STEP energy services

STEP Energy Services Ltd. Reports Third Quarter 2020 Results

Calgary, Alberta – November 3, 2020 – STEP Energy Services Ltd. (the "Company" or "STEP") is pleased to announce its financial and operating results for the three and nine months ended September 30, 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 and nine months ended September 30, 2020 (the "Financial Statements"), the MD&A dated November 3, 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").

CONSOLIDATED HIGHLIGHTS

FINANCIAL

($000s except percentages and per share amounts)	Three months ended September 30,				Nine months ended September 30,			
		2020		2019		**2020**		2019
Consolidated revenue	**$**	**62,363**	$	178,745	**$**	**297,377**	$	541,790
Net loss attributable to shareholders	**$**	**(9,762)**	$	(112,843)	**$**	**(102,314)**	$	(119,471)
Per share-basic	**$**	**(0.14)**	$	(1.69)	**$**	**(1.52)**	$	(1.79)
Per share-diluted	**$**	**(0.15)**	$	(1.69)	**$**	**(1.52)**	$	(1.79)
Weighted average shares – basic		**67,514,015**		66,767,919		**67,232,574**		66,733,701
Weighted average shares – diluted		**66,523,901**		66,767,919		**67,232,574**		66,733,701
Adjusted EBITDA [(1)]	**$**	**9,098**	$	22,690	**$**	**28,434**	$	69,644
Adjusted EBITDA % [(1)]		**15%**		13%		**10%**		13%

[(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.

($000s except shares)		**September 30, 2020**		December 31, 2019
Cash and cash equivalents	**$**	**8,233**	$	7,267
Working capital (including cash and cash equivalents) [(2)]	**$**	**54,750**	$	72,156
Total assets	**$**	**502,421**	$	686,039
Total long-term financial liabilities [(2)]	**$**	**220,114**	$	247,481
Net debt [(2)]	**$**	**206,767**	$	232,552
Shares outstanding		**67,525,666**		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 AND LIQUIDITY

Activity levels for the third quarter of 2020 were significantly lower than the prior year due to the historic demand destruction that occurred earlier in 2020. Canada's rig count was 75 during the week of October 2, 2020 compared to 144 during the week of October 4, 2019, a decline of 48%. The U.S. rig count was 266 versus 855 for the same week representing a decline of 69%. The spot price for West Texas Intermediate crude oil ("WTI") at September 30, 2020 was USD $40 per barrel compared to USD $54 per barrel at September 30, 2019, 26% lower year over year.

During the third quarter, commodity prices stabilized relative to volatility earlier in the year and WTI crude prices averaged USD $41 per barrel compared to an average of USD $28 in second quarter of 2020. WTI crude prices ranged from a low of USD $37 per barrel to a high of USD $43 per barrel, during the third quarter 2020. The U.S. rig count remained flat in the third quarter of 2020 with 263 rigs the week of July 2, 2020 compared to 266 rigs the week of October 2, 2020. The Canadian rig count increased from 18 the week of July 2, 2020 compared to 75 rigs the week of October 2, 2020. Natural gas prices continue to be resilient and have increased to approximately CAD $3/1 million British thermal units ("mmbtu") by the end of the third quarter.

Volatile market conditions related to the impact of COVID-19 have created significant uncertainty for our clients. Our clients have responded to these historical disruptions by materially reducing their capital programs and re-evaluating near term spending. During the third quarter 2020, our clients cautiously restarted some of their drilling and completion programs but at much lower levels than was expected earlier in the year. As a result, STEP's revenues decreased.

In reaction to challenging market conditions in both Canada and the U.S., management focused on elements within the Company's control. STEP re-sized its operations and focused on liquidity. STEP believes the measures we have undertaken to reduce our cost structure and maximize cash preservation have enhanced our financial resilience. These measures included reducing manned equipment, reducing capital spend proportionate with the reduced equipment, reducing Board of Director compensation, reducing headcount, reducing compensation for all employees, eliminating discretionary management bonuses, negotiating better pricing with our vendors, and reducing general and administrative expenses.

The current environment has created uncertainties with respect to counterparty credit risk, liquidity and the valuation of long-lived assets, inventory and right-of-use assets. At September 30, 2020, management has incorporated the anticipated impact of COVID-19 in estimates and judgments in the preparation of its unaudited condensed consolidated interim statements to the extent known at September 30, 2020. Outcomes that are different from assumptions used in estimates could be materially different as additional information becomes known.

FINANCIAL HIGHLIGHTS – THIRD QUARTER AND YEAR TO DATE SEPTEMBER 30

- Consolidated revenue was $62.4 million and $297.4 million for the three and nine months ended September 30, 2020, compared to $178.7 million and $541.8 million in the same periods of the prior year. A decrease of 65% for the three months ended September 30, 2020 and a decrease of 45% for the nine months ended September 30, 2020.
- Net loss for the three and nine months ended September 30, 2020 was $9.8 million and $102.3 million, respectively, compared to net loss of $112.8 million and $119.5 million for the same periods in 2019.
- For the three and nine months ended September 30, 2020, Adjusted EBITDA was $9.1 million and $28.4 million compared to $22.7 million and $69.6 million in the same periods of prior year.
- STEP recorded severance of $0.4 million and $3.8 million for the three and nine months ended September 30, 2020.
- During the three and nine months ended September 30, 2020, we have received $4.5 million and $7.6 million, respectively, in benefit from the assistance of the Canadian Emergency Wage Subsidy ("CEWS") program. The grants were recorded as a reduction of associated wage expense.
- STEP continues to make progress on debt reduction and year to date the Company made net repayments on loans and borrowings of $25.4 million. As at September 30, 2020, STEP's net debt is $206.8 million compared to $232.6 million at December 31, 2019.
- STEP recorded bad debt expense of $1.0 million and $3.5 million for the three and nine months ended September 30, 2020.
- On August 13, 2020, STEP entered into a Second Amended and Restated Credit Agreement with its syndicate of lenders; which includes a Canadian $215.0 million term facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a USD $15.0 million operating facility ("the Credit Facilities"). Subsequent to September 30, 2020, the Company requested and received a one quarter extension of the covenant relief period to September 30, 2021.
- STEP was compliant with all covenants under its Credit Facilities at September 30, 2020.
- No impairments were recorded during the third quarter of 2020.
- During the second quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its U.S. fracturing Cash Generating Unit ("CGU") of $13.1 million. During the first quarter of 2020, the Company recorded a non-cash impairment charge with respect to property and equipment in its Canadian fracturing CGU

of $58.8 million. During the third quarter of 2019, the Company recorded a non-cash impairment charge with respect to goodwill and intangibles of $113.5 million in its US fracturing CGU.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTERS

- Consolidated revenue increased from $40.6 million in second quarter 2020 to $62.4 million in third quarter 2020, an increase of 53%. Activity in third quarter as evidenced by increased rig counts, stable oil prices and continued relative strength in natural gas prices resulted in some clients reactivating programs.
- Consolidated Adjusted EBITDA increased by $12.6 million from the second quarter of 2020 to the third quarter of 2020.
- Consolidated net loss was $9.8 million for the three months ended September 30, 2020 compared to $40.3 million in the second quarter. The second quarter net loss included an impairment charge against the US fracturing CGU of $13.1 million and an associated deferred tax recovery of $2.8 million.

INDUSTRY CONDITIONS & OUTLOOK

During the third quarter, WTI crude prices stabilized at approximately USD $41 per barrel, an improvement from the volatile crude prices experienced from late March 2020 until the end of June 2020. Additionally, natural gas prices saw an improvement to approximately CAD $3/mmbtu by the end of the third quarter. Activity, as indicated by rig counts, has increased with the re-opening of the global economies. With increased Canadian client activity in third quarter, the Company staffed an additional two fracturing spreads for a total of three spreads, however activity in 2020 continues to lag activity in the same period of 2019.

We expect that we will see budget exhaustion in the fourth quarter of 2020, as our clients near completion of their revised 2020 programs. The Company expects this will result in lower demand for our services in the fourth quarter compared to third quarter, however activity may be somewhat augmented by clients getting an early start to 2021 programs by bringing work forward into the fourth quarter. Utilization in first quarter 2021 is expected to be high; however, many client work programs are under consideration with full visibility not expected until later in fourth quarter. Pricing pressure in the U.S. continues to negatively affect both coil and fracturing financial results and is expected to continue to impact results in Q4 and into 2021. STEP is encouraged by the increased requests for proposals and bids for 2021 work in both Canada and the US but expects the current competitive market conditions to persist.

The overall global economy and the energy industry continue to face an uncertain and potentially volatile economic outlook. A return to more stable demand and supply for crude oil will partially depend upon actions taken by health and government authorities and individual responses to these measures, as we deal with COVID-19. Geopolitical tensions and the ability of the Organization of Petroleum Exporting Countries and certain other countries (“OPEC+”) to maintain production targets will also affect the supply of crude oil. The results of the U.S. Presidential election may also introduce additional industry volatility.

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

CAPITAL UPDATE

Earlier in the year, as a result of the pronounced impact of COVID-19, and the anticipated material impact on near term demand for our services, management adopted a cautious outlook for the balance of 2020. As a result, the capital budget was reduced to $15.5 million, with an emphasis on providing the necessary maintenance capital for the expected operating fleet. Activity levels, particularly in our Canadian fracturing operations, have exceeded our expectations which has resulted in higher activity and improved financial results. Due to increased activity in the third quarter and expected in the fourth quarter, STEP has increased its maintenance capital budget by $2 million from the previously announced $15.5 million to $17.5 million. Management will continue to evaluate and balance the capital program with market conditions and demand for STEP’s services.

RESPONDING TO COVID-19

The World Health Organization declared COVID-19 a pandemic March 2020. Measures taken by public health officials and governments around the world varied but primarily included shelter in place orders followed by phased re-openings. At the present time, a second wave of the COVID-19 virus is spreading through the world with public health officials and government measures again varying. The measures taken to address COVID-19 resulted in and continue to result in a significant slowdown in the global economy and in turn increased uncertainty and market volatility.

Compounding the COVID-19 effect for the oil and gas industry is oversupply concerns related to the OPEC+ continued ability to agree on production capacity limits and continued geopolitical uncertainty that did and could continue to increase global supplies of oil. The demand destruction from COVID-19 and oversupply concerns have caused a significant deterioration in economic conditions and increased uncertainty for the oil and gas industry and have materially reduced client spending and demand for STEP services.

STEP places the health and safety of our employees, and the clients and communities we serve among our highest priorities. COVID-19 protocols for field employees working on STEP sites and client sites continue to be followed, including quarantine procedures upon suspected or actual exposure to COVID-19. Following all public health and government authorities' directives, the Company has completed a phased approach to bring employees back to our offices and service centers.

The Canadian provincial and federal governments have recognized the serious economic impacts of the spread of COVID-19 and have taken steps to provide various programs to individuals and businesses, such as the CEWS.

CANADIAN OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the Western Canadian Sedimentary Basin ("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 horsepower ("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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 29,425**	$ 65,754	**$ 116,374**	$ 201,329
Coiled tubing	**15,424**	32,080	**51,112**	80,836
	44,849	97,834	**167,486**	282,165
Expenses:				
Operating expenses	**36,443**	84,149	**159,950**	257,581
Selling, general and administrative	**1,306**	2,453	**4,260**	7,238
Results from operating activities	**$ 7,100**	$ 11,232	**$ 3,276**	$ 17,346
Add non-cash items:				
Depreciation	**9,770**	11,319	**35,234**	37,057
Share-based compensation	**318**	534	**541**	1,409
Adjusted EBITDA [1]	**$ 17,188**	$ 23,085	**$ 39,051**	$ 55,812
Adjusted EBITDA % [1]	**38%**	24%	**23%**	20%
Sales mix (% of segment revenue)				
Fracturing	**66%**	67%	**69%**	71%
Coiled tubing	**34%**	33%	**31%**	29%
Fracturing services				
Fracturing revenue per operating day[1]	**$ 186,234**	$ 186,272	**$ 205,608**	$ 198,942
Number of fracturing operating days [2]	**158**	353	**566**	1,012
Proppant pumped (tonnes)	**251,000**	255,000	**642,000**	676,000
Stages completed	**1,703**	3,768	**6,360**	9,360
Horsepower				
Active pumping HP, end of period	**150,000**	225,000	**150,000**	225,000
Idle pumping HP, end of period	**132,500**	72,500	**132,500**	72,500
Total pumping HP, end of period [3]	**282,500**	297,500	**282,500**	297,500
Coiled tubing services				
Coiled tubing revenue per operating day[1]	**$ 48,351**	$ 53,916	**$ 46,550**	$ 51,259
Number of coiled tubing operating days [2]	**319**	595	**1,098**	1,577
Active coiled tubing units, end of period	**5**	9	**5**	9
Idle coiled tubing units, end of period	**11**	7	**11**	7
Total coiled tubing units, end of period	**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 **150,000** HP is currently deployed and **15,000** of the remainder requires certain refurbishment.*

FINANCIAL AND OPERATIONAL HIGHLIGHTS – THIRD QUARTER

During the third quarter of 2020, fracturing operating days were 158 compared to 353 operating days in third quarter 2019. STEP's coiled tubing units had 319 operating days during third quarter 2020 compared to 595 operating days in the third quarter of 2019. STEP deployed three fracturing spreads and five coiled tubing units in third quarter of 2020 compared to six fracturing spreads and nine coiled tubing units in the same period of 2019. Revenue for the three months ended September 30, 2020 was $44.8 million as compared to $97.8 million in the same period of prior year. Adjusted EBITDA for the three months ended September 30, 2020 was $17.2 million or 38% of revenue versus $23.1 million or 24% of revenue for the three months ended September 30, 2019.

As discussed above, STEP was able to access the federal government's CEWS program and its Canadian operations recorded $4.1 million for the three months ended September 30, 2020. STEP also incurred an additional $0.1 million in severance during third quarter of 2020. Revenue decreased by 54% and Adjusted EBITDA decreased by $5.9 million or 6% third quarter 2020 versus third quarter 2019. The maintenance of margins was the result of STEP maintaining approximately the same equipment utilization percentages by deploying approximately 50% less equipment, the benefits received under the CEWS program and STEP's sustained focus on cost controls.

The actions taken earlier in the year to manage the unprecedented negative economic and market conditions continued throughout the third quarter. Wages were reduced by up to 20% including a temporary one day per week furlough that was suspended at the end of the third quarter with the increase in activity. Field employees were recalled when we had visibility to sustained work. STEP also undertook to retain its most senior field staff to provide the ability to scale up operations. All discretionary expenses such as travel, and meals and entertainment continued to be reduced or eliminated.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

For the nine months ended September 30, 2020, STEP completed 566 fracturing operating days compared to 1,012 operating days for the same period in 2019. STEP completed 1,098 coiled tubing operating days for the nine months ended September 30, 2020 compared to 1,577 in the same period of 2019. Revenue for the nine months ended September 30, 2020 was $167.5 million compared to $282.2 million for the nine months ended September 30, 2019. Adjusted EBITDA for the nine months ended September 30, 2020 was $39.1 million or 23% of revenue compared to $55.8 million or 20% of revenue for the nine months ended September 30, 2019.

During the nine months ended September 30, 2020, STEP incurred $3.2 million in severance costs in its Canadian operations and recorded $6.9 million of benefit from the CEWS program. The maintenance of margins with a 41% decrease in revenue was achieved by maintaining higher utilization percentages with less equipment, the benefits received under the CEWS program and a sustained focus on cost savings.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

STEP generated $44.8 million of revenue during the third quarter of 2020 versus $13.9 million of revenue in second quarter of 2020. Adjusted EBITDA for third quarter 2020 was $17.2 million or 38% of revenue versus $1.0 million or 7% of revenue in second quarter of 2020. Both fracturing and coiled tubing saw an increase in operating days. Fracturing operating days improved by 144 while coiled tubing operating days increased by 117 relative to the second quarter. The second quarter in Canada is typically slower due to spring break up conditions that make it difficult to move heavy equipment. However, reductions in activity were amplified due to COVID-19 and instability in crude oil pricing and demand. During the second quarter of 2020, the Company received the benefit of $2.8 million in CEWS and incurred severance of $1.3 million.

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 and nine months ended September 30, 2020 would have increased by approximately $1.0 million and $3.8 million, respectively.

UNITED STATES 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 and the Bakken shale in North Dakota. 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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 9,363**	$ 56,835	**$ 90,287**	$ 182,228
Coiled tubing	**8,151**	24,076	**39,604**	77,397
	17,514	80,911	**129,891**	259,625
Expenses:				
Operating expenses	**30,739**	86,576	**156,366**	262,102
Selling, general and administrative	**1,555**	2,946	**5,508**	8,449
Results from operating activities	**$ (14,780)**	$ (8,611)	**$ (31,983)**	$ (10,926)
Add non-cash items:				
Depreciation	**9,926**	11,859	**32,966**	35,599
Share-based compensation	**55**	521	**(212)**	1,730
Adjusted EBITDA [1]	**$ (4,799)**	$ 3,769	**$ 771**	$ 26,403
Adjusted EBITDA % [1]	**(27%)**	5%	**1%**	10%
Sales mix (% of segment revenue)				
Fracturing	**53%**	70%	**70%**	70%
Coiled tubing	**47%**	30%	**30%**	30%
Fracturing services				
Fracturing revenue per operating day [1]	**$ 240,077**	$ 336,302	**$ 298,964**	$ 375,728
Number of fracturing operating days [2]	**39**	169	**302**	485
Proppant pumped (tonnes)	**32,278**	171,000	**415,670**	489,000
Stages completed	**182**	994	**1,992**	2,605
Horsepower				
Active pumping HP, end of period	**50,000**	142,500	**50,000**	142,500
Idle pumping HP, end of period	**157,500**	50,000	**157,500**	50,000
Total pumping HP, end of period [3]	**207,500**	192,500	**207,500**	192,500
Coiled tubing services				
Coiled tubing revenue per operating day[1]	**$ 37,736**	$ 44,585	**$ 43,142**	$ 48,132
Number of coiled tubing operating days [2]	**216**	540	**918**	1,608
Active coiled tubing units, end of period	**5**	8	**5**	8
Idle coiled tubing units, end of period	**8**	5	**8**	5
Total coiled tubing units, end of period	**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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – THIRD QUARTER

U.S. fracturing operated one spread throughout the third quarter of 2020 compared to three spreads in the same period of 2019. U.S. fracturing was active for 39 operating days compared to 169 operating days in third quarter of 2019. U.S. coiled tubing operated five coiled tubing units in third quarter 2020 compared to 8 coiled tubing units in the same period of 2020. STEP's U.S. coiled tubing units completed 216 operating days during the third quarter of 2020 compared to 540 operating days in the third quarter of 2019. Revenue for the three months ended September 30, 2020 was $17.5 million compared to $80.9 million during the same period of 2019. Adjusted EBITDA was a loss of $4.8 million or negative 27% of revenue for the three months ended September 30, 2020 versus Adjusted EBITDA of $3.8 million or 5% of revenue for the three months ended September 30, 2019. Both the fracturing and coiled tubing business continue to experience significant price pressure and increased competition.

STEP continues to monitor financial assistance programs implemented in the U.S. to assist with the effects of COVID-19 but to date has not received any benefit.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

For the nine months ended September 30, 2020, STEP U.S. fracturing completed 302 fracturing operating days compared to 485 operating days for the same period of 2019. STEP U.S. coiled tubing completed 918 coiled tubing operating days for the nine months ended September 30, 2020 compared to 1,608 in the same period of 2019. Revenue for the nine months ended September 30, 2020 was $129.9 million compared to $259.6 million for the nine months ended September 30, 2019. Adjusted EBITDA for the nine months ended September 30, 2020 was $0.8 million or 1% of revenue compared to $26.4 million or 10% of revenue for the nine months ended September 30, 2019.

STEP continues to manage expenses by right sizing staff to levels commensurate to activity levels and minimizing or eliminating all discretionary expenses. Repair and maintenance expenses have decreased in proportion to the reduction in active equipment. Capital spend has been limited to maintenance capital. STEP has also combined its Midland, Texas coiled tubing and fracturing field locations into one location and its coiled tubing and fracturing corporate functions were consolidated in San Antonio, Texas.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

In the U.S., seasonality is generally not a factor. Revenue decreased by $9.3 million from $26.8 million in second quarter of 2020 to $17.5 million in third quarter of 2020 and the third quarter 2020 Adjusted EBITDA loss increased to a loss of $4.8 million from a loss of $2.4 million in second quarter of 2020, as the environment in the U.S. remained challenging with high levels of competition for available work. Fracturing operating days decreased by 20 relative to the second quarter, while coiled tubing operating days increased by 68.

STEP capitalizes fluid ends when it is determined 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 and nine months ended September 30, 2020 of $0.1 million and $3.9 million, respectively.

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, the Board of Directors, public company costs and other activities that benefit Canadian and U.S. operating segments collectively.

($0 00's)		Three months ended September 30,				Nine months ended September 30,		
		2020		2019		**2020**		2019
Expenses:								
Operating expenses	**$**	**119**	$	666	**$**	**892**	$	1,865
Selling, general and administrative		**3,907**		4,478		**12,754**		14,074
Results from operating activities		**(4,026)**		(5,144)		**(13,646)**		(15,939)
Add non-cash items:								
Depreciation		**187**		270		**599**		897
Share-based compensation		**548**		710		**1,659**		2,471
Adjusted EBITDA [1]	**$**	**(3,291)**	$	(4,164)	**$**	**(11,388)**	$	(12,571)
Adjusted EBITDA % [1,2]		**(5%)**		(2%)		**(4%)**		(2%)

[1] See Non-IFRS Measures.
[2] Adjusted EBITDA percentage calculated using the consolidated revenue for the period.

FINANCIAL HIGHLIGHTS – THIRD QUARTER

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $3.3 million for the third quarter of 2020 compared to $4.2 million for the third quarter of 2019. Severance of $0.3 million was incurred in the third quarter of 2020 and STEP obtained $0.4 million of benefit from the CEWS program for corporate employees. In light of the extent of disruption and uncertainty brought about by COVID-19, STEP also recorded $1.0 million of bad debt expense in the quarter. Adjusting corporate expenses for severance, CEWS and the additional bad debt expense results in corporate expenses of $2.4 million compared to $4.2 million in the prior year, a decrease of 43%.

With the onset of market volatility from COVID-19 and the decline of crude oil prices, STEP implemented a number of measures to minimize expenses. Headcount was reduced and discretionary management bonuses were eliminated. Other measures included reduced or eliminated discretionary expenses such as travel, meals and entertainment and vehicle allowances.

FINANCIAL HIGHLIGHTS – YEAR TO DATE SEPTEMBER 30

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $11.4 million for the nine months ended September 30, 2020 compared to $12.6 million in the same period of the prior year, a decrease of $1.2 million. The expenses for the nine months ended September 30, 2020 included $0.6 million in severance which was offset by $0.7 million from the CEWS program for corporate employees. STEP also recorded $3.5 million in bad debt expense for the nine months ended September 30, 2020 in recognition of the current operating environment and the increased counterparty risk.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTER

Corporate expenses, excluding depreciation and share based compensation, for third quarter of 2020 were $3.3 million compared to $2.0 million in the second quarter 2020. Third quarter 2020 corporate expenses included severance of $0.3 million, benefits from the CEWS program of $0.4 million and bad debt expense of $1.0 million. Second quarter 2020 expenses included severance of $0.1 million and benefits from the CEWS program of $0.3 million.

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 Press 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 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 Press 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 Press Release contains forward-looking statements pertaining to: COVID-19 and its impact on energy demand and the Company’s financial position and business plans; 2020 and 2021 industry conditions and outlook, including potential deferral or cancellation of client work programs and near term spending and the impact thereof on the Company’s performance, revenue and cash flows; supply and demand for oilfield services and industry activity levels, including completions activity and utilization levels; the Company’s ability to obtain covenant relief; the Company’s ability to meet all financial commitments including interest payments over the next twelve months; market uncertainty, and its effect on commodity prices; relaxation of COVID-19 related restrictions, the potential for a second 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 changes to cost structures and cash preservation measures; the Company’s ability to manage its capital structure; 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; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2020; planned deployment and staffing levels for the Company’s equipment; the Company’s ability to retain its senior field staff and 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, satisfy its financial commitments and obtain relief from the lenders under its Credit Facilities; and the impact of litigation, including the Calfrac litigation, on the Company.

The forward-looking information and statements contained in this Press 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, OPEC or OPEC+ related market uncertainty on its operations and industry uncertainty caused by the U.S. Presidential election; 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; future funding sources for the Company’s capital program; the Company’s future debt levels; the availability of unused credit capacity on the Company’s credit lines; the impact of competition on the Company; the Company’s ability to obtain financing on acceptable terms; the Company’s continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels. 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 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; 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 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; 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 the Company's November 3, 2020 MD&A and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this Press 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 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 Press 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 and fracturing services to exploration and production ("E&P") companies in Canada and the United States ("U.S."). Our Canadian services are focused in the WCSB, while in the U.S., our 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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