coiled tubing units, end of period	10	4	10	4

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



(1) See Non-IFRS Measures.

Q2 and first half 2018 highlights – U.S.

Revenue in the three and six months ended June 30, 2018 increased to $116.6 million and $139.0 million, respectively, from $13.0 million and $21.2 million in the same periods of 2017, primarily as a result of the Tucker Acquisition. Fracturing contributed 76% of the U.S revenue in the second quarter. A growing client base and strong demand for coiled tubing services and the addition of the fracturing business positions STEP to begin offering integrated services to its U.S. clients.

Adjusted EBITDA in the U.S. for the three months and six months ended June 30, 2018 was $24.5 million (or 21%) and $32.1 million (or 23%), respectively, compared to $3.1 million (or 24%) and $3.8 million (or 18%) for the same periods in 2017. The increases in Adjusted EBITDA are attributable to the addition of the Tucker assets and strong utilization of an expanded coiled tubing fleet. Adjusted EBITDA percentage was impacted by additional costs incurred to activate the fourth spread, increased proppant and transportation costs, wage increases and pricing pressure on fracturing.

Fracturing services

- The Tucker acquisition provided 192,500 HP over four fracturing spreads (including the fourth fracturing spread which was deployed in the second quarter).
- Revenue per day was $365,498 in the second quarter. Revenue benefitted from U.S. dollar appreciation; however, management has observed modest price pressure as competitors reactivate equipment.
- Costs were impacted by proppant supply constraints at a local mine that the Company has a supply agreement with. Alternate suppliers were sourced resulting in higher proppant and transportation costs. These constraints may to continue into the third quarter.
- U.S. fracturing pumped 160,000 tonnes of proppant over 1,064 stages in the second quarter of 2018.
- In the U.S., STEP has adopted the policy of expensing fluid ends to repairs and maintenance as their estimated useful life is less than 12 months. Tucker's policy was to capitalize and depreciate fluid ends.
- The combination of the Tucker and STEP operating bases positions the Company to provide integrated services to a broader customer base in a broader geography.

Coiled tubing services

- Increased second quarter industry activity combined with additional active equipment allowed coiled tubing services to improve operating days by 78% over the same period in 2017.
- Average second quarter revenue per coiled tubing operating day increased 16% over the same period in 2017. The increase is largely attributable to improved pricing driven by robust demand.
- The acquisition of Tucker's coiled tubing workforce provided an incremental labour pool which has assisted the Company in increasing utilization during labour challenges in certain U.S. operating regions.
- Coiled tubing cost increased in the second quarter compared to the first quarter due to increases in payroll and coil string expenses. Payroll increases were implemented in the quarter to remain competitive within the current environment.
- Both coiled tubing rigs acquired through the Tucker Acquisition require rebranding and maintenance. One rig is expected to be refurbished and ready for deployment in the fourth quarter of 2018.
- STEP's newest 14' wide coiled tubing unit is scheduled to be delivered to the Permian in August 2018 and two additional coiled tubing units are scheduled for delivery late in the third quarter and early in the fourth quarter.

CONSOLIDATED FINANCIAL REVIEW

The financial results reflect the Tucker Acquisition and therefore include revenue and expenses for the period from April 2, 2018 to June 30, 2018. Financial results, when compared to prior periods, will be impacted by the Acquisition. The Tucker acquisition contributed $88.5 million of revenue in the second quarter of 2018.

($000's except per share amounts)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue	$ 184,601	$ 105,446	$ 372,194	$ 223,430
Cost of sales	182,092	93,645	333,281	194,367
Gross profit	2,509	11,801	38,913	29,063
Selling, general and administrative	8,466	5,802	15,176	10,973
Results from operating activities	(5,957)	5,999	23,737	18,090
Finance costs	3,478	335	3,623	904
Foreign exchange (gain) loss	254	469	389	456
Gain on disposal of property and equipment	(305)	(120)	(423)	(2,001)
Transaction costs	1,772	746	2,925	1,531
Amortization of intangibles	1,418	154	1,428	347
Loss on foreign exchange forward contracts	(552)	-	1,219	-
Net income before income tax	(12,022)	4,415	14,576	16,853
Income tax expense (recovery)	(3,591)	1,815	4,591	5,261
Net Income (loss)	(8,431)	2,600	9,985	11,592
Other comprehensive income (loss)	7,202	(1,000)	8,589	(1,278)
Total comprehensive income (loss)	$ (1,229)	$ 1,600	$ 18,574	$ 10,314
Net income (loss)	$ (8,431)	$ 2,600	$ 9,985	$ 11,592
Net income (loss) per share – basic	$ (0.13)	$ 0.05	$ 0.16	$ 0.22
Net income (loss) per share – diluted	$ (0.13)	$ 0.04	$ 0.15	$ 0.22
Adjusted EBITDA [1]	$ 21,104	$ 16,439	$ 62,884	$ 37,580
Adjusted EBITDA % [1]	11%	16%	17%	17%

[1] See Non-IFRS Measures.

Capital expenditures

($000s)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Canada	$ 29,368	$ 24,305	$ 45,710	$ 38,762
United States	9,977	8,349	18,232	14,834
Total capital expenditures	$ 39,345	$ 32,654	$ 63,942	$ 53,596

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

Other Items

Depreciation and amortization

For the three and six months ended June 30, 2018, depreciation and amortization expense increased to $25.4 million and $35.7 million, respectively, from $8.3 million and $15.9 million in the same periods of 2017. The increase was the result of assets acquired in the Tucker Acquisition and additional equipment deployments over the past twelve months.

Finance costs

STEP's finance costs of $3.5 million and $3.6 million for the three and six months ended June 30, 2018, respectively, increased from $0.3 million and $0.9 million in the same periods of 2017 as the outstanding balance on the Company's credit facilities was higher in 2018 due to borrowings to fund the Tucker Acquisition. Additionally, interest on finance leases increased as a result of an expanded fleet of leased vehicles.

Foreign exchange gains and losses

STEP recorded a foreign exchange loss of $0.3 million and $0.4 million for the three and six months ended June 30, 2018, respectively, versus a loss of $0.5 million and $0.5 million in the comparable periods of 2017. Foreign exchange gains and losses arose primarily from the translation of net monetary assets or liabilities that were held in U.S. dollars.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of property and equipment of $0.3 million and $0.4 million for the three and six months ended June 30, 2018, respectively, compared to gains of $0.1 million and $2.0 million in the comparable periods of 2017. The decrease related to the six month ended period is due to the disposal of more non-core assets in the first half of 2017 versus 2018. Proceeds on sale of $0.5 million and $0.7 million were recognized in the three and six months ended June 30, 2018, respectively.

Impairment

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

Transaction costs

Transaction costs of $1.8 million and $2.9 million for the three and six months ended June 30, 2018, respectively, relate to the Tucker Acquisition.

Foreign exchange forward contract gains and losses

For the three and six months ended June 30, 2018, STEP recorded a foreign exchange forward contract gain of $0.6 million and a loss of $1.2 million, respectively. These are the result of U.S. dollar movement on the forward contract entered into for the purposes of mitigating foreign exchange risk on the Tucker Acquisition. Cash outflows related to the instruments were $1.2 million. The Company does not currently have any forward contracts.

Share-based compensation

For the three and six months ended June 30, 2018, STEP recorded share-based compensation expense of $3.1 million and $4.9 million, respectively, compared to $2.3 million and $4.0 million in the same periods of 2017. The increase in expense is due to an addition to the number of units outstanding driven by the new Tucker employees as well as the 2018 incentive compensation program.

Income taxes

STEP recorded an income tax recovery of $3.6 million in the three months ended June 30, 2018 and expense of $4.6 million in six months ended June 30, 2018, compared to an expense of $1.8 million and $5.3 million in the comparable periods of 2017, respectively. The average combined tax rate was approximately 27% in the three and six months ended June 30, 2018 and 2017.

LIQUIDITY AND CAPITAL RESOURCES

($000s)	Three months ended	June 30,	Six months ended	June 30,
	2018	2017	**2018**	2017
Net cash provided by (used in)				
Operating activities	**$ 20,808**	$ 9,423	**$ 47,404**	$ 14,932
Investing activities	**(381,742)**	(21,958)	**(401,807)**	(36,646)
Financing activities	**332,738**	60,817	**329,602**	76,685
Impact of foreign exchange on cash	**311**	(95)	**353**	(71)
Increase (decrease) in cash and cash equivalents	**$ (27,885)**	$ 48,187	**$ (24,448)**	$ 54,900
Open cash balance	**40,296**	8,864	**36,859**	2,151
Ending cash balance	**$ 12,411**	$ 57,051	**$ 12,411**	$ 57,051

Net cash provided by operating activities

Net cash provided by operating activities totaled $20.8 million and $47.4 million for the three and six months ended June 30, 2018, compared to $9.4 million and $14.9 million in the comparable periods of 2017. The increase in net cash provided by operating activities was due to increased activity largely from the contribution of the Tucker Acquisition.

Net cash used in investing activities

Net cash used in investing activities totaled $381.7 million and $401.8 million for the three and six months ended June 30, 2018, respectively. The increase relative to the same periods in 2017 can be attributed to the Tucker Acquisition as well as an increased capital program versus 2017.

Net cash provided by (used in) financing activities

Net cash provided by financing activities totaled $332.7 million and $329.6 million for the three and six months ended June 30, 2018, respectively. On April 2, 2018, the Company closed an equity financing providing gross proceeds of $56.3 million. As well, the Company borrowed $279.9 million on its new credit facilities. The proceeds of both were used to finance the Tucker Acquisition. In 2017, financing activities provided cash from the issuance of shares pursuant to the initial public offering, offset by repayment of debt.

Working capital and cash requirements

As at June 30, 2018, STEP had positive working capital of $112.2 million, compared to $121.0 million as at December 31, 2017. Trade and other receivables increased from $139.3 million at December 31, 2017 to $201.3 million at June 30, 2018, due to the inclusion of Tucker's trade receivables. Trade and other payables increased to $134.9 million at June 30, 2018 from $64.6 million at December 31, 2017 due to increased activity and the inclusion of Tucker's trade and other payables.

Capital management

($000s)	**As at June 30, 2018**	As at December 31, 2017
Shareholders' equity	**$ 507,998**	$ 431,040
Obligations under finance lease	**16,328**	11,764
Loans and borrowings	**277,333**	1,813
Total capital	**$ 801,659**	$ 444,617

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

Equity:

As at August 1, 2018, there were 66,595,818 Common Shares issued and outstanding.

Debt:

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

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

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

   At June 30, 2018, the Funded debt to Adjusted bank EBITDA ratio was 1.49:1.00.

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

   At June 30, 2018, the Fixed Charge Coverage Ratio was 13.12:1.00.

Interest is payable monthly, at the bank's prime lending rate plus 50 basis points to 200 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings as at June 30, 2018 is 4.3%. At June 30, 2018, the full amount of the facility was available to be drawn on the New Credit Facilities of which there was $279.9 million outstanding and the Company was in compliance with all covenants.

Contractual obligations, commitments, and provisions

($000s)	2018	2019	2020	Thereafter	Total
Trade and other payables	$ 134,940	$ -	$ -	$ -	**$ 134,940**
Income tax payable	2,714	-	-	-	**2,714**
Operating leases and office space [1]	1,282	3,528	3,148	6,511	**14,469**
Finance leases [2]	3,757	8,304	3,974	908	**16,943**
Loans and borrowings [3]	6,110	12,120	12,153	282,993	**313,376**
Capital expenditure commitments [4]	37,265	-	-	-	**37,265**
Total commitments	$ 186,068	$ 23,952	$ 19,275	$ 290,412	**$ 519,707**

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

Litigation

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

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

SELECTED QUARTERLY INFORMATION

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

Quarterly Results Summary [2] ($000's, except per share amounts)	**Q2 2018**	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Revenue								
Canadian Operations	**68,038**	165,130	133,868	159,211	92,437	109,778	54,368	51,088
United States Operations	**116,563**	22,463	20,385	16,326	13,009	8,206	9,794	7,094
	184,601	187,593	154,253	175,537	105,446	117,984	64,162	58,182
Net income (loss) attributable to shareholders	**(8,431)**	18,416	17,548	28,575	2,600	8,992	(2,615)	(1,242)
Adjusted EBITDA [3]								
Canadian Operations	**(3,438)**	34,212	28,476	45,483	13,318	20,445	2,668	3,640
United States Operations	**24,542**	7,568	7,486	4,560	3,121	695	2,587	1,314
	21,104	41,780	35,962	50,043	16,439	21,140	5,255	4,954
Capital expenditures								
Canadian Operations	**29,368**	16,342	23,685	17,486	24,305	14,459	9,263	11,946
United States Operations	**9,977**	8,255	8,335	7,852	8,349	6,484	2,359	3,625
	39,345	24,597	32,020	25,338	32,654	20,943	11,622	15,571
Per Common Share								
Net income (loss) – basic	**(0.13)**	0.30	0.29	0.48	0.05	0.18	(0.05)	(0.03)
Net income (loss) – diluted	**(0.13)**	0.29	0.28	0.46	0.04	0.18	(0.05)	(0.03)
Adjusted EBITDA [3] – basic	**0.32**	0.70	0.60	0.83	0.29	0.43	0.11	0.10
Adjusted EBITDA [3] – diluted	**0.31**	0.68	0.57	0.81	0.28	0.43	0.11	0.10

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

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

FINANCIAL INSTRUMENTS

Fair values

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

Interest rate risk

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

Credit risk

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

Foreign currency risk

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

Off-balance sheet arrangements

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

NON-IFRS MEASURES

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

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

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

($000s)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net income (loss)	$ **(8,431)**	$ 2,600	$ **9,985**	$ 11,592
Add (deduct):				
Depreciation and amortization	**25,359**	8,318	**35,679**	15,863
Gain on disposal of P&E	**(305)**	(120)	**(423)**	(2,001)
Finance costs	**3,478**	335	**3,623**	904
Income tax (recovery) expense	**(3,591)**	1,815	**4,591**	5,261
Foreign exchange forward contract (gain) loss	**(552)**	-	**1,219**	-
Share-based compensation	**3,120**	2,276	**4,896**	3,974
Transaction costs	**1,772**	746	**2,925**	1,531
Foreign exchange loss	**254**	469	**389**	456
Adjusted EBITDA	$ **21,104**	$ 16,439	$ **62,884**	$ 37,580

ACCOUNTING POLICIES AND ESTIMATES

Internal control over financial reporting

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

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

financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. The Company intends to complete the design and operating effectiveness of disclosure controls and procedures and internal control over financial reporting of Tucker by March 31, 2019.

Critical accounting estimates and judgments

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

Related parties

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

RISK FACTORS AND RISK MANAGEMENT

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

FORWARD-LOOKING INFORMATION & STATEMENTS

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

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: future commodity prices; supply and demand for oilfield services and industry activity levels, including the Company's integrated services offerings; the Company's objectives, strategies and competitive strengths; the 2018 capital plan; 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; expectations that the Company's competitive advantages will yield successful execution of its business strategy; Funded debt to Adjusted bank EBITDA ratios; industry conditions pertaining to the oilfield services industry; the Company's treatment under governmental regulatory regimes; timing of delivery and deployment of additional fracturing and coiled tubing units; and expected utilization rates.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; future oil, natural gas and natural gas liquids prices; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business; levels of deployable equipment; future capital expenditures to be made by the Company; future sources of funding for the Company's capital program; the Company's future debt levels; the impact of competition on the Company; and the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this MD&A: volatility of the oil and natural gas industry; excess equipment levels; competition in the oilfield services industry; restrictions on access to capital; reliance on suppliers of raw materials, diesel fuel and component parts; reliance on equipment suppliers and fabricators; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; merger and acquisition activity among the Company's clients; federal, state and provincial legislative and regulatory initiatives could result in increased costs and additional operating restrictions or delays; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; loss of a significant client could cause the Company's revenue to decline substantially; negative cash flows from operating activities; third-party credit risk; hazards inherent in the oilfield services industry which may not be covered to the full extent by the Company's insurance policies; difficulty in retaining, replacing or adding personnel; seasonal volatility due to adverse weather conditions; reliance on a few key employees; legal proceedings involving the Company; failure to maintain the Company's safety standards and record; inability to manage growth; failure to realize anticipated benefits of acquisitions and dispositions; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results may differ materially from management estimates and assumptions; the direct and indirect costs of various greenhouse gas regulations; misappropriation or infringement of intellectual property rights; improper access to confidential information; conservation measures and technological advances; terrorist attacks or armed conflict; cyber attacks and the loss of the Company's information and computer systems; conflicts of interest of directors and officers; reassessment by tax authorities of the Company's income (loss) calculations; the Company's current technology may become obsolete or experience a decrease in demand; and capacity constraints and pressure on the Company's internal systems and controls.