

STEP Energy Services Ltd. Reports First Quarter 2020 Results

Calgary, Alberta – May 21, 2020 – STEP Energy Services Ltd. (the “Company” or “STEP”) is pleased to announce its financial and operating results for the three months ended March 31, 2020. The following press release should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three months ended March 31, 2020 (the “Financial Statements”), the MD&A dated May 20, 2020, and audited consolidated financial statements as at and for the year ended December 31, 2019 and related MD&A (the “Annual MD&A”). Readers should also refer to the “Forward-looking information & statements” legal advisory and the section regarding “Non-IFRS Measures” at the end of this press release. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company’s Annual Information Form for the year ended December 31, 2019 dated March 11, 2020 (the “AIF”).

FINANCIAL AND OPERATING RESULTS

FINANCIAL

(\$000s except percentages and per share amounts)	Three months ended March 31	
	2020	2019
Consolidated revenue	\$ 194,369	\$ 176,469
Net (loss) income	\$ (52,203)	\$ (602)
Per share-basic	\$ (0.78)	\$ (0.01)
Per share-diluted	\$ (0.78)	\$ (0.01)
Weighted average shares – basic	66,943,938	66,683,211
Weighted average shares – diluted	66,943,938	66,683,211
Adjusted EBITDA ⁽¹⁾	\$ 22,802	\$ 26,617
Adjusted EBITDA % ⁽¹⁾	12%	15%

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

(\$000s except shares and per share amounts)	March 31,	December 31,
	2020	2019
Cash and cash equivalents	\$ 36,875	\$ 7,267
Working capital (including cash and cash equivalents) ⁽²⁾	\$ 106,082	\$ 72,156
Total assets	\$ 697,592	\$ 686,039
Total long-term financial liabilities ⁽²⁾	\$ 275,264	\$ 247,481
Net debt ⁽²⁾	\$ 230,796	\$ 232,552
Shares outstanding	66,968,029	66,942,830

⁽²⁾ See Non-IFRS Measures. “Working capital”, “Total long-term financial liabilities” and “Net debt” are financial measures not presented in accordance with IFRS. “Working capital” is equal to total current assets less total current liabilities. “Total long-term financial liabilities” is comprised of Loans and borrowings, Long-term lease obligations and Other liabilities. “Net debt” is equal to loans and borrowings before deferred financing charges less cash and cash equivalents.

OVERVIEW

During first quarter 2020, STEP maintained high levels of operating execution and efficiency. In Canada, STEP remained highly utilized until mid-to late March and we were able to complete first quarter work programs for strategic clients prior to the slowdown due to COVID-19. STEP's suite of technologies continues to be a differentiator as the Company retained and added key coiled tubing clients in first quarter 2020. STEP's US fracturing operations were highly utilized with operating days doubling from first quarter 2019. STEP's US coiled tubing operations reduced its coiled tubing units by two from fourth quarter 2019 and maintained operating days at 554 compared to 559 in the same quarter of 2019. Competitive day rates continued for this service line.

In mid-March, STEP reduced headcount and wages for all employees in anticipation of a drop-in activity from COVID-19 and relating to actions of certain members of Organization of Petroleum Exporting Countries ("OPEC"), Russia and certain other oil-producing countries (collectively, "OPEC+") supply pressures (see the Impact of COVID-19 section below).

STEP's net debt reduced marginally from December 31, 2019 during a period of working capital build up. It is anticipated that net debt should be reduced as the working capital builds up in first quarter and then unwinds with the anticipated drop in activity subsequent to March 31, 2020.

FINANCIAL HIGHLIGHTS – FIRST QUARTER 2020 COMPARED TO FIRST QUARTER 2019

- Consolidated revenue for the three months ended March 31, 2020 of \$194.4 million increased by 10% from \$176.5 million over the same period in 2019 primarily due to a \$20.2 million (50%) increase in US fracturing revenue. STEP repositioned its US fracturing equipment during 2019 to the more active Permian and Eagle Ford areas of Texas. The increase in US fracturing revenue was partially offset by a decrease in US coiled tubing revenue that related to the entrance of competitors with deep capacity equipment and the resultant competitive pricing. First quarter 2020, Canadian revenue was largely flat compared to revenue in the first quarter of 2019.
- For the three months ended March 31, 2020, Adjusted EBITDA decreased by \$3.8 million to \$22.8 million (12%) compared to the same period in 2019. The decrease is attributed to a \$2.5 million provision for bad debt and \$1.9 million in severance recorded for headcount reductions at the end of March 31, 2020. STEP reduced headcount in response to an expected reduction in activity.
- Without the severance and bad debt expense, STEP would have achieved Adjusted EBITDA of \$27.7 million or 14% versus EBITDA of \$27.4 million or 16% in the same period of 2019 on an equivalent basis.
- During the first quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its Canadian fracturing Cash Generating Unit ("CGU") of \$58.8 million.
- Share-based compensation was a recovery in first quarter 2020 as the expense related to unvested long-term incentive plans was reversed.
- Net loss for the three months ended March 31, 2020 was \$52.2 million, compared to net loss of \$0.6 million for the same period in 2019. Net loss in first quarter 2020 was primarily the result of the impairment to buildings and field equipment in its Canadian fracturing CGU.

FINANCIAL HIGHLIGHTS – FIRST QUARTER 2020 COMPARED TO FOURTH QUARTER 2019

- Consolidated revenue increased from \$126.5 million in fourth quarter 2019 to \$194.4 million in first quarter 2020. First quarter revenue increase was the result of the renewal of capital programs in the new year after the budget exhaustion that occurred in fourth quarter 2019.
- Consolidated Adjusted EBITDA improved from \$9.2 million in fourth quarter 2019 to \$22.8 million in first quarter 2020 or 7% EBITDA margin compared to 14% EBITDA margin excluding severance of \$1.9 million and an additional allowance for bad debt of \$2.5 million.
- Consolidated Net loss for the three months ended March 31, 2020, including an impairment charge of \$58.8 million and an associated deferred tax recovery of \$13.7 million, was \$52.2 million compared to a net loss for the three months ended December 31, 2019 of \$24.4 million.

IMPACT OF COVID-19 AND OPEC+ SUPPLY PRESSURES

During the three months ended March 31, 2020, the World Health Organization declared COVID-19 a global pandemic. Governments worldwide have enacted emergency measures to contain the spread of the virus. These measures included the implementation of travel bans, closing non-essential businesses, sheltering-in-place, self-imposed quarantine periods and social distancing. The result has been a material disruption to businesses globally resulting in an economic slowdown and decreased demand for crude oil.

During the same time period, certain members of the OPEC+ ended their cooperation on curtailing oil production and embarked on a program to increase the supply of crude oil. This resulted in additional crude oil entering the market when demand was falling, producing material downward pressure on oil prices. In April 2020, OPEC, Russia and other countries came to an agreement to reduce global crude oil supplies that in turn may result in bringing global supply and global demand closer to a balanced market. The combined effect of COVID-19 and OPEC+ supply instability have resulted in significant economic uncertainties and significant degradation of crude oil prices.

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

During March and early April, we undertook a number of measures to align our cost structure and maximize cash preservation during the current market conditions. These changes included:

- Reducing manned equipment;
- Reducing compensation for all employees and the Company's Board of Directors (the "Board");
- Reducing selling, general and administrative expenses ("SG&A") and operations headcount;
- Reducing capital expenditures by 67%; and
- Eliminating all non-essential travel, entertaining and other discretionary expenditures.

STEP places the health and safety of our employees, and the clients and communities we serve among our highest priorities. Accordingly, as a result of COVID-19, we activated our Emergency Response Plan, which included:

- Enhancing communication with our employees and clients,
- Implementing enhanced personal hygiene, increasing social distancing and self-quarantine practices;
- Banning non-essential travel;
- Further measures to ensure all employees are fit-for-duty; and
- Implementing remote working plans.

Recently governments and health authorities have started to implement plans for a gradual reopening of businesses and non-essential services, while still maintaining social distancing and strict hygiene measures. STEP has prepared plans to gradually bring employees back to corporate offices and service centers. However, STEP will only enact the plans once health authorities and governments authorize the return to work.

INDUSTRY CONDITIONS & OUTLOOK

The energy industry faces an uncertain outlook as the abrupt demand destruction resulting from the COVID-19 pandemic, combined with OPEC+ supply pressures, has resulted in significant global crude oil supply growth and downward pressure on

crude oil prices. The volatile market conditions have created uncertainty for our clients and they have responded by announcing material reductions in capital expenditures and cancelled work programs.

Natural gas prices have strengthened of late which could support additional work later in the year; however, this is not expected to offset the decline in demand for services from oil directed work.

Most recently health and government officials around the world have started to relax the stringent restrictions that were put in place earlier this year to manage the spread of COVID-19. It is currently unknown what effect this will have on crude oil demand or demand for our services and whether a second wave of the COVID-19 virus could have on future crude oil demand.

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

CAPITAL UPDATE

STEP's Board approved a 2020 capital program of \$47 million based on expected work activity. The approved capital program was evenly split between Canada and the U.S. and was comprised of \$43 million for maintenance capital to sustain current operating equipment and \$5 million to support several equipment optimization programs. With the current level of market uncertainty, management earlier announced that it had reduced its capital program by 50%. In light of the current market uncertainty, management has further reduced the budget to \$15.5 million, a reduction of 67% from the initial program. Management will continue to evaluate and balance the capital program with market conditions and demand for STEP's services.

FUTURE OPERATIONS

As at March 31, 2020, the Company was in compliance with all financial covenants on its bank credit facility. However, management's forecasts indicate a potential breach of its funded debt to adjusted bank EBITDA covenant and its adjusted bank EBITDA to interest coverage covenant within the next two quarters. Management forecasts may change materially as the impact of COVID-19 and OPEC+ supply pressures are better understood. A covenant violation would represent an event of default which would enable the lender to demand immediate repayment of all amounts due. As a result of these factors, there is a material uncertainty that may cast significant doubt with respect to the ability of the Company to continue as a going concern.

The Company intends to seek relief from the syndicate of lenders to the Company's credit facilities. The Company has commenced discussions with its banking syndicate leads. No agreement has been reached as of the date of the condensed consolidated interim financial statements and therefore, there can be no assurance that such agreement will be reached.

Management has assessed the expected impacts of a prolonged downturn on liquidity and will continue to refine its expectations as the effects of the recent global events are better understood. Management has taken actions to mitigate these impacts, which have included reductions in Board of Directors' remuneration, employee headcount reductions, wage reductions for all employees, reduced maintenance capital in alignment with reductions in active equipment, reduced leased facilities costs where possible and the disposal of some non-core assets. The Company's March 31, 2020 working capital has improved to \$106.1 million from \$72.2 million at December 31, 2019. Assuming the Company is successful in obtaining covenant relief for any potential forecasted covenant violations, Management's forecasts also show the Company meeting all of its financial commitments including interest payments over the next twelve months.

The condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The condensed consolidated interim financial statements do not reflect adjustments and classifications of assets, liabilities, revenues and expenses, which would be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

STEP continues to monitor announcements of available government financial support and economic stimulus programs and will apply for all applicable Canadian and U.S. programs.

CANADIAN OPERATIONS REVIEW

STEP maintains a fleet of 16 coiled tubing units in the WCSB, of which 10 were operating in first quarter 2020. The Company's coiled tubing units were designed to service the deepest wells in the region. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia, with growing exposure to oilier plays in eastern Alberta and southern Saskatchewan. During first quarter 2020, Canadian operations operated an average of six fracturing spreads representing 225,000 horsepower ("HP") (including approximately 132,500 HP with dual fuel capabilities). STEP has an additional 42,500 HP available for deployment plus an additional 15,000 HP which will require capital for maintenance and refurbishment. The Company deploys or idles coiled tubing or fracturing units as dictated by the market's ability to support targeted utilization and economic returns.

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended March 31,	
	2020	2019
Revenue:		
Fracturing	\$ 83,551	\$ 82,352
Coiled tubing	25,199	25,874
	108,750	108,226
Expenses:		
Operating expenses	100,504	95,191
Selling, general and administrative	2,024	2,296
Results from operating activities	\$ 6,222	\$ 10,739
Add non-cash items:		
Depreciation	14,869	12,841
Share-based compensation	(200)	276
Adjusted EBITDA ⁽¹⁾	\$ 20,891	\$ 23,856
Adjusted EBITDA % ⁽¹⁾	19%	22%
Sales mix (% of segment revenue)		
Fracturing	77%	76%
Coiled tubing	23%	24%
Fracturing services		
Fracturing revenue per operating day ⁽¹⁾	\$ 212,058	\$ 203,842
Number of fracturing operating days ⁽²⁾	394	404
Proppant pumped (tonnes)	382,000	234,000
Stages completed	4,524	3,225
Proppant pumped per stage	84	73
Horsepower ("HP")		
Active pumping HP, end of period	225,000	225,000
Idle pumping HP, end of period	57,500	72,500
Total pumping HP, end of period ⁽³⁾	282,500	297,500
Coiled tubing services		
Coiled tubing revenue per operating day ⁽¹⁾	\$ 43,672	\$ 49,004
Number of coiled tubing operating days ⁽²⁾	577	528
Active coiled tubing units, end of period	10	9
Idle coiled tubing units, end of period	6	5
Total coiled tubing units, end of period	16	14

⁽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 225,000 HP is currently deployed and 15,000 of the remainder requires certain maintenance and refurbishment.

FINANCIAL HIGHLIGHTS

Revenue for the three months ended March 31, 2020 of \$108.8 million was comparable to revenue for the same period in 2019. In fracturing, the Company increased revenue per day to \$212,058 from \$203,842, an increase of 4% on slightly lower operating days. Jobs were higher intensity in first quarter 2020 with 63% more proppant pumped than first quarter 2019. Coiled tubing operating days increased by 9% when compared to the same period in the prior year. Despite the increase in coiled tubing operating days, coiled tubing revenue per day of \$43,672 was 10.9% less than the first quarter of 2019 due to a continued competitive price environment and the mix of jobs undertaken. Adjusted EBITDA for the three months ended March 31, 2020 decreased by \$3.0 million compared to the same period in 2019, of which \$1.3 million of that decrease related to severance costs incurred at the end of the quarter. The remaining decrease was due to higher fuel cost, impact of cold weather early in the quarter, year-over-year pricing pressures, and some additional repairs and maintenance required after a more active fourth quarter 2019. As a result, the Adjusted EBITDA percentage decreased from 22% to 19%.

OPERATING HIGHLIGHTS – FRACTURING SERVICES

- The Company staffed on average six fracturing spreads with active HP of 225,000 in the first quarter of 2020.
- In the first quarter of 2020, STEP pumped 382,000 tonnes (842 million pounds) of proppant over 4,524 stages (84 tonnes/stage) compared to the first quarter of 2019 where the Company pumped 234,000 tonnes (516 million pounds) of proppant over 3,225 stages (73 tonnes/stage).
- Fracturing operating days fell from 404 in the prior year first quarter to 394 in the current year first quarter.
- 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 March 31, 2020 would have been approximately \$1.2 million higher.

OPERATING HIGHLIGHTS – COILED TUBING SERVICES

- The Company staffed on average 10 coiled tubing units during the first quarter of 2020.
- Coiled tubing operating days were up to 577 for the three months ended March 31, 2020 from 528 in the same period in the previous year.
- Achieved minimal downtime during the January cold snap.
- Mid-March coiled tubing started to see clients deferring work programs.

UNITED STATES OPERATIONS REVIEW

STEP's U.S. business commenced operations in 2015 with coiled tubing services. At March 31, 2020, STEP maintained a fleet of 13 coiled tubing units, of which seven units were operating in the Permian and Eagle Ford basins in Texas and the Bakken shale in North Dakota. The U.S. fracturing operations consist of 207,500 HP, 157,500 HP of which is deployed as three spreads operating 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 March 31,	
	2020	2019
Revenue:		
Fracturing	\$ 60,442	\$ 40,234
Coiled tubing	25,177	28,009
	85,619	68,243
Expenses:		
Operating expenses	86,915	71,520
Selling, general and administrative	2,488	2,149
Results from operating activities	\$ (3,784)	\$ (5,426)
Add non-cash items:		
Depreciation	11,928	11,911
Share-based compensation	(338)	524
Adjusted EBITDA ⁽¹⁾	\$ 7,806	\$ 7,009
Adjusted EBITDA % ⁽¹⁾	9%	10%
Sales mix (% of segment revenue)		
Fracturing	71%	59%
Coiled tubing	29%	41%
Fracturing services		
Fracturing revenue per operating day ⁽¹⁾	\$ 296,284	\$ 398,356
Number of fracturing operating days ⁽²⁾	204	101
Proppant pumped (tonnes)	293,000	95,000
Stages completed	1,379	524
Proppant pumped per stage	212	181
Horsepower		
Active pumping HP, end of period	157,500	142,500
Idle pumping HP, end of period	50,000	50,000
Total pumping HP, end of period ⁽³⁾	207,500	192,500
Coiled tubing services		
Coiled tubing revenue per operating day ⁽¹⁾	\$ 45,446	\$ 50,106
Number of coiled tubing operating days ⁽²⁾	554	559
Active coiled tubing units, end of period	7	9
Idle coiled tubing units, end of period	6	3
Total coiled tubing units, end of period	13	12

⁽¹⁾ See Non-IFRS Measures.

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

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

FINANCIAL HIGHLIGHTS

Revenue of \$85.6 million in the three months ended March 31, 2020 increased by \$17.4 million from the same quarter in 2019. Fracturing services worked 204 days or 102% more operating days in the first quarter of 2020 compared to the same period in 2019 due to the redeployment of spreads in 2019 to more active basins. The increase in fracturing operating days was partially offset by a 26% decrease in fracturing operating revenue per day. This was due largely to servicing two clients that provided their own proppant. Pricing pressures continued to impact coiled tubing operations. The Company has responded with the deployment of two fewer coiled tubing units on average relative to the prior year quarter. In the U.S., seasonality is generally not a factor and the prior quarter is often utilized when comparing financial results. Revenue increased 59% from fourth quarter 2019 and Adjusted EBITDA increased from \$2.2 million to \$7.8 million as activity increased with renewed capital programs in the first quarter.

OPERATING HIGHLIGHTS – FRACTURING SERVICES

- Three fracturing spreads were staffed and deployed during the first quarter utilizing 157,500 HP.
- In the first quarter of 2020, STEP pumped 293,000 tonnes (646 million pounds) of proppant over 1,379 stages (212 tonnes/stage) compared to the first quarter of 2019 where the Company pumped 95,000 tonnes (209 million pounds) of proppant over 524 stages (181 tonnes/stage).
- STEP capitalizes fluid ends when it is determined that they have an estimated useful life that exceeds 12 months. Based on a review of usage history in the U.S., fluid ends are expensed. U.S. Fracturing expensed fluid ends for the three months ended March 31, 2020 of \$3.0 million (U.S. \$2.2 million).
- There were some reductions in activity late in the first quarter of 2020 due to the suspension of client capital programs as a result of the COVID-19 pandemic and OPEC+ supply pressures.

OPERATING HIGHLIGHTS – COILED TUBING SERVICES

- Seven coiled tubing units were staffed during the first quarter of 2020.
- Coiled tubing days were relatively consistent from the same period in the prior year. However, coiled tubing revenue decreased by \$2.8 million or 10% compared to first quarter 2019. This was impact was primarily due to new entrants to the market creating continued pricing pressures on day rates.

CORPORATE REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability, maintenance and optimization teams. Corporate SG&A costs include costs associated with the executive team, Board, and other activities that benefit Canadian and U.S. operating segments collectively.

(\$000's)	Three months ended March 31,	
	2020	2019
Expenses:		
Operating expenses	\$ 633	\$ 628
Selling, general and administrative	5,076	4,398
Results from operating activities	\$ (5,709)	\$ (5,026)
Add non-cash items:		
Depreciation	216	315
Share-based compensation	(402)	463
Adjusted EBITDA ⁽¹⁾	\$ (5,895)	\$ (4,248)
Adjusted EBITDA % ^(1,2)	(3%)	(2%)

⁽¹⁾ See Non-IFRS Measures.

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

FINANCIAL HIGHLIGHTS – CORPORATE

Expenses from corporate activities, excluding depreciation and share-based compensation (“SBC”) related to corporate assets and employees, were \$5.7 million for the first quarter of 2020. These expenses include \$0.6 million in severance costs and \$2.5 million for bad debt expense. The bad debt expense was increased to account for the additional counterparty risk resulting from the COVID-19 virus and the oversupply of crude oil causing volatility for our clients.

In anticipation of our clients either delaying or cancelling their work programs in response to COVID-19 and OPEC+ supply pressures, STEP took immediate steps to reduce corporate headcount. Without the severance and bad debt expense, corporate expenses for first quarter 2020 would have been \$2.9 million, excluding depreciation and SBC.

NON-IFRS MEASURES

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

FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws (collectively, “forward-looking statements”). These statements relate to the expectations of management about future events, results of operations and STEP’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 STEP believes the expectations reflected in the forward-looking statements included in this release are reasonable, such statements are not guarantees of future performance or outcomes and may prove to be incorrect and should not be unduly relied upon.

In particular, but without limitation, this release contains forward-looking statements pertaining to: anticipated reduction in net debt; 2020 industry conditions and outlook, including potential deferral or cancellation of client work programs and the impact thereof on STEP’s revenue and cash flows; supply and demand for oilfield services and industry activity levels; OPEC+ production levels and compliance with anticipated production cuts, related market uncertainty, and its effect on commodity

prices; COVID-19, its impact on energy demand and the Company's financial position and business plans; relaxation of COVID-19 related restrictions and its impact on the Company's operations, crude oil demand and the potential for a second wave; the Company's anticipated business strategies and expected success; expected completions activity, and utilization levels in 2020; pricing received for the Company's services; the Company's capital program in 2020 and management's continued evaluation thereof; planned utilization of government financial support and economic stimulus programs; expected profitability; adequacy of resources to fund operations, financial obligation and planned capital expenditures in 2020; ability of the Company to maintain its track record of returns and margin performance; the Company's expected performance in 2020; future development activities; planned deployment and staffing levels for the Company's equipment; the Company's ability to retain existing clients and attract new business; monitoring of industry demand, client capital budgets and market conditions; the effect of the COVID-19 outbreak and OPEC+ related market uncertainty on client work programs, activity in 2020, and client credit risk; the Company's capital spending and fixed costs in 2020; and the Company's expected compliance with covenants under its Credit Facilities, its ability to continue as a going concern, satisfy its financial commitments and obtain relief from the lenders under its Credit Facilities; and the impact of the Calfrac litigation on the Company.

The forward-looking information and statements contained in this release reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the Company's ability to manage the effect of the COVID-19 pandemic and OPEC+ related market uncertainty on its operations; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the amount of available equipment in the marketplace; and client activity levels. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this release: volatility of the oil and natural gas industry; global or national health concerns such as the COVID-19 pandemic and their impact on demand and pricing for the Company's services, the Company's supply chain, the continuity of the Company's operations and the health of the Company's workforce; competition in the oilfield services industry; restrictions on access to capital; reliance on suppliers of raw materials, diesel fuel and component parts; reliance on equipment suppliers and fabricators; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; merger and acquisition activity among the Company's clients; federal and provincial legislative and regulatory initiatives 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; loss of a significant client could cause the Company's revenue to decline substantially; negative cash flows from operating activities; third party credit risk; hazards inherent in the oilfield services industry which may not be covered to the full extent by the Company's insurance policies; difficulty in retaining, replacing or adding personnel; seasonal volatility due to adverse weather conditions; reliance on a few key employees; legal proceedings involving the Company; failure to maintain the Company's safety standards and record; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results differing materially from management estimates and assumptions; and the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading "Risk Factors and Risk Management" in the Company's MD&A dated May 20, 2020 and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this release regarding prospective financial performance, financial position or cash flows is based on the assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information, including the Company's capital program, contains forward looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations will likely vary from the amounts set forth in these projections and such variations may be material. Readers are cautioned that any such financial outlook and future oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

The forward-looking information and statements contained in this release speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. The reader is cautioned not to place undue reliance on forward-looking information.

ABOUT STEP

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP now provides an integrated solution for deep capacity coiled tubing 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 and the Bakken in North Dakota.

Our four core values; Safety, Trust, Execution and Possibilities inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

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