STEP Energy Services Ltd. Reports Second Quarter 2020 Results

Calgary, Alberta – August 13, 2020 – STEP Energy Services Ltd. (the "Company" or "STEP") is pleased to announce its financial and operating results for the three and six months ended June 30, 2020. The following press release 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, 2020 (the "Financial Statements"), the MD&A dated August 13, 2020 and audited consolidated financial statements as at and for the year ended December 31, 2019 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 press release. 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")..

CONSOLIDATED HIGHLIGHTS

FINANCIAL

($000s except percentages and per share amounts)	Three months ended June 30,				Six months ended June 30,			
		2020		2019		2020		2019
Consolidated revenue	$	40,644	$	186,577	$	235,014	$	363,046
Net loss attributable to shareholders	$	(40,348)	$	(6,024)	$	(92,552)	$	(6,629)
Per share-basic	$	(0.60)	$	(0.09)	$	(1.38)	$	(0.10)
Per share-diluted	$	(0.60)	$	(0.09)	$	(1.38)	$	(0.10)
Weighted average shares – basic		67,236,580		66,719,341		67,090,259		66,709,806
Weighted average shares – diluted		67,236,580		66,719,341		67,090,259		66,709,806
Adjusted EBITDA [1]	$	(3,467)	$	20,339	$	19,336	$	46,955
Adjusted EBITDA % [1]		(9%)		11%		8%		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)		June 30, 2020		December 31, 2019
Cash and cash equivalents	$	15,263	$	7,267
Working capital (including cash and cash equivalents) [2]	$	38,989	$	72,156
Total assets	$	518,257	$	686,039
Total long-term financial liabilities [2]	$	212,088	$	247,481
Net debt [2]	$	190,248	$	232,552
Shares outstanding		67,499,888		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

Relative to first quarter, second quarter commodity prices have been volatile. During the second quarter, West Texas Intermediate ("WTI") benchmark prices (ranged from a low of U.S. $8.91 per barrel, excluding a historic one-day close at negative U.S. $36.98, to a high of U.S. $40.60 per barrel, closing June at US $39.27 per barrel. While there has been improvement in the benchmark prices through the quarter, they are 52% lower than the second quarter of 2019. Commodity prices continue to be uncertain and volatile, especially with fears of a potential second wave of COVID-19 infections driving concerns over near term demand.

During the second quarter of 2020, we experienced historical lows for rig counts and significant decreases in year over year activity. On July 3, 2019, the U.S. rig count provided by Baker Hughes was 963 compared to 263 on July 2, 2020, a decrease of 73%. On July 2, 2019, the Canadian rig count was 120 compared to 18 for the same week in 2020, a decrease of 85%.

Volatile market conditions have created significant uncertainty for our clients. As partly evidenced by the dropping rig count, our clients have responded to these historical disruptions by materially reducing their capital programs and re-evaluating near term capital spending.

In reaction to challenging market conditions in both Canada and the U.S., management focused on elements within the Company's control. STEP immediately re-sized its operations, focused on liquidity and effectively managed the unwinding of working capital as activity decreased.

The volatile economic environment has made estimates and judgments required in the preparation of STEP's financial statements increasingly complex and subject to a higher degree of measurement uncertainty. The ongoing effects of market uncertainty have and are expected to continue to materially reduce client spending and demand for STEP's services resulting in decreased revenue and cash flows. Additional uncertainties include increased risk of non-payment of accounts receivable, impairment charges to property and equipment, and potential additional restructuring charges to align our operations with reduced demand for equipment and services.

Management has assessed the expected impacts of a prolonged downturn on liquidity and will continue to refine its expectations as the effects of the recent global events are better understood. Management has taken actions to mitigate these impacts, which have included reductions in Board of Directors' remuneration, employee headcount reductions, wage reductions for all employees, reductions in maintenance capital in alignment with reductions in active equipment, reductions in leased facilities costs where possible and the disposal of some non-core assets. The Company's June 30, 2020 working capital remains positive at $39.0 million. Working capital is $67.1 million less than at March 31, 2020 due to the harvesting of working capital in second quarter as activity decreased from the active first quarter. The decrease in working capital has been applied to loans and borrowings.

Subsequent to quarter end the Company entered into a second amended and restated credit agreement with its syndicate of lenders. The second amended and restated credit agreement provides the Company with covenant relief for the next four quarters as the industry works through the current slowdown. Additional details can be found in the *LIQUIDITY AND SUBSEQUENT EVENTS – INDUSTRY CONDITIONS AND OUTLOOK* section.

We are expecting compliance with the financial covenants applicable to our second amended and restated credit agreement 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.

FINANCIAL HIGHLIGHTS – SECOND QUARTER AND YEAR TO DATE JUNE 30

- Consolidated revenue was $40.6 million and $235.0 million for the three and six months ended June 30, 2020, compared to $186.6 million and $363.0 million in the same periods of the prior year. A decrease of 78% for the three months ended June 30, 2020 and a decrease of 35% for the six months ended June 30, 2020.
- For the three month and six months ended June 30, 2020, Adjusted EBITDA decreased by $23.8 million and $27.6 million, respectively, from the same period of the prior year.
- The Company was compliant with all covenants under its Credit Facilities at June 30, 2020 and on August 13, 2020 entered into the Second Amended and Restated Credit Agreement. See *INDUSTRY CONDITIONS & OUTLOOK – LIQUIDITY AND SUBSEQUENT EVENT*
- As discussed at Q1 2020, STEP took immediate steps to reduce headcount and employee compensation in anticipation of the expected significant decline in activity caused by the measures implemented to manage the COVID-19 pandemic. To date the Company has permanently reduced headcount primarily in overhead and SG&A functions and have used a combination of permanent and temporary layoffs in field positions to manage the amount of manned equipment. Headcount reductions resulted in wage and benefit savings of approximately 45%. Measures were taken to reduce salary

and hourly wages by 10% and a temporary 1 day a week furlough was added resulting in a 20% reduction in wages for remaining employees.

- STEP recorded severance of $1.4 million and $3.3 million for the three and six months ended June 30, 2020.
- The federal government introduced the CEWS program to protect jobs during the pandemic. During the second quarter of 2020, we have received $3.1 million in benefit from the assistance of the CEWS program. The grants were recorded as a reduction of associated wage expense.
- 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. Additionally, the Company identified a market decline in specific assets held for sale and wrote the assets down to recoverable value. As such, an impairment charge of $0.5 million was recorded. 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.
- STEP continues to make progress on debt reduction and year to date the Company made net repayments on loans and borrowings of $35.9 million. As at June 30, 2020, STEP's net debt is $190.2 million compared to $232.6 million at December 31, 2019.
- Net loss for the three and six months ended June 30, 2020 was $40.3 million and $92.6 million, respectively, compared to net loss of $6.0 million and $6.6 million for the same periods in 2019.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTERS

- Consolidated revenue decreased from $194.4 million in first quarter 2020 to $40.6 million in second quarter 2020, a decrease of 79%. As discussed above, clients significantly reduced or halted previously announced capital programs near the end of the first quarter of 2020 due to an uncertain economic landscape.
- Consolidated Adjusted EBITDA decreased by $26.2 million from the first quarter of 2020 to the second quarter of 2020.
- Consolidated net loss of $40.3 million for the three months ended June 30, 2020, included an impairment charge against the US fracturing CGU of $13.1 million and an associated deferred tax recovery of $2.8 million, compared to a net loss for the three months ended March 31, 2020 of $52.2 million. The first quarter of 2020 saw an impairment charge of $58.8 million and an associated deferred tax recovery of $13.7 million related to property and equipment in the Canadian Fracturing CGU.

INDUSTRY CONDITIONS & OUTLOOK

The energy industry and the overall global economy continues to have an uncertain outlook. The abrupt demand destruction for crude oil resulting from the COVID-19 pandemic and the over supply of crude oil resulted in volatile crude oil prices. The result was uncertainty for our clients, who responded by cancelling and deferring work programs. As public health and government officials started to relax the stringent restrictions that were put in place earlier in the year, demand for crude oil has slowly increased and crude oil prices have recovered to approximately U.S. $40 per barrel. After months of decline, Baker Hughes weekly rig counts are starting to show increases. STEP is seeing some of its clients resume work programs, however, the Company expects the balance of this year and 2021 will be challenging for our clients and for our industry.

With the client activity resuming in later second quarter and early third quarter, STEP has been able to reactivate some equipment. The Company anticipates operating two to three fracturing crews and four to six coiled tubing units in Canada and one fracturing crew and three to five coiled tubing units in the U.S. the balance of the year.

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

CAPITAL UPDATE

Considering the current market uncertainty, as previously announced, management reduced the capital budget to $15.5 million, a reduction of 67% from the initial program. Management will continue to evaluate and balance the capital program with market conditions and demand for STEP's services.

LIQUIDITY AND SUBSEQUENT EVENT

As of June 30, 2020, the Company complied with its debt covenants and anticipates that it will remain compliant with the amended covenants.

On August 13, 2020, the Company signed an amended borrowing agreement with a syndicate of financial institutions. The agreement is comprised of a Canadian $215.0 million term loan facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a U.S. $15.0 million operating facility (together the "Amended Credit Facilities"). The Amended Credit Facilities mature on June 25, 2022. The Amended Credit Facilities include a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. 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 repayments of 3.25% of the term loan facility begin the fiscal quarter ending March 31, 2022, with the balance 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. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base.

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

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 etc.). This covenant replaces the funded debt to adjusted bank EBITDA ratio. The Company is now 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	1.50:1 or less
June 30, 2021	1.50:1 or less

2. Maximum capital expenditure covenant where the Board approved capital budget and related spend, is not to exceed Canadian $15.5 million for fiscal year 2020 and Canadian $16.5 million for fiscal year 2021, without prior consent of the Majority of Lenders.

3. A minimum quarterly EBITDA test for the following fiscal quarters:

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

From September 30, 2021 thereafter the Funded debt to EBITDA Ratio will be effective and the ratio must be 3.00:1 or less.

Amendments to the interest coverage ratio which include the following changes:

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 and thereafter	3.00:1 or greater

In the event of a breach of the Interest Coverage Ratio as at December 31, 2020, STEP will be required to cure such breach.

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 or fracturing units as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 3,397**	$ 53,224	**$ 86,948**	$ 135,575
Coiled tubing	**10,491**	22,881	**35,690**	48,756
	13,888	76,105	**122,638**	184,331
Expenses:				
Operating expenses	**23,003**	78,241	**123,507**	173,432
Selling, general and administrative	**931**	2,488	**2,955**	4,784
Results from operating activities	**$ (10,046)**	$ (4,624)	**$ (3,824)**	$ 6,115
Add non-cash items:				
Depreciation	**10,595**	12,897	**25,464**	25,738
Share-based compensation	**423**	599	**223**	875
Adjusted EBITDA (1)	**$ 972**	$ 8,872	**$ 21,863**	$ 32,728
Adjusted EBITDA % (1)	**7%**	12%	**18%**	18%
Sales mix (% of segment revenue)				
Fracturing	**24%**	70%	**71%**	74%
Coiled tubing	**76%**	30%	**29%**	26%
Fracturing services				
Fracturing revenue per operating day(1)	**$ 242,643**	$ 208,722	**$ 213,108**	$ 205,729
Number of fracturing operating days (2)	**14**	255	**408**	659
Proppant pumped (tonnes)	**9,000**	186,000	**391,000**	420,000
Stages completed	**113**	2,367	**4,544**	5,592
Horsepower				
Active pumping HP, end of period	**50,000**	225,000	**150,000**	225,000
Idle pumping HP, end of period	**232,500**	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)	**$ 51,936**	$ 50,399	**$ 45,815**	$ 49,649
Number of coiled tubing operating days (2)	**202**	454	**779**	982
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 50,000 HP is currently deployed and 15,000 of the remainder requires certain refurbishment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – SECOND QUARTER

During the second quarter of 2020, STEP's fracturing operations were largely idle, with 14 operating days in the later part of the quarter compared to 255 operating days in second quarter 2019. STEP's coiled tubing units had 202 operating days during second quarter 2020 compared to 454 operating days in second quarter of 2019. Revenue for the three months ended June 30, 2020 was $13.9 million. The same period in 2019 generated $76.1 million in revenue. Adjusted EBITDA for the three months ended June 30, 2020 was $1 million or 7% of revenue versus $8.9 million or 12% of revenue for the three months ended June 30, 2019.

STEP took immediate action to maximize Adjusted EBITDA and manage the unprecedented economic and market conditions. STEP permanently reduced headcount in overhead and SG&A and wages were reduced by up to 20% including a temporary 1 day per week furlough. STEP also implemented temporary layoffs for operations employees to manage manned equipment relative to expected demand. STEP also undertook to retain its most senior field staff by maintaining a reduced compensation level. All discretionary expenses such as travel, and meals and entertainment were reduced or eliminated. STEP incurred $1.3 million in severance in its Canadian operations during the second quarter of 2020.

As discussed above, STEP was able to access the federal government's CEWS program and its Canadian operations recorded $2.8 million in benefit from the program in the second quarter of 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE JUNE 30

STEP's year to date June 30, 2020 results were improved by the stronger first quarter 2020 numbers. STEP was able to largely complete its clients' first quarter fracturing programs prior to the COVID-19 related shutdowns. STEP's coiled tubing operations started to see client's postponing work in mid-March. For the six months ended June 30, 2020, STEP completed 408 fracturing operating days compared to 659 operating days for the same period in 2019. STEP completed 779 coiled tubing operating days for the six months ended June 30, 2020 compared to 982 in the same period in 2019. Revenue for the six months ended June 30, 2020 was $122.6 million compared to $184.3 million for the six months ended June 30, 2019. Adjusted EBITDA for the six months ended June 30, 2020 was $21.9 million or 18% of revenue compared to $32.7 million or 18% of revenue for the six months ended June 30, 2019.

During the six months ended June 30, 2020, STEP incurred $2.6 million in severance costs in its Canadian operations. As indicated above, STEP recorded $2.8 million in benefit from the CEWS program for the six months ended June 30, 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

STEP generated $13.9 million of revenue during the second quarter of 2020 versus $108.8 million of revenue in first quarter of 2020. Adjusted EBITDA for second quarter 2020 was $1.0 million or 6.9% of revenue versus $20.9 million or 19.2% of revenue in first quarter of 2020. Although second quarter in Canada is typically slower due to spring break up conditions that make it difficult to move heavy equipment, the decline in 2020 is largely due to the negative economic impact of the COVID-19 pandemic and the volatility of global crude oil prices.

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 six months ended June 30, 2020 would have increased by approximately $1.2 million and $2.8 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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 20,483**	$ 85,158	**$ 80,925**	$ 125,393
Coiled tubing	**6,273**	25,314	**31,451**	53,322
	26,756	110,472	**112,376**	178,715
Expenses:				
Operating expenses	**38,711**	104,006	**125,626**	175,526
Selling, general and administrative	**1,656**	3,355	**3,952**	5,505
Results from operating activities	**$ (13,611)**	$ 3,111	**$ (17,202)**	$ (2,316)
Add non-cash items:				
Depreciation	**11,112**	11,830	**23,039**	23,740
Share-based compensation	**71**	686	**(266)**	1,210
Adjusted EBITDA [1]	**$ (2,428)**	$ 15,627	**$ 5,571**	$ 22,634
Adjusted EBITDA % [1]	**(9%)**	14%	**5%**	13%
Sales mix (% of segment revenue)				
Fracturing	**77%**	77%	**72%**	70%
Coiled tubing	**23%**	23%	**28%**	30%
Fracturing services				
Fracturing revenue per operating day [1]	**$ 347,169**	$ 397,935	**$ 307,700**	$ 398,073
Number of fracturing operating days [2]	**59**	214	**263**	315
Proppant pumped (tonnes)	**90,000**	224,000	**383,000**	319,000
Stages completed	**431**	1,087	**1,810**	1,611
Horsepower				
Active pumping HP, end of period	**65,000**	142,500	**65,000**	142,500
Idle pumping HP, end of period	**142,500**	50,000	**142,500**	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]	**$ 42,385**	$ 49,733	**$ 44,802**	$ 49,927
Number of coiled tubing operating days [2]	**148**	509	**702**	1,068
Active coiled tubing units, end of period	**4**	9	**4**	9
Idle coiled tubing units, end of period	**9**	4	**9**	4
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 – SECOND QUARTER

During the second quarter of 2020, STEP's U.S. fracturing operations were impacted by the same reduction in activity as was seen in Canada. U.S. fracturing operations operated 1 crew throughout the quarter which was active for 59 operating days compared to 214 operating days in second quarter of 2019. STEP's coiled tubing units completed 148 operating days during the second quarter of 2020 compared to 509 operating days in the second quarter of 2019. Revenue for the three months ended June 30, 2020 was $26.8 million compared to $110.5 million during the same period of 2019. Adjusted EBITDA was a loss of $2.4 million for the three months ended June 30, 2020 versus Adjusted EBITDA of $15.6 million or 14% of revenue for the three months ended June 30, 2019. Both the fracturing and coiled tubing business have experienced significant price erosion and increased competition particularly in coiled tubing operations during second quarter of 2020.

With the onset of market volatility from COVID-19 and the decline of crude oil prices, STEP took immediate action to maximize Adjusted EBITDA. Headcount was reduced, discretionary management bonuses were eliminated, and layoffs were implemented. Other measures included reduced or eliminated discretionary expenses such as travel, meals and entertainment and vehicle allowances. STEP has 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. Capital spend has been limited to maintenance capital.

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 JUNE 30

STEP's year to date June 30, 2020 results were strengthened by the stronger first quarter 2020 numbers. For the six months ended June 30, 2020, STEP completed 263 fracturing operating days compared to 315 operating days for the same period of 2019. STEP completed 702 coiled tubing operating days for the six months ended June 30, 2020 compared to 1,068 in the same period of 2019. Revenue for the six months ended June 30, 2020 was $112.4 million compared to $178.7 million for the six months ended June 30, 2019. Adjusted EBITDA for the six months ended June 30, 2020 was $5.6 million or 5% of revenue compared to $22.6 million or 13% of revenue for the six months ended June 30, 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

In the U.S., seasonality is generally not a factor. Revenue decreased by $58.8 million from $85.6 million in first quarter of 2020 to $26.8 million in second quarter of 2020 and adjusted EBITDA decreased by $10.4 million from $8.0 million in first quarter of 2020 to adjusted EBITDA loss of $2.4 million as compared to the second quarter of 2020. The impacts of reduced commodity demand due to COVID-19 was a material impact to results during the second quarter.

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 six months ended June 30, 2020 of $0.8 million and $3.8 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, and other activities that benefit Canadian and U.S. operating segments collectively.

($0 00's)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Expenses:				
Operating expenses	**$ 140**	$ 572	**$ 773**	$ 1,200
Selling, general and administrative	**3,580**	5,197	**8,848**	9,595
Results from operating activities	**(3,720)**	(5,769)	**(9,621)**	(10,795)
Add non-cash items:				
Depreciation	**196**	311	**412**	627
Share-based compensation	**1,513**	1,298	**1,111**	1,761
Adjusted EBITDA [1]	**$ (2,011)**	$ (4,160)	**$ (8,098)**	$ (8,407)
Adjusted EBITDA % [1,2]	**(5%)**	(2%)	**(3%)**	(2%)

(1) See Non-IFRS Measures.
(2) Adjusted EBITDA percentage calculated using the consolidated revenue for the period.

FINANCIAL HIGHLIGHTS – SECOND QUARTER

STEP took immediate action to minimize corporate expenses and maximize Adjusted EBITDA as its clients either delayed or cancelled their work programs in response to the unprecedented conditions experienced in the quarter. These measures included reducing manned equipment, reducing capital spend, reducing headcount, reducing compensation for all employees, eliminating discretionary management bonuses, negotiating better pricing with our vendors, and reducing SG&A

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $2.0 million for the second quarter of 2020 compared to $4.2 million for the second quarter of 2019. An additional $0.1 million severance was incurred in the second quarter of 2020 and STEP obtained $0.3 million of benefit from the CEWS program for corporate employees. On a normalized basis, STEP reduced corporate expenses by48% from the same period of 2019.

FINANCIAL HIGHLIGHTS – YEAR TO DATE JUNE 30

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $8.1 million for the six months ended June 30, 2020 compared to $8.4 million in the same period of the prior year, a reduction of $0.3 million. The expenses as at June 30, 2020 included $0.7 million in severance which was partially offset by $0.3 million of benefit from the CEWS program for corporate employees for the six months ended June 30, 2020. STEP also recorded $2.5 million in bad debt expense for the period ended June 30, 2020 to account for additional counterparty risk.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTER

Corporate expenses, excluding depreciation and share based compensation, for second quarter of 2020 were $2.0 million compared to first quarter 2020 of $6.1 million. First quarter 2020 included $2.5 million of bad debt expense and $0.6 million in severance. Excluding the bad debt expense and severance expenses would have been $3.0 million. Second quarter of 2020 included an additional $0.1 million of severance and $0.3 million of benefit from the CEWS program. When these amounts are excluded normalized expenses would have been $2.2 million.

NON-IFRS MEASURES

Please see the discussion in the Non-IFRS Measures section of the MD&A for the reconciliation of non-IFRS items to IFRS measures.

FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this release 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 release 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 release 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 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; anticipated reduction in net debt; 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; 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 release 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 and OPEC or OPEC+ related market uncertainty on its operations; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company’s services; the Company’s ability to market successfully to current and new clients; the Company’s ability to utilize its equipment; the Company’s ability to 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 release: 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; 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 the Company's August 13, 2020 MD&A and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this release 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 contains 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 release 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.

ABOUT STEP

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.

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