STEP energy services

TSX STEP

Condensed Consolidated Interim

Financial Statements

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

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at Unaudited (in thousands of Canadian dollars)	Notes		March 31, 2023		December 31, 2022
ASSETS					
Current Assets					
Cash and cash equivalents		$	1,237	$	2,785
Trade and other receivables	8		157,056		199,004
Income tax receivable			-		137
Inventory			49,078		46,410
Prepaid expenses and deposits			5,735		8,025
			213,106		256,361
Property and equipment			403,111		402,482
Right-of-use assets			21,607		23,528
Intangible assets			151		161
Other assets	10		4,225		-
		$	642,200	$	682,532
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Trade and other payables	4,8	$	125,353	$	165,869
Current portion of lease obligations			8,436		8,326
Current portion of other liabilities	2,8		7,093		6,526
Income tax payable			7,559		9,060
			148,441		189,781
Deferred tax liabilities			15,773		17,972
Lease obligations			12,225		13,860
Other liabilities	4,8		9,413		14,092
Loans and borrowings	2		130,577		140,794
			316,429		376,499
Shareholders' equity					
Share capital			453,756		453,702
Contributed surplus			34,111		32,843
Accumulated other comprehensive income			14,996		16,236
Deficit			(177,092)		(196,748)
			325,771		306,033
		$	642,200	$	682,532

See accompanying notes to the condensed consolidated interim financial statements

See Note 3 – Commitments
See Note 11 – Contingencies and provisions

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERM STATEMENTS OF NET INCOME AND OTHER COMPREHENSIVE INCOME

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended March 31, 2023	2022
Revenue	9	$ 263,368	$ 219,539
Operating expenses	6	228,955	190,063
Gross profit		34,413	29,476
Selling, general and administrative expenses	6	4,729	14,950
Results from operating activities		29,684	14,526
Finance costs	7	2,900	3,317
Foreign exchange loss		170	180
Unrealized loss on derivatives	8	1,052	-
Gain on disposal of property and equipment		(273)	(818)
Amortization of intangible assets		10	114
Income before income tax		25,825	11,733
Income tax expense (recovery)			
Current		8,352	-
Deferred		(2,183)	2,560
		6,169	2,560
Net income		19,656	9,173
Other comprehensive income			
Foreign currency translation loss		(1,240)	(1,844)
Total comprehensive income		$ 18,416	$ 7,329
Income per share:			
Basic	5	$ 0.27	$ 0.14
Diluted	5	$ 0.26	$ 0.13

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited in thousands of Canadian dollars)	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at January 1, 2022		$ 435,768	$ 30,820	$ 2,383	$ (291,529)	$ 177,442
Net income for the period		-	-	-	9,173	9,173
Foreign currency translation loss		-	-	(1,844)	-	(1,844)
Share-based compensation	4	-	340	-	-	340
Exercise of equity share-based compensation	4	38	(38)	-	-	-
Balance at March 31, 2022		$ 435,806	$ 31,122	$ 539	$ (282,356)	$ 185,111
Balance at January 1, 2023		$ 453,702	$ 32,843	$ 16,236	$ (196,748)	$ 306,033
Net income for the period		-	-	-	19,656	19,656
Foreign currency translation loss		-	-	(1,240)	-	(1,240)
Share-based compensation	4	-	1,322	-	-	1,322
Exercise of equity share-based compensation		54	(54)	-	-	-
Balance at March 31, 2023		**$ 453,756**	**$ 34,111**	**$ 14,996**	**$ (177,092)**	**$ 325,771**

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)	Notes	For the three months ended March 31, 2023	2022
Operating activities:			
Net income		$ 19,656	$ 9,173
Adjusted for the following:			
Depreciation and amortization		20,774	17,071
Share-based compensation (recovery)	4	(5,096)	5,506
Unrealized foreign exchange loss		114	290
Unrealized loss on derivatives	2,8	1,052	-
Gain on disposal of property and equipment		(273)	(818)
Finance costs	2,7	2,900	3,317
Income tax expense		6,169	2,560
Income taxes paid		(9,850)	-
Cash finance costs paid		(1,813)	(3,137)
Changes in non-cash working capital from operating activities		12,203	(50,805)
Net cash provided by (used in) operating activities		45,836	(16,843)
Investing activities:			
Purchase of property and equipment		(25,992)	(11,714)
Proceeds from disposal of equipment and vehicles		326	401
Changes in non-cash working capital from investing activities		(9,304)	2,572
Net cash used in investing activities		(34,970)	(8,741)
Financing activities:			
(Repayment) draws of loans and borrowings	2	(10,526)	30,600
Repayment of obligations under finance lease		(1,999)	(2,035)
Net cash provided by (used) in financing activities		(12,525)	28,565
Impact of exchange rate changes on cash		111	(42)
(Decrease) increase in cash and cash equivalents		(1,548)	2,939
Cash and cash equivalents, beginning of period		2,785	3,698
Cash and cash equivalents, end of period		$ 1,237	$ 6,637

See accompanying notes to the condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements
(unaudited)

As at and for the three months ended March 31, 2023 and 2022.

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

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PREPARATION

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

As at March 31, 2023 the significant shareholders of the Company were ARC Energy Fund 6 and ARC Energy Fund 8.

Statement of Compliance
These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34, interim Financial Reporting, as issued by International Accounting Standard Board ("IASB"). Other than discussed below, the same accounting policies and methods of computation are followed in these interim financial statements as compared with the last annual financial statements. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2022.

These condensed consolidated interim financial statements were approved by the Board of Directors ("Board") on May 10, 2023.

The condensed consolidated interim financial statements were prepared under the historical cost basis, except for the revaluation of cash settled share-based compensation and certain financial assets and liabilities at fair value. These consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the Company. All financial information has been rounded to the nearest thousands, except where indicated.

Seasonality of operations
The Company's Canadian business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters, and the least activity generally tends to be in the second quarter because of spring break-up. Spring break-up typically occurs between March and June and can limit the Company's operating activities due to extended periods of adverse weather which can result in restrictions on the movement of heavy equipment. Activity in the U.S. can be affected by spring break-up but is generally not as influenced by seasonal conditions.

Critical accounting estimates and judgments
The preparation of the condensed consolidated interim financial statements requires management to make certain estimates and judgments concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the condensed consolidated interim financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes.

NOTE 2 – LOANS AND BORROWINGS

As at March 31, 2023, the Company's Credit Facilities with a syndicate of lenders were comprised of a Canadian $215.0 million revolving loan facility, a Canadian $15.0 million operating facility and a U.S. $15.0 million operating facility (the "Credit Facilities"). The Credit Facilities included a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. The maturity date of the Credit Facilities is July 12, 2025. As amended July 12, 2022, the Credit Facilities include certain financial and non-financial covenants, including:

1. An Interest Coverage Ratio. This refers to the ratio of Adjusted Bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to have an interest coverage ratio of greater than 3.00:1.00. At March 31, 2023 the Company had an interest coverage ratio of 22.68:1.00.

2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At March 31, 2023, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.70:1.00.

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

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

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

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

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

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

NOTE 3 – COMMITMENTS

The following table summarizes the Company's estimated commitments that are not included in the condensed consolidated interim statement of financial position related to leases as at March 31, 2023 for the following five years and thereafter:

		2023		2024		2025		2026		2027		Thereafter		Total
Operating expenses for lease obligations[1]	$	802	$	975	$	938	$	889	$	843	$	-	$	**4,447**
Short term and low value lease obligations[1]		187		47		-		-		-		-		**234**
Total commitments	$	989	$	1,022	$	938	$	889	$	843	$	-	$	**4,681**

(1) Includes U.S. obligations at the March 31, 2023 exchange rate of 1 USD = 1.352 CAD.

Operating expenses for lease obligations relate to leases of certain service centers and office space with lease terms of between 1 year and 5 years. The total expense recognized during the three months ended March 31, 2023 for short term and low value lease obligations was $0.4 million (March 31, 2022 - $0.4 million).

As at March 31, 2023, the Company had $29.4 million (December 31, 2022 - $25.2 million) of commitments related to capital expenditures. These commitments are expected to be incurred in fiscal 2023.

NOTE 4 – SHARE-BASED COMPENSATION

Equity settled share-based instruments

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2023	3,100,076	1,673,128	148,190	12,500	25,000	4,958,894
Granted	283,656	1,244,581	249,386	-	-	1,777,623
Exercised[1]	(49,132)	-	-	-	-	(49,132)
Forfeited/Expired	-	(12,000)	-	-	-	(12,000)
Outstanding at March 31, 2023	**3,334,600**	**2,905,709**	**397,576**	**12,500**	**25,000**	**6,675,385**
Exercisable at March 31, 2023	1,848,015	-	-	12,500	25,000	1,885,515

(1) Option exercises for the period ended March 31, 2023 were on a cashless basis.

Cash settled share-based instruments

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2023	2,620,177	278,186	426,400	3,324,763
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited/Expired	-	(4,800)	-	(4,800)
Outstanding at March 31, 2023	**2,620,177**	**273,386**	**426,400**	**3,319,963**
Exercisable at March 31, 2023	2,620,177	-	-	2,620,177

The aggregate liability for all cash settled share-based instruments of $11.7 million is included in the condensed consolidated interim statement of financial position; $2.9 million in trade and other payables and $8.8 million in other long-term liabilities. At each reporting date, between grant date and settlement date of cash settled share-based instruments, the fair value of the liability is re-measured with any changes in fair value recognized in share-based compensation expense for the period (refer to Note 6 – Presentation of Expenses).

Share-based compensation expense

The composition of share-based compensation expense incurred was:

For the three months ended March 31,		**2023**		2022
Equity settled				
New stock options	$	**187**	$	182
Performance warrants		**-**		4
Performance share units		**76**		-
Restricted share units		**1,059**		154
	$	**1,322**	$	340
Cash settled				
Deferred share units	$	**(5,162)**	$	3,042
Performance share units		**(955)**		1,044
Restricted share units		**(301)**		1,080
	$	**(6,418)**	$	5,166
Total share-based compensation expense (recovery)	$	**(5,096)**	$	5,506

NOTE 5 – PER SHARE COMPUTATIONS

For the three months ended March 31,	**2023**	2022
Weighted average number of shares outstanding - basic	**71,603,125**	68,189,275
Dilutive impact of stock options	**3,395,506**	1,548,186
Weighted average number of shares outstanding - diluted	**74,998,631**	69,737,461

For the three months ended March 31,	**2023**	2022
Net income	**19,656**	9,173
Per share – basic	**0.27**	0.14
Per share – diluted	**0.26**	0.13

For the three months ended March 31, 2023, 12.5 thousand prior stock options, 25 thousand performance warrants, and 451 thousand new stock options, and nil restricted share units were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive (March 31, 2022: 79 thousand prior stock options, 225 thousand performance warrants and 202 thousand new stock options).

NOTE 6 – PRESENTATION OF EXPENSES

For the three months ended March 31,		2023		2022
Operating expenses				
Employee costs	$	66,021	$	51,054
Operating expense		64,466		53,649
Materials and inventory costs		77,730		67,843
		208,217		172,546
Depreciation		20,497		16,741
Share-based compensation (recovery)		241		776
Total operating expenses	$	228,955	$	190,063
Selling, general and administrative expenses				
Employee costs	$	6,929	$	7,720
General expenses		2,584		2,016
		9,513		9,736
Allowance for doubtful accounts expense (recovery)		286		268
Depreciation		267		217
Share-based compensation		(5,337)		4,729
Total selling, general and administrative expenses	$	4,729	$	14,950

NOTE 7 – FINANCE COSTS

For the three months ended March 31,		2023		2022
Interest on loans and borrowings	$	2,348	$	2,876
Interest on lease obligations		327		321
Interest income		(52)		-
Accretion of deferred financing charges		266		103
Other		11		17
Total finance costs	$	2,900	$	3,317

NOTE 8 – FINANCIAL INSTRUMENTS

Accounting classifications and fair values

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

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

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

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

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

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

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

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

Credit risk

Credit risk is the risk that a counterparty to a financial asset will not discharge its obligations, resulting in a financial loss to the Company. The majority of the Company's accounts receivable are with clients in the oil and natural gas industry and are subject to normal industry credit risks that include fluctuations in oil and natural gas prices and the ability to secure adequate debt or equity financing. The Company's clients are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure on this balance and management's assessment of the credit risk associated with its clients. The Company's objective is to minimize credit losses.

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

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

Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in the cash and cash equivalents account (See Note 3 for commitments).

The expected timing of cash outflows relating to financial liabilities on the consolidated interim statement of financial position as at March 31, 2023 are:

	2023	2024	2025	2026	2027	Thereafter	**Total**
Lease obligations(1)	$ 7,262	$ 8,238	$ 3,747	$ 2,250	$ 1,057	$ 30	**$ 22,584**
Trade and other payables	125,353	-	-	-	-	-	**125,353**
Loans and borrowings(2)	6,545	8,710	138,072	-	-	-	**153,327**
	$ 139,160	$ 16,948	$ 141,819	$ 2,250	$ 1,057	$ 30	**$ 301,264**

(1) Includes interest portion of lease obligations.

(2) Loans and borrowing balances are based on the credit facility in place at March 31, 2023. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at March 31, 2023. Both are variable in nature.

The Company anticipates that its cash on hand, trade accounts receivable and cash provided by operating activities and the available credit facilities, will be adequate to satisfy its liquidity requirements over the next twelve months.

Market Risk

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

Interest rate risk

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

Foreign exchange rate risk

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. Exposure to foreign exchange rate changes is further mitigated using CCS (refer to Note 2 – Loans and Borrowings).

NOTE 9 – OPERATING SEGMENTS

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

Segmented operating results and activity

Three months ended March 31, 2023	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	$ 139,576	$ 49,317	$ -	$ 188,893
Coiled tubing	34,859	39,616	-	74,475
Total revenue	174,435	88,933	-	263,368
Expenses				
Operating expenses	135,123	93,347	485	228,955
Selling, general and administrative	3,486	2,709	(1,466)	4,729
Results from operating activities	35,826	(7,123)	981	29,684
Finance costs	-	-	2,900	2,900
Foreign exchange (gain) loss	117	77	(24)	170
Unrealized loss on derivatives	-	-	1,052	1,052
Gain on disposal of property and equipment	(69)	(204)	-	(273)
Amortization of intangible assets	10	-	-	10
Income (loss) before income tax	$ 35,768	$ (6,996)	$ (2,947)	$ 25,825
Capital expenditures (1)	$ 13,178	$ 13,470	$ -	$ 26,648
Total assets as at March 31, 2023	$ 355,146	$ 284,988	$ 2,066	$ 642,200
Total liabilities as at March 31, 2023	$ 248,252	$ 68,177	$ -	$ 316,429

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

Three months ended March 31, 2022	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	$ 119,014	$ 49,667	$ -	$ 168,681
Coiled tubing	27,798	23,060	-	50,858
Total revenue	146,812	72,727	-	219,539
Expenses				
Operating expenses	121,365	68,127	571	190,063
Selling, general and administrative	3,324	2,904	8,722	14,950
Results from operating activities	22,123	1,696	(9,293)	14,526
Finance costs	-	-	3,317	3,317
Foreign exchange (gain) loss	265	(10)	(75)	180
Gain on disposal of property and equipment	(369)	(449)	-	(818)
Amortization of intangible assets	10	104	-	114
Income (loss) before income tax	$ 22,217	$ 2,051	$ (12,535)	$ 11,733
Capital expenditures (1)	$ 10,743	$ 6,258	$ -	$ 17,001
Total assets as at March 31, 2022	$ 283,334	$ 262,581	$ 736	$ 546,651
Total liabilities as at March 31, 2022	$ 288,904	$ 72,636	$ -	$ 361,540

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

NOTE 10 – OTHER ASSETS

At March 31, 2023, the Company had an ongoing tax dispute relating to a tax claim in a foreign jurisdiction of approximately $4.2 million. The Company believes this claim is without merit and intends to vigorously defend its tax filing position. The Company paid the entire claim amount as a deposit to the foreign jurisdiction in order to avoid interest and penalties. This amount was recorded as an other asset in the condensed consolidated interim statement of financial position at March 31, 2023.

NOTE 11 - CONTINGENCIES AND PROVISIONS

Litigation

Periodically, the Company may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on input from 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.

CORPORATE INFORMATION

Management

Steve Glanville
President and Chief Executive Officer

Klaas Deemter
Chief Financial Officer

Rory Thompson
Chief Operating Officer

Joshua Kane
Vice-President, Legal and General Counsel

Brad McFarlane
Vice-President, Finance

Mike Burvill
Vice-President, Business Development and Innovation

Tara Boucher
Vice-President, Human Resources

Directors

Douglas Freel (1)

Evelyn Angelle (2)

Steve Glanville (3)(4)

Jeremy Gackle (5)

Donna Garbutt (6)(7)

James Harbilas (8)(9)

Jason Skehar (2)(4)(9)

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

Corporate office

Bow Valley Square II
#1200, 205 – 5 Ave SW
Calgary, Alberta T2P 2V7

Registered office

4300, 888 – 3rd Street SW
Calgary, Alberta T2P 5C5

Website

www.stepenergyservices.com

Trustee and transfer agent

TSX Trust Company
Calgary, Alberta and Toronto, Ontario

Bank

ATB Corporate Financial Services

Auditors

KPMG LLP
Chartered Professional Accountants
Calgary, Alberta

Legal Counsel

Stikeman Elliott LLP

Stock Symbol

"STEP"
Toronto Stock Exchange