STEP energy services

TSX STEP

First Quarter

Management Discussion and Analysis

As at and for the three months ended March 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of May 10, 2023 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three months ended March 31, 2023 (the "Quarterly Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2022 (the "Annual Financial Statements") and related MD&A (the "Annual 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, 2022 dated March 1, 2023 (the "AIF").

STEP is an energy services company that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing 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. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its clients.

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP has grown into a North American service provider delivering completion and stimulation services to exploration and production ("E&P") companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado 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.

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS 1
CONSOLIDATED HIGHLIGHTS 2
FIRST QUARTER 2023 HIGHLIGHTS 3
MARKET OUTLOOK 4
CAPITAL EXPENDITURES 5
CANADIAN FINANCIAL AND OPERATIONS REVIEW 6
UNITED STATES FINANCIAL AND OPERATIONS REVIEW 7
CORPORATE FINANCIAL REVIEW 8
CONSOLIDATED FINANCIAL REVIEW 9
LIQUIDITY AND CAPITAL RESOURCES 10
SELECTED QUARTERLY INFORMATION 13
FINANCIAL INSTRUMENTS 15
NON-IFRS MEASURES AND RATIOS 17
ACCOUNTING POLICIES AND ESTIMATES 19
RISK FACTORS AND RISK MANAGEMENT 20
FORWARD-LOOKING INFORMATION & STATEMENTS 21

CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

($000s except percentages and per share amounts)	Three months ended			
		March 31, 2023		March 31, 2022
Consolidated revenue	$	263,368	$	219,539
Net income	$	19,656	$	9,173
Per share-basic	$	0.27	$	0.14
Per share-diluted	$	0.26	$	0.13
Adjusted EBITDA [(1)]	$	45,352	$	36,990
Adjusted EBITDA % [(1)]		17%		17%
Free Cash Flow [(1)]		17,070		16,172

[(1)] Adjusted EBITDA and Free Cash Flow are non-IFRS financial measures, Adjusted EBITDA % is a non-IFRS financial ratio. These metrics are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

OPERATIONAL REVIEW

($000s except days, proppant, pumped, horsepower and units)	Three months ended	
	March 31, 2023	March 31, 2022
Fracturing services		
Fracturing operating days [(2)]	473	615
Proppant pumped (tonnes)	510,000	601,000
Active horsepower ("HP"), ended [(3)]	380,000	380,000
Total HP, ended	490,000	490,000
Coiled tubing services		
Coiled tubing operating days [(2)]	1,263	1,075
Active coiled tubing units, ended	21	16
Total coiled tubing units, ended	35	29

[(2)] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.
[(3)] Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles.

($000s except shares)		March 31 2023		December 31, 2022
Cash and cash equivalents	$	1,237	$	2,785
Working capital (including cash and cash equivalents) [(1)]	$	64,665	$	66,580
Total assets	$	642,200	$	682,532
Total long-term financial liabilities [(1)]	$	152,215	$	168,746
Net debt [(1)]	$	133,042	$	142,224
Shares outstanding		71,617,464		71,589,626

[(1)] Working Capital, Total long-term financial liabilities and Net debt are non-IFRS financial measures. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

FIRST QUARTER 2023 HIGHLIGHTS

- Consolidated revenue for the three months ended March 31, 2023 of $263.4 million, increased 20% from $219.5 million as at three months ended March 31, 2022 and increased 5% from $251.4 million as at three months ended December 31, 2022.
- Generated net income for the three months ended March 31, 2023 of $19.7 million, or $0.26 per diluted share, compared to $9.2 million, or a $0.13 per diluted share in the same period of 2022 and $16.7 million or a $0.23 per diluted share for the three months ended December 31, 2022. Included in income for three months ended March 31, 2023, was a share based compensation recovery of $5.1 million, compared to an expense of $4.4 million during the three months ended December 31, 2022.
- For the three months ended March 31, 2023, Adjusted EBITDA was $45.4 million or 17% of revenue compared to $36.9 million or 17% of revenue in Q1 2022 and $48.6 million or 19% in Q4 2022.
- Free Cash Flow for the three months ended March 31, 2023 was $17.1 million compared to $16.2 million in Q1 2022 and $22.4 million in Q4 2022.
- STEP made significant progress on debt reduction while also investing into the long-term sustainability of the business.
    - The Company had Net debt of $133.0 million at March 31, 2023, compared to $142.2 million at December 31, 2022.
    - The Company invested $26.6 million into its capital equipment, including $6.3 million into the Company's first Tier 4 dual fuel fleet conversion that was started in Q4 2022. The Company had eight Tier 4 dual fuel units in the field at the end of Q1, providing diesel substitution rates of up to 85%.

FIRST QUARTER 2023 OVERVIEW

The first quarter of 2023 was among STEP's best quarters. Revenue of $263.4 million and Adjusted EBITDA of $45.4 million were the Company's best first quarter results, driven by strong performance in coiled tubing and Canadian fracturing. Effective January 1, 2023, Adjusted EBITDA reflects the expensing of fracturing fluid ends in Canada, which added $2.8 million in expense to the quarter. Fluid ends have a useful life that is based on an expected number of pumping hours, which is now being realized in a period less than 12 months as daily pumping hours and equipment utilization increases. These results showed significant year over year improvement and were flat sequentially.

Commodity price volatility was a factor in industry activity levels, particularly for natural gas weighted producers. Natural gas prices, as measured by the U.S. benchmark Henry Hub, retreated from Q4 2022 levels, averaging $2.65 / mmBTU in Q1 2023, down 53% sequentially and going as low as $1.93. West Texas Intermediate (WTI), the benchmark U.S. oil price, saw less volatility, with the Q1 average of $76.12 down 7.8% sequentially, although prices dipped below $70/barrel late in the quarter. Despite the commodity price volatility, the rig count in Canada rose by 34, or 18%, from Q4 2022. The rig count in the oil rich Permian basin, home of STEP's three U.S. fracturing crews, is up 3 rigs from 353 rigs at the year end, in contrast to the broader U.S. market which has dropped 31 rigs from Q4 2022[1].

The first quarter saw constructive news for long term energy investments. The B.C. government and the Blueberry River First Nation (BRFN) agreed on a framework for resource development, which has already led to increased licencing activity in the Montney. The Montney is a critical source of natural gas for LNG Canada and Woodfibre LNG, which are on track for start up in 2025 and 2027 respectively. The Cedar LNG facility also received approval from the B.C. and federal governments, with the final investment decision ("FID") expected later this year. These three facilities are anticipated to export 2.8 bcf/day of clean, safe and secure Canadian natural gas. In the U.S., the resumption of exports from the Freeport LNG facility immediately put a floor under natural gas prices and two additional projects (Plaquemines LNG and Port Arthur LNG) also reached a positive FID. These facilities are expected to add 3.1 bcf/day of LNG capacity to the U.S. export LNG market if they are completed in 2027 as forecasted.

STEP's fracturing activity in the quarter was mixed, with strong Canadian results offset by lower U.S. results. The Canadian fracturing service line produced its best top line revenue in the Company's history, generating $138.0 million on 296,000 tonnes of proppant pumped. Q1 2023 activity in the U.S. fracturing service line was heavily impacted by shifting client schedules related to drilling issues and commodity price pressures. Coiled tubing operating days set a new quarterly record, with the service line operating nine units in Canada and eleven units in the U.S.

[1] Baker Hughes North America Rotary Rig Count, May 5, 2023

Net income was $19.7 million in Q1 2023 ($0.26 diluted earnings per share), sequentially higher than the $16.7 million in Q4 ($0.23 diluted earnings per share) and the $9.2 million in Q1 2022 ($0.13 diluted earnings per share). Net income included $2.9 million in finance costs (Q4 2022 - $3.0 million, Q1 2022 - $3.3 million) and a recovery of $5.3 million in share-based compensation (Q4 2022 - $4.4 million expense, Q1 2022 - $5.5 million expense).

Free Cash Flow was $17.1 million in Q1 2023, sequentially lower than the $22.4 million in Q4 2022 but higher than the $16.2 million in Q1 2022. Free Cash Flow was negatively impacted by a $4.2 million payment made to a foreign tax authority in connection with an ongoing tax dispute. It is of the view of the Company that this tax claim is without merit. The Free Cash Flow enabled STEP to reduce net debt to $133.0 million at the close of Q1 2023 from $142.4 million at close of Q4 2022. This debt reduction was accomplished while investing $26 million into capital expenditures during Q1 2023. STEP has now reduced debt by nearly $180 million from peak levels in 2018. The reduction in debt and improvement in Adjusted EBITDA meant that the Company had a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.70:1.00, well under the limit of 3.00:1 in the Company's Credit Facilities (as defined in *Capital Management – Debt* below).

MARKET OUTLOOK

The announcement by the OPEC+ group of oil producing nations in early April to voluntarily reduce production provided support to commodity markets that were rattled by concerns over the stability of the global banking system and global recession fears. West Texas Intermediate oil prices have stabilized above $70 barrel to start the second quarter, providing greater certainty for oil and liquids producers. Natural gas prices are anticipated to remain soft through the shoulder season, but the futures prices show a steady strengthening through the latter half of 2023. The long-term outlook for oilfield services is very constructive. The structural under-investment in hydrocarbon production capacity through the last seven years has been exacerbated by geopolitical tensions, forcing governments and policy makers to confront the realty that oil and gas will be a key part of the energy mix for many years. STEP is proud to work in Canada and the U.S., countries that have the natural resources, the regulatory frameworks, and the technical expertise to deliver safe and affordable energy to the world.

Canada

Canadian activity levels have been strong to date in Q2 2023, as warm, dry weather conditions in April allowed for the spillover work from Q1 to be completed. These conditions have also led to extreme wildfire risk in STEP's operating areas, which may have some impact on client work programs. STEP has an emergency response plan in place to protect Company personnel and property and does not anticipate any harm to its operations.

Spring break up is having less of an impact than it traditionally has in Canada as clients recognize the value of working in the second quarter. As activity and service intensity in the WCSB continues to increase, the second quarter is increasingly seen by clients and service providers as an opportunity to load level capital spending and activity. The intense pace of the first quarter, often accompanied by extreme weather conditions, typically moderates in the second quarter, reducing operating costs and the strain on the service infrastructure.

Pricing is anticipated to remain stable through the second quarter and the remainder of the year. Inflationary pressures have largely eased, although lingering supply chain constraints can still produce unusual delays, particularly for equipment maintenance related items.

The Company's first Tier 4 dual fuel fleet modernization is expected to be completed by the close of the second quarter. The performance of the Tier 4 equipped units already in the field has been exemplary, with diesel substitution rates consistently above 80%, relative to a Tier 2 diesel engine. These high substitution rates bring immediate cost and emission reduction benefits to STEP's clients, as well as providing higher profitability to STEP.

The second half of the year is anticipated to remain highly utilized for fracturing and coiled tubing, with much of the calendar already booked with client commitments. The low natural gas prices have led to some primarily dry gas focused work being delayed into the later part of the year, although the impact has been relatively modest to date. Many gas producers have a high liquids content, which is more closely aligned with WTI pricing, insulating them from the most severe impacts of the low natural gas prices.

United States

STEP's fracturing activity levels in the U.S. have returned to typical levels in the second quarter, recovering from the client delays that dominated the first quarter. The downtime in Q1 allowed for more robust preventative maintenance and some

optimization to be completed on the idle fleets, which has been rewarded with very high pumping efficiencies across STEP's three fracturing fleets in the second quarter. Coiled tubing activity continues to remain strong into the second quarter, with demand outpacing supply in some regions.

Following a volatile period in Q1 where fracturing pricing temporarily came under pressure from undisciplined competitors, pricing in the second quarter has recovered and is expected to hold into the back half of the year. Pricing for coiled tubing services has been stable and is expected to stay in line for the balance of the year.

Second half visibility in the U.S. region continues to improve. The rig count in the Permian, home of STEP's three fracturing crews, has steadily increased following the OPEC+ announcement, reflecting increased confidence by E&Ps that oil prices are expected to stay stable in the near term. STEP's three fracturing crews are well placed in this market and are expected to see steady utilization through the balance of the year. Weak natural gas prices may limit opportunity for growth in the U.S. fracturing market, deferring STEP's plan to field a fourth fleet until market conditions improve. Demand for STEP's industry leading coiled tubing services is expected to remain strong.

CAPITAL EXPENDITURES

($000's)	Three months ended			
		March 31, 2023		March 31, 2022
Capital program additions				
Sustaining capital	$	14,702	$	8,912
Optimization capital		11,290		2,802
Growth capital		-		-
Total capital program additions		25,992		11,714
Right-of-use asset additions		656		5,287
Total capital expenditures	$	26,648	$	17,001
Capital was incurred for:				
Canada	$	13,178	$	10,743
United States	$	13,470	$	6,258

STEP classifies capital expenditures as either growth, optimization or sustaining capital. Growth and optimization capital are capital expenditures that add revenue generating assets or increase the revenue generating profile of an asset. Sustaining capital refers to capital expenditures required to maintain ongoing business operations. STEP funds capital expenditures from a combination of cash, cash provided by operating activities, available Credit Facilities and, in certain circumstances, issuance of equity. STEP also manages its capital expenditures based on the actual and anticipated level of activity.

Capital expenditures for the three months ended March 31 2023 were $26.6 million, an increase from $17.0 million for the three months ended March 31, 2022. STEP continues to spend optimization capital to enhance its current asset base while increased activity over the last several periods has resulted in higher sustaining capital to replace critical components.

Effective January 1, 2023, STEP's Canadian region started to record fracturing fluid ends as maintenance expense rather than sustaining capital. Fluid ends have a useful life that is based on an expected number of pumping hours, which is now being realized in a period less than 12 months as daily pumping hours and equipment utilization increases. STEP recognized $2.8 million for fluid end expense in the first quarter, which includes an approximately $1.0 million expense to reflect the change in useful life. STEP's U.S. region has been expensing fluid ends since 2018.

The change in accounting treatment of fluid ends in 2023 will result a reclassification of that spend, moving it from capital to expense, and as a result, the 2023 capital budget will be reduced from $103.1 million to $98.9 million. STEP continually monitors its capital budget against industry conditions, striking the balance between continued deleveraging of the balance sheet and investing opportunistically where adequate returns can be generated.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB, all of which are designed to service the deepest wells in the basin. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP has 282,500 fracturing HP of which approximately 132,500 HP has dual-fuel capability. STEP deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended	
	March 31, 2023	March 31, 2022
Revenue:		
Fracturing	**$ 139,576**	$ 119,014
Coiled tubing	**34,859**	27,798
	174,435	146,812
Expenses	**138,609**	124,689
Results from operating activities	**$ 35,826**	$ 22,123
Adjusted EBITDA [(1)]	**$ 44,776**	$ 31,867
Adjusted EBITDA % [(1)]	**26%**	22%
Sales mix (% of segment revenue)		
Fracturing	**80%**	81%
Coiled tubing	**20%**	19%
Fracturing services		
Number of fracturing operating days [(2)]	**312**	395
Proppant pumped (tonnes)	**296,000**	323,000
Stages completed	**4,360**	4,761
Horsepower ("HP")		
Active pumping HP, end of period	**215,000**	215,000
Total pumping HP, end of period [(3)]	**282,500**	282,500
Coiled tubing services		
Number of coiled tubing operating days [(2)]	**572**	561
Active coiled tubing units, end of period	**9**	8
Total coiled tubing units, end of period	**16**	16

(1) Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.
(2) An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.
(3) Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles.

FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

Revenue for the three months ended March 31, 2023 was $174.4 million compared to $146.8 million for the same period of the prior year. Favourable weather conditions and proper client alignment resulted in steady utilization in both service lines. Fracturing revenue set records for the quarter with four large fracturing crews operating primarily in the gas and condensate rich areas of Montney while the smaller low-pressure crew was active in the oil rich Cardium and Viking formations. Proppant pricing was higher quarter over quarter resulting in increased revenue per operating day, however this was offset by the number of fracturing operating days which decreased to 312 for Q1 of 2023 from 395 during the same period of 2022. Coil tubing revenue benefited from cold weather extending into March allowing for a longer operating cycle and saw operating days increase to 572 for Q1 2023 from 561 during the comparable period of 2022.

Adjusted EBITDA for the first quarter of 2023 was $44.8 million (26% of revenue) versus $31.9 million (22% of revenue) in the first quarter of 2022. The year over year improvement in results is a reflection of the improved industry conditions, which provided STEP the opportunity to increase pricing for its services.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 19 coiled tubing units in the Permian and Eagle Ford basins in Texas, the Bakken shale in North Dakota, and the Uinta-Piceance and Niobrara-DJ basins in Colorado. The U.S. fracturing business has 207,500 fracturing HP, of which 80,000 HP is Tier 4 diesel and 50,250 HP has direct injection dual-fuel capabilities. The U.S. fracturing business primarily operates in the Permian and Eagle Ford basins in Texas. The Company deploys or idles coiled tubing units and 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			
		March 31, 2023		March 31, 2022
Revenue:				
Fracturing	$	**49,317**	$	49,667
Coiled tubing		**39,616**		23,060
		88,933		72,727
Expenses		**96,056**		71,031
Results from operating activities	$	**(7,123)**	$	1,696
Adjusted EBITDA [1]	$	**4,816**	$	9,822
Adjusted EBITDA % [1]		**5%**		14%
Sales mix (% of segment revenue)				
Fracturing		**55%**		68%
Coiled tubing		**45%**		32%
Fracturing services				
Number of fracturing operating days[2]		**161**		220
Proppant pumped (tonnes)		**214,000**		278,000
Stages completed		**1,001**		1,122
Horsepower ("HP")				
Active pumping HP, end of period		**165,000**		165,000
Total pumping HP, end of period [3]		**207,500**		207,500
Coiled tubing services				
Number of coiled tubing operating days [2]		**691**		514
Active coiled tubing units, end of period		**12**		8
Total coiled tubing units, end of period		**19**		13

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

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

[3] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

Revenue for the three months ended March 31, 2023 was $88.9 million compared to $72.7 million at March 31, 2022. The 22% increase over the $72.7 million of revenue generated for the same period in 2022 was the result of higher operating days for coiled tubing services. The additional units acquired last year enabled STEP to deploy more fleets and benefit from the improved macro-economic environment and overall oilfield activity levels.

U.S. fracturing was impacted by shifting client schedules related to drilling delays resulting in a year-over-year decrease in operating days along with a decrease in proppant pumped for the first quarter of 2023. A more robust preventative maintenance program was completed on the idle fleets during Q1 which resulted in higher operating costs despite the lower activity levels.

U.S. operations generated Adjusted EBITDA of $4.8 million (5% of revenue) for first quarter 2023 versus $9.8 million (14% of revenue) in the first quarter of 2022. Lower operating days and higher operating costs were the primary factors in the year over year change in financial results.

CORPORATE FINANCIAL REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability and optimization teams, as well as general and administrative costs which 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.

($000's)	Three months ended	
	March 31, 2023	March 31, 2022
Expenses:		
Operating expenses	**485**	571
Selling, general and administrative	**(1,466)**	8,722
Results from operating activities	**$ 981**	$ (9,293)
Add:		
Depreciation	**221**	138
Share-based compensation	**(5,442)**	4,457
Adjusted EBITDA [1]	**$ (4,240)**	$ (4,698)
Adjusted EBITDA % [1]	**(2%)**	(2%)

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

For the three months ended March 31, 2023, STEP had a recovery from corporate activities of $1.0 million compared to expenses of $9.3 million for the same period in 2022 due to the mark to market adjustment on cash settled share-based compensation in the current period. This expense was $9.9 million lower in Q1 2023 relative to Q1 2022, as the Company's share price decreased by $1.97 from December 31, 2022 to March 31, 2023 compared to a share price increase of $1.19 during the same period of the prior year.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)		Three months ended		
		March 31, 2023		March 31, 2022
Revenue	$	**263,368**	$	219,539
Operating expenses		**228,955**		190,063
Gross profit		**34,413**		29,476
Selling, general and administrative		**4,729**		14,950
Results from operating activities		**29,684**		14,526
Finance costs		**2,900**		3,317
Foreign exchange loss		**170**		180
Unrealized loss on derivatives		**1,052**		-
Gain on disposal of property and equipment		**(273)**		(818)
Amortization of intangible assets		**10**		114
Income before income tax		**25,825**		11,733
Income tax expense		**6,169**		2,560
Net income		**19,656**		9,173
Other comprehensive loss		**(1,240)**		(1,844)
Total comprehensive income	$	**18,416**	$	7,329
Income per share – basic	$	**0.27**	$	0.14
Income per share – diluted	$	**0.26**	$	0.13
Adjusted EBITDA [1]	$	**45,352**	$	36,990
Adjusted EBITDA % [1]		**17%**		17%

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

OTHER ITEMS

Depreciation and amortization

For the three months ended March 31, 2023, depreciation and amortization expense increased to $20.8 million from $17.1 million in the same period of 2022. The Company has increased its asset base and values since Q1 2022 through additions, organic growth and an impairment reversal, resulting in increased depreciation expense quarter over quarter.

Finance costs

Finance costs were $2.9 million for the three months ended March 31, 2023 compared to $3.3 million for the three months ended March 31, 2022. The effective borrowing rate for loans and borrowings was 6.53% for the three months ended March 31, 2023, compared to 5.29% for the same period in 2022. Finance costs decreased in comparison to the same period in 2022 due to comparatively lower levels of outstanding debt in Q1 2023 as compared to Q1 2022.

Foreign exchange gains and losses

STEP recorded a foreign exchange loss of $0.2 million for both the three months ended March 31, 2023 and the corresponding period of 2022. Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations, including the revolving secured overnight financing rate ("SOFR") loan denominated in USD.

Unrealized gains and losses on derivatives

STEP recorded an unrealized loss on derivatives of $1.1 million for the three months ended March 31, 2023, compared to a nil amount in the corresponding period of 2022. Unrealized gains and losses on derivatives arise from the revaluation of the fair value of any outstanding derivative contracts as at period end. The unrealized loss recorded during the quarter ended March 31, 2023 relates to the fair value of the cross-currency swap ("CCS") derivatives and the fair value of contract embedded derivatives. The unrealized loss on CCS derivatives will reverse against the SOFR unrealized foreign exchange gain upon settlement and the cash impact from these two transactions, collectively, will be immaterial. The unrealized loss on contract embedded derivatives will be realized over the term of the contract as the underlying contract services are rendered.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of property and equipment of $0.3 million for the three months ended March 31, 2023, compared to gains of $0.8 million in the same period of 2022. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from disposal of non-core assets that were acquired through bulk acquisitions of fracturing assets in prior years.

Share-based compensation

For the three months ended March 31, 2023, STEP recorded share-based compensation recovery of $5.1 million, compared to a $5.5 million expense in the same period of 2022. The decrease is primarily due to the decrease in fair value of cash settled instruments due to the decrease in share price form $5.33/share December 31, 2022 to $3.36/share March 31, 2023.

Income taxes

STEP recorded a total income tax expense of $6.2 million for the three months ended March 31, 2023. This compares to a total income tax expense of $2.6 million for the comparable period of 2022. The increase in income tax was a result of an increase in income for Q1 2023 compared to the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	Three months ended	
	March 31, 2023	March 31, 2022
Net cash provided by (used in)		
Operating activities	$ **45,836**	$ (16,843)
Investing activities	**(34,970)**	(8,741)
Financing activities	**(12,525)**	28,565
Impact of foreign exchange on cash	**111**	(42)
Increase (decrease) in cash and cash equivalents	$ **(1,548)**	$ 2,939
Opening cash balance	**2,785**	3,698
Ending cash balance	$ **1,237**	$ 6,637

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net cash provided by operating activities totaled $45.8 million for the three months ended March 31, 2023, compared to $16.8 million used in the comparable period of 2022. Net cash provided by operating activities increased for the three months ended March 31, 2023 compared to the same period in 2023, primarily due to stronger operating results in 2023 and changes in non-cash working capital.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash used in investing activities totaled $35.0 million for the three months ended March 31, 2023, compared to $8.7 million used for the three months ended March 31, 2022. The increase was due to increased capital spending as improvements in activity drove higher sustaining capital spending and an improved outlook allowed for capital investment in optimization projects.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

Net cash used in financing activities totaled $12.5 million for the three months ended March 31, 2023. Net cash provided by financing activities totalled $28.6 million for three months ended March 31, 2022. Financing activities primarily relate to the draws (repayments) of loans and borrowings and the repayment of obligations under finance leases. For the three months ended March 31, 2023 there were repayments of loans and borrowings of $10.5 million, compared to draws of loans and borrowings of $30.6 million for the three months ended March 31, 2022.

WORKING CAPITAL AND CASH REQUIREMENTS

As at March 31, 2023, STEP had positive working capital of $64.6 million, compared to $66.6 million as at December 31, 2022. Trade and other receivables decreased from $199.0 million at December 31, 2022 to $157.1 million at March 31, 2023, primarily due to an increase in collection rate in the first quarter of 2023. Trade and other payables decreased to $125.4 million at Q1 2023 from $165.9 million as at Q4 2022, due to the timing of payments to vendors, as payments were more concentrated in Q1 2023 than in Q4 2022. At March 31, 2023, the Company's working capital and available Credit Facilities exceed the level

required to manage timing differences between cash collections and cash payments. Availability of the Credit Facilities is dependent on compliance with certain covenants. As at March 31, 2023, the Company was in compliance with all terms of its Credit Facilities. Based on currently available information, the Company anticipates maintaining compliance with the covenants during the next twelve months and having sufficient liquidity during the next year and beyond, to support its ongoing operations.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2023	2024	2025	2026	2027	Thereafter	Total
Trade and other payables	$ 125,353	$ -	$ -	$ -	$ -	$ -	**$ 125,353**
Operating commitments [5,6]	802	975	938	889	843	-	**4,447**
Short-term and low value lease obligations [6]	187	47	-	-	-	-	**234**
Lease obligations [6,7]	7,262	8,238	3,747	2,250	1,057	30	**22,584**
Loans and borrowings [8]	6,545	8,710	138,072	-	-	-	**153,327**
Capital expenditure commitments [9]	29,439	-	-	-	-	-	**29,439**
Total commitments	$ 169,588	$ 17,970	$ 142,757	$ 3,139	$ 1,900	$ 30	**$ 335,384**

[5] The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to five years with an option to renew upon expiry.
[6] Includes U.S. obligations at the March 31, 2023 exchange rate of 1 USD = 1.352 CAD.
[7] Balance includes interest portion of lease obligations.
[8] Loans and borrowing balances are based on the credit facility in place at March 31, 2023. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at March 31, 2023. Both are variable in nature.
[9] 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

($000s)	March 31, 2023	December 31, 2022
Shareholders' equity	**$ 325,771**	$ 306,033
Lease obligations	**20,661**	22,186
Loans and borrowings	**130,577**	140,794
Total capital	**$ 477,009**	$ 469,013

The Company's objectives when managing its capital structure are to maintain a balance between debt and equity 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 bank indebtedness and obligations under leases.

Equity

As at May 10, 2023 there were 71,617,464 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

As at March 31, 2023, the Company's credit facilities with a syndicate of lenders were comprised of a Canadian $215.0 million revolving loan facility, a Canadian $15.0 million operating facility and a U.S. $15.0 million operating facility (the "Credit Facilities"). The Credit Facilities included 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. The maturity date of the credit facilities July 12, 2025. As amended July 12, 2022, the Credit Facilities include certain financial and non-financial covenants, including:

1. An Interest Coverage Ratio. This 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 on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to have an interest coverage ratio of greater than 3.00:1.00. At March 31, 2023 the Company had an interest coverage ratio of 22.68:1.00.

2. A Funded Debt to Adjusted Bank EBITDA ratio. This 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 expense or recovery, 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, and any non-typical and non-recurring transactions. 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. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At March 31, 2023, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.70:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at March 31, 2023.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 75 basis points to 200 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three months ended March 31, 2023 was 6.53% (March 31, 2022 – 5.29%). The total amount of Credit Facilities outstanding on March 31, 2023 was as follows:

As at		**March 31, 2023**		December 31, 2022
Revolving loan facility	**$**	**113,838**	$	123,896
Canadian and U.S. operating lines		**19,189**		19,602
Deferred financing costs		**(2,450)**		(2,704)
Total loans and borrowings	**$**	**130,577**	$	140,794

The following table displays the movements in loans and borrowings during the three month ended March 31, 2023:

		(000's)
Balance at January 1, 2023	$	140,794
Repayment of loans and borrowings		(10,526)
Accretion of deferred financing costs		266
Effect of exchange rate changes		43
Balance at March 31, 2023	$	**130,577**

The Company has entered into CCS derivatives to manage foreign exchange exposure on U.S. denominated debt, fixing the exchange rate on the principal repayments and interest payments. On March 14, 2023, the Company entered into a 30-day CCS of (CAD)$25.1 million for (USD)$18.3 million and a 92-day CCS of (CAD)$91.5 million for (USD)$65.9 million. The derivative contracts were revalued to their fair value of a $1.3 million liability on March 31, 2023. The CCS liability is recorded at fair value in current portion of other liabilities on the statements of financial position.

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. The Company makes appropriate provisions based on such assessments.

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by a number of factors including the seasonality [10] 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. See the *Risk Factors and Risk Management* section below.

Quarterly Results Summary ($000's, except per share amounts)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue								
Canadian Operations	**174,435**	114,826	141,091	165,109	146,812	91,458	83,546	73,165
United States Operations	**88,933**	136,568	103,994	107,892	72,727	67,258	49,689	34,381
	263,368	251,394	245,085	273,000	219,539	158,716	133,235	107,546
Net income (loss) attributable to shareholders	**19,656**	16,692	30,852	38,064	9,173	(6,212)	(3,388)	(10,582)
Adjusted EBITDA [1]								
Canadian Operations	**44,776**	23,561	40,895	39,710	31,868	13,591	17,307	15,633
United States Operations	**4,816**	28,627	20,814	20,324	9,820	8,012	4,220	1,022
Corporate	**(4,240)**	(3,572)	(3,659)	(4,783)	(4,698)	(4,263)	(3,539)	(4,979)
	45,352	48,616	58,050	55,251	36,990	17,340	17,988	11,676
Capital expenditures [11]								
Canadian Operations	**13,178**	23,059	11,113	14,820	10,743	6,886	4,216	5,253
United States Operations[12]	**13,470**	13,626	33,490	9,173	6,258	10,404	5,293	5,469
	26,648	36,685	44,603	23,993	17,001	17,290	9,509	10,722
Per Common Share								
Net income (loss) – basic	**0.27**	0.24	0.45	0.56	0.14	(0.08)	(0.05)	(0.16)
Net income (loss) – diluted	**0.26**	0.23	0.43	0.54	0.13	(0.08)	(0.05)	(0.16)
Adjusted EBITDA [1] – basic	**0.63**	0.70	0.84	0.81	0.54	0.25	0.26	0.17
Adjusted EBITDA [1] – diluted	**0.60**	0.67	0.80	0.78	0.53	0.25	0.26	0.17

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Canada								
Exit active fracturing spreads	**5**	5	5	5	5	4	4	4
Exit active HP (000's)	**215**	215	215	215	215	200	200	200
Total HP (000's)	**283**	283	283	283	283	283	283	283
Exit active coiled tubing units	**9**	8	8	8	8	7	7	7
Total coiled tubing units	**16**	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	**3**	3	3	3	3	3	3	2
Exit active HP (000's)	**165**	165	165	165	165	165	165	110
Total HP (000's)	**208**	208	208	208	208	208	208	208
Exit active coiled tubing units	**12**	11	11	8	8	8	8	8
Total coiled tubing units	**19**	19	17	13	13	13	13	13

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

[3] Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles

[10] STEP's business is seasonal with the periods of greatest activity in Canada being in the second, third and fourth quarters. The U.S. is generally not affected by seasonality.

[11] Capital expenditures include amounts added in respect of finance right-of-use assets.

[12] On September 1, 2022 the Company acquired the coiled tubing assets as part of the transaction with ProPetro Holding Corp. The Company acquired the coiled tubing assets, inventory and prepaids for total consideration of $3.64 million in cash and $16.85 million in shares.

FIRST QUARTER – 2023

STEP's Canadian operations had a robust Q1 2023 in both fracturing and coiled tubing, leading to its best quarterly revenue performance while STEP's U.S. operations saw mixed results in the first quarter. STEP's U.S. coiled tubing continued its trend of sequential quarterly increases while STEP's U.S. fracturing service line was negatively impacted by shifting client schedules related to drilling delays and commodity price pressures. Profitability increased in Canada as a result of increased work scope and the strong pricing environment but decreased in the U.S. due to the completion of a more robust preventative maintenance program to position the assets for the balance of the year.

FOURTH QUARTER – 2022

Q4 2022 showed the benefit of geographic diversity as activity slowed down in Canada but remained strong in the U.S. Activity decreased in Canada for both service lines as many E&P companies completed their capital programs in mid to late Q4 while activity remained strong in the U.S. for both service lines as market fundamentals supported nearly full deployment of staffed units. Profitability increased in the U.S. as a result of the strong pricing environment and additional STEP supplied product but decreased in Canada due to margin pressures in response to the decrease in work scope.

THIRD QUARTER – 2022

Q3 2022 saw commodity prices decline from Q2 in response to increased global economic uncertainty. Activity remained strong across all geographic areas and service lines despite this decline in commodity prices. Declines in activity were predominately driven from required maintenance programs rather than a decline in demand for services. This strong demand resulted in further price increases during the period allowing STEP to continue to sustain margins in the current high inflationary environment. These factors contributed to a third consecutive quarter of improving profitability.

SECOND QUARTER – 2022

Q2 2022 saw strong demand from clients in all regions as strong commodity prices provided incentive for E&P companies to expand their production. The increased demand provided a more constructive pricing environment, leading to better returns for STEP in Canada and the U.S., and delivering the Company's best quarterly revenue and adjusted EBITDA results. The strengthening outlook resulted in a $32.7 million reversal of the general impairment taken in Q1 2020.

FIRST QUARTER – 2022

Q1 2022 saw the continuation of rising commodity prices, exacerbated by the Russian invasion of Ukraine. The higher prices increased demand from clients in all regions. These conditions resulted in a continuation of the sequential improvement in both the Canadian and the U.S. operations. The improved activity and rates resulted in positive income for the second time since Q3 2018 and the best first quarter revenue in STEP's history.

FOURTH QUARTER – 2021

Q4 2021 saw commodity prices rise to multi-year highs, further increasing activity from clients in all regions. The Company continued to see meaningful increases in the contributions to the consolidated results from its U.S. operations as the tightening market resulted in increased utilization and rates. The Company did not recognize any benefits from the CEWS program in Q4.

THIRD QUARTER – 2021

Q3 2021 saw commodity prices continue to rise, leading to increased activity from clients, particularly in the U.S. operations resulting in meaningful increases in the contributions to the consolidated results. The Company recognized $1.1 million in benefits from the CEWS program.

SECOND QUARTER – 2021

Q2 2021 built on the momentum from the prior period with demand for commodities increasing, driving demand for our services leading to a 165% increase in revenue compared to the same period in the prior year with significant improvements to Adjusted EBITDA. The Company recognized $1.9 million in benefits from the CEWS program.

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 and loans and borrowings.

FAIR VALUES

Cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value. The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The following is a summary of the Company's derivative contracts outstanding:

	March 31, 2023		December 31, 2022	
	Asset	**Liabilities**	Asset	Liabilities
Foreign cross currency swaps	$ -	$ 1,252	$ -	$ 1,511
Contract embedded derivatives	-	1,311	-	-

The Company entered into foreign CCS derivative contracts to manage risk associated with foreign exchange movements on its estimated future net cash inflows denominated in U.S. dollars. These risk management derivatives are a component of the Company's overall risk management program and are captured under other liabilities on the statement of financial position. These CCS derivatives are measured at fair value using the Level 2 input of foreign exchange forward pricing.

The Company entered into a three-year service agreement that resulted in the recognition of embedded derivatives (contract embedded derivatives) which have been classified as Level 3 within the fair value hierarchy. The contract embedded derivatives are accounted for at fair value with unrealized gains and losses recognized in net income. The fair value is measured using the contracted future service price at the reporting date compared to the Company's base service price for similar portfolios of work.

The significant unobservable inputs that impact the fair value of the Level 3 derivative instruments are contracted service prices based on forward WTI pricing and the Company's base service price. Forward WTI prices are obtained from the Chicago Mercantile Exchange Group ("CME") long-term price forecast. The Company's base service price is calculated using average customer data such as contract revenues, scope of work and contract structure.

There were no transfers between levels in the fair value hierarchy in either the first quarter of 2023 or 2022.

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 majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure on this balance and management's assessment of the credit risk associated with its clients. The Company's objective is to minimize credit losses.

The Company's aged trade and other receivables are as follows:

As at	March 31, 2023	December 31, 2022
Current (0 to 30 days from invoice date)	$ 124,488	$ 105,534
31 - 60 days	25,289	82,447
61 - 90 days	5,289	6,128
91+ days	1,972	1,634
Receivables from trade clients	157,038	195,743
Allowance for doubtful accounts	(990)	(730)
Other amounts	1,008	3,991
Total trade and other receivables	$ 157,056	$ 199,004

MARKET RISK

Market risk is the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market rates. Market risk is comprised of interest rate risk, currency risk and other price risks which consist primarily of fluctuations in commodity prices.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate bank indebtedness. Based on the average outstanding consolidated debt, a 1.0% change in the bankers' prime rate would result in a $0.3 million increase or decrease in interest expense for the three months ended March 31, 2023 (March, 2022 - $0.6 million).

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. Exposure to foreign exchange rate changes is further mitigated using CCS derivatives.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2023.

NON-IFRS MEASURES AND RATIOS

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 measures should be read in conjunction with the Company's quarterly financial statements and Annual 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, equity and cash settled share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. "Adjusted EBITDA %" is a non-IFRS ratio and is calculated as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA % are presented because they are widely used by the investment community as they provide 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 and Adjusted EBITDA % internally to evaluate operating and segment performance, because management believes they provide better comparability between periods. The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income.

($000s except percentages)	Three months ended	
	March 31, 2023	March 31, 2022
Net income	$ 19,656	$ 9,173
Add (deduct):		
Depreciation and amortization	20,774	17,072
Gain on disposal of equipment	(273)	(818)
Finance costs	2,900	3,317
Income tax expense	6,169	2,560
Share-based compensation – Cash settled	(6,418)	5,166
Share-based compensation – Equity settled	1,322	340
Foreign exchange loss	170	180
Unrealized loss on derivatives	1,052	-
Adjusted EBITDA	$ 45,352	$ 36,990
Adjusted EBITDA %	17%	17%

"Free Cash Flow" is a financial measure not presented in accordance with IFRS and is equal to net cash provided by operating activities adjusted for changes in non-cash Working Capital from operating activities, sustaining capital expenditures, term loan principal repayments and lease payments (net of sublease receipts). The Company may deduct or include additional items in its calculation of Free Cash Flow that are unusual, non-recurring or non-operating in nature. Free Cash Flow is presented as this measure is widely used in the investment community as an indication of the level of cash flow generated by ongoing operations. Management uses Free Cash Flow to evaluate the adequacy of internally generated cash flows to manage debt levels, invest in the growth of the business or return capital to shareholders. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow to the IFRS financial measure of net cash provided by operating activities.

($000s)		Three months ended March 31, 2023		March 31, 2022
Net cash provided by (used in) operating activities	$	**45,836**	$	(16,843)
Add (deduct):				
Changes in non-cash Working Capital from operating activities		**(12,203)**		50,805
Sustaining capital		**(14,702)**		(8,911)
Term loan principal repayments		**-**		(6,988)
Lease payments (net of sublease receipts)		**(1,861)**		(1,891)
Free Cash Flow	$	**17,070**	$	16,172

"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 and CCS derivatives. 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 represents the composition of the non-IFRS financial measure of Working Capital (including cash and cash equivalents).

($000s)		March 31, 2023		December 31, 2022
Current assets	$	**213,106**	$	256,361
Current liabilities		**(148,441)**		(189,781)
Working Capital (including cash and cash equivalents)	$	**64,665**	$	66,580

The following table presents the composition of the non-IFRS financial measure of Total long-term financial liabilities.

($000s)		March 31, 2023		December 31, 2022
Long-term loans	$	**130,577**	$	140,794
Long-term leases		**12,225**		13,860
Other long-term liabilities		**9,413**		14,092
Total long-term financial liabilities	$	**152,215**	$	168,746

The following table presents the composition of the non-IFRS financial measure of Net debt.

($000s)		March 31, 2023		December 31, 2022
Loans and borrowings	$	**130,577**	$	140,794
Add back: Deferred financing costs		**2,450**		2,704
Less: Cash and cash equivalents		**(1,237)**		(2,785)
Less: CCS Derivatives liability		**1,252**		1,511
Net debt	$	**133,042**	$	142,224

ACCOUNTING POLICIES AND ESTIMATES

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 issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ("COSO").

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 ICFR that occurred during the period ended March 31, 2023, 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 Quarterly Financial Statements. The preparation of the Quarterly 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 Quarterly Financial Statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Notes 1 to the Quarterly 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.

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. If any of the following risks occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly:

- The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile;
- Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business;
- If the Company is unable to obtain raw materials, diesel fuel and component parts from its current suppliers or obtain them at competitive prices, it could have a material adverse effect on the Company's business;
- STEP's reliance on equipment suppliers and fabricators exposes it to risks including timing of delivery and quality of equipment;
- Radical activism could harm the Company's business;
- Natural disasters and pandemics (including COVID-19) could adversely affect the Company;
- The Company's industry is affected by excess equipment levels;
- The Company's industry is intensely competitive;
- The Company's current technology may become obsolete or experience a decrease in demand;
- Cyber-attacks and loss of the Company's information and computer systems could adversely affect the Company's business;
- The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially.
- Fluctuations in currency exchange rates could adversely affect the Company's business;
- Legislation, regulations, and court rulings could result in increased costs and additional operating restrictions or delays;
- The Company is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities;
- Political and social events and decisions could have an adverse effect on the Company;
- The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.
- The Company may be exposed to third-party credit risk;
- The Company's operations are subject to hazards inherent in the oilfield services industry, which risks may not be covered to the full extent by the Company's insurance policies;
- Failure to maintain the Company's safety standards and record could lead to a decline in the demand for services.
- Access to capital may become restricted, more expensive, or repayment could be required;
- Actual results may differ materially from management estimates and assumptions;
- The Company may become subject to legal proceedings which could have a material adverse effect on its business, financial condition and results of operations;
- The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results;
- The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting;
- Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations;
- There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement;
- Improper access to confidential information could adversely affect the Company's business; and
- Some of the Company's directors and officers have conflicts of interest as a result of their involvement with other oilfield services companies.

In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing 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. For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading "Risk Factors" in the AIF which is available on the SEDAR website at www.sedar.com and is incorporated by reference herein.

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: 2023 industry conditions and outlook, including the effect of Russia related sanctions and OPEC+ supply limitations, recovery in demand for oil and gas, industry production discipline, and other macroeconomic factors the effect of new LNG facilities as well as the resumption of U.S. LNG exports; OPEC+'s production as it relates to oil prices; anticipated 2023 utilization levels, commodity prices, and pricing for the Company's services; recession risk, including its effect on oil prices; the deferral of the Company's plans to field a fourth fracturing fleet in the U.S.; the timing of completion of the Company's tier 4 DBG fracturing fleet and anticipated substitution rates in the Company's dual fuel fleets; the effect of resumed industrial activity on Blueberry River First Nation territorial lands; the effect of under-investment in hydrocarbon production; supply and demand for the Company's and its competitors' services, including the ability for the industry to respond to demand increases; the effect of inflation and related cost increases; expected pricing for the Company's services; the impact of weather and break up on the Company's operations; the competitive labour market; the potential for commodity price volatility; the effect of changes in work scope on expected margins; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's plans regarding additional equipment; the Company's ability to manage its capital structure; expected debt repayment and Funded Debt to Adjusted Bank EBITDA ratios; expected income tax and derivative liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures; the Company's ability to retain its existing clients; the monitoring of impairment, amount and age of balances owing, and the Company's financial assets and liabilities denominated in U.S. dollars, and exchange rates; supply chain constraints impact on new-build and refurbishment timelines; and the Company's expected compliance with covenants under its Credit Facilities and its ability to satisfy its financial commitments thereunder.

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 effect of macroeconomic factors, including global energy security concerns and levels of oil and gas inventories; market concerns regarding economic recession; levels of oil and gas production and the effect of OPEC or OPEC+ related capacity and related uncertainty on the market for the Company's services; that the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; 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; predictable effect of seasonal weather and break up on the Company's operations; 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 and spending. 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 under the heading "Risk Factors" in the AIF and under the heading *Risk Factors and Risk Management* in this 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 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 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.