

STEP

energy services

TSX STEP

Second Quarter

Management Discussion and Analysis

As at and for the three and six months ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of August 11, 2021 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim Financial Statements and Notes thereto as at and for the three and six months ended June 30, 2021 (the "Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2020 (the "Annual Financial Statements") and related MD&A (the "Annual MD&A"). Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2020 dated March 17, 2021 (the "AIF").

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP now provides an integrated solution for deep capacity coiled tubing services and fracturing to exploration and production ("E&P") companies in Canada and the U.S. Our Canadian integrated 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.

CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

(\$000s except percentages and per share amounts)	Three months ended			Six months ended	
	June 30,	June 30,	March 31,	June 30,	
	2021	2020	2021	2021	2020
Consolidated revenue	\$ 107,546	\$ 40,644	\$ 136,812	\$ 244,358	\$ 235,014
Net loss	\$ (10,582)	\$ (40,348)	\$ (7,944)	\$ (18,526)	\$ (92,552)
Per share-basic	\$ (0.16)	\$ (0.60)	\$ (0.12)	\$ (0.27)	\$ (1.38)
Per share-diluted	\$ (0.16)	\$ (0.60)	\$ (0.12)	\$ (0.27)	\$ (1.38)
Weighted average shares – basic	68,051,699	67,236,580	67,720,318	67,886,996	67,090,259
Weighted average shares – diluted	68,051,699	67,236,580	67,720,318	67,886,996	67,090,259
Adjusted EBITDA ⁽¹⁾	\$ 11,676	\$ (3,467)	\$ 15,960	\$ 27,636	\$ 19,336
Adjusted EBITDA % ⁽¹⁾	11%	(9%)	12%	11%	8%

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

(\$000s except shares and per share amounts)	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 2,974	\$ 1,266
Working capital (including cash and cash equivalents) ⁽²⁾	\$ (164,357)	\$ 44,646
Working capital (reflecting the subsequent event at August 3, 2021) ⁽²⁾	\$ 19,660	\$ 44,646
Total assets	\$ 445,105	\$ 479,859
Total long-term financial liabilities ⁽²⁾	\$ 11,358	\$ 216,627
Total long-term financial liabilities (including loans and borrowings)	\$ 195,375	\$ 216,627
Net debt ⁽²⁾	\$ 197,013	\$ 208,735
Shares outstanding	68,091,947	67,713,824

⁽²⁾ See Non-IFRS Measures. "Working capital", "Total long-term financial liabilities" and "Net debt" are financial measures not presented in accordance with IFRS. "Working capital" is equal to total current assets less total current liabilities. "Total long-term financial liabilities" is comprised of Long-term 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.

SECOND QUARTER 2021 OVERVIEW

The second quarter of 2021 continued the momentum generated in the first quarter as vaccination rates increased which led to further relaxation of the measures previously implemented to manage the COVID-19 virus and related variants. The attempts to return to pre-COVID societal and economic activity have resulted in commodity inventory draw downs as global oil production has lagged demand recovery. Production increases have been gradual due to a disciplined approach by the Organization of Petroleum Exporting Countries (“OPEC”), Russia and certain other oil-producing countries (collectively “OPEC+”) combined with U.S. sanctions on Iran and Venezuela curtailing supply. This resulted in increased commodity prices through the quarter with West Texas Intermediate (“WTI”) crude oil spot pricing averaging \$65.95 USD/barrel, an increase of 135% compared to the same quarter last year. The improved commodity price environment led to increased drilling activity in the U.S. with rig counts increasing 15% over the same period last year. Natural gas prices remained stable quarter over quarter with AECO-C spot price averaging \$3.10 CAD/MMBtu, representing a 55% increase over the second quarter of 2020.

(unaudited)	Three months ended				
	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
AECO-C Spot Average Price (CAD/MMBtu)	\$ 3.10	\$ 3.10	\$ 2.66	\$ 2.26	\$ 2.00
WTI – Average Price (USD/bbl)	\$ 66.19	\$ 58.04	\$ 42.72	\$ 40.88	\$ 28.04
WCS – Average Price (USD/bbl)	\$ 53.29	\$ 46.21	\$ 31.44	\$ 31.15	\$ 19.93
Condensate – Average Price (USD/bbl)	\$ 64.87	\$ 59.16	\$ 43.08	\$ 38.77	\$ 23.18
Average Exchange Rate (USD/CAD)	\$ 0.81	\$ 0.79	\$ 0.77	\$ 0.75	\$ 0.72
Canadian Average Drilling Rig Count	72	145	88	47	25
U.S. Average Drilling Rig Count	450	393	311	254	392

Source: PSAC, Bank of Canada, Baker Hughes

STEP’s second quarter of 2021 was reflective of the ongoing economic recovery with revenue increasing by 165% from the same period last year which saw an unprecedented slowdown of activity caused by responses to the COVID-19 Pandemic. STEP was able to achieve stronger utilization in Canadian operations than expected, despite the seasonal industry slowdowns typically experienced during spring break-up, as the higher drilling activity levels from the first quarter of 2021 combined with limited staffed equipment available resulted in a carry over of completions activity. During second quarter 2021, U.S. operations enjoyed steady demand for our fracturing services, however, coiled tubing services were impacted by intermittent activity as the market remained in an over-supply position. Despite the challenges, U.S. operations performed in line with expectations and gained momentum going into the third quarter with strong execution from our field operations. Trends that continued to develop in second quarter of 2021 were global supply chain constraints (steel, long lead times for equipment parts) and shortages of labour.

FINANCIAL HIGHLIGHTS – SECOND QUARTER AND YEAR TO DATE JUNE 30

- Financial Position and Liquidity:
 - Repaid \$10.0 million of the term loan facility during second quarter 2021.
 - Cash and cash equivalents of \$3.0 million (December 31, 2020 - \$1.3 million)
 - Working capital (reflecting the subsequent event at August 3, 2021) remained positive at \$19.7 million (December 31, 2020 - \$44.6 million)
 - Complied with all financial and non-financial covenants under our Credit Facilities as at June 30, 2021 (see CAPITAL MANAGEMENT – Debt in this MD&A).
- Consolidated revenue was \$107.5 million and \$244.4 million for the three and six months ended June 30, 2021, compared to \$40.6 million and \$235.0 million in the same periods of the prior year, an increase of 165% for the three months ended June 30, 2021 and an increase of 4% for the six months ended June 30, 2021. The increased revenue was a result of increased demand and improved commodity prices spurring drilling and completions activity as the North American economies continued to recover from the Pandemic.
- Consolidated net loss for the three and six months ended June 30, 2021 was \$10.6 million and \$18.5 million, respectively, compared to a net loss of \$40.3 million and \$92.6 million for the same periods in 2020. The reduced net losses are due to higher revenue related to increased activity and the resizing of the organization for the anticipated level of activity. The net losses for the three and six months ended June 30, 2020 included \$58.8 million and \$72.3 million in non-cash impairment charges to property and equipment, respectively. No impairments or impairment reversals were recognized during the three and six months ended June 30, 2021.

- For the three and six months ended June 30, 2021, Adjusted EBITDA was \$11.7 million (11% of revenue) and \$27.6 million (11% of revenue), respectively, compared to a \$3.5 million loss (negative 9% of revenue) and \$19.3 million (8% of revenue) for the same periods in the prior year.
- STEP incurred negligible severance expenses for the three and six months ended June 30, 2021 compared to \$1.4 million and \$3.3 million for the same periods in the prior year.
- For the three months ended June 30, 2021, the Company recognized \$1.9 million (June 30, 2020 - \$3.1 million) in grants under the Canada Emergency Wage Subsidy (“CEWS”) program as a reduction of employee costs. For the six months ended June 30, 2021, the Company recognized \$5.7 million in grants from CEWS as a reduction of employee costs compared to \$3.1 million for the same period in the prior year.
- On August 3, 2021, STEP entered into an agreement with its banking syndicate to extend the maturity date of its Credit Facilities to July 30, 2023, as well as amending and extending the Covenant Relief Period (as defined in the Credit Facilities) for certain covenant provisions therein.
 - Because the agreement was approved after June 30, 2021, but before the release of STEP’s Financial Statements, IFRS requires STEP to classify all amounts outstanding under the facility as a current liability at June 30, 2021.
 - Effective August 3, 2021, with the signing of the Second Amending Agreement, STEP reclassified the June 30, 2021 balance of \$184.0 million in outstanding loans and borrowings from current liabilities to long-term liabilities. STEP is scheduled to begin making repayments on March 31, 2022 and each quarter thereafter. Therefore, the first and second quarter 2022 repayments, amounting to an aggregate of \$14.0 million, will remain a current liability.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTERS

- Consolidated revenue in the second quarter of 2021 decreased to \$107.5 million from \$136.8 million in first quarter 2021. The second quarter saw decreased activity levels in Canada compared to the previous quarter due to the seasonal industry slowdown experienced during spring break-up. The U.S. operations saw an improvement quarter over quarter with increased utilization and modest pricing improvements.
- Consolidated net loss in second quarter 2021 was \$10.6 million compared to a net loss of \$7.9 million in first quarter 2021. The increased net loss in second quarter 2021 was a result of decreased revenue due to the seasonal reduction in activity in Canada. We are also seeing increasing labour costs resulting from increases in economic activity resulting in competition for staff.
- Consolidated Adjusted EBITDA of \$11.7 million or 11% of revenue, decreased from \$16.0 million or 12% of revenue in first quarter 2021 as the reduced revenue was combined with inflationary pressure on the operating cost structure.
- During second quarter 2021, the Company received \$1.9 million in grants under the CEWS program. This compares to first quarter 2021, when the Company received \$3.8 million in grants under the CEWS program.

INDUSTRY CONDITIONS & OUTLOOK

INDUSTRY CONDITIONS

The first half of 2021 was a positive improvement over 2020 which was a difficult year for the North American oil and gas services industry. Increased vaccination rates globally combined with billions of dollars in governmental economic stimulus programs have supported a modest rebound of global economic activity resulting in a recovery in crude oil demand. Although activity levels have improved, they have not reached pre-Pandemic levels.

We believe that the global economic recovery is taking hold and increased drilling and completions will be needed to meet increased demand for crude oil in the back half of 2021 and throughout 2022. Higher and more stable commodity prices are being supported by recovering global crude oil demand and should result in an increase in North American E&P company capital programs as operators will need to offset production decline rates. In the U.S., we have seen private companies taking the lead in completions activity spurred, in part, by the higher-than-expected commodity prices.

The Canadian market demand and supply for coiled tubing and fracturing equipment is largely balanced. In the U.S., the gap between available fracturing equipment and demand for fracturing equipment is reaching equilibrium. Some major industry participants are predicting that demand for and availability of equipment will tighten faster than previously expected as equipment attrition undertaken over the last two years and labour tightness limit the amount of equipment available to the market. Demand for low emissions equipment is high and supply is limited. Pressure pumpers are also experiencing increased costs for steel, parts, and labour shortages. Pricing will have to continue increasing to cover not only inflationary costs but also enhancements to equipment.

Some industry participants have recently indicated that they expect that the global economic recovery will trigger an international energy industry super-cycle that should lead to higher activity levels and wider margins. Recently, our clients, particularly in the U.S., have begun inquiring as to longer term arrangements for services provided by STEP, as a result of growing concerns for equipment availability for 2022 programs.

The global availability of crude oil and pricing will continue to be affected by the discipline of OPEC+ members as the organization recently agreed to increase production by 400,000 bbl/day each month from August through December 2021. OPEC+ recently settled internal disputes over imposed production limits by allowing further production increases in early 2022.

Some uncertainty continues as the COVID-19 delta variant spreads and other COVID-19 variants could evolve. North American and global economic recovery could be threatened by governments re-imposing restrictions to mitigate the spread of new COVID-19 variants. Early indications from various European nations point to potential lock downs in the fall if cases continue to rise. This gives rise to concerns over slow downs in consumer spending with particular focus on deterioration in industrial, travel, and transportation demand.

North American pressure pumping pricing can be described as periods of discipline followed by bursts of aggressive pricing to gain or retain market share. Canadian pricing remains sensitive to equipment additions and despite many industry players indicating pricing will need to recover before more equipment will be activated, major players have signaled their intention to stand up equipment. U.S. pricing has seen improvements, at first to cover the increasing cost profiles, and more recently to improve profitability and fund investment in new capacity, but overall pricing recovery has been impacted by the rate of equipment reactivation and the new capacity coming to market. Some service providers have invested in advanced technologies that align with client's Environmental, Social and Governance ("ESG") strategies or reduce overall completion costs. The equipment using these advanced technologies is able to earn premiums over conventional equipment, however, current market pricing doesn't support a return on capital required for a large-scale buildout of such equipment. With the current balance of the market, we expect pricing to remain at current levels in Canada and improve modestly in the U.S. through the remainder of 2021.

THIRD QUARTER 2021 OUTLOOK

In Canada, results from the second quarter of 2021 surpassed expectations as this period is normally characterized by significant reductions in activity as weather conditions and government regulations restrict mobilizations of drilling and completions equipment. The market remains competitive and attempts to achieve meaningful price recovery beyond cost inflation have been met with resistance. In the third quarter, STEP's Canadian operations are expected to continue to build off

Q2 activity levels as our clients restart their drilling and completions programs. Staffing equipment has become a significant constraint on operations and management is taking steps to attract and retain top talent. STEP's strong execution and top tier dual-fuel fleet capabilities that improve cost efficiencies and support ESG programs continue to differentiate the Company from its peers. STEP continues to upgrade its fleet with the rollout of our idle reduction equipment. This important initiative reduces the environmental impact of STEP's operating fleets by reducing idling time and reducing fleet emissions, all the while saving on fuel and repairs and maintenance expenses.

STEP's U.S. operations had an improved second quarter that built momentum for a more constructive view to the third quarter. Drilling and completions activity remains strong and demand for equipment is allowing for some pricing increases. Fracturing has visibility of utilization for the existing equipment compliment and the Company expects to reactivate a third fracturing crew in the third quarter to meet client demand. STEP now has 52,250 horsepower ("HP") of fracturing equipment in the U.S. with dual-fuel capabilities following the conversion of one of its U.S. operating fleets undertaken during the second quarter. There is significant interest in these units and STEP has been able to charge a premium for their use.

U.S. Coiled tubing services have been challenged by aggressive pricing by localized suppliers but these pressures started to subside in the later part of the quarter. The third quarter is expected to see opportunities for fleet expansion and continued price recovery. Like Canada, field personnel staffing challenges remain a significant constraint to returning equipment to the field.

FULL YEAR 2021 OUTLOOK

Canadian activity in the second half of 2021 is expected to have a strong start in the third quarter and transition to intermittent activity for the fourth quarter consistent with prior fourth quarters. STEP's strategic clients have asked for commitments for the balance of the year and into 2022 but capital decisions are being made on a project-to-project basis. Pricing is expected to remain competitive, but STEP has largely been able to achieve increases to cover the effects of inflation. STEP's Canadian operations are expected to maintain existing operating capacity and will continue to monitor and adjust capacity based on near-term demand outlook.

U.S. operations are expected to benefit from the increased drilling and completions activity supported by strong commodity prices and the reactivation of the third fracturing crew. STEP aligned itself with strategic clients to ensure a base level of utilization for the balance of the year, and barring any negative events or economic shutdowns, U.S. operations are expected to end the year with improved results. Pricing improvements are expected to take affect in the third quarter and capacity expansion will be primarily dependent on attracting and retaining quality staff.

CAPITAL EXPENDITURES

During second quarter 2021 the Company approved an additional \$5.4 million in optimization and maintenance capital to support the reactivation and maintenance capital costs of the third U.S. fracturing crew, and to enhance the Company's fire suppression capabilities for its U.S. fracturing services. Prior to this increase, STEP's 2021 capital program was \$33.7 million comprised of \$28.8 million maintenance capital and \$4.9 million of optimization capital. The total approved capital program is now \$39.1 million comprised of \$31.5 million maintenance capital and \$7.6 million of optimization capital. STEP will continue to evaluate and manage its manned equipment and capital program based on market demand for STEP's services.

SUBSEQUENT EVENT

August 3, 2021, STEP entered into a Second Amending Agreement with a syndicate of financial institutions to extend the maturity date of its Credit Facilities to July 30, 2023, as well as amended and extended the Covenant Relief Period (as defined in the Credit Facilities) for certain covenant provisions therein. See CAPITAL MANAGEMENT – *Debt* below for details.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

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

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Revenue:					
Fracturing	\$ 55,321	\$ 3,397	\$ 87,829	\$ 143,150	\$ 86,948
Coiled tubing	17,844	10,491	21,533	39,377	35,690
	73,165	13,888	109,362	182,527	122,638
Expenses:					
Operating expenses	65,943	23,003	96,126	162,071	123,507
Selling, general and administrative	1,778	931	1,764	3,543	2,955
Results from operating activities	\$ 5,444	\$ (10,046)	\$ 11,472	\$ 16,913	\$ (3,824)
Add non-cash items:					
Depreciation	9,792	10,595	9,239	19,031	25,464
Share-based compensation	397	423	820	1,218	223
Adjusted EBITDA ⁽¹⁾	\$ 15,633	\$ 972	\$ 21,531	\$ 37,162	\$ 21,863
Adjusted EBITDA % ⁽¹⁾	21%	7%	20%	20%	18%
Sales mix (% of segment revenue)					
Fracturing	76%	24%	80%	78%	71%
Coiled tubing	24%	76%	20%	22%	29%
Fracturing services					
Fracturing revenue per operating day ⁽¹⁾	\$ 317,937	\$ 242,643	\$ 313,675	\$ 315,308	\$ 213,108
Number of fracturing operating days ⁽²⁾	174	14	280	454	408
Proppant pumped (tonnes)	275,000	9,000	327,000	602,000	391,000
Stages completed	1,942	113	3,213	5,155	4,544
Proppant pumped per stage	142	80	102	117	86
Horsepower ("HP")					
Active pumping HP, end of period	200,000	50,000	200,000	200,000	50,000
Idle pumping HP, end of period	82,500	232,500	82,500	82,500	232,500
Total pumping HP, end of period ⁽³⁾	282,500	282,500	282,500	282,500	282,500
Coiled tubing services					
Coiled tubing revenue per operating day ⁽¹⁾	\$ 58,697	\$ 51,936	\$ 46,709	\$ 51,473	\$ 45,815
Number of coiled tubing operating days ⁽²⁾	304	202	461	765	779
Active coiled tubing units, end of period	7	5	7	7	5
Idle coiled tubing units, end of period	9	11	9	9	11
Total coiled tubing units, end of period	16	16	16	16	16

⁽¹⁾ See Non-IFRS Measures.

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

⁽³⁾ Represents total owned HP in Canada, of which 200,000 HP is currently deployed and 15,000 of the remainder requires certain maintenance and refurbishment.

SECOND QUARTER 2021 COMPARED TO SECOND QUARTER 2020

The second quarter of 2021 was a substantial improvement over the same period in the prior year for Canadian operations. Revenue increased by \$59.3 million over second quarter 2020 with fracturing revenue increasing \$51.9 million and coiled tubing revenue increasing \$7.4 million. The increase in revenue was attributable to higher drilling and completions activity and client mix in the WCSB. The increased activity was a result of commodity prices increasing from the lows experienced in the second quarter of 2020, which improved economics for clients.

Adjusted EBITDA for the second quarter of 2021 was \$15.6 million (21% of revenue) compared to \$1.0 million (7% of revenue) in the second quarter of 2020. The improved margins are a result of a lower support cost structure as headcount reductions in selling, general, and administrative (“SG&A”) implemented in 2020 were largely maintained into second quarter 2021. The reduction in costs due to fewer employees was partly offset by the reversal of wage rollbacks effective January 1, 2021. Further improving margins was the absence of severance costs, which totaled \$1.3 million in second quarter 2020. Second quarter 2021 included \$1.8 million in CEWS (June 30, 2020 - \$2.8 million) which was recorded as a reduction in employee costs.

Fracturing

Canadian fracturing operated four spreads in second quarter 2021, compared to two spreads in second quarter 2020, as the increase in drilling activity improved demand for services. Activity benefited from strategic clients remaining more active in the second quarter which is normally characterized by an industry wide slow down because of spring break-up. Further improving utilization was a large pad that moved out of STEP’s first quarter 2021 schedule and into second quarter 2021. This contributed to an increase in operating days from 14 in second quarter 2020 to 174 in second quarter 2021.

The sharp increase in activity resulted in revenue increasing \$51.9 million compared to second quarter 2020. Revenue per operating day also increased to \$317,937 from \$242,643 in second quarter 2020 due to client and formation mix. STEP worked with clients on large pad operations with multiple wells, driving up horsepower and support equipment requirements while treatment designs for the formations stimulated resulted in increased proppant pumped. The increased revenue combined with cost efficiencies related to working on larger pads resulted in improved direct margins.

STEP capitalizes fluid ends when their estimated useful life exceeds 12 months. Fluid ends are capitalized in Canada based on a review of usage history. However, had the Company expensed fluid ends, the operating expenses for the three months ended June 30, 2021 would have been approximately \$0.9 million higher.

Coiled Tubing

Canadian coiled tubing also benefited from an uncharacteristically active spring break-up period with 304 operating days compared to 202 in the second quarter 2020. Operations staffed seven coiled tubing units, on average, during the second quarter of 2021 as compared to five units in the same period of the prior year. The increase in operating days resulted in revenue of \$17.8 million for the three months ended June 30, 2021, an increase of 70% from revenue of \$10.5 million in the same quarter in 2020. The increase in staffed units combined with reversals of compensation reductions implemented in 2020 resulted in increased payroll expenses, driving a slight reduction in direct margin as a percentage of revenue.

SECOND QUARTER 2021 COMPARED TO FIRST QUARTER 2021

Total Canadian revenue for the second quarter of 2021 of \$73.2 million decreased from revenue of \$109.4 million in the first quarter 2021. Operations carried some of the momentum generated in the first quarter 2021 into the second quarter, despite a 50% reduction in rig count from 145 in the first quarter 2021 to 72 in the second quarter 2021. The second quarter is traditionally characterized by an industry wide slowdown because of spring break-up. Fracturing revenue decreased \$32.5 million while coiled tubing revenue decreased \$3.7 million.

Adjusted EBITDA for the second quarter of 2021 was \$15.6 million (21% of revenue) compared to \$21.5 million (20% of revenue) from the first quarter of 2021. Margins were impacted by higher payroll expenses which were offset by a material reduction in outsourced logistics as the reduction in activity provided an opportunity to internally source proppant hauling. Second quarter 2021 included \$1.8 million in CEWS which was a substantial reduction from the \$3.6 million recorded in first quarter 2021.

Revenue and Adjusted EBITDA in the second quarter of 2021 exceeded expectations due to higher activity levels as limited equipment availability and congested schedules in the first quarter pushed client capital projects into the second quarter.

Fracturing

The Company had enough work secured to continue operating four fracturing spreads in second quarter 2021, however, the arrival of spring breakup resulted in a 38% decrease in operating days from 280 in the three months ended March 31, 2021 to 174 days in the three months ended June 30, 2021. STEP pumped 275,000 tonnes of proppant and 142 tonnes per stage in second quarter 2021 compared to 327,000 tonnes and 102 tonnes per stage in first quarter 2021.

Coiled Tubing

Coiled tubing was able to continue to staff seven coiled tubing units as the operations benefited from increased milling and various other interventions that result from higher drilling and fracturing activity. Second quarter 2021 operating days of 304 decreased from 461 in first 2021 but were above the tempered expectations related to the spring break-up slow down.

SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO SIX MONTHS ENDED JUNE 30, 2020

Revenue for Canadian operations for the first half of 2021 increased \$59.9 million over the same period in the prior year as the North American economies began recovering from the historic drops experienced because of the Pandemic. The improvement was led by fracturing operations which saw a \$56.2 million increase in revenue with only an 11% increase in operating days. The 48% increase in revenue per operating day was aided by an increase in the amount of STEP supplied proppant work relative to 2020. Coiled tubing experienced a \$3.7 million increase in revenue despite a 2% reduction in operating days due to an increase in ancillary fluid pumping services and modest rate recovery.

Adjusted EBITDA for the six months ended June 30, 2021 was \$37.2 million (20% of revenue) compared to \$21.9 million (18% of revenue) from the same period in 2020. Margins were impacted by inflationary pressures on material costs due to global supply chain constraints as well as the reversal of wage reductions at the start of 2021. These were offset by the increased revenue combined with a leaner overhead and support structure implemented by management at the end of the first quarter of 2020. Margins for the six months ended June 30, 2020, were negatively impacted by \$4.7 million in severance expense related to right-sizing the operations at the onset of the Pandemic. Canadian operations recorded \$5.4 million in CEWS for the six months ended June 30, 2021 compared to \$2.8 million in the same period in 2020.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

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

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Revenue:					
Fracturing	\$ 19,036	\$ 20,483	\$ 16,425	\$ 35,461	\$ 80,925
Coiled tubing	15,345	6,273	11,025	26,370	31,451
	34,381	26,756	27,450	61,831	112,376
Expenses:					
Operating expenses	40,218	38,711	38,029	78,246	125,626
Selling, general and administrative	1,546	1,656	1,406	2,953	3,952
Results from operating activities	\$ (7,383)	\$ (13,611)	\$ (11,985)	\$ (19,368)	\$ (17,202)
Add non-cash items:					
Depreciation	8,133	11,112	8,691	16,825	23,039
Share-based compensation	272	71	277	549	(266)
Adjusted EBITDA ⁽¹⁾	\$ 1,022	\$ (2,428)	\$ (3,017)	\$ (1,994)	\$ 5,571
Adjusted EBITDA % ⁽¹⁾	3%	(9%)	(11%)	(3%)	5%
Sales mix (% of segment revenue)					
Fracturing	55%	77%	60%	57%	72%
Coiled tubing	45%	23%	40%	43%	28%
Fracturing services					
Fracturing revenue per operating day ⁽¹⁾	\$ 130,384	\$ 347,169	\$ 122,575	\$ 126,646	\$ 307,700
Number of fracturing operating days ⁽²⁾	146	59	134	280	263
Proppant pumped (tonnes)	191,000	90,000	189,000	380,000	383,000
Stages completed	816	431	909	1725	1,810
Proppant pumped per stage	234	209	208	220	212
Horsepower ("HP")					
Active pumping HP, end of period	110,000	65,000	110,000	110,000	65,000
Idle pumping HP, end of period	97,500	142,500	97,500	97,500	142,500
Total pumping HP, end of period ⁽³⁾	207,500	207,500	207,500	207,500	207,500
Coiled tubing services					
Coiled tubing revenue per operating day ⁽¹⁾	\$ 36,363	\$ 42,385	\$ 35,000	\$ 35,780	\$ 44,802
Number of coiled tubing operating days ⁽²⁾	422	148	315	737	702
Active coiled tubing units, end of period	8	4	7	8	4
Idle coiled tubing units, end of period	5	9	6	5	9
Total coiled tubing units, end of period	13	13	13	13	13

⁽¹⁾ See Non-IFRS Measures.

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

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

SECOND QUARTER 2021 COMPARED TO SECOND QUARTER 2020

The second quarter 2021 was a key milestone for the U.S. as the operations generated positive Adjusted EBITDA for the first time since the unprecedented downturn in economic activity brought on by the Pandemic at the end of first quarter 2020. During second quarter 2021, the U.S. retrofitted 52,250 HP of fracturing pumpers with dual-fuel equipment that uses natural gas substitution to minimize diesel consumption and reduce the impact on the environment. These capital expenditures were viewed favourably by our client base as they looked to strengthen their ESG initiatives and have resulted in pricing increases for the fracturing operations. Revenue of \$34.4 million during the three months ended June 30, 2021 increased from \$26.8 million for the three months ended June 30, 2020, an increase of 28%. Fracturing revenue was \$19.0 million in second quarter 2021 compared to \$20.5 million in second quarter 2020. Coiled tubing revenue was \$15.3 million in second quarter 2021 compared to \$6.3 million in second quarter 2020.

Adjusted EBITDA was \$1.0 million (3% of revenue) for the three months ended June 30, 2021 compared to an Adjusted EBITDA loss of \$2.4 million (negative 9% of revenue) for the three months ended June 30, 2020. Margins were impacted by increased materials costs due to inflation and global supply chain delays and compensation increases as hiring and retaining experienced personnel is becoming costlier.

Fracturing

During the second quarter of 2021, STEP U.S. operated two fracturing spreads, an increase from second quarter 2020 when the onset of the Pandemic led to scaling back operating spreads to match the reductions in activity. The improved commodity prices have led to increased drilling and completions activity resulting in 146 operating days in second quarter 2021 compared to 59 in second quarter 2020.

Revenue per operating day decreased to \$130,384 in second quarter 2021 compared to \$347,169 in second quarter 2020 as the client and contract mix resulted in substantial reductions in proppant revenue as clients chose to source their own proppant. STEP was able to achieve modest pricing increases toward the end of the second quarter 2021 but the market remains highly competitive.

Coiled Tubing

Coiled tubing saw improved utilization with 422 operating days during the second quarter of 2021 while operating eight coiled tubing units compared to 148 operating days on four units in the second quarter of 2020. While activity was sporadic through the second quarter in west and south Texas, STEP was able to capitalize on spot market opportunities due to market presence and reputation for execution. Coiled tubing operations also gained some market share in the Bakken and Rockies regions and STEP expects to carry this forward into the third quarter while pursuing commitments from clients with sizeable work scopes. Like fracturing, coiled tubing faces pricing pressures with a continued over supply of equipment and aggressive pricing practices as competitors attempt to gain market share. Revenue per day during second quarter 2021 was \$36,363 per day compared to \$42,385 per day in second quarter 2020.

SECOND QUARTER 2021 COMPARED TO FIRST QUARTER 2021

U.S. revenue of \$34.4 million for the three months ended June 30, 2021 increased \$6.9 million from the first quarter 2021 revenue of \$27.5 million. The increase in revenue was a result of strong commodity prices continuing to drive drilling and completions activity recovery. Fracturing contributed \$2.6 million to the increased revenue while coiled tubing contributed \$4.3 million.

Adjusted EBITDA for the second quarter of 2021 was \$1.0 million or 3% of revenue, an improvement over an Adjusted EBITDA loss of \$3.0 million or negative 11% of revenue in the first quarter of 2021. The improvement in results can be attributed to increased revenue covering the fixed cost base of U.S. operations. Overhead and SG&A cost management measures implemented in 2020 continued through the quarter.

Fracturing

The highly competitive market for fracturing services in the U.S. limited STEP to operating two fracturing spreads in the second quarter of 2021, however, pricing improvements and a multitude of opportunities forgone due to scheduling conflicts have

presented an opportunity to add an additional spread in the third quarter. Fracturing saw 146 operating days in the second quarter 2021 representing a slight improvement from 134 in the first quarter 2021. Revenue per operating day increased from \$122,575 in first quarter 2021 to \$130,384 in second quarter 2021 due to job mix and pricing recovery.

Coiled Tubing

STEP U.S. coiled tubing saw a material improvement in revenue from the first quarter of 2021 as activity levels increased. Operating days increased from 315 in first quarter of 2021 to 422 in second quarter of 2021. Coiled tubing revenue per day of \$36,363 in second quarter 2021 increased from \$35,000 per day in the first quarter of 2021 as pricing improvements began to materialize. The cost profile remained relatively stable quarter over quarter which led to improved operating margins with the increase in revenue.

SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO SIX MONTHS ENDED JUNE 30, 2020

U.S. operations had revenue of \$61.8 million during the six months ended June 30, 2021, a 45% decrease from revenue of \$112.4 million during the six months ended June 30, 2020. STEP U.S. posted improving results at the start of 2020 until the unprecedented drop-in economic activity caused by the Pandemic reduced commodity prices to all time lows which led to dramatically lower drilling and completions activity. In 2020, with the on-set of the industry slowdown, STEP immediately adjusted the size of operations and focused on factors within the Company's control. While not at pre-Pandemic levels, recent improvements in revenue and operating margins are positive indicators of a recovery.

Adjusted EBITDA loss for the six months ended June 30, 2021 was \$2.0 million (negative 3% of revenue) compared to Adjusted EBITDA of \$5.6 million (5% of revenue) from the same period in 2020. Margins were impacted by the significant reduction in revenue combined with inflationary pressures on material costs due to the global supply chain constraints as well as compensation cost increases due to a competitive labour environment.

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, general and administrative costs include costs associated with the executive team, the Board of Directors, public company costs, and other activities that benefit Canadian and U.S. operating segments collectively.

(\$000's)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Expenses:					
Operating expenses	\$ 278	\$ 140	\$ 214	\$ 491	\$ 773
General and administrative	6,771	3,580	5,205	11,974	8,848
Results from operating activities	\$ (7,049)	\$ (3,720)	\$ (5,419)	\$ (12,465)	\$ (9,621)
Add non-cash items:					
Depreciation	155	196	173	327	412
Share-based compensation	1,915	1,513	2,692	4,606	1,111
Adjusted EBITDA ⁽¹⁾	\$ (4,979)	\$ (2,011)	\$ (2,554)	\$ (7,532)	\$ (8,098)
Adjusted EBITDA % ^(1,2)	(5%)	(5%)	(2%)	(3%)	(3%)

⁽¹⁾ See Non-IFRS Measures.

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

SECOND QUARTER 2021 COMPARED TO SECOND QUARTER 2020

Second quarter 2021 expenses of \$7.0 million were \$3.3 million higher than second quarter 2020 expenses of \$3.7 million. The increase was comprised of \$1.6 million of costs related to legal expenses and the settlement of a litigation matter as well as increases in compensation expenses. Compensation expenses were higher relative to second quarter 2020 which had temporary compensation rollbacks and eliminations of bonuses as a measure to reduce costs to manage the impacts of the Pandemic. Second quarter 2021 also experienced reductions in CEWS benefits (\$0.1 million in second quarter 2021 compared to \$0.3 million in second quarter 2020), increases to share-based compensation ("SBC") of \$0.4 million primarily due to marking to market cash-based long term incentive units ("LTIP"), and an increase in hiring costs. The Company largely maintained the headcount reductions implemented in the prior year to minimize support structure costs.

SECOND QUARTER 2021 COMPARED TO FIRST QUARTER 2021

Expenses from corporate activities were \$7.0 million for the second quarter of 2021 compared to \$5.4 million for the first quarter of 2021, an increase of \$1.6 million. The quarter over quarter expense increase is primarily due to \$1.6 million of costs related to legal expenses and the settlement of a litigation matter as well as increases in hiring costs and professional fees related to the proxy season. These increases were offset by a \$0.8 million reduction in SBC. First quarter 2021 CEWS of \$0.2 million were recorded as a reduction in wage expense compared to \$0.1 million CEWS recorded in second quarter of 2021.

SIX MONTHS ENDED JUNE 30, 2021 COMPARED TO SIX MONTHS ENDED JUNE 30, 2020

Corporate expenses increased by \$2.9 million from \$9.6 million for the six months ended June 30, 2020 to \$12.5 million for the six months ended June 30, 2021. SBC increased by \$3.4 million due to marking to market the cash settled LTIP and the annual grants made June 1, 2021. Corporate costs also included \$1.6 million of costs related to legal expenses and the settlement of a litigation matter as well as increases to compensation related to the reversal of rollbacks and bonus accruals. The increases were partially offset by a reduction in bad debt expense as the Company did not record a provision for the six months ended June 30, 2021 compared to \$2.5 million for the same period in 2020. The six months ended June 30, 2020 also included severance expenses of \$0.7 million as management reduced headcount as a measure to minimize the impacts of the Pandemic. CEWS benefits of \$0.3 million were the same as the prior year as the program began in the second quarter of 2020.

CONSOLIDATED FINANCIAL REVIEW

(\$000's except per share amounts)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Revenue	\$ 107,546	\$ 40,644	\$ 136,812	\$ 244,358	\$ 235,014
Operating expenses	106,439	61,854	134,369	240,808	249,906
Gross profit	1,107	(21,210)	2,443	3,550	(14,892)
Selling, general and administrative	10,095	6,167	8,375	18,470	15,755
Results from operating activities	(8,988)	(27,377)	(5,932)	(14,920)	(30,647)
Finance costs	3,433	3,402	3,087	6,520	7,862
Foreign exchange loss (gain)	(38)	(1,422)	(9)	(48)	1,195
Loss (gain) on disposal of property and equipment	(554)	(185)	369	(185)	(1,015)
Amortization of intangible assets	112	132	114	227	261
Impairment	-	13,595	-	-	72,345
Net loss before income tax	(11,941)	(42,899)	(9,493)	(21,434)	(111,295)
Income tax expense (recovery)	(1,359)	(2,551)	(1,549)	(2,908)	(18,743)
Net loss	(10,582)	(40,348)	(7,944)	(18,526)	(92,552)
Other comprehensive income (loss)	(2,354)	(9,368)	(2,550)	(4,905)	11,594
Total comprehensive loss	\$ (12,936)	\$ (49,716)	\$ (10,494)	\$ (23,431)	\$ 80,958
Loss per share – basic	\$ (0.16)	\$ (0.60)	\$ (0.12)	\$ (0.27)	\$ (1.38)
Loss per share – diluted	\$ (0.16)	\$ (0.60)	\$ (0.12)	\$ (0.27)	\$ (1.38)
Adjusted EBITDA ⁽¹⁾	\$ 11,676	\$ (3,467)	\$ 15,960	\$ 27,636	\$ 19,336
Adjusted EBITDA % ⁽¹⁾	11%	(9%)	12%	11%	8%

⁽¹⁾ See Non-IFRS Measures.

OTHER ITEMS

Depreciation and amortization

For the three and six months ended June 30, 2021, depreciation and amortization expense was \$18.1 million and \$36.4 million respectively, down from \$22.0 million and \$49.2 million in the same periods of 2020. The decreases were a result of the Company recording non-cash impairment charges of \$58.8 million in the first quarter of 2020 and \$13.1 million in the second quarter 2020, reducing the carrying value of equipment. Depreciation is also being affected by lower maintenance capital additions during 2020 and 2021 due to the decreased amount of equipment in service.

Finance costs

STEP's finance costs were \$3.4 million and \$6.5 million for the three and six months ended June 30, 2021. Finance costs for the three and six months ended June 30, 2020 were \$3.4 million and \$7.9 million. The effective borrowing rates for the three and six months ended June 30, 2021 were 4.95% and 4.70%, respectively, compared to 4.10% and 4.90% for the same periods in 2020. The increased borrowing rates were offset by decreased debt outstanding of \$200.0 million as at June 30, 2021 compared to \$205.5 million as at June 30, 2020 resulting in similar finance costs. For the six months ended June 30, 2021, finance costs decreased by \$1.4 million compared to the same period in the prior year due to reduced debt levels.

Foreign exchange gains and losses

Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations. STEP recorded nominal foreign exchange gains for the three and six months ended June 30, 2021. This compares to a gain of \$1.4 million and a loss of \$1.2 million for the three and six months ended June 30, 2020, respectively. The changes over the prior year are a result of more accounts payable denominated in USD and debt drawn in USD at June 30, 2020 compared to June 30, 2021. The Canadian dollar also weakened significantly at the start of the Pandemic and has since strengthened.

Gains or losses on disposal of property and equipment

The Company recorded gains on the disposal of property and equipment of \$0.2 million for the six months ended June 30, 2021 compared to gains of \$1.0 million for the same period in 2020. Gains in the current and prior year relate primarily to the disposal of non-core assets. Non-core assets were acquired through bulk acquisitions of fracturing assets in prior years.

Share-based compensation

For the three and six months ended June 30, 2021, STEP recorded share-based compensation expense of \$2.6 million and \$6.4 million, respectively. This is an increase from the \$2.0 million and \$1.1 million in expenses recorded in the same periods of the prior year. The three and six months ended June 30, 2020 were affected primarily by the reversal, in late first quarter, of SBC expense for instruments that had not yet vested related to employees leaving the company and the revaluation of cash based units being revalued at a very low share price. The SBC expense for the three and six months ended June 30, 2021 was primarily affected by the revaluing of cash based units at a higher share price.

Income taxes

STEP recorded a total income tax recovery of \$1.4 million and \$2.9 million for the three and six months ended June 30, 2021 compared to a total income tax recovery of \$2.6 million and \$18.7 million for the comparable periods of 2020. The decrease in income tax recovery was primarily due to lower losses before income tax.

Besides the decreased losses before income tax, the effective tax rate in both the three and six months ended June 30, 2021 differs from the comparable periods of 2020. There were two significant events changing the effective tax rate between the comparable periods. In the second quarter of 2021, there was a one-time tax recovery reduction when the deferred tax assets in the U.S. were unrecognized. This decreased the income tax recovery for both the three and six months ended June 30, 2021. In the second quarter of 2020, there was a one-time tax recovery reduction to address the enactment of anti-hybrid rules under section 267A of the U.S. Internal Revenue Code. This decreased the income tax recovery for both the three and six months ended June 30, 2020.

TOTAL CAPITAL EXPENDITURES

(\$000's)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Capital program additions	\$ 10,005	\$ 976	\$ 7,873	\$ 17,878	\$ 12,670
Right-of-use asset additions (new contracts in the period)	717	936	2,235	2,952	4,262
Total capital expenditures	\$ 10,722	\$ 1,912	\$ 10,108	\$ 20,830	\$ 16,932
Capital was incurred for:					
Canada	\$ 5,253	\$ 147	\$ 6,107	\$ 11,360	\$ 5,259
United States	\$ 5,469	\$ 1,765	\$ 4,001	\$ 9,470	\$ 11,673

STEP funds capital expenditures from a combination of cash, cash provided by operating activities, and available credit facilities. STEP also manages its capital expenditures based on the actual and anticipated level of activity. The capital expenditures for the three months ended June 30, 2021 were \$10.7 million, a significant increase from \$1.9 million for the three months ended June 30, 2020. The increase in capital expenditures was the result of increased maintenance capital spend associated with higher activity compared to the same period in 2020.

LIQUIDITY AND CAPITAL RESOURCES

(\$000's)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Net cash provided by (used in)					
Operating activities	\$ 19,697	\$ 45,222	\$ 11,929	\$ 31,626	\$ 62,556
Investing activities	(10,765)	(4,332)	(6,213)	(16,978)	(15,735)
Financing activities	(15,349)	(62,263)	2,450	(12,899)	(39,482)
Impact of foreign exchange on cash	(64)	(239)	23	(41)	657
Increase (decrease) in cash and cash equivalents	\$ (6,481)	\$ (21,612)	\$ 8,189	\$ 1,708	\$ 7,996
Opening cash balance	9,455	36,875	1,266	1,266	7,267
Ending cash balance	\$ 2,974	\$ 15,263	\$ 9,455	\$ 2,974	\$ 15,263

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled \$19.7 million and \$31.6 million for the three and six months ended June 30, 2021, compared to \$45.2 million and \$62.6 million in the same periods of 2020. During the three and six months ended June 30, 2020, STEP was actively collecting accounts receivable but due to the low level of activity, accounts payable was not increasing. During the three and six months ended June 30, 2021, STEP continued actively collecting its accounts receivable. However, the change in working capital was not as pronounced as accounts payable increased as a result of materials and repairs and maintenance costs that were incurred with the higher level of activity.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled \$10.8 million and \$17.0 million for the three and six months ended June 30, 2021, compared to \$4.3 million and \$15.7 million used in the comparable periods of 2020. The increase was due to increased capital spend as improvements in activity drove maintenance capital spending and an improved outlook allowed for capital investment in optimization projects.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

For the three and six months ended June 30, 2021, net cash used in financing activities totaled \$15.3 million and \$12.9 million, respectively, compared to \$62.3 million and \$39.5 million used in the same periods of 2020. For the three and six months ended June 30, 2020, there were repayments of loans and borrowings of \$60.6 million and \$35.9 million, respectively, as compared to repayments of \$13.8 million and \$9.9 million respectively for the three and six months ended June 30, 2021. During the second quarter of 2020, STEP actively collected accounts receivable generated in first quarter of 2020, the proceeds were used to pay down debt.

WORKING CAPITAL⁽¹⁾ AND CASH REQUIREMENTS

As at June 30, 2021, STEP had negative working capital⁽¹⁾ of \$164.4 million, compared to working capital of \$44.6 million as at December 31, 2020. The decrease was a result of the IFRS requirement to classify the loans and borrowings outstanding on the Credit Facilities as current due to the extension of the maturity date amendment being approved after June 30, 2021 but before the release of the Financial Statements. Effective August 3, 2021, STEP reclassified outstanding loans and borrowings under the Credit Facilities to a long-term liability. Had that reclassification to a long-term liability occurred at June 30, 2021, working capital would have been \$19.7 million.

Trade and other receivables decreased from \$63.5 million at December 31, 2020 to \$54.9 million at June 30, 2021, due to the seasonal slow down in activity in Canada resulting in reduced revenue. Trade and other payables decreased to \$46.3 million at June 30, 2021 from \$48.8 million as at December 31, 2020 as activity levels decreased. With its positive working capital position (reflecting the subsequent event at August 3, 2021), anticipated funds provided by operations and expected available unused capacity on its revolver and operating lines, the Company expects to have adequate resources to fund its operations, meet its financial obligations and expected capital expenditures through the next 12 months. Reductions in clients' cash flow or difficulty in their ability to source debt or equity could negatively impact the Company's assessment of liquidity risk.

⁽¹⁾ See Non-IFRS Measures.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

(\$000s)	2021	2022	2023	2024	2025	Thereafter	Total
Trade and other payables	\$ 46,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,250
Income tax payable	19	-	-	-	-	-	19
Operating commitments ^(1,2)	748	1,448	1,442	318	255	41	4,252
Short-term and low value lease obligations ⁽²⁾	50	21	-	-	-	-	71
Lease obligations ^(2,3)	3,888	4,121	3,068	1,488	509	20	13,094
Loans and borrowings ⁽⁴⁾	5,011	204,697	-	-	-	-	209,708
Capital expenditure commitments ⁽⁵⁾	3,548	-	-	-	-	-	3,548
Total commitments	\$ 59,514	\$ 210,287	\$ 4,510	\$ 1,806	\$ 764	\$ 61	\$ 276,942

⁽¹⁾ The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to seven years with an option to renew upon expiry.

⁽²⁾ Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.21 CAD.

⁽³⁾ Balance includes interest portion of lease obligations.

⁽⁴⁾ Includes estimated interest and principal repayments, based on current amounts outstanding and current interest rates at June 30, 2021. Both are variable in nature.

⁽⁵⁾ 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)	June 30, 2021	December 31, 2020
Shareholders' equity	\$ 183,045	\$ 204,579
Lease obligations	12,145	12,717
Loans and borrowings	197,992	207,630
Total capital	\$ 393,182	\$ 424,926

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 August 11, 2021 there were 68,099,408 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

As at June 30, 2021, the Company's Credit Facilities with a syndicate of lenders were comprised of a Canadian \$200.0 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 "Credit Facilities"). As previously mentioned in the INDUSTRY CONDITIONS & OUTLOOK - SUBSEQUENT EVENT section of this MD&A, the Company entered into a Second Amending Agreement on August 3, 2021 to extend the maturity date of the Credit Facilities to July 30, 2023 and to amend and extend the Covenant Relief Period (as defined in the Credit Facilities) to June 30, 2022 to permit a maximum Funded Debt to Adjusted Bank EBITDA Ratio of 3.50:1 and a maximum Interest Coverage Ratio of 3.00:1 for the fiscal quarter ending June 30, 2022. The Credit Facilities include a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. Any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants.

Scheduled quarterly repayments of the term loan facility of \$7.0 million per quarter commence on March 31, 2022. The balance is due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of: (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of \$10 million Canadian less priority payables and certain liquidity requirements (see item five below). At June 30, 2021, the Company's borrowing base was \$42.1 million compared to

\$49.3 million as at December 31, 2020. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base. As amended August 3, 2021 the Credit Facilities include certain financial and non-financial covenants, including:

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

Quarters Ended	Funded Debt to Tangible Net Worth ratio maximum permitted
June 30, 2021	1.50:1
September 30, 2021	1.75:1
December 31, 2021 and thereafter	Not Tested

As at June 30, 2021, STEP's Funded Debt to Tangible Net Worth ratio was 1.11:1.

2. A Minimum Quarterly Adjusted Bank EBITDA covenant. Adjusted Bank EBITDA means, the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax 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 Company is required to meet the following Adjusted Bank EBITDA:

Quarters Ended	Adjusted Bank EBITDA minimum permitted (\$'000's)
June 30, 2021	\$ 5,033
September 30, 2021	\$ 7,869
December 31, 2021 and thereafter	Not Tested

As at June 30, 2021, STEP's Adjusted Bank EBITDA was \$13,611.

3. 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 meet the following interest coverage ratios:

Quarters Ended	Interest Coverage ratio minimum permitted
June 30, 2021	Not Tested
September 30, 2021	Not Tested
December 31, 2021	3.00:1
March 31, 2022	3.00:1
June 30, 2022	3.00:1
September 2022 and thereafter	3.00:1

4. 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.

Quarters Ended	Funded Debt to Adjusted Bank EBITDA ratio maximum permitted
June 30, 2021	Not Tested
September 30, 2021	Not Tested
December 31, 2021	4.50:1
March 31, 2022	4.00:1
June 30, 2022	3.50:1
September 30, 2022 and thereafter	3.00:1

5. A Minimum Liquidity Availability. This means the Company must ensure on a consolidated monthly basis during the Covenant Relief Period (as defined in the Credit Facilities) Liquidity Availability of \$7.5 million or greater. Liquidity Availability means the applicable Borrowing Base minus the sum of: (a) all outstanding accommodations under the revolving facility and the operating facilities; and (b) all interest, fees, expenses, and other amounts due and payable under the Credit Facilities. The Liquidity Availability was \$41.9 million at June 30, 2021 compared to \$49.0 million as at December 31, 2020.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at June 30, 2021.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 200 basis points to 500 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three and six months ended June 30, 2021 was 4.95% and 4.70%, respectively (three and six months ended June 30, 2020 – 4.10% and 4.90%, respectively). The Company has total outstanding letters of credit of \$0.03 million. The total amount of Credit Facilities outstanding on June 30, 2021 is as follows:

(\$000's) As at	June 30, 2021	December 31, 2020
Short term portion of term loan facility	\$ 199,987	\$ -
Long term portion of term loan facility	-	210,000
Canadian and U.S. operating lines	-	1
Revolving facility	-	-
Deferred financing costs ⁽¹⁾	(1,995)	(2,371)
Loans and borrowings	\$ 197,992	\$ 207,630

The following table displays the movements in loans and borrowings during the six months ended June 30, 2021:

	(\$000's)
Balance at January 1, 2021	\$ 207,630
Repayment of loans and borrowings	(9,912)
Deferred financing incurred	(580)
Accretion of deferred financing costs	957
Interest Payable	82
Unrealized foreign exchange loss	(185)
Balance at June 30, 2021	\$ 197,992

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

LITIGATION

During the second quarter, the Company reached a settlement related to the Calfrac Well Services Ltd. 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 any appropriate provisions based on such assessments.

SELECTED QUARTERLY INFORMATION

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

Quarterly Results Summary ⁽²⁾								
(\$000's, except per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2021	2021	2020	2020	2020	2020	2019	2019
Revenue								
Canadian Operations	73,165	109,362	40,973	44,849	13,888	108,750	72,500	97,834
United States Operations	34,381	27,450	30,595	17,514	26,756	85,619	54,007	80,911
	107,546	136,812	71,568	62,363	40,644	194,369	126,507	178,745
Net (loss) income attributable to shareholders								
	(10,582)	(7,944)	(17,045)	(9,762)	(40,348)	(52,203)	(24,411)	(112,843)
Adjusted EBITDA ⁽³⁾								
Canadian Operations	15,633	21,531	5,542	17,188	972	20,891	9,401	23,085
United States Operations	1,022	(3,017)	(1,398)	(4,799)	(2,428)	7,998	2,175	3,769
Corporate	(4,979)	(2,554)	(1,697)	(3,291)	(2,011)	(6,087)	(2,411)	(4,164)
	11,676	15,960	2,447	9,098	(3,467)	22,802	9,165	22,690
Capital expenditures ⁽⁴⁾								
Canadian Operations	5,253	6,107	2,913	1,285	147	5,112	5,172	5,697
United States Operations	5,469	4,001	1,010	64	1,765	9,908	11,536	7,051
	10,722	10,108	3,923	1,349	1,912	15,020	16,708	12,748
Per Common Share								
Net (loss) income – basic	(0.16)	(0.12)	(0.25)	(0.14)	(0.60)	(0.78)	(0.37)	(1.69)
Net (loss) income – diluted	(0.16)	(0.12)	(0.25)	(0.15)	(0.60)	(0.78)	(0.37)	(1.69)
Adjusted EBITDA ⁽³⁾ – basic	0.17	0.24	0.03	0.13	(0.05)	0.34	0.14	0.34
Adjusted EBITDA ⁽³⁾ – diluted	0.17	0.24	0.03	0.13	(0.05)	0.34	0.14	0.34

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

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ See Non-IFRS Measures.

⁽⁴⁾ Capital expenditures include amounts added in respect of finance right-of-use assets.

Quarterly Operating Summary								
(000's, except units)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2021	2021	2020	2020	2020	2020	2019	2019
Canada								
Exit active fracturing spreads	4	4	3	3	1	6	6	6
Exit active HP (000's)	200	200	150	150	50	225	225	225
Total HP (000's)	283	283	283	283	283	283	283	298
Exit active coiled tubing units	7	7	5	5	5	10	9	9
Total coiled tubing units	16	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	2	2	2	1	1	3	3	3
Exit active HP (000's)	110	110	110	50	65	158	158	143
Total HP (000's)	208	208	208	208	208	208	208	193
Exit active coiled tubing units	8	7	6	5	4	7	8	8
Total coiled tubing units	13	13	13	13	13	13	13	13

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 income tax receivable and payable and loans and borrowings.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and income tax receivable and payable, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value.

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. During the three months ended June 30, 2021, global events have, and are expected to continue to have a significant impact on client credit risk. These factors have been incorporated in the Company's assessment of expected credit losses at June 30, 2021. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances 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 measures potential loss exposures on trade and other receivables at an amount equal to lifetime expected credit losses. At every point after the initial recognition, there is at least some risk of default. To assess this risk, the Company considers quantitative and qualitative information based on the Company's historical experience and forward-looking information. Factors considered include customer payment history, customer credit ratings, customer cash flows, industry trends, and commodity pricing forecasts. The Company assumes that the credit risk on a financial asset increases significantly the longer it is outstanding. The Company had \$0.1 million in write-offs of allowance for doubtful accounts during the three and six months ended June 30, 2021.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate bank indebtedness. Based on the average outstanding debt for the three and six months ended June 30, 2021, a 1.0% change in the bankers' prime rate would result in a \$0.5 million and \$1.1 million increase or decrease in interest expense, respectively.

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2021.

NON-IFRS MEASURES

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

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

(\$000s except percentages and per share amounts)	Three months ended			Six months ended	
	June 30, 2021	June 30, 2020	March 31, 2021	June 30, 2021	2020
Net loss	\$ (10,582)	\$ (40,348)	\$ (7,944)	\$ (18,526)	\$ (92,552)
Add (deduct):					
Depreciation and amortization	18,192	22,035	18,217	36,410	49,176
Loss (gain) on disposal of equipment	(554)	(185)	369	(185)	(1,015)
Finance costs	3,433	3,402	3,087	6,520	7,862
Income tax recovery	(1,359)	(2,551)	(1,549)	(2,908)	(18,743)
Share-based compensation	2,584	2,007	3,789	6,373	1,068
Foreign exchange (gain) loss	(38)	(1,422)	(9)	(48)	1,195
Impairment	-	13,595	-	-	72,345
Adjusted EBITDA	\$ 11,676	\$ (3,467)	\$ 15,960	\$ 27,636	\$ 19,336
Adjusted EBITDA %	11%	(9%)	12%	11%	8%

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

"Working capital", "Total long-term financial liabilities" and "Net debt" are financial measures not presented in accordance with IFRS. "Working capital" is equal to total current assets less total current liabilities. "Total long-term financial liabilities" is comprised of loans and borrowings, Long-term lease obligations and other liabilities. "Net debt" is equal to loans and

borrowings before deferred financing charges less cash and cash equivalents. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The following table represents the composition of the non-IFRS financial measure of working capital (including cash and cash equivalents). The composition of working capital (reflecting the subsequent event at August 3, 2021) is also presented as a result of the IFRS requirement discussed in the FINANCIAL HIGHLIGHTS – SECOND QUARTER AND YEAR TO DATE JUNE 30 section.

(\$000s)	June 30, 2021	December 31, 2020
Current assets	\$ 85,550	\$ 99,469
Current liabilities	(249,907)	(54,823)
Working capital (including cash and cash equivalents)	\$ (164,357)	\$ 44,646
Add (Deduct):		
Long-term loans and borrowings	197,992	-
Current portion of loans and borrowings	(13,975)	-
Working capital (reflecting the subsequent event at August 3, 2021)	\$ 19,660	\$ 44,646

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

(\$000s)	June 30, 2021	December 31, 2020
Loans and borrowings	\$ 197,992	207,630
Add back: Deferred financing costs	1,995	2,371
Less: Cash and cash equivalents	(2,974)	(1,266)
Net debt	\$ 197,013	208,735

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 (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“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 DC&P or ICFR during the period ending June 30, 2021, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021. The preparation of the unaudited condensed consolidated interim financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the unaudited condensed consolidated interim financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Note 1 to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 and Notes 1 and 2 to the audited annual consolidated financial statements for the year ended December 31, 2020 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. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the annual MD&A, both of which are available on www.sedar.com, and the disclosure provided in this MD&A under the headings "*Industry Conditions & Outlook*". In addition, global, national or local health concerns, including the outbreak of Pandemic or contagious diseases such as COVID-19, may adversely affect the Company by: (i) reducing global economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services; (ii) impairing its supply chain (for example, by limiting the manufacturing of materials or the supply of services used in the Company's operations); (iii) interrupting its operations (for example, as a result of government mandated shut-down or other preventative measures, or illness among its workforce); and (iv) affecting the health of its workforce, rendering employees unable to work or travel. Other than as supplemented in this MD&A, the Company's risk factors and management thereof has not changed substantially from those disclosed in the AIF and annual MD&A.

FORWARD-LOOKING INFORMATION & STATEMENTS

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

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: 2021 and 2022 industry conditions and outlook, including potential changing activity levels and the impact thereof on the Company's equipment

reactivation plans, performance, revenue and cash flows; the potential for a global economic recovery; supply and demand for the Company's and its competitors' services; a strengthening commodity price outlook, including its effects on drilling activity levels and pricing for the Company's services; COVID-19, COVID-19 variants and the related public health measures and their impact on energy demand and the Company's financial position and business plans; client demand for dual-fuel and idle reduction capabilities; supply and demand for oilfield services and industry activity levels, including industry capacity, equipment levels, and utilization levels; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the effect of OPEC and OPEC+ agreements on crude oil availability and pricing; market uncertainty, and its effect on commodity prices; relaxation of COVID-19 related restrictions, the potential for another wave of COVID-19 infections, and the resulting impact on crude oil demand and the Company's operations; the Company's anticipated business strategies and expected success, including the potential reactivation of a third U.S. fracturing fleet and the level of operating capacity in Canada; the Company's ability to upgrade its equipment; the Company's ability to manage its capital structure; pricing received for the Company's services, including the Company's ability to increase pricing; the Company's capital program in 2021 and management's continued evaluation thereof; expectation of the Company's ability to qualify and participate in the CEWS program; planned utilization of government financial support and economic stimulus programs; expected profitability, including future improvements to U.S. financial and operating results; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2021; planned deployment and staffing levels for the Company's equipment; the Company's ability to retain its existing clients; the monitoring of industry demand, client capital budgets and market conditions; client credit risk, including the Company's ability to set credit limits, monitor client payment patterns, and to apply liens; and the Company's expected compliance with covenants under its Credit Facilities, its ability to continue as a going concern, and its ability to satisfy its financial commitments and obtain relief from the lenders under its Credit Facilities; and the impact of litigation, on the Company.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the Company's ability to manage the effects of the COVID-19 Pandemic and OPEC or OPEC+ related market uncertainty on the market for its services; industry and regulatory uncertainty caused by the new U.S. Presidential administration and potential changes to laws and regulations affecting the Company and its clients; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; the Company's ability to meet dynamic requests of clients for longer term arrangements in response to equipment supply pressure; 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 and the ability to obtain covenant relief; 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 below and elsewhere in this MD&A: volatility of the oil and natural gas industry; global, national or local health concerns such as the COVID-19 Pandemic and their impact on demand and pricing for the Company's services, the Company's supply chain, the continuity of the Company's operations and the health of the Company's workforce; competition in the oilfield services industry; availability of staff in the oilfield services industry; restrictions on access to capital; reliance on suppliers of raw materials, diesel fuel and component parts; reliance on equipment suppliers and fabricators; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; fluctuations in interest rates on floating rate loans and borrowings; merger and acquisition activity among the Company's clients; reduction in the Company's clients' cash flows or ability to source debt or equity; federal, provincial or state legislative and regulatory initiatives that could result in increased costs and additional operating restrictions or delays; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; changes to government financial support and economic stimulus programs implemented to mitigate economic impacts of COVID-19; loss of a significant client could

cause the Company's revenue to decline substantially; negative cashflows from operating activities; third party credit risk; hazards inherent in the oilfield services industry which may not be covered to the full extent by the Company's insurance policies; difficulty in retaining, replacing or adding personnel; seasonal volatility due to adverse weather conditions; reliance on a few key employees; legal proceedings involving the Company; failure to maintain the Company's safety standards and record; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results differing materially from management estimates and assumptions; market uncertainties; and the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading "Risk Factors and Risk Management" in this MD&A and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this MD&A regarding prospective financial performance, financial position or cash flows is based on the assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information, including the Company's capital program, contains forward looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations will likely vary from the amounts set forth in these projections and such variations may be material. Readers are cautioned that any such financial outlook and future oriented financial information 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.