

STEP

energy services

TSX STEP

Condensed Consolidated Interim Financial Statements

As at and for the three and six months ended June 30, 2020

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at		June 30,	December 31,
Unaudited (in thousands of Canadian dollars)	Notes	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 15,263	\$ 7,267
Trade and other receivables	14	37,896	104,723
Income tax receivable		7,481	8,702
Inventory		24,457	28,402
Prepaid expenses and deposits		2,095	8,418
Assets held for sale		2,601	1,364
		89,793	158,876
Property and equipment	4	411,331	507,045
Right-of-use assets	5	16,021	18,793
Intangible assets		1,112	1,325
		\$ 518,257	\$ 686,039
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables		\$ 42,928	\$ 77,065
Income tax payable		443	86
Current portion of lease obligations	5	7,433	9,569
		50,804	86,720
Deferred tax liabilities		11,546	29,015
Lease obligations	5	9,354	9,452
Other liabilities	10	137	611
Loans and borrowings	7	202,597	237,418
		274,438	363,216
Shareholders' equity			
Share capital	9	429,732	428,817
Contributed surplus		33,237	32,198
Accumulated other comprehensive income		17,446	5,852
Deficit		(236,596)	(144,044)
		243,819	322,823
		\$ 518,257	\$ 686,039

See accompanying notes to the condensed consolidated interim financial statements

Note 2 – Liquidity and Subsequent Event

Note 8 – Commitments

Note 15 – Contingencies and Provisions

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND OTHER COMPREHENSIVE LOSS

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
Revenue		\$ 40,644	\$ 186,577	\$ 235,014	\$ 363,046
Operating expenses	3,12	61,854	182,819	249,906	350,158
Gross (loss) profit		(21,210)	3,758	(14,892)	12,888
Selling, general and administrative expenses	3,12	6,167	11,040	15,755	19,884
Results from operating activities		(27,377)	(7,282)	(30,647)	(6,996)
Finance costs	13	3,402	3,672	7,862	6,925
Foreign exchange (gain) loss		(1,422)	(584)	1,195	(1,849)
Gain on disposal of property and equipment		(185)	(336)	(1,015)	(1,009)
Amortization of intangible assets		132	1,556	261	3,331
Foreign exchange forward contract loss		-	-	-	383
Impairment	4,6	13,595	-	72,345	-
Loss before income tax		(42,899)	(11,590)	(111,295)	(14,777)
Income tax recovery					
Current		(2,142)	(4,676)	(1,065)	(3,393)
Deferred		(409)	(890)	(17,678)	(4,755)
		(2,551)	(5,566)	(18,743)	(8,148)
Net loss		(40,348)	(6,024)	(92,552)	(6,629)
Other comprehensive (loss) income					
Foreign currency translation (loss) gain		(9,368)	(7,652)	11,594	(16,445)
Total comprehensive loss		\$ (49,716)	\$ (13,676)	\$ (80,958)	\$ (23,074)
Loss per share:					
Basic	11	\$ (0.60)	\$ (0.09)	\$ (1.38)	\$ (0.10)
Diluted	11	\$ (0.60)	\$ (0.09)	\$ (1.38)	\$ (0.10)

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited (in thousands of Canadian dollars)	Notes	Share Capital	Contributed surplus	Accumulated other comprehensive (loss) income	Retained earnings (deficit)	Total
Balance at January 1, 2019		\$ 426,494	\$ 29,447	\$ 22,670	\$ (7)	\$ 478,604
Impact of change in accounting policy		-	-	-	(154)	(154)
Net loss for the period		-	-	-	(6,629)	(6,629)
Foreign currency translation loss		-	-	(16,445)	-	(16,445)
Share-based compensation	10	-	2,903	-	-	2,903
Exercise of equity share-based compensation	9,10	892	(892)	-	-	-
Balance at June 30, 2019		\$ 427,386	\$ 31,458	\$ 6,225	\$ (6,790)	\$ 458,279
Balance at January 1, 2020		\$ 428,817	\$ 32,198	\$ 5,852	\$ (144,044)	\$ 322,823
Net loss for the period		-	-	-	(92,552)	(92,552)
Foreign currency translation gain		-	-	11,594	-	11,594
Share-based compensation	10	-	1,722	-	-	1,722
Exercise of equity share-based compensation	9,10	915	(683)	-	-	232
Balance at June 30, 2020		\$ 429,732	\$ 33,237	\$ 17,446	\$ (236,596)	\$ 243,819

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)	Notes	For the three months ended		For the six months ended	
		2020	June 30, 2019	2020	June 30, 2019
Operating activities:					
Net loss		\$ (40,348)	\$ (6,024)	\$ (92,552)	\$ (6,629)
Adjusted for the following:					
Depreciation and amortization	4,5	22,035	26,594	49,176	53,436
Share-based compensation	10	2,007	2,584	1,068	3,846
Unrealized foreign exchange (gain) loss		(1,280)	(854)	1,048	(2,416)
Gain on disposal of property and equipment		(185)	(336)	(1,015)	(1,009)
Foreign exchange forward contract loss		-	-	-	383
Impairment	6	13,595	-	72,345	-
Finance costs	13	3,402	3,672	7,862	6,925
Income tax recovery		(2,551)	(5,566)	(18,743)	(8,148)
Cash finance costs paid		(2,984)	(2,864)	(8,400)	(8,179)
Income taxes recovered (paid)		2,993	(230)	2,978	(4,244)
Changes in non-cash working capital from operating activities		48,538	(15,246)	48,789	(15,472)
Net cash provided by operating activities		45,222	1,730	62,556	18,493
Investing activities:					
Purchase of property and equipment	4	(976)	(12,130)	(12,670)	(22,477)
Proceeds from disposal of equipment and vehicles		751	155	3,288	834
Changes in non-cash working capital from investing activities		(4,107)	1,820	(6,353)	1,544
Net cash used in investing activities		(4,332)	(10,155)	(15,735)	(20,099)
Financing activities:					
(Repayment) Issuance of loans and borrowings	7	(60,568)	4,002	(35,941)	5,801
Repayment of finance lease obligations		(1,695)	(1,659)	(3,541)	(3,411)
Settlement of foreign exchange forward contracts		-	-	-	(338)
Net cash provided by (used in) financing activities		(62,263)	2,343	(39,482)	2,052
Impact of exchange rate changes on cash and cash equivalents		(239)	155	657	303
(Decrease) increase in cash and cash equivalents		(21,612)	(5,927)	7,996	749
Cash and cash equivalents, beginning of period		36,875	7,040	7,267	364
Cash and cash equivalents, end of period		\$ 15,263	\$ 1,113	\$ 15,263	\$ 1,113

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2020 and 2019.

Tabular amounts expressed in thousands of Canadian dollars, except where otherwise noted.

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PREPARATION

STEP Energy Services Ltd. (the “Company”, “STEP Energy Services” or “STEP”) is a publicly traded company domiciled in Canada, incorporated under the laws of the Province of Alberta on March 25, 2011 and is listed under the symbol “STEP” on the Toronto Stock Exchange. The registered office of the Company is 4300, 888 - 3rd Street SW, Calgary, Alberta T2P 5C5 and the principal place of business is 1200, 205-5th Ave SW, Calgary, Alberta T2P 2V7. STEP provides specialized coiled tubing and associated pumping and fracturing equipment to service the oil and gas industry in Canada and the United States (“U.S.”).

Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors (“Board”) on August 13, 2020.

Seasonality of operations

The Company’s Canadian business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters, and the least activity tending to be in the second quarter because of spring break-up. Spring break-up typically occurs between March and June. The Company’s operating activities can also be affected by extended periods of adverse weather which can result in restrictions to the movement of heavy equipment. Activity in the southern United States is generally not as influenced by seasonal conditions.

Critical accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates and judgments 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 condensed consolidated interim financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes.

Novel Coronavirus – COVID-19 and Liquidity

During the six months ended June 30, 2020, the World Health Organization declared a global pandemic due to COVID-19. COVID-19 continues to have a significant negative impact on global demand for crude oil and natural gas. Additionally, the ability of the Organization of Petroleum Exporting Countries (“OPEC”) and certain other countries to agree on production capacity limits throughout the year to date has contributed to a significant global oil surplus. The interruptions to the oil and gas industry caused by COVID-19 shelter in place and ongoing OPEC+ supply decisions continue to cause high volatility in crude oil prices at June 30, 2020.

The combined impact of COVID-19 on the demand for oil and the OPEC+ supply pressures has materially reduced client spending and demand for STEP’s services. Even as countries around the world are slowly re-opening businesses, the border between Canada and the U.S. remains closed and concerns continue regarding the stabilization of oil and natural gas storage levels and near-term demand for oil and natural gas.

COVID-19 has created many uncertainties with respect to counterparty credit risk, liquidity and the valuation of long-lived assets, inventory and right-of-use assets. At June 30, 2020, management has incorporated the anticipated impact of COVID-19 in estimates and judgments in the preparation of these financial statements to the extent known at this time. Outcomes that are different from assumptions used in estimates could require a material adjustment within the next financial year.

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.

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

Changes in significant accounting policies

Except as described below, the same accounting policies and methods of computation were followed in preparation of these condensed consolidated interim financial statements as were followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2019.

IAS 20 – Accounting for Government Grants and Disclosure

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

IFRS 3 – Business Combinations

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

NOTE 2 – 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. The balance is due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of \$10 million Canadian less priority payables and certain liquidity requirements. 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 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.

4. 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.

NOTE 3 – GOVERNMENT GRANTS

Due to COVID-19 (see Note 1 – *Novel Coronavirus – COVID-19 and Liquidity*) the Government of Canada has implemented the COVID-19 Economic Response Plan. Under the plan, the Company is eligible for the Canada Emergency Wage Subsidy (“CEWS”) in which Canadian businesses impacted by COVID-19 may be eligible for wage subsidies for any week retroactive from March 15, 2020 to December 19, 2020. The program is divided into ten four week periods. To be eligible for the first period, businesses must demonstrate eligible revenue reductions of greater than 15%. To be eligible for periods two to four, businesses must demonstrate eligible revenue reductions of greater than 30%. For the remaining periods, businesses will be subsidized with a sliding scale of subsidy based on overall revenue reductions in each period. For the three month period ended June 30, 2020, the Company has recognized \$3.1 million in grants under the CEWS as a reduction of employee costs in operating expenses (\$2.5 million) and selling, general, and administrative expenses (\$0.6 million).

NOTE 4 – PROPERTY AND EQUIPMENT

	Land and buildings	Vehicles	Field equipment	Office equipment	Total
Cost:					
Balance at January 1, 2019	\$ 37,819	\$ 29,017	\$ 689,370	\$ 8,029	\$ 764,235
Reclassification of opening right-of-use assets	-	(28,145)	-	-	(28,145)
Additions	865	-	47,473	723	49,061
Disposals	-	(199)	(5,053)	-	(5,252)
Reclassification of assets held for sale	(1,070)	-	(18,541)	(144)	(19,755)
Effect of exchange rate changes	(582)	(6)	(14,881)	(55)	(15,524)
Balance at December 31, 2019	37,032	667	698,368	8,553	744,620
Additions	268	-	12,200	202	12,670
Disposals	-	-	(5,007)	-	(5,007)
Effect of exchange rate changes	513	7	13,360	56	13,936
Balance at June 30, 2020	\$ 37,813	\$ 674	\$ 718,921	\$ 8,811	\$ 766,219
Accumulated depreciation:					
Balance at January 1, 2019	\$ 3,981	\$ 9,454	\$ 145,251	\$ 5,407	\$ 164,093
Reclassification of opening right-of-use assets	-	(8,631)	-	-	(8,631)
Depreciation	1,532	26	89,465	1,417	92,440
Disposals	-	(186)	(1,765)	-	(1,951)
Reclassification of assets held for sale	(256)	-	(4,677)	(64)	(4,997)
Effect of exchange rate changes	(45)	(6)	(3,334)	6	(3,379)
Balance at December 31, 2019	5,212	657	224,940	6,766	237,575
Depreciation	781	8	43,559	281	44,629
Impairment	3,902	-	67,702	246	71,850
Disposals	-	-	(2,633)	-	(2,633)
Effect of exchange rate changes	43	4	3,403	17	3,467
Balance at June 30, 2020	\$ 9,938	\$ 669	\$ 336,971	\$ 7,310	\$ 354,888
Carrying amounts:					
As at December 31, 2019	\$ 31,820	\$ 10	\$ 473,428	\$ 1,787	\$ 507,045
As at June 30, 2020	\$ 27,875	\$ 5	\$ 381,950	\$ 1,501	\$ 411,331

(1) The Company reclassified prior year leased assets as right-of-use assets effective January 1, 2019 in accordance with the adoption of IFRS 16.

Included in field equipment at June 30, 2020 were assets under construction of \$0.8 million (December 31, 2019 - \$9.9 million). Assets under construction are not depreciated until they are substantially complete and available for use.

During the six months ended June 30, 2020 the Company recognized an impairment expense of \$71.9 million related to buildings, field equipment, and office equipment. See Note 6 for further discussion on the Company's impairment tests.

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company previously capitalized light duty vehicles in property and equipment. As a result of the implementation of IFRS 16 these were reclassified to right-of-use assets in the prior year, effective January 1, 2019. The Company's right-of-use assets are comprised of light duty vehicles, office buildings, service centers, and copiers.

	Buildings	Vehicles	Office equipment	Total
Reclassification of opening right-of-use assets	\$ -	\$ 28,145	\$ -	\$ 28,145
Accounting policy change	6,612	-	227	6,839
Additions	3,029	3,266	44	6,339
Disposals	(584)	(7,955)	-	(8,539)
Reclassification of assets held for sale	-	(365)	-	(365)
Effect of exchange rate changes	(55)	(643)	(1)	(699)
Balance at December 31, 2019	\$ 9,002	\$ 22,448	\$ 270	\$ 31,720
Additions	3,431	822	9	4,262
Disposals	(744)	(5,686)	-	(6,430)
Effect of exchange rate changes	50	582	2	634
Balance at June 30, 2020	11,739	18,166	281	30,186
Accumulated depreciation:				
Reclassification of opening right-of-use assets	\$ -	\$ 8,631	\$ -	\$ 8,631
Depreciation	2,332	6,695	70	9,097
Disposals	(97)	(4,267)	-	(4,364)
Reclassification of assets held for sale	-	(139)	-	(139)
Effect of exchange rate changes	(10)	(288)	-	(298)
Balance at December 31, 2019	\$ 2,225	\$ 10,632	\$ 70	\$ 12,927
Depreciation	1,520	2,729	37	4,286
Disposals	(705)	(2,707)	-	(3,412)
Effect of exchange rate changes	13	350	1	364
Balance at June 30, 2020	\$ 3,053	\$ 11,004	\$ 108	\$ 14,165
Carrying amounts:				
As at December 31, 2019	\$ 6,777	\$ 11,816	\$ 200	\$ 18,793
As at June 30, 2020	\$ 8,686	\$ 7,162	\$ 173	\$ 16,021

With respect to the right-of-use assets above, the Company has lease contracts for light duty vehicles, office buildings, service centers, and copiers. The maturity date of these contracts ranges from July 2020 to February 2026 with interest rates ranging from 2.68% to 12.14%. Lease payments made by the Company are blended interest and principal payments. The Company's lease obligations are as follows:

As at	June 30, 2020	December 31, 2019
Future minimum lease payments	\$ 18,364	\$ 20,394
Discount	(1,577)	(1,373)
Present value of minimum lease payments	\$ 16,787	\$ 19,021
Presented as:		
Current portion of lease obligations	\$ 7,433	\$ 9,569
Lease obligations	\$ 9,354	\$ 9,452

NOTE 6 – IMPAIRMENT ASSESSMENT OF LONG-LIVED ASSETS

IAS 36 requires the Company to review the carrying values of its long-lived assets at each reporting period for indicators of impairment. STEP has identified four cash generating units (“CGUs”): Canadian Coiled Tubing, Canadian Fracturing, U.S. Coiled Tubing and U.S. Fracturing.

During the second quarter of 2020, the Company noted impairment indicators identified during the first quarter of 2020 were still present. As such, impairment tests were performed again at June 30, 2020 for all four CGUs.

The recoverable amounts of the CGUs were determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management’s best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 14.75% (pre-tax 18.57%) for all CGUs. Discount rates were derived from the Company’s weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for cash flows beyond 2025.

For the three months ended June 30, 2020, a comparison of the recoverable amounts of each CGU with their respective carrying amounts resulted in an impairment charge in the U.S. Fracturing CGU against property and equipment of \$13.1 million. The recoverable amount for the U.S. Fracturing CGU was determined to be \$126.4 million. A post-tax discount rate of 14.1% (pre-tax 17.71%) would have caused the recoverable amount of the U.S. Fracturing CGU to be equal to its carrying value.

A 1% increase in the discount rate would have resulted in an additional impairment loss of \$17.1 million in the U.S. Fracturing CGU, and a \$4.6 million impairment loss in the Canadian Fracturing CGU during the second quarter. Increasing the discount rate by 1% would not have caused the carrying amount to exceed the recoverable amount for the Canadian Coiled Tubing or U.S. Coiled Tubing CGUs at June 30, 2020.

During the first quarter of 2020, the Company identified indicators of impairment in all CGUs which included significant decreases in oil demand due to the COVID-19 outbreak, as well as geopolitical uncertainty regarding international cooperation on oil production cuts (*see Note 1 – Novel Coronavirus – COVID-19 and Liquidity*). Accordingly, impairment tests were conducted for all four CGUs.

The recoverable amounts of the CGUs were determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management’s best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 15.4% (pre-tax 18.8%) for all CGUs. Discount rates were calculated using the Company’s weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for cash flows beyond 2025.

For the three months ended March 31, 2020, a comparison of the recoverable amounts of each CGU with their respective carrying amounts resulted in an impairment charge in the Canadian Fracturing CGU against property and equipment of \$58.8 million. The recoverable amount for the Canadian Fracturing CGU was determined to be \$168.0 million. A post-tax discount rate of 12.7% (pre-tax 15.8%) would have caused the recoverable amount of the Canadian Fracturing CGU to be equal to its carrying value.

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

In addition to the Company’s impairment assessment, the Company identified in second quarter of 2020 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.

NOTE 7 – LOANS AND BORROWINGS

See Note 2 –Subsequent amendments to the Company’s syndicated borrowing agreement.

At June 30, 2020, the Company had a borrowing agreement with a syndicate of financial institutions. The Company’s agreement is comprised of operating facilities and a revolving facility (together the “Credit Facilities”). The Credit Facilities mature on June 25, 2022 and include a Canadian \$313.3 million revolving credit facility, a Canadian \$10.0 million operating facility and a U.S. \$20.0 million operating facility. The maturity date of the Credit Facilities may be extended for an additional period of up to three years with syndicate approval. The Credit Facilities include a general security agreement providing a security interest over all present and after acquired personal property of the Company and all of its subsidiaries including mortgages on certain properties. An equity cure is available for the purposes of determining compliance with the Funded debt to Adjusted bank EBITDA ratio. The equity cure is available for use up to two times, in non-consecutive quarters. Each use of the equity cure is limited to \$25.0 million from the issuance of equity securities and must be utilized to repay borrowings under the Credit Facilities. Under the Credit Facilities, any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants.

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

- 1) Funded debt to Adjusted bank EBITDA ratio refers to the ratio of total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to earnings before interest, share-based compensation, non-recurring gains and losses on the sale of property and equipment, unrealized foreign exchange gains and losses, taxes, depreciation, amortization, unrealized foreign exchange forward contract (gain) loss, transaction costs, non-cash impairment charges, severance, other non-cash charges, and discretionary management bonuses (“Adjusted bank EBITDA”) of the Company for the twelve preceding months. Also, realized foreign exchange (gain) loss is excluded from Adjusted bank EBITDA. The Company amended its required funded debt to adjusted bank EBITDA ratios on January 22, 2020. The Company is required to meet the following funded debt to adjusted bank EBITDA ratios:

Quarters Ended	Required Funded debt to Adjusted bank EBITDA ratio
June 30, 2020 to December 31, 2020	4.50:1 or less
March 31, 2021 and June 30, 2021	4.00:1 or less
September 30, 2021 and thereafter	3.00:1 or less

At June 30, 2020, the Funded debt to Adjusted bank EBITDA ratio was 3.67:1.00.

- 2) Interest coverage ratio refers to the ratio of Adjusted bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers’ acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease at December 31, 2018 is not included in interest expense for purposes of calculating financial covenants.

This ratio is not to fall below 3.00:1. At June 30, 2020, the Interest Coverage Ratio was 3.40:1.00.

The Company complied with all financial covenants as at June 30, 2020.

Typical of facilities of this nature, the borrowing agreement contains several positive and negative covenants, which if breached, could result in an event of default. Given the unprecedented operating conditions currently being faced by the Company, continued compliance with these covenants is uncertain.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 50 basis points to 300 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the second quarter of 2020 was approximately 4.10%. At June 30, 2020, the full amount of the facility less letters of credit was available to be drawn on the Credit Facilities. The Company also had total outstanding letters of credit of \$1.8 million. The total amount of credit facilities outstanding at June 30, 2020 is as follows:

As at	June 30, 2020	December 31, 2019
Credit facilities	\$ 205,511	\$ 239,819
Deferred financing	(2,914)	(2,401)
Loans and borrowings	\$ 202,597	\$ 237,418

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

Balance at January 1, 2020	\$ 237,418
Repayment of loans and borrowings	(35,941)
Deferred financing incurred	(1,184)
Accretion of deferred financing charges	671
Unrealized foreign exchange gain	1,424
Foreign currency translation gain	209
Balance at June 30, 2020	\$ 202,597

NOTE 8 – COMMITMENTS

The following table summarizes the Company's estimated commitments that are not included in the condensed consolidated interim statement of financial position related to leases as at June 30, 2020 for the following five years and thereafter:

	2020	2021	2022	2023	2024	Thereafter	Total
Operating expenses for lease obligations ⁽¹⁾	\$ 667	\$ 1,333	\$ 1,284	\$ 1,278	\$ 215	\$ 242	\$ 5,019
Short term and low value lease obligations ⁽¹⁾	49	90	-	-	-	-	139
Total commitments	\$ 716	\$ 1,423	\$ 1,284	\$ 1,278	\$ 215	\$ 242	\$ 5,158

¹⁾ Includes U.S. obligations at an estimated forecast exchange rate of 1 USD = 1.36 CAD.

Operating expenses related to lease obligations relate to leases of certain service centers and office space with lease terms of between 1 year and 6 years. The total expense recognized during the three and six months ended June 30, 2020 for short term and low value lease obligations was \$0.4 million and \$0.8 million.

As at June 30, 2020, the Company has \$0.8 million (December 31, 2019 - \$0.9 million) of commitments related to capital expenditures. These commitments are expected to be incurred in fiscal 2020.

NOTE 9 – SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The shares have no par value. All issued shares are fully paid.

	Shares #	Amount
Balance at January 1, 2019	66,682,319	\$ 426,494
Issued – exercise of share-based instruments	260,511	2,323
Balance at December 31, 2019	66,942,830	428,817
Issued – exercise of share-based instruments	557,058	915
Balance at June 30, 2020	67,499,888	\$ 429,732

NOTE 10 – SHARE-BASED COMPENSATION

Equity settled share-based instruments

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2019	201,987	770,574	505,316	3,749,728	8,160,788	13,388,393
Granted	1,971,489	-	-	-	-	1,971,489
Cancelled via performance factor	-	-	(13,129)	-	-	(13,129)
Exercised	-	(237,648)	(23,018)	-	-	(260,666)
Forfeited/Expired	(51,716)	(137,955)	-	(217,219)	(660,660)	(1,067,550)
Outstanding at December 31, 2019	2,121,760	394,971	469,169	3,532,509	7,500,128	14,018,537
Exercisable at December 31, 2019	67,329	-	-	3,513,380	5,944,918	9,525,627

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2020	2,121,760	394,971	469,169	3,532,509	7,500,128	14,018,537
Granted	1,696,800	-	-	-	-	1,696,800
Cancelled via performance factor	-	-	(14,959)	-	-	(14,959)
Exercised	-	(53,866)	(9,036)	-	-	(62,902)
Forfeited/Expired	(172,703)	(77,587)	(98)	(1,450,298)	(4,356,536)	(6,057,222)
Outstanding at June 30, 2020	3,645,857	263,518	445,076	2,082,211	3,143,592	9,580,254
Exercisable at June 30, 2020	631,736	-	-	2,082,211	2,076,652	4,790,599

Cash settled share-based instruments

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2019	137,634	-	-	137,634
Granted	424,005	2,527,497	847,379	3,798,881
Exercised	(14,689)	-	-	(14,689)
Forfeited/Expired	-	(221,646)	-	(221,646)
Outstanding at December 31, 2019	546,950	2,305,851	847,379	3,700,180
Exercisable at December 31, 2019	-	-	-	-

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2020	546,950	2,305,851	847,379	3,700,180
Granted	1,476,872	933,618	755,794	3,166,284
Exercised	-	(571,076)	(20,152)	(591,228)
Forfeited/Expired	-	(576,792)	(80,107)	(656,899)
Outstanding at June 30, 2020	2,023,822	2,091,601	1,502,914	5,618,337
Exercisable at June 30, 2020	-	-	-	-

The aggregate liability for all cash settled share-based instruments of \$1.3 million is included in the statement of financial position in trade and other payables and other liabilities. At each reporting date, between grant date and settlement date of cash settled share-based instruments, the fair value of the liability is re-measured with any changes in fair value recognized in net loss for the period.

During the six months ended June 30, 2020, 0.5 million cash settled RSUs and PSUs were settled through the issuance of 0.5 million common shares at fair value. As a result, there was an increase in share capital related to the settlement of the cash settled RSUs and PSUs of \$0.2 million.

Share-based compensation expense

The composition of share-based compensation expense incurred was:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Prior stock options	\$ -	\$ 155	\$ 4	\$ 152
New stock options	282	243	572	332
Performance warrants	555	276	591	250
Performance share units	95	403	385	862
Restricted share units	112	647	170	1,307
Cash-settled deferred share units	767	533	124	616
Cash-settled performance share units	17	46	(77)	46
Cash-settled restricted share units	179	281	(701)	281
Total share-based compensation expense	\$ 2,007	\$ 2,584	\$ 1,068	\$ 3,846

Share-based compensation expense for the six months ended June 30, 2020 is lower than second quarter share-based compensation due to a recovery of expense in first quarter related to the reductions in workforce STEP completed and the reduction in share price for cash-based awards.

NOTE 11 – PER SHARE COMPUTATIONS

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Weighted average number of shares outstanding - basic	67,236,580	66,719,341	67,090,259	66,709,806
Dilutive impact of stock options and performance warrants	-	-	-	-
Weighted average number of shares outstanding - diluted	67,236,580	66,719,341	67,090,259	66,709,806

As at June 30, 2020, 2.1 million prior stock options, 3.1 million performance warrants, 3.6 million new stock options, 0.3 million restricted share units, and 0.4 million performance share units were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive (June 30, 2019: 3.6 million prior stock options, 7.7 million performance warrants, 2.1 million new stock options, 0.7 million restricted share units, and 0.5 million performance share units).

NOTE 12 – PRESENTATION OF EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Operating expenses				
Employee costs ⁽¹⁾	\$ 14,001	\$ 49,742	\$ 67,611	\$ 101,578
Operating expense	11,611	44,350	53,752	81,999
Materials and inventory costs	14,248	63,204	80,194	115,696
	39,860	157,296	201,557	299,273
Depreciation	21,615	24,680	48,321	49,399
Share-based compensation	379	843	28	1,486
Total operating expenses	61,854	182,819	249,906	350,158
Selling, general and administrative expenses				
Employee costs ⁽¹⁾	2,544	5,270	7,897	11,226
General expenses	1,707	2,872	3,724	4,827
	4,251	8,142	11,621	16,053
Allowance for doubtful accounts expense (recovery)	-	799	2,500	765
Depreciation	288	358	594	706
Share-based compensation	1,628	1,741	1,040	2,360
Total selling, general and administrative expenses	\$ 6,167	\$ 11,040	\$ 15,755	\$ 19,884

1) Employee expenses are net of CEWS issued in the second quarter. See Note 3 – Government Grants.

NOTE 13 – FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest on loans and borrowings	\$ 2,804	\$ 2,982	\$ 6,612	\$ 5,649
Interest on lease obligations	226	218	497	463
Interest income	(1)	(2)	8	(17)
Accretion of deferred financing charges	349	318	671	588
Other	24	156	74	242
Total finance costs	\$ 3,402	\$ 3,672	\$ 7,862	\$ 6,925

NOTE 14 – FINANCIAL INSTRUMENTS

Accounting classifications and 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.

Foreign exchange forward contracts are classified and measured at fair value through profit or loss. Changes in fair value are recognized as they arise and are determined using quoted forward exchange rates at the reporting date (level 2). During the second quarter of 2020, there were no transfers between levels in the fair value hierarchy.

Credit risk

Credit risk is the risk that a counterparty to a financial asset will not discharge its obligations, resulting in a financial loss to the Company. The Company's accounts receivables are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include the ability to secure adequate debt or equity financing. During the six months ended June 30, 2020, global events have, and are expected to continue to have a significant impact on client credit risk (see Note 1 – *Novel Coronavirus – COVID-19 and Liquidity*). These factors have been incorporated in the Company's assessment of expected credit losses at June 30, 2020. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The Company is continuing additional procedures including but not limited to reviewing and updating all client credit limits, monitoring client payment patterns for deviations from normal course and applying liens where required.

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	June 30, 2020	December 31, 2019
Current (0 to 30 days from invoice date)	\$ 15,080	\$ 63,698
31 - 60 days	10,060	21,585
61 - 90 days	7,593	12,442
91+ days	9,012	9,297
Receivables from trade clients	41,745	107,022
Other amounts	1,959	1,334
Allowance for doubtful accounts	(5,808)	(3,633)
Total trade and other receivables	\$ 37,896	\$ 104,723

Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in the cash and cash equivalents account. See Note 8 for commitments.

The expected timing of cash outflows relating to financial liabilities on the condensed consolidated interim statement of financial position as at June 30, 2020 are:

	2020	2021	2022	2023	2024	Thereafter	Total
Lease obligations ⁽¹⁾	\$ 4,287	\$ 6,751	\$ 3,186	\$ 2,159	\$ 1,401	\$ 580	\$ 18,364
Trade and other payables	42,928	-	-	-	-	-	42,928
Income tax payable	443	-	-	-	-	-	443
Loans and borrowings ⁽²⁾	4,249	8,429	209,576	-	-	-	222,254
	\$ 51,907	\$ 15,180	\$ 212,762	\$ 2,159	\$ 1,401	\$ 580	\$ 283,989

1) Includes interest portion of lease obligations.

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

The Company anticipates that its cash on hand, trade accounts receivable and cash provided by operating activities, will be adequate to satisfy its liquidity requirements over the next twelve months. Total cash, trade and other receivables, and income tax receivable exceeds the obligations in the table above as well as operating and capital commitments.

At June 30, 2020, the Company had remaining capacity on its Credit Facilities of \$143.1 million and has undertaken steps to reduce overall spend. Reductions in clients' cash flow or difficulty in their ability to source debt or equity also could negatively impact the Company's assessment of liquidity risk. See Note 1 – *Novel Coronavirus – COVID-19 and Liquidity* and Note 2 – LIQUIDITY AND SUBSEQUENT EVENT

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.

NOTE 15 - CONTINGENCIES AND PROVISIONS

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 the internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information, and other evidence and facts specific to the matter as known at the time of the assessment.

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

NOTE 16 – OPERATING SEGMENTS

The Company's services are conducted by the Canadian Operations and the U.S. Operations segments. The results of each operating segment are summarized below. Transactions between the segments are recorded at fair value and have been eliminated upon consolidation.

Segmented operating results and activity

Three months ended June 30, 2020	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 3,397	\$ 20,483	\$ -	\$ 23,880
Coiled tubing	10,491	6,273	-	16,764
Total revenue	13,888	26,756	-	40,644
Expenses				
Operating expenses	23,003	38,711	140	61,854
Selling, general and administrative	931	1,656	3,580	6,167
Results from operating activities	(10,046)	(13,611)	(3,720)	(27,377)
Finance costs	-	-	3,402	3,402
Foreign exchange (gain) loss	(1,429)	7	-	(1,422)
(Gain) loss on disposal of property and equipment	(87)	(98)	-	(185)
Amortization of intangible assets	10	122	-	132
Impairment	495	13,100	-	13,595
Income (loss) before income tax	\$ (9,035)	\$ (26,742)	\$ (7,122)	\$ (42,899)
Capital expenditures ⁽¹⁾	\$ 147	\$ 1,765	\$ -	\$ 1,912
Total assets as at June 30, 2020	\$ 254,407	\$ 262,461	\$ 1,389	\$ 518,257
Total liabilities as at June 30, 2020	\$ 28,235	\$ 43,606	\$ 202,597	\$ 274,438

Three months ended June 30, 2019	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 53,224	\$ 85,158	\$ -	\$ 138,382
Coiled tubing	22,881	25,314	-	48,195
Total revenue	76,105	110,472	-	186,577
Expenses				
Operating expenses	78,241	104,006	572	182,819
Selling, general and administrative	2,488	3,355	5,197	11,040
Results from operating activities	(4,624)	3,111	(5,769)	(7,282)
Finance costs	-	-	3,672	3,672
Foreign exchange (gain) loss	(583)	(1)	-	(584)
(Gain) loss on disposal of property and equipment	(793)	457	-	(336)
Amortization of intangible assets	10	1,546	-	1,556
Income (loss) before income tax	\$ (3,258)	\$ 1,109	\$ (9,441)	\$ (11,590)
Capital expenditures ⁽¹⁾	\$ 11,081	\$ 2,892	\$ -	\$ 13,973
Total assets as at December 31, 2019	\$ 371,496	\$ 312,184	\$ 2,359	\$ 686,039
Total liabilities as at December 31, 2019	\$ 70,895	\$ 54,903	\$ 237,418	\$ 363,216

1) Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets.

Six months ended June 30, 2020	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 86,948	\$ 80,925	\$ -	\$ 167,873
Coiled tubing	35,690	31,451	-	67,141
Total revenue	122,638	112,376	-	235,014
Expenses				
Operating expenses	123,507	125,626	773	249,906
Selling, general and administrative	2,955	3,952	8,848	15,755
Results from operating activities	(3,824)	(17,202)	(9,621)	(30,647)
Finance costs	-	-	7,862	7,862
Foreign exchange (gain) loss	1,226	(31)	-	1,195
(Gain) loss on disposal of property and equipment	(947)	(68)	-	(1,015)
Amortization of intangible assets	20	241	-	261
Impairment	59,245	13,100	-	72,345
Income (loss) before income tax	\$ (63,368)	\$ (30,444)	\$ (17,483)	\$ (111,295)
Capital expenditures ⁽¹⁾	\$ 5,259	\$ 11,673	\$ -	\$ 16,932

Six months ended June 30, 2019	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 135,575	\$ 125,393	\$ -	\$ 260,968
Coiled tubing	48,756	53,322	-	102,078
Total revenue	184,331	178,715	-	363,046
Expenses				
Operating expenses	173,432	175,526	1,200	350,158
Selling, general and administrative	4,784	5,505	9,595	19,884
Results from operating activities	6,115	(2,316)	(10,795)	(6,996)
Finance costs	-	-	6,925	6,925
Foreign exchange (gain) loss	(1,847)	(2)	-	(1,849)
(Gain) loss on disposal of property and equipment	(1,397)	388	-	(1,009)
Amortization of intangible assets	20	3,311	-	3,331
Loss on foreign exchange forward contracts	-	-	383	383
Income (loss) before income tax	\$ 9,339	\$ (6,013)	\$ (18,103)	\$ (14,777)
Capital expenditures ⁽¹⁾	\$ 22,686	\$ 10,099	\$ -	\$ 32,785

NOTE 17 – INCOME TAXES

On April 8, 2020 the U.S. department of the Treasury and the Internal Revenue Service published final regulations addressing anti-hybrid rules under section 267A of the U.S. tax code. Pursuant to these regulations, the Company is no longer entitled to certain tax benefits. An increase to deferred income tax liability of \$8.4 million was recorded in the second quarter of 2020 related to this change in tax law. The increase includes \$7.0 million of deferred tax benefit previously recognized at March 31, 2020 and December 31, 2019.

CORPORATE INFORMATION

Management

Regan Davis

President and Chief Executive Officer

Michael Kelly

Executive Vice-President and Chief Financial Officer

Steve Glanville

Vice-President, Operations and Chief Operating Officer

Rory Thompson

President, Canadian Operations

Brock Duhon

President, United States Operations

Lori McLeod-Hill

Vice-President, Finance

Directors

Douglas Freel ⁽¹⁾

Evelyn Angelle ⁽²⁾

Regan Davis ⁽³⁾⁽⁴⁾

Jeremy Gackle ⁽²⁾⁽⁵⁾

Donna Garbutt ⁽⁶⁾⁽⁷⁾

James Harbilas ⁽⁸⁾⁽⁹⁾

Jason Skehar ⁽⁴⁾⁽⁹⁾

1. Chair of the Board
2. Member of the Audit Committee
3. President and Chief Executive Officer
4. Member of the Health, Safety and Environment Committee
5. Chair of the Compensation and Corporate Governance Committee
6. Lead Director
7. Chair of the Health, Safety and Environment Committee
8. Chair of the Audit Committee
9. Member of the Compensation and Corporate Governance Committee

Corporate office

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Website

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Trustee and transfer agent

TSX Trust Company

Calgary, Alberta and Toronto, Ontario

Bank

ATB Corporate Financial Services

Auditors

KPMG LLP

Chartered Professional Accountants

Calgary, Alberta

Legal Counsel

Stikeman Elliott LLP

Stock Symbol

“STEP”

Toronto Stock Exchange