

STEP

energy services

TSX STEP

Third Quarter

Management Discussion and Analysis

As at and for the three and nine months ended September 30, 2020

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 November 3, 2020 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 three months and nine months ended September 30, 2020 (the "Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2019 (the "Annual Financial Statements") and related MD&A (the "Annual MD&A"). Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2019 dated March 11, 2020 (the "AIF").

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP now provides an integrated solution for deep capacity coiled tubing and fracturing services to exploration and production ("E&P") companies in Canada and the United States ("U.S."). Our Canadian services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our services are focused in the Permian and Eagle Ford in Texas and the Bakken in North Dakota.

Our four core values; **Safety, Trust, Execution** and **Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

CONSOLIDATED HIGHLIGHTS

FINANCIAL

(\$000s except percentages and per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Consolidated revenue	\$ 62,363	\$ 178,745	\$ 297,377	\$ 541,790
Net loss attributable to shareholders	\$ (9,762)	\$ (112,843)	\$ (102,314)	\$ (119,471)
Per share-basic	\$ (0.14)	\$ (1.69)	\$ (1.52)	\$ (1.79)
Per share-diluted	\$ (0.15)	\$ (1.69)	\$ (1.52)	\$ (1.79)
Weighted average shares – basic	67,514,015	66,767,919	67,232,574	66,733,701
Weighted average shares – diluted	66,523,901	66,767,919	67,232,574	66,733,701
Adjusted EBITDA ⁽¹⁾	\$ 9,098	\$ 22,690	\$ 28,434	\$ 69,644
Adjusted EBITDA % ⁽¹⁾	15%	13%	10%	13%

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

(\$000s except shares)	September 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 8,233	\$ 7,267
Working capital (including cash and cash equivalents) ⁽²⁾	\$ 54,750	\$ 72,156
Total assets	\$ 502,421	\$ 686,039
Total long-term financial liabilities ⁽²⁾	\$ 220,114	\$ 247,481
Net debt ⁽²⁾	\$ 206,767	\$ 232,552
Shares outstanding	67,525,666	66,942,830

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

OVERVIEW AND LIQUIDITY

Activity levels for the third quarter of 2020 were significantly lower than the prior year due to the historic demand destruction that occurred earlier in 2020. Canada's rig count was 75 during the week of October 2, 2020 compared to 144 during the week of October 4, 2019, a decline of 48%. The U.S. rig count was 266 versus 855 for the same week representing a decline of 69%. The spot price for West Texas Intermediate crude oil ("WTI") at September 30, 2020 was USD \$40 per barrel compared to USD \$54 per barrel at September 30, 2019, 26% lower year over year.

During the third quarter, commodity prices stabilized relative to volatility earlier in the year and WTI crude prices averaged USD \$41 per barrel compared to an average of USD \$28 in second quarter of 2020. WTI crude prices ranged from a low of USD \$37 per barrel to a high of USD \$43 per barrel, during the third quarter 2020. The U.S. rig count remained flat in the third quarter of 2020 with 263 rigs the week of July 2, 2020 compared to 266 rigs the week of October 2, 2020. The Canadian rig count increased from 18 the week of July 2, 2020 compared to 75 rigs the week of October 2, 2020. Natural gas prices continue to be resilient and have increased to approximately CAD \$3/1 million British thermal units ("mmbtu") by the end of the third quarter.

Volatile market conditions related to the impact of COVID-19 have created significant uncertainty for our clients. Our clients have responded to these historical disruptions by materially reducing their capital programs and re-evaluating near term spending. During the third quarter 2020, our clients cautiously restarted some of their drilling and completion programs but at much lower levels than was expected earlier in the year. As a result, STEP's revenues decreased.

In reaction to challenging market conditions in both Canada and the U.S., management focused on elements within the Company's control. STEP re-sized its operations and focused on liquidity. STEP believes the measures we have undertaken to reduce our cost structure and maximize cash preservation have enhanced our financial resilience. These measures included reducing manned equipment, reducing capital spend proportionate with the reduced equipment, reducing Board of Director compensation, reducing headcount, reducing compensation for all employees, eliminating discretionary management bonuses, negotiating better pricing with our vendors, and reducing general and administrative expenses.

The current environment has created uncertainties with respect to counterparty credit risk, liquidity and the valuation of long-lived assets, inventory and right-of-use assets. At September 30, 2020, management has incorporated the anticipated impact of COVID-19 in estimates and judgments in the preparation of its unaudited condensed consolidated interim statements to the extent known at September 30, 2020. Outcomes that are different from assumptions used in estimates could be materially different as additional information becomes known.

FINANCIAL HIGHLIGHTS – THIRD QUARTER AND YEAR TO DATE SEPTEMBER 30

- Consolidated revenue was \$62.4 million and \$297.4 million for the three and nine months ended September 30, 2020, compared to \$178.7 million and \$541.8 million in the same periods of the prior year. A decrease of 65% for the three months ended September 30, 2020 and a decrease of 45% for the nine months ended September 30, 2020.
- Net loss for the three and nine months ended September 30, 2020 was \$9.8 million and \$102.3 million, respectively, compared to net loss of \$112.8 million and \$119.5 million for the same periods in 2019.
- For the three and nine months ended September 30, 2020, Adjusted EBITDA was \$9.1 million and \$28.4 million compared to \$22.7 million and \$69.6 million in the same periods of prior year.
- STEP recorded severance of \$0.4 million and \$3.8 million for the three and nine months ended September 30, 2020.
- During the three and nine months ended September 30, 2020, we have received \$4.5 million and \$7.6 million, respectively, in benefit from the assistance of the Canadian Emergency Wage Subsidy ("CEWS") program. The grants were recorded as a reduction of associated wage expense.
- STEP continues to make progress on debt reduction and year to date the Company made net repayments on loans and borrowings of \$25.4 million. As at September 30, 2020, STEP's net debt is \$206.8 million compared to \$232.6 million at December 31, 2019.
- STEP recorded bad debt expense of \$1.0 million and \$3.5 million for the three and nine months ended September 30, 2020.
- On August 13, 2020, STEP entered into a Second Amended and Restated Credit Agreement with its syndicate of lenders; which includes a Canadian \$215.0 million term facility, a Canadian \$30.0 million revolving facility, a Canadian \$10.0 million

operating facility and a USD \$15.0 million operating facility (“the Credit Facilities”). Subsequent to September 30, 2020, the Company requested and received a one quarter extension of the covenant relief period to September 30, 2021.

- STEP was compliant with all covenants under its Credit Facilities at September 30, 2020.
- No impairments were recorded during the third quarter of 2020.
- During the second quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its U.S. fracturing Cash Generating Unit (“CGU”) of \$13.1 million. During the first quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its Canadian fracturing CGU of \$58.8 million. During the third quarter of 2019, the Company recorded a non-cash impairment charge with respect to goodwill and intangibles of \$113.5 million in its US fracturing CGU.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTERS

- Consolidated revenue increased from \$40.6 million in second quarter 2020 to \$62.4 million in third quarter 2020, an increase of 53%. Activity in third quarter as evidenced by increased rig counts, stable oil prices and continued relative strength in natural gas prices resulted in some clients reactivating programs.
- Consolidated Adjusted EBITDA increased by \$12.6 million from the second quarter of 2020 to the third quarter of 2020.
- Consolidated net loss was \$9.8 million for the three months ended September 30, 2020 compared to \$40.3 million in the second quarter. The second quarter net loss included an impairment charge against the US fracturing CGU of \$13.1 million and an associated deferred tax recovery of \$2.8 million.

INDUSTRY CONDITIONS & OUTLOOK

During the third quarter, WTI crude prices stabilized at approximately USD \$41 per barrel, an improvement from the volatile crude prices experienced from late March 2020 until the end of June 2020. Additionally, natural gas prices saw an improvement to approximately CAD \$3/mmbtu by the end of the third quarter. Activity, as indicated by rig counts, has increased with the re-opening of the global economies. With increased Canadian client activity in third quarter, the Company staffed an additional two fracturing spreads for a total of three spreads, however activity in 2020 continues to lag activity in the same period of 2019.

We expect that we will see budget exhaustion in the fourth quarter of 2020, as our clients near completion of their revised 2020 programs. The Company expects this will result in lower demand for our services in the fourth quarter compared to third quarter, however activity may be somewhat augmented by clients getting an early start to 2021 programs by bringing work forward into the fourth quarter. Utilization in first quarter 2021 is expected to be high; however, many client work programs are under consideration with full visibility not expected until later in fourth quarter. Pricing pressure in the U.S. continues to negatively affect both coil and fracturing financial results and is expected to continue to impact results in Q4 and into 2021. STEP is encouraged by the increased requests for proposals and bids for 2021 work in both Canada and the US but expects the current competitive market conditions to persist.

The overall global economy and the energy industry continue to face an uncertain and potentially volatile economic outlook. A return to more stable demand and supply for crude oil will partially depend upon actions taken by health and government authorities and individual responses to these measures, as we deal with COVID-19. Geopolitical tensions and the ability of the Organization of Petroleum Exporting Countries and certain other countries (“OPEC+”) to maintain production targets will also affect the supply of crude oil. The results of the U.S. Presidential election may also introduce additional industry volatility.

STEP will continue to monitor industry conditions and adjust our business accordingly.

CAPITAL UPDATE

Earlier in the year, as a result of the pronounced impact of COVID-19, and the anticipated material impact on near term demand for our services, management adopted a cautious outlook for the balance of 2020. As a result, the capital budget was reduced to \$15.5 million, with an emphasis on providing the necessary maintenance capital for the expected operating fleet. Activity levels, particularly in our Canadian fracturing operations, have exceeded our expectations which has resulted in higher activity and improved financial results. Due to increased activity in the third quarter and expected in the fourth quarter, STEP has increased its maintenance capital budget by \$2 million from the previously announced \$15.5 million to \$17.5 million. Management will continue to evaluate and balance the capital program with market conditions and demand for STEP’s services.

RESPONDING TO COVID-19

The World Health Organization declared COVID-19 a pandemic March 2020. Measures taken by public health officials and governments around the world varied but primarily included shelter in place orders followed by phased re-openings. At the present time, a second wave of the COVID-19 virus is spreading through the world with public health officials and government measures again varying. The measures taken to address COVID-19 resulted in and continue to result in a significant slowdown in the global economy and in turn increased uncertainty and market volatility.

Compounding the COVID-19 effect for the oil and gas industry is oversupply concerns related to the OPEC+ continued ability to agree on production capacity limits and continued geopolitical uncertainty that did and could continue to increase global supplies of oil. The demand destruction from COVID-19 and oversupply concerns have caused a significant deterioration in economic conditions and increased uncertainty for the oil and gas industry and have materially reduced client spending and demand for STEP services.

STEP places the health and safety of our employees, and the clients and communities we serve among our highest priorities. COVID-19 protocols for field employees working on STEP sites and client sites continue to be followed, including quarantine procedures upon suspected or actual exposure to COVID-19. Following all public health and government authorities' directives, the Company has completed a phased approach to bring employees back to our offices and service centers.

The Canadian provincial and federal governments have recognized the serious economic impacts of the spread of COVID-19 and have taken steps to provide various programs to individuals and businesses, such as the CEWS.

CANADIAN OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB. The Company's coiled tubing units were designed to service the deepest wells in the WCSB. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP has 282,500 horsepower ("HP"), of which 15,000 HP will require capital for refurbishment. Approximately 132,500 HP of the available HP has dual fuel capabilities. The Company deploys or idles coiled tubing units or fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Fracturing	\$ 29,425	\$ 65,754	\$ 116,374	\$ 201,329
Coiled tubing	15,424	32,080	51,112	80,836
	44,849	97,834	167,486	282,165
Expenses:				
Operating expenses	36,443	84,149	159,950	257,581
Selling, general and administrative	1,306	2,453	4,260	7,238
Results from operating activities	\$ 7,100	\$ 11,232	\$ 3,276	\$ 17,346
Add non-cash items:				
Depreciation	9,770	11,319	35,234	37,057
Share-based compensation	318	534	541	1,409
Adjusted EBITDA ⁽¹⁾	\$ 17,188	\$ 23,085	\$ 39,051	\$ 55,812
Adjusted EBITDA % ⁽¹⁾	38%	24%	23%	20%
Sales mix (% of segment revenue)				
Fracturing	66%	67%	69%	71%
Coiled tubing	34%	33%	31%	29%
Fracturing services				
Fracturing revenue per operating day ⁽¹⁾	\$ 186,234	\$ 186,272	\$ 205,608	\$ 198,942
Number of fracturing operating days ⁽²⁾	158	353	566	1,012
Proppant pumped (tonnes)	251,000	255,000	642,000	676,000
Stages completed	1,703	3,768	6,360	9,360
Horsepower				
Active pumping HP, end of period	150,000	225,000	150,000	225,000
Idle pumping HP, end of period	132,500	72,500	132,500	72,500
Total pumping HP, end of period ⁽³⁾	282,500	297,500	282,500	297,500
Coiled tubing services				
Coiled tubing revenue per operating day ⁽¹⁾	\$ 48,351	\$ 53,916	\$ 46,550	\$ 51,259
Number of coiled tubing operating days ⁽²⁾	319	595	1,098	1,577
Active coiled tubing units, end of period	5	9	5	9
Idle coiled tubing units, end of period	11	7	11	7
Total coiled tubing units, end of period	16	16	16	16

⁽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 in Canada, of which 150,000 HP is currently deployed and 15,000 of the remainder requires certain refurbishment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – THIRD QUARTER

During the third quarter of 2020, fracturing operating days were 158 compared to 353 operating days in third quarter 2019. STEP's coiled tubing units had 319 operating days during third quarter 2020 compared to 595 operating days in the third quarter of 2019. STEP deployed three fracturing spreads and five coiled tubing units in third quarter of 2020 compared to six fracturing spreads and nine coiled tubing units in the same period of 2019. Revenue for the three months ended September 30, 2020 was \$44.8 million as compared to \$97.8 million in the same period of prior year. Adjusted EBITDA for the three months ended September 30, 2020 was \$17.2 million or 38% of revenue versus \$23.1 million or 24% of revenue for the three months ended September 30, 2019.

As discussed above, STEP was able to access the federal government's CEWS program and its Canadian operations recorded \$4.1 million for the three months ended September 30, 2020. STEP also incurred an additional \$0.1 million in severance during third quarter of 2020. Revenue decreased by 54% and Adjusted EBITDA decreased by \$5.9 million or 6% third quarter 2020 versus third quarter 2019. The maintenance of margins was the result of STEP maintaining approximately the same equipment utilization percentages by deploying approximately 50% less equipment, the benefits received under the CEWS program and STEP's sustained focus on cost controls.

The actions taken earlier in the year to manage the unprecedented negative economic and market conditions continued throughout the third quarter. Wages were reduced by up to 20% including a temporary one day per week furlough that was suspended at the end of the third quarter with the increase in activity. Field employees were recalled when we had visibility to sustained work. STEP also undertook to retain its most senior field staff to provide the ability to scale up operations. All discretionary expenses such as travel, and meals and entertainment continued to be reduced or eliminated.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

For the nine months ended September 30, 2020, STEP completed 566 fracturing operating days compared to 1,012 operating days for the same period in 2019. STEP completed 1,098 coiled tubing operating days for the nine months ended September 30, 2020 compared to 1,577 in the same period of 2019. Revenue for the nine months ended September 30, 2020 was \$167.5 million compared to \$282.2 million for the nine months ended September 30, 2019. Adjusted EBITDA for the nine months ended September 30, 2020 was \$39.1 million or 23% of revenue compared to \$55.8 million or 20% of revenue for the nine months ended September 30, 2019.

During the nine months ended September 30, 2020, STEP incurred \$3.2 million in severance costs in its Canadian operations and recorded \$6.9 million of benefit from the CEWS program. The maintenance of margins with a 41% decrease in revenue was achieved by maintaining higher utilization percentages with less equipment, the benefits received under the CEWS program and a sustained focus on cost savings.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

STEP generated \$44.8 million of revenue during the third quarter of 2020 versus \$13.9 million of revenue in second quarter of 2020. Adjusted EBITDA for third quarter 2020 was \$17.2 million or 38% of revenue versus \$1.0 million or 7% of revenue in second quarter of 2020. Both fracturing and coiled tubing saw an increase in operating days. Fracturing operating days improved by 144 while coiled tubing operating days increased by 117 relative to the second quarter. The second quarter in Canada is typically slower due to spring break up conditions that make it difficult to move heavy equipment. However, reductions in activity were amplified due to COVID-19 and instability in crude oil pricing and demand. During the second quarter of 2020, the Company received the benefit of \$2.8 million in CEWS and incurred severance of \$1.3 million.

STEP capitalizes fluid ends when their estimated useful life exceeds 12 months. Fluid ends are capitalized in Canada based on a review of usage history. However, had the Company expensed fluid ends, the operating expenses for the three and nine months ended September 30, 2020 would have increased by approximately \$1.0 million and \$3.8 million, respectively.

UNITED STATES OPERATIONS REVIEW

STEP's U.S. business commenced operations in 2015 with coiled tubing services. STEP has a fleet of 13 coiled tubing units in the Permian and Eagle Ford basins in Texas and the Bakken shale in North Dakota. STEP entered the U.S. fracturing business in April 2018. The U.S. fracturing business has 207,500 HP, which primarily operates in the Permian and Eagle Ford basins in Texas. Management continues to adjust capacity and regional deployment to optimize utilization, efficiency and returns.

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Fracturing	\$ 9,363	\$ 56,835	\$ 90,287	\$ 182,228
Coiled tubing	8,151	24,076	39,604	77,397
	17,514	80,911	129,891	259,625
Expenses:				
Operating expenses	30,739	86,576	156,366	262,102
Selling, general and administrative	1,555	2,946	5,508	8,449
Results from operating activities	\$ (14,780)	\$ (8,611)	\$ (31,983)	\$ (10,926)
Add non-cash items:				
Depreciation	9,926	11,859	32,966	35,599
Share-based compensation	55	521	(212)	1,730
Adjusted EBITDA ⁽¹⁾	\$ (4,799)	\$ 3,769	\$ 771	\$ 26,403
Adjusted EBITDA % ⁽¹⁾	(27%)	5%	1%	10%
Sales mix (% of segment revenue)				
Fracturing	53%	70%	70%	70%
Coiled tubing	47%	30%	30%	30%
Fracturing services				
Fracturing revenue per operating day ⁽¹⁾	\$ 240,077	\$ 336,302	\$ 298,964	\$ 375,728
Number of fracturing operating days ⁽²⁾	39	169	302	485
Proppant pumped (tonnes)	32,278	171,000	415,670	489,000
Stages completed	182	994	1,992	2,605
Horsepower				
Active pumping HP, end of period	50,000	142,500	50,000	142,500
Idle pumping HP, end of period	157,500	50,000	157,500	50,000
Total pumping HP, end of period ⁽³⁾	207,500	192,500	207,500	192,500
Coiled tubing services				
Coiled tubing revenue per operating day ⁽¹⁾	\$ 37,736	\$ 44,585	\$ 43,142	\$ 48,132
Number of coiled tubing operating days ⁽²⁾	216	540	918	1,608
Active coiled tubing units, end of period	5	8	5	8
Idle coiled tubing units, end of period	8	5	8	5
Total coiled tubing units, end of period	13	13	13	13

⁽¹⁾ See Non-IFRS Measures.

⁽²⁾ An operating day is defined as any coiled tubing and fracturing work that is performed in a 24-hour period, exclusive of support equipment.

⁽³⁾ Represents total owned HP in the U.S.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – THIRD QUARTER

U.S. fracturing operated one spread throughout the third quarter of 2020 compared to three spreads in the same period of 2019. U.S. fracturing was active for 39 operating days compared to 169 operating days in third quarter of 2019. U.S. coiled tubing operated five coiled tubing units in third quarter 2020 compared to 8 coiled tubing units in the same period of 2020. STEP's U.S. coiled tubing units completed 216 operating days during the third quarter of 2020 compared to 540 operating days in the third quarter of 2019. Revenue for the three months ended September 30, 2020 was \$17.5 million compared to \$80.9 million during the same period of 2019. Adjusted EBITDA was a loss of \$4.8 million or negative 27% of revenue for the three months ended September 30, 2020 versus Adjusted EBITDA of \$3.8 million or 5% of revenue for the three months ended September 30, 2019. Both the fracturing and coiled tubing business continue to experience significant price pressure and increased competition.

STEP continues to monitor financial assistance programs implemented in the U.S. to assist with the effects of COVID-19 but to date has not received any benefit.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

For the nine months ended September 30, 2020, STEP U.S. fracturing completed 302 fracturing operating days compared to 485 operating days for the same period of 2019. STEP U.S. coiled tubing completed 918 coiled tubing operating days for the nine months ended September 30, 2020 compared to 1,608 in the same period of 2019. Revenue for the nine months ended September 30, 2020 was \$129.9 million compared to \$259.6 million for the nine months ended September 30, 2019. Adjusted EBITDA for the nine months ended September 30, 2020 was \$0.8 million or 1% of revenue compared to \$26.4 million or 10% of revenue for the nine months ended September 30, 2019.

STEP continues to manage expenses by right sizing staff to levels commensurate to activity levels and minimizing or eliminating all discretionary expenses. Repair and maintenance expenses have decreased in proportion to the reduction in active equipment. Capital spend has been limited to maintenance capital. STEP has also combined its Midland, Texas coiled tubing and fracturing field locations into one location and its coiled tubing and fracturing corporate functions were consolidated in San Antonio, Texas.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

In the U.S., seasonality is generally not a factor. Revenue decreased by \$9.3 million from \$26.8 million in second quarter of 2020 to \$17.5 million in third quarter of 2020 and the third quarter 2020 Adjusted EBITDA loss increased to a loss of \$4.8 million from a loss of \$2.4 million in second quarter of 2020, as the environment in the U.S. remained challenging with high levels of competition for available work. Fracturing operating days decreased by 20 relative to the second quarter, while coiled tubing operating days increased by 68.

STEP capitalizes fluid ends when it is determined they have an estimated useful life that exceeds 12 months. Based on a review of usage history in the U.S. fluid ends are expensed. U.S. fracturing expensed fluid ends for the three and nine months ended September 30, 2020 of \$0.1 million and \$3.9 million, respectively.

CORPORATE REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability, maintenance and optimization teams. Corporate SG&A costs include costs associated with the executive team, the Board of Directors, public company costs and other activities that benefit Canadian and U.S. operating segments collectively.

(\$0 00's)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Expenses:				
Operating expenses	\$ 119	\$ 666	\$ 892	\$ 1,865
Selling, general and administrative	3,907	4,478	12,754	14,074
Results from operating activities	(4,026)	(5,144)	(13,646)	(15,939)
Add non-cash items:				
Depreciation	187	270	599	897
Share-based compensation	548	710	1,659	2,471
Adjusted EBITDA ⁽¹⁾	\$ (3,291)	\$ (4,164)	\$ (11,388)	\$ (12,571)
Adjusted EBITDA % ^(1,2)	(5%)	(2%)	(4%)	(2%)

⁽¹⁾ See Non-IFRS Measures.

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

FINANCIAL HIGHLIGHTS – THIRD QUARTER

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were \$3.3 million for the third quarter of 2020 compared to \$4.2 million for the third quarter of 2019. Severance of \$0.3 million was incurred in the third quarter of 2020 and STEP obtained \$0.4 million of benefit from the CEWS program for corporate employees. In light of the extent of disruption and uncertainty brought about by COVID-19, STEP also recorded \$1.0 million of bad debt expense in the quarter. Adjusting corporate expenses for severance, CEWS and the additional bad debt expense results in corporate expenses of \$2.4 million compared to \$4.2 million in the prior year, a decrease of 43%.

With the onset of market volatility from COVID-19 and the decline of crude oil prices, STEP implemented a number of measures to minimize expenses. Headcount was reduced and discretionary management bonuses were eliminated. Other measures included reduced or eliminated discretionary expenses such as travel, meals and entertainment and vehicle allowances.

FINANCIAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were \$11.4 million for the nine months ended September 30, 2020 compared to \$12.6 million in the same period of the prior year, a decrease of \$1.2 million. The expenses for the nine months ended September 30, 2020 included \$0.6 million in severance which was offset by \$0.7 million from the CEWS program for corporate employees. STEP also recorded \$3.5 million in bad debt expense for the nine months ended September 30, 2020 in recognition of the current operating environment and the increased counterparty risk.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTER

Corporate expenses, excluding depreciation and share based compensation, for third quarter of 2020 were \$3.3 million compared to \$2.0 million) in the second quarter 2020. Third quarter 2020 corporate expenses included severance of \$0.3 million, benefits from the CEWS program of \$0.4 million and bad debt expense of \$1.0 million. Second quarter 2020 expenses included severance of \$0.1 million and benefits from the CEWS program of \$0.3 million.

CONSOLIDATED FINANCIAL REVIEW

	(\$000's except per share amounts)			
	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	\$ 62,363	\$ 178,745	\$ 297,377	\$ 541,790
Operating expenses	67,301	171,391	317,208	521,548
Gross profit	(4,938)	7,354	(19,831)	20,242
Selling, general and administrative	6,768	9,877	22,522	29,761
Results from operating activities	(11,706)	(2,523)	(42,353)	(9,519)
Finance costs	3,453	4,022	11,315	10,947
Foreign exchange (gain) loss	(891)	473	304	(1,376)
Gain on disposal of property and equipment	(2,022)	(806)	(3,037)	(1,815)
Amortization of intangible assets	130	1,553	391	4,883
Foreign exchange forward contract loss	-	-	-	383
Impairment	-	113,546	72,345	113,546
Loss before income tax	(12,376)	(121,311)	(123,671)	(136,087)
Income tax expense (recovery)	(2,614)	(8,468)	(21,357)	(16,616)
Net loss	(9,762)	(112,843)	(102,314)	(119,471)
Other comprehensive (loss) income	(4,292)	4,501	7,302	(11,944)
Total comprehensive (loss) income	\$ (14,054)	\$ (108,342)	\$ (95,012)	\$ (131,415)
Earnings (loss) per share – basic	\$ (0.14)	\$ (1.69)	\$ (1.52)	\$ (1.79)
Earnings (loss) per share – diluted	\$ (0.15)	\$ (1.69)	\$ (1.52)	\$ (1.79)
Adjusted EBITDA ⁽¹⁾	\$ 9,098	\$ 22,690	\$ 28,434	\$ 69,644
Adjusted EBITDA % ⁽¹⁾	15%	13%	10%	13%

⁽¹⁾ See Non-IFRS Measures.

OTHER ITEMS

Depreciation and amortization

For the three and nine months ended September 30, 2020, depreciation and amortization expense was \$20.0 million and \$69.2 million respectively, down from \$25.0 million and \$78.4 million in the same periods of 2019. During the second quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its U.S. fracturing CGU of \$13.1 million. During the first quarter of 2020, an impairment of \$58.8 million was recognized related to Canadian fracturing CGU property and equipment. As such, the third quarter of 2020 saw a reduction in depreciation expense as a result of the impairments recorded. In addition, capital spend was limited to maintenance capital and decreased significantly relative to the prior year in line with the reduction in manned equipment and active management of capital spending.

Finance costs

Finance costs were \$3.5 million and \$11.3 million for the three and nine month periods ended September 30, 2020 as compared to \$4.0 million and \$10.9 million for the three and nine months ended September 30, 2019. The effective borrowing rate for loans and borrowings were 4.88% and 4.95% for the three and nine months ended September 30, 2020 higher when compared to 4.56% and 4.46% for the same periods in 2019. Finance costs for the three months ended September 30, 2020 decreased by \$0.6 million, although the effective interest rate was higher the average debt outstanding in the third quarter of 2020 was lower than the same period of 2019. Finance costs for the nine months ended September 30, 2020 increased by \$0.4 million. The increase is due to the increase in effective interest rate and a lower difference in the average debt outstanding over the nine month period year over year.

Foreign exchange gains and losses

Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations. STEP recorded a foreign exchange gain of \$0.9 million and a foreign exchange loss of \$0.3 million for the three and

nine months ended September 30, 2020, compared to a \$0.5 million loss and \$1.4 million gain in the relevant periods of 2019. The change over the prior year was primarily due to movement in the exchange rate and increased drawings on the U.S. dollar loans.

Gains or losses on disposal of property and equipment

The Company recorded a gain on disposal of property and equipment of \$2.0 million and \$3.0 million for the three and nine months ended September 30, 2020 respectively, compared to gains of \$0.8 million and \$1.8 million in the same periods of 2019. Gains in the current year relate primarily to the disposal of light duty vehicles and non-core assets. Non-core assets were acquired through acquisitions of fracturing assets in prior years.

Impairment of long-lived assets

The Company reviews the carrying values of its long-lived assets at each reporting period for indicators of impairment. STEP has identified four CGUs: Canadian coiled tubing, Canadian fracturing, U.S. coiled tubing and U.S. fracturing.

At September 30, 2020, as a result of ongoing economic uncertainties (see RESPONDING TO COVID-19), the Company performed impairment tests on the U.S. fracturing and U.S. coiled tubing CGUs. The recoverable amounts of the CGUs were determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management's best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 14.25% (pre-tax 17.93%). Discount rates were derived from the Company's weighted-average cost of capital. A terminal growth rate of 2.0% was applied for cash flows beyond 2025.

At September 30, 2020, the results of the impairment tests indicate no impairment of the U.S. fracturing or U.S. coiled tubing CGUs at September 30, 2020. Increasing the discount rate by 1% would not have resulted in impairment in the U.S. fracturing or U.S. coiled tubing CGUs at September 30, 2020.

At June 30, 2020 and March 31, 2020, the Company tested all 4 CGUs for impairment. The recoverable amounts of the CGUs were determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management's best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and post-tax discount rates ranging from 14.75% to 15.4%. A terminal growth rate of 2.0% was applied for cash flows beyond 2025.

The recoverable amount of each CGU was in excess of the carrying amount, except as follows:

- As at June 30, 2020, the U.S. fracturing CGU recorded an impairment charge against property and equipment of \$13.1 million. The recoverable amount for the U.S. fracturing CGU was determined to be \$126.4 million. A post-tax discount rate of 14.1% (pre-tax 17.71%) would have caused the recoverable amount of the U.S. fracturing CGU to be equal to the carrying value. A 1% increase in the discount rate would have resulted in an additional impairment charge of \$17.1 million in the U.S. fracturing CGU and \$4.6 million in the Canadian fracturing CGU. Increasing the discount rate by 1% would not have resulted in impairment for the Canadian coiled tubing CGU or U.S. coiled tubing CGU at June 30, 2020.
- As at March 31, 2020, the Canadian fracturing CGU recorded an impairment charge against property and equipment of \$58.8 million. The recoverable amount for the Canadian fracturing CGU was determined to be \$168 million. A post-tax discount rate of 12.7% (pre-tax 15.8%) would have caused the recoverable amount of the Canadian fracturing CGU to be equal to the carrying value. A 1% increase in the discount rate would have resulted in an additional impairment charge of \$16.1 million in the Canadian fracturing CGU and \$5.6 million in the U.S. fracturing CGU. Increasing the discount rate by 1% would not have resulted in impairment for the Canadian coiled tubing CGU or U.S. coiled tubing CGU at March 31, 2020.

Assumptions that are valid at the time of preparing the impairment test may change significantly when new information becomes available. The Company will continue to monitor and update its assumptions and estimates with respect to impairment on an ongoing basis.

In addition to the Company's impairment assessment, the Company identified a market decline in specific assets held for sale and wrote the assets down to recoverable value during the second quarter of 2020 resulting in an impairment charge of \$0.5 million.

Foreign exchange forward contract gains and losses

For the three and nine months ended September 30, 2020, STEP did not have any foreign exchange forward contracts. A foreign exchange forward contract loss of \$0.4 million was recorded in the first nine months of the prior year. Occasionally, the Company enters into U.S. dollar denominated forward contracts for the purposes of mitigating foreign exchange risk.

Share-based compensation

For the three and nine months ended September 30, 2020, STEP recorded share-based compensation expense of \$1.0 million and \$2.0 million, respectively, compared to \$1.8 million and \$5.6 million in the same periods of 2019. The decrease in expense is primarily due to decreases in the fair value of cash based restricted share units, deferred share units, and performance share units, offset by the expense related to performance warrants and new options. The terminations that occurred in late first quarter of 2020 also resulted in a recovery of share-based expensed for any non-vested instruments. At September 30, 2020, all prior options granted had fully vested.

Income taxes

STEP recorded a total income tax recovery of \$2.6 million for the three months ended September 30, 2020 compared to a recovery of \$8.5 million for the comparable period of 2019. The net tax recovery dropped primarily given the loss before income tax also dropped between the two periods.

STEP recorded a total income tax recovery of \$21.4 million for the nine months ended September 30, 2020 compared to a recovery of \$16.6 million for the comparable period of 2019. This is comparable given the loss before income tax was also comparable between the two periods.

TOTAL CAPITAL EXPENDITURES

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Capital program additions	\$ 1,338	\$ 12,144	\$ 14,008	\$ 34,621
Right-of-use asset additions (new contracts in the period)	11	604	4,273	3,929
Right-of-use asset additions (upon adoption of IFRS 16)	-	-	-	6,982
Total capital expenditures	\$ 1,349	\$ 12,748	\$ 18,281	\$ 45,532
Capital was incurred for:				
Canada	\$ 1,285	\$ 5,697	\$ 6,544	\$ 28,382
United States	\$ 64	\$ 7,051	\$ 11,737	\$ 17,150

STEP funds capital expenditures from a combination of cash, cash provided by operating activities and funds available under the Credit Facilities.

LIQUIDITY AND CAPITAL RESOURCES

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net cash provided by (used in)				
Operating activities	\$ (18,381)	\$ 34,411	\$ 44,175	\$ 52,905
Investing activities	2,404	(11,149)	(13,331)	(31,249)
Financing activities	9,106	(1,190)	(30,376)	862
Impact of foreign exchange on cash	(159)	251	498	554
Increase (decrease) in cash and cash equivalents	\$ (7,030)	\$ 22,323	\$ 966	\$ 23,072
Opening cash balance	15,263	1,113	7,267	364
Ending cash balance	\$ 8,233	\$ 23,436	\$ 8,233	\$ 23,436

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES

Net cash used by operating activities totaled \$18.4 million compared to \$34.4 million provided for the three months ended September 30, 2020 and September 30, 2019, respectively. Net cash provided by operating activities totaled \$44.2 million for the nine months ended September 30, 2020 compared to \$52.9 million in the prior year. The net cash used for the three months ended primarily related to the build up of working capital as activity increased from minimal activity in second quarter 2020 to a more active third quarter of 2020.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash provided by investing activities totaled \$2.4 million compared to \$11.1 million used for the three months ended September 30, 2020 and 2019. Net cash used in investing activities totaled \$13.3 million compared to \$31.2 million for the nine months ended September 30, 2020 and 2019. The decrease in net cash used is primarily due to lower investments in property and equipment.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash provided by financing activities totaled \$9.1 million and used in financing activities was \$1.2 million for the three months ended September 30, 2020 and 2019. Net cash used in financing activities totalled \$30.4 million for the nine months ended September 30, 2020 compared to \$1.0 million provided by financing activities in the prior year. For the three months ended September 30, 2020 there were borrowings of \$10.5 million compared to \$0.5 million in the prior year. The draws on loans and borrowings financed the build up of working capital. For the nine months ended September 30, 2020 there were repayments of \$25.4 million compared to drawings of \$6.3 million in the prior year.

WORKING CAPITAL⁽¹⁾ AND CASH REQUIREMENTS

As at September 30, 2020 STEP had positive working capital⁽¹⁾ of \$54.8 million, compared to \$72.2 million as at December 31, 2019. Trade and other receivables decreased from \$104.7 million as at December 31, 2019 to \$56.8 million as at September 30, 2020 due to lower third quarter activity and revenue as compared to the fourth quarter of 2019 and active collections of trade receivables. Trade and other payables decreased to \$36.4 million at September 30, 2020 from \$77.1 million as at December 31, 2019 as a result of lower activity and cost management activities undertaken to align with current activity levels.

Available financial resources as at September 30, 2020 were \$66.9 million, consisting of cash and cash equivalents plus trade and other receivables and Income tax receivable. The \$66.9 million exceeds the remaining 2020 contractual obligations, commitments and provisions of \$42.3 million. With its positive working capital position, anticipated funds provided by operations and expected available unused capacity on its revolver and operating lines, the Company expects to have adequate resources to fund its operations, financial obligations and expected capital expenditures through the next 12 months. Reductions in clients' cash flow or difficulty in their ability to source debt or equity could negatively impact the Company's assessment of liquidity risk. (see *OVERVIEW AND LIQUIDITY – CONSOLIDATED HIGHLIGHTS AND INDUSTRY CONDITIONS AND OUTLOOK*).

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

(\$000s)	2020	2021	2022	2023	2024	Thereafter	Total
Trade and other payables	\$ 36,397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,397
Income tax payable	38	-	-	-	-	-	38
Operating commitments ^(2,3)	329	1,316	1,267	1,261	198	228	4,599
Short-term and low value lease obligations ⁽³⁾	40	105	-	-	-	-	145
Lease obligations ^(3,4)	2,037	6,879	3,095	2,130	1,445	571	16,157
Loans and borrowings ⁽⁵⁾	2,645	10,492	220,059	-	-	-	233,196
Capital expenditure commitments ⁽⁶⁾	768	-	-	-	-	-	768
Total commitments	\$ 42,254	\$ 18,792	\$ 224,421	\$ 3,391	\$ 1,643	\$ 799	291,300

⁽²⁾ The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to seven years with an option to renew upon expiry.

⁽³⁾ Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.32 CAD.

⁽⁴⁾ Balance includes interest portion of lease obligations.

⁽⁵⁾ Includes estimated interest and principle repayments, based on current amounts outstanding and current interest rates at September 30, 2020. Both are variable in nature.

⁽⁶⁾ 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.

CAPITAL MANAGEMENT

(\$000s)	September 30, 2020	December 31, 2019
Shareholders' equity	\$ 230,375	\$ 322,823
Lease obligations	14,584	19,021
Loans and borrowings	212,239	237,418
Total capital	\$ 457,198	\$ 579,262

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

Equity

As at November 3, 2020 there were 67,525,666 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

At September 30, 2020, the Company had a borrowing agreement with a syndicate of financial institutions. The Credit Facilities mature on June 25, 2022 and include a Canadian \$215.0 million term facility, a Canadian \$30.0 million revolving facility, a Canadian \$10.0 million operating facility and a U.S. \$15.0 million operating facility. The maturity date of the Credit Facilities may be extended for an additional period of up to three years with syndicate approval. The Credit Facilities include a general security agreement providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. Under the Credit Facilities, any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants.

Scheduled quarterly repayments of 3.25% of the term loan facility begin the fiscal quarter ending March 31, 2022. The balance is due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of \$10 million Canadian; less priority payables and certain liquidity requirements (see item five below). At September 30, 2020, The Company's borrowing base is \$42.0 million. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base.

⁽¹⁾ See Non-IFRS Measures.

The Credit Facilities include a Covenant Relief Period that was effective from July 1, 2020 to June 31, 2021. Subsequent to September 30, 2020, the Company requested and received a one quarter extension of the covenant relief period to September 30, 2021. The Credit Facilities include certain financial and non-financial covenants:

1. Funded Debt to Tangible Net Worth ratio refers to the ratio of total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to the sum of shareholders' equity plus subordinated debt, less all assets considered intangible (leasehold improvements, goodwill, intangibles etc.). The Company is required to meet the following Funded Debt to Tangible Net Worth ratios:

Quarters Ended	Required Funded Debt to Tangible Net Worth ratio
September 30, 2020	1.25:1 or less
December 31, 2020	1.25:1 or less
March 31, 2021 and June 30, 2021	1.50:1 or less
September 30, 2021	1.75:1 or less

At September 30, 2020, the Funded Debt to Tangible Net Worth ratio was 0.93:1.00.

2. A Minimum quarterly Adjusted Bank EBITDA covenant. Adjusted Bank EBITDA means, the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax assets or liabilities, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The Company is required to meet the following Minimum Adjusted Bank EBITDA:

Quarters Ended	Required Minimum Quarterly EBITDA
September 30, 2020	\$ (844)
December 31, 2020	(3,940)
March 31, 2021	(3,310)
June 30, 2021	(3,401)
September 30, 2021	6,858

At September 30, 2020, Minimum quarterly Adjusted Bank EBITDA was \$10.1 million.

3. Interest Coverage Ratio refers to the ratio of Adjusted Bank EBITDA to Interest Expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease at December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to meet the following Interest Coverage Ratios:

Quarters Ended	Required Interest Coverage Ratio
September 30, 2020	1.50:1 or greater
December 31, 2020	1.00:1 or greater
March 31, 2021	Waived
June 30, 2021	Waived
September 30, 2021	Waived
December 31, 2021 and thereafter	3.00:1 or greater

At September 30, 2020 the interest coverage ratio was 2.62:1.

4. Funded Debt to Adjusted Bank EBITDA ratio refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax assets or liabilities, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis.

Quarters Ended	Required Interest Coverage Ratio
September 30, 2020	Waived
December 31, 2020	Waived
March 31, 2021	Waived
June 30, 2021	Waived
September 30, 2021	Waived
December 31, 2021 and thereafter	3.00:1 or greater

5. Minimum Liquidity Availability means the Company must ensure on a consolidated basis Liquidity Availability of \$7.5 million or greater. Liquidity Availability means the applicable Borrowing Base minus the sum of: (a) all outstanding accommodations under the revolving facility and the operating facilities; and (b) all interest, fees, expenses and other amounts due and payable under the Credit Facilities.

The Company complied with all financial and non-financial covenants under its Credit Facilities at September 30, 2020.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 200 basis points to 500 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the third quarter of 2020 was 4.88%. The Company has total outstanding letters of credit of \$1.5 million. The total amount of Credit Facilities outstanding at September 30, 2020 is as follows:

As at	September 30, 2020	December 31, 2019
Credit facilities	\$ 215,000	\$ 239,819
Deferred financing	(2,761)	(2,401)
Loans and borrowings	\$ 212,239	\$ 237,418

The following table displays the movements in loans and borrowings during the nine months ended September 30, 2020:

Balance at January 1, 2020	\$ 237,418
Repayment of loans and borrowings	(25,410)
Deferred financing incurred	(1,407)
Accretion of deferred financing charges	1,047
Unrealized foreign exchange loss	591
Balance at September 30, 2020	\$ 212,239

STEP is expecting compliance with the financial covenants applicable to our Credit Facilities for at least the next twelve months. A decrease or sustained period of materially reduced client spending and demand for STEP's services may result in non-compliance with our financial covenants and reduced liquidity related to changes in our Credit Facilities. Non-compliance with the financial covenants in our credit facilities could result in our debt becoming due and payable on demand. Should we anticipate non-compliance we will proactively approach our lending syndicate to amend the Credit Facilities to ensure their availability. There is no certainty that we will be successful in negotiating such amendments.

LITIGATION

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

In January 2017, Calfrac Well Services Ltd. ("Calfrac") filed a statement of claim in the Judicial District of Calgary in the Court of Queen's Bench against the Company and an employee of the Company seeking \$10.0 million in damages among other relief. Calfrac alleges that the employee, who is a former employee of Calfrac, misappropriated certain competitively sensitive materials from Calfrac. Calfrac further alleges that STEP benefited or made use of such materials, resulting in damages to Calfrac. STEP is presently investigating the claim and at this time intends to contest allegations made in the claim. While management does not believe that this action will have a material adverse effect on the business or financial condition of the Company, no assurance can be given as to the final outcome of this or any other legal proceeding. If this claim, or any claims to which the Company may be subject in the future, were to be concluded in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

SELECTED QUARTERLY INFORMATION

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

Quarterly Results Summary ⁽²⁾								
(\$000's, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2019	2019	2019	2019	2018
Revenue								
Canadian Operations	44,849	13,888	108,750	72,500	97,834	76,105	108,226	97,756
United States Operations	17,514	26,756	85,619	54,007	80,911	110,472	68,243	71,272
	62,363	40,644	194,369	126,507	178,745	186,577	176,469	169,028
Net (loss) income attributable to shareholders								
	(9,762)	(40,348)	(52,203)	(24,411)	(112,843)	(6,024)	(602)	(58,549)
Adjusted EBITDA ^(3,4)								
Canadian Operations	17,188	972	20,891	9,401	23,085	8,872	23,856	8,995
United States Operations	(4,799)	(2,428)	7,998	2,175	3,769	15,627	7,009	8,816
Corporate ⁽⁴⁾	(3,291)	(2,011)	(6,087)	(2,411)	(4,164)	(4,160)	(4,248)	(5,509)
	9,098	(3,467)	22,802	9,165	22,690	20,339	26,617	12,302
Capital expenditures ⁽⁵⁾								
Canadian Operations	1,285	147	5,112	5,172	5,697	11,081	11,605	12,835
United States Operations	64	1,765	9,908	11,536	7,051	2,892	7,207	13,950
	1,349	1,912	15,020	16,708	12,748	13,973	18,812	26,785
Per Common Share								
Net (loss) income – basic	(0.14)	(0.60)	(0.78)	(0.37)	(1.69)	(0.09)	(0.01)	(0.88)
Net (loss) income – diluted	(0.15)	(0.60)	(0.78)	(0.37)	(1.69)	(0.09)	(0.01)	(0.88)
Adjusted EBITDA ⁽³⁾ – basic	0.13	(0.05)	0.34	0.14	0.34	0.30	0.40	0.18
Adjusted EBITDA ⁽³⁾ – diluted	0.13	(0.05)	0.34	0.14	0.34	0.30	0.40	0.18

⁽¹⁾ STEP's business is seasonal with the periods of greatest activity in Canada being in the first, third and fourth quarters. The U.S. is generally not affected by seasonality.

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ See Non-IFRS Measures.

⁽⁴⁾ 2018 amounts were reclassified as the Company reorganized the composition of its operating segments.

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

Quarterly Operating Summary								
(000's, except units)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2020	2020	2020	2019	2019	2019	2019	2018
Canada								
Exit active fracturing spreads	3	1	6	6	6	6	6	6
Exit active HP (000's)	150	50	225	225	225	225	225	225
Total HP (000's)	283	283	283	283	298	298	298	298
Exit active coiled tubing units	5	5	10	9	9	9	9	9
Total coiled tubing units	16	16	16	16	16	16	14	14
United States								
Exit active fracturing spreads	1	1	3	3	3	3	3	3
Exit active HP (000's)	50	65	158	158	143	143	143	143
Total HP (000's)	208	208	208	208	193	193	193	193
Exit active coiled tubing units	5	4	7	8	8	9	9	8
Total coiled tubing units	13	13	13	13	13	13	12	12

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings and foreign exchange forward contracts.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and income tax receivable and payable, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value. Foreign exchange forward contracts are classified and measured at fair value through profit or loss.

CREDIT RISK

Credit risk is the risk that a counterparty to a financial asset will not discharge its obligations, resulting in a financial loss to the Company. The Company's accounts receivables are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include the ability to secure adequate debt or equity financing. During the nine months ended September 30, 2020, global events have, and are expected to continue to have a significant impact on client credit risk. These factors have been incorporated in the Company's assessment of expected credit losses at September 30, 2020. 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 Company is continuing to review and update all client credit limits, monitor client payment patterns for deviations from normal course, and is applying liens where required.

The Company measures potential loss exposures on trade and other receivables at an amount equal to lifetime expected credit losses. At every point after the initial recognition, there is at least some risk of default. To assess this risk, the Company considers quantitative and qualitative information based on the Company's historical experience and forward-looking information. Factors considered include customer payment history, customer credit ratings, customer cash flows, industry trends, and commodity pricing forecasts. The Company assumes that the credit risk on a financial asset increases significantly the longer it is outstanding. The Company recorded a bad debt expense of \$1.0 million during third quarter 2020 and \$2.5 million during first quarter of 2020.

The carrying amount of accounts receivable reflects the maximum credit exposure on this balance and management's assessment of the credit risk associated with its clients. The Company's objective is to minimize credit losses.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate loans and borrowings. Based on the average outstanding debt for the three and nine months ended September 30, 2020, a 1.0% per annum change in the bankers' prime rate would result in a \$0.5 million and \$1.6 million increase or decrease in interest expense, respectively.

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. As at September 30, 2020, the Company did not have any open forward contracts.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at September 30, 2020 other than the commitments described under "Contractual Obligations, Commitments and Provisions".

NON-IFRS MEASURES

This MD&A includes terms and performance measures commonly used in the oilfield services industry that are not defined under IFRS. The terms presented are 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. These non-IFRS measures have 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 consolidated Financial Statements and the accompanying Notes thereto.

"Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net (loss) income before finance costs, depreciation and amortization, (gain) loss on disposal of property and equipment, current and deferred income tax provisions and recoveries, share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. Adjusted EBITDA is presented because it is widely used by the investment community as it provides an indication of the results generated by the Company's normal course business activities prior to considering how the activities are financed and the results are taxed. The Company uses Adjusted EBITDA internally to evaluate operating and segment performance, because management believes it provides better comparability between periods. "Adjusted EBITDA %" is calculated as Adjusted EBITDA divided by revenue. The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net loss.

(\$000s)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net loss	\$ (9,762)	\$ (112,843)	\$ (102,314)	\$ (119,471)
Add (deduct):				
Depreciation and amortization	20,013	25,001	69,190	78,436
Gain on disposal of equipment	(2,022)	(806)	(3,037)	(1,815)
Finance costs	3,453	4,022	11,315	10,947
Income tax recovery	(2,614)	(8,468)	(21,357)	(16,616)
Foreign exchange forward contract loss	-	-	-	383
Share-based compensation	921	1,765	1,988	5,610
Foreign exchange (gain) loss	(891)	473	304	(1,376)
Impairment	-	113,546	72,345	113,546
Adjusted EBITDA	\$ 9,098	\$ 22,690	\$ 28,434	\$ 69,644
Adjusted EBITDA%	15%	13%	10%	13%

“Revenue per operating day” is a financial measure not presented in accordance with IFRS and is used as a reference to represent market pricing for our services. It is calculated based on total revenue divided by total operating days. An operating day is defined as any coiled tubing and fracturing work that is performed in a 24-hour period, exclusive of support equipment. This calculation may fluctuate based on both pricing and sales mix. See the tables under “Canadian Operations Review” and “United States Operations Review” for the inputs used to calculate STEP’s revenue per operating day metrics.

“Working capital”, “Total long-term financial liabilities” and “Net debt” are financial measures not presented in accordance with IFRS. “Working capital” is equal to total current assets less total current liabilities. “Total long-term financial liabilities” is comprised of Loans and borrowings, Long-term lease obligations and other liabilities. “Net debt” is equal to loans and borrowings before deferred financing charges less cash and cash equivalents. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following table presents the composition of the non-IFRS financial measure of Net debt.

As at (\$000s)	September 30, 2020	December 31, 2019
Loans and borrowings	\$ 212,239	\$ 237,418
Add back: Deferred financing costs	2,761	2,401
Less: Cash and cash equivalents	(8,233)	(7,267)
Net debt	\$ 206,767	\$ 232,552

ACCOUNTING POLICIES AND ESTIMATES

NEW ACCOUNTING POLICIES

IAS 20 – Accounting for Government Grants and Disclosure

The Company has adopted IAS 20 effective for the nine months ended September 30, 2020. Government grants are not recognized until there is reasonable assurance that the Company will comply with conditions attached to them and the grants will be received. The Company uses the income approach in which government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Company, with no future related costs shall be recognized in profit or loss in the period in which it becomes available. Grants are netted from the related expense in the condensed consolidated interim statements of net loss and other comprehensive loss.

IFRS 3 – Business Combinations

Amendments to IFRS 3 are effective as of January 1, 2020. The amendments narrow and clarify the definition of a business as an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing goods and services to customers, generating investment income or generating other income from ordinary activities. Additionally, in evaluating a business the amendments include an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. STEP did not have any acquisitions requiring the application of this amendment.

IFRS 16 – Leases

As a result of amendments to IFRS 16, a practical expedient was applied for rent concessions resulting from COVID-19. The amendments, which are effective as of June 1, 2020 indicate a lessee may elect not to assess whether a rent concession is a lease modification and instead recognize the concession in profit or loss. The practical expedient may be applied if the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (c) there is not substantive change to other terms and conditions of the lease. The Company has applied the practical expedient for rent concessions meeting the qualifying criteria for the nine months ended September 30, 2020.

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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company is required to comply with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings” (“NI 52-109”). The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of STEP are responsible for establishing and maintaining disclosure controls and procedures (“DC&P”) for the Company.

The Company’s designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As defined within NI 52-109, the Company’s CEO and CFO are responsible for establishing and maintaining internal control over financial reporting (“ICFR”). The Company’s designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (“GAAP”). The framework behind the design of the Company’s ICFR was the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the control system will prevent all errors or fraud.

There have been no changes in the Company’s existing DC&P or ICFR during the period ended September 30, 2020, which have materially affected or are reasonably likely to materially affect the Company’s ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Company’s unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020. The preparation of the unaudited condensed consolidated interim financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management’s judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Note 1 to the Financial Statements and Notes 1 and 2 to the Annual Financial Statements for a description of the Company’s accounting policies, impacts of changes in significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP’s financial results. (see *OVERVIEW AND LIQUIDITY – CONSOLIDATED HIGHLIGHTS*)

RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company’s business operations and can cause the price of the Common Shares to decline. Readers should review and carefully consider the disclosure provided under the heading “Risk Factors” in the AIF and “Risk Factors and Risk Management” in the Annual MD&A, both of which are available on www.sedar.com, and the disclosure provided in this MD&A under the headings “*Consolidated Highlights*” and “*Industry Conditions & Outlook*”. In addition, global or national health concerns, including the outbreak of pandemic or contagious diseases such as COVID-19, may adversely affect the Company by: (i) reducing global economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company’s services; (ii) impairing its supply chain (for example, by

limiting the manufacturing of materials or the supply of services used in the Company's operations); (iii) interrupting its operations (for example, as a result of government mandated shut-down or other preventative measures, or illness among its workforce); and (iv) affecting the health of its workforce, rendering employees unable to work or travel. Public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses including, most recently, the COVID-19 pandemic, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, national emergencies and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company, its customers, and/or either of their businesses or operations, which may have a material adverse effect on the Company's reputation, business, financial conditions or operating results. Other than as supplemented in this MD&A, 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 the Company'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 the Company 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: COVID-19 and its impact on energy demand and the Company's financial position and business plans; 2020 and 2021 industry conditions and outlook, including potential deferral or cancellation of client work programs and near term spending and the impact thereof on the Company's performance, revenue and cash flows; supply and demand for oilfield services and industry activity levels, including completions activity and utilization levels; the Company's ability to obtain covenant relief; the Company's ability to meet all financial commitments including interest payments over the next twelve months; market uncertainty, and its effect on commodity prices; relaxation of COVID-19 related restrictions, the potential for a second wave of COVID-19 infections, and the resulting impact on crude oil demand and the Company's operations; the Company's anticipated business strategies and expected success, including changes to cost structures and cash preservation measures; the Company's ability to manage its capital structure; pricing received for the Company's services; the Company's capital program in 2020 and management's continued evaluation thereof; planned utilization of government financial support and economic stimulus programs; expected profitability; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2020; planned deployment and staffing levels for the Company's equipment; the Company's ability to retain its senior field staff and existing clients; the monitoring of industry demand, client capital budgets and market conditions; client credit risk, including the Company's ability to set credit limits, monitor client payment patterns, and to apply liens; and the Company's expected compliance with covenants under its Credit Facilities, its ability to continue as a going concern, satisfy its financial commitments and obtain relief from the lenders under its Credit Facilities; and the impact of litigation, including the Calfrac litigation, on the Company.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the Company's ability to manage the effect of the COVID-19 pandemic, OPEC or OPEC+ related market uncertainty on its operations and industry uncertainty caused by the U.S. Presidential election; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital

expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this MD&A: volatility of the oil and natural gas industry; global or national health concerns such as the COVID-19 pandemic and their impact on demand and pricing for the Company's services, the Company's supply chain, the continuity of the Company's operations and the health of the Company's workforce; 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; fluctuations in interest rates on floating rate loans and borrowings; merger and acquisition activity among the Company's clients; reduction in the Company's clients' cash flows or ability to source debt or equity; federal, provincial or state legislative and regulatory initiatives that 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; changes to government financial support and economic stimulus programs implemented to mitigate economic impacts of COVID-19; 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; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results differing materially from management estimates and assumptions; market uncertainties; and the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading "Risk Factors and Risk Management" in this MD&A and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on the assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information, including the Company's capital program, contains forward looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations will likely vary from the amounts set forth in these projections and such variations may be material. Readers are cautioned that any such financial outlook and future oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

The forward-looking information and statements contained in this MD&A speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. The reader is cautioned not to place undue reliance on forward-looking information.