STEP energy services

TSX STEP

Second Quarter

Management Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of August 13, 2020 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS"). It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for three months and six months ended June 30, 2020 (the "Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2019 (the "Annual Financial Statements") and related MD&A (the "Annual MD&A"). Readers should also refer to the "Forward-looking information & statements" legal advisory and the section regarding "Non-IFRS Measures" at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2019 dated March 11, 2020 (the "AIF").

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

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP now provides an integrated solution for deep capacity coiled tubing 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 Western Canadian Sedimentary Basin ("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.

RESPONDING TO COVID-19

During the first quarter of 2020, the World Health Organization declared COVID-19 a pandemic. Measures taken by public health officials and governments around the world to contain the virus significantly reduced demand for crude oil along with other products and services. This caused a significant slowdown in the global economy and in turn increased uncertainty and market volatility. At the same time, concerted efforts between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, including Russia, to manage global crude oil production levels broke down and each party increased their daily crude production, increasing overall global supply. The combinations of these events resulted in significant economic uncertainties and significant volatility in crude oil prices.

In April 2020, OPEC and non-OPEC members, including Russia, agreed to cut crude oil output in May and June and several other countries announced similar production cuts. The decrease in the global supply of crude oil and the gradual increase in demand, as governments eased off on the measures taken to contain the pandemic, crude oil prices have increased but continue to remain 46% lower than average prices in first quarter of 2020 and 52% lower than the second quarter of 2019.

The 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 Canada Emergency Wage Subsidy ("CEWS").

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 headcount, reducing compensation for all employees, eliminating discretionary management bonuses, negotiating better pricing with our vendors, and reducing selling, general and administrative expenses ("SG&A").

STEP places the health and safety of our employees, and the clients and communities we serve among our highest priorities. Beginning mid-March all employees that could work remotely did so to support the slowing of the spread of the COVID-19 virus. Following all public health and government authorities' directives, the Company has implemented a phased approach to bring employees back to our offices and service centers.

Back to workplace plans have been communicated to all employees and include adherence to public health and government recommended measures to ensure the safety of employees. COVID-19 protocols for field employees working on STEP sites and client sites were also enacted, including quarantine procedures upon suspected or actual exposure to COVID-19.

CONSOLIDATED HIGHLIGHTS

FINANCIAL

($000s except percentages and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Consolidated revenue	**$ 40,644**	$ 186,577	**$ 235,014**	$ 363,046
Net loss attributable to shareholders	**$ (40,348)**	$ (6,024)	**$ (92,552)**	$ (6,629)
Per share-basic	**$ (0.60)**	$ (0.09)	**$ (1.38)**	$ (0.10)
Per share-diluted	**$ (0.60)**	$ (0.09)	**$ (1.38)**	$ (0.10)
Weighted average shares – basic	**67,236,580**	66,719,341	**67,090,259**	66,709,806
Weighted average shares – diluted	**67,236,580**	66,719,341	**67,090,259**	66,709,806
Adjusted EBITDA [1]	**$ (3,467)**	$ 20,339	**$ 19,336**	$ 46,955
Adjusted EBITDA % [1]	**(9%)**	11%	**8%**	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.

($000s except shares)	June 30, 2020	December 31, 2019
Cash and cash equivalents	**$ 15,263**	$ 7,267
Working capital (including cash and cash equivalents) [2]	**$ 38,989**	$ 72,156
Total assets	**$ 518,257**	$ 686,039
Total long-term financial liabilities [2]	**$ 212,088**	$ 247,481
Net debt [2]	**$ 190,248**	$ 232,552
Shares outstanding	**67,499,888**	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

Relative to first quarter, second quarter commodity prices have been volatile. During the second quarter, West Texas Intermediate ("WTI") benchmark prices ranged from a low of U.S. $8.91 per barrel, excluding a historic one-day close at negative U.S. $36.98, to a high of U.S. $40.60 per barrel, closing June at US $39.27 per barrel. While there has been improvement in the benchmark prices through the quarter, they are 52% lower than the second quarter of 2019. Commodity prices continue to be uncertain and volatile, especially with fears of a potential second wave of COVID-19 infections driving concerns over near term demand.

During the second quarter of 2020, we experienced historical lows for rig counts and significant decreases in year over year activity. On July 3, 2019, the U.S. rig count provided by Baker Hughes was 963 compared to 263 on July 2, 2020, a decrease of 73%. On July 2, 2019, the Canadian rig count was 120 compared to 18 for the same week in 2020, a decrease of 85%.

Volatile market conditions have created significant uncertainty for our clients. As partly evidenced by the dropping rig count, our clients have responded to these historical disruptions by materially reducing their capital programs and re-evaluating near term capital spending.

In reaction to challenging market conditions in both Canada and the U.S., management focused on elements within the Company's control. STEP immediately re-sized its operations, focused on liquidity and effectively managed the unwinding of working capital as activity decreased.

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 reduced demand for equipment and services.

Management has assessed the expected impacts of a prolonged downturn on liquidity and will continue to refine its expectations as the effects of the recent global events are better understood. Management has taken actions to mitigate these impacts, which have included reductions in Board of Directors' remuneration, employee headcount reductions, wage reductions for all employees, reductions in maintenance capital in alignment with reductions in active equipment, reductions in leased facilities costs where possible and the disposal of some non-core assets. The Company's June 30, 2020 working capital remains positive at $39.0 million. Working capital is $67.1 million less than at March 31, 2020 due to the harvesting of working capital in second quarter as activity decreased from the active first quarter. The decrease in working capital has been applied to loans and borrowings.

Subsequent to quarter end the Company entered into a second amended and restated credit agreement with its syndicate of lenders. The second amended and restated credit agreement provides the Company with covenant relief for the next four quarters as the industry works through the current slowdown. Additional details can be found in the *LIQUIDITY AND SUBSEQUENT EVENTS – INDUSTRY CONDITIONS AND OUTLOOK* section.

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

FINANCIAL HIGHLIGHTS – SECOND QUARTER AND YEAR TO DATE JUNE 30

- Consolidated revenue was $40.6 million and $235.0 million for the three and six months ended June 30, 2020, compared to $186.6 million and $363.0 million in the same periods of the prior year. A decrease of 78% for the three months ended June 30, 2020 and a decrease of 35% for the six months ended June 30, 2020.
- For the three month and six months ended June 30, 2020, Adjusted EBITDA decreased by $23.8 million and $27.6 million, respectively, from the same period of the prior year.
- The Company was compliant with all covenants under its Credit Facilities at June 30, 2020 and on August 13, 2020 entered into an Amended Credit Facility. See *INDUSTRY CONDITIONS & OUTLOOK – LIQUIDITY AND SUBSEQUENT EVENT*
- As discussed at Q1 2020, STEP took immediate steps to reduce headcount and employee compensation in anticipation of the expected significant decline in activity caused by the measures implemented to manage the COVID-19 pandemic. To date the Company has permanently reduced headcount primarily in overhead and SG&A functions and have used a combination of permanent and temporary layoffs in field positions to manage the amount of manned equipment. Headcount reductions resulted in wage and benefit savings of approximately 45%. Measures were taken to reduce salary and hourly wages by 10% and a temporary 1 day a week furlough was added resulting in a 20% reduction in wages for remaining employees.
- STEP recorded severance of $1.4 million and $3.3 million for the three and six months ended June 30, 2020.
- The federal government introduced the CEWS program to protect jobs during the pandemic. During the second quarter of 2020, we have received $3.1 million in benefit from the assistance of the CEWS program. The grants were recorded as a reduction of associated wage expense.
- 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. Additionally, the Company identified a market decline in specific assets held for sale and wrote the assets down to recoverable value. As such, an impairment charge of $0.5 million was recorded. 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.
- STEP continues to make progress on debt reduction and year to date the Company made net repayments on loans and borrowings of $35.9 million. As at June 30, 2020, STEP's net debt is $190.2 million compared to $232.6 million at December 31, 2019.
- Net loss for the three and six months ended June 30, 2020 was $40.3 million and $92.6 million, respectively, compared to net loss of $6.0 million and $6.6 million for the same periods in 2019.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTERS

- Consolidated revenue decreased from $194.4 million in first quarter 2020 to $40.6 million in second quarter 2020, a decrease of 79%. As discussed above, clients significantly reduced or halted previously announced capital programs near the end of the first quarter of 2020 due to an uncertain economic landscape.
- Consolidated Adjusted EBITDA decreased by $26.2 million from the first quarter of 2020 to the second quarter of 2020.
- Consolidated net loss of $40.3 million for the three months ended June 30, 2020, included an impairment charge against the US fracturing CGU of $13.1 million and an associated deferred tax recovery of $2.8 million, compared to a net loss for the three months ended March 31, 2020 of $52.2 million. The first quarter of 2020 saw an impairment charge of $58.8 million and an associated deferred tax recovery of $13.7 million related to property and equipment in the Canadian Fracturing CGU.

INDUSTRY CONDITIONS & OUTLOOK

The energy industry and the overall global economy continues to have an uncertain outlook. The abrupt demand destruction for crude oil resulting from the COVID-19 pandemic and the over supply of crude oil resulted in volatile crude oil prices. The result was uncertainty for our clients, who responded by cancelling and deferring work programs. As public health and government officials started to relax the stringent restrictions that were put in place earlier in the year, demand for crude oil has slowly increased and crude oil prices have recovered to approximately U.S. $40 per barrel. After months of decline, Baker Hughes weekly rig counts are starting to show increases. STEP is seeing some of its clients resume work programs, however, the Company expects the balance of this year and 2021 will be challenging for our clients and for our industry.

With the client activity resuming in later second quarter and early third quarter, STEP has been able to reactivate some equipment. The Company anticipates operating two to three fracturing crews and four to six coiled tubing units in Canada and one fracturing crew and three to five coiled tubing units in the U.S. the balance of the year.

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

CAPITAL UPDATE

Considering the current market uncertainty, as previously announced, management reduced the capital 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.

LIQUIDITY AND SUBSEQUENT EVENT

As of June 30, 2020, the Company complied with its debt covenants and anticipates that it will remain compliant with the amended covenants.

On August 13, 2020, the Company signed an amended borrowing agreement with a syndicate of financial institutions. The agreement is comprised of a Canadian $215.0 million term loan facility, a Canadian $30.0 million revolving facility, a Canadian $10.0 million operating facility and a U.S. $15.0 million operating facility (together the "Amended Credit Facilities"). The Amended Credit Facilities mature on June 25, 2022. The Amended Credit Facilities include a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. Any current and future leases that would have been accounted for as an operating lease at December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants. Scheduled repayments of 3.25% of the term loan facility begin the fiscal quarter ending March 31, 2022, with the balance due on the maturity date. The sum of any amounts outstanding under the revolving facility, the Canadian operating facility and the U.S. operating facility may not exceed the Borrowing Base. The Borrowing Base is defined as the aggregate of (1) 85% of U.S. and Canadian based investment grade eligible accounts receivable under 120 days from the invoice date, (2) 75% of U.S. and Canadian based non-investment grade eligible accounts receivable under 90 days from the invoice date, and (3) 50% of U.S. and Canadian based eligible inventory subject to a maximum of $10 million Canadian less priority payables and certain liquidity requirements. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base.

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

1. Funded debt to tangible net worth ratio refers to the ratio of total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to the sum of shareholders' equity plus Subordinated Debt, less all assets considered intangible (leasehold improvements, goodwill etc.). This covenant replaces the funded debt to adjusted bank EBITDA ratio. The Company is now required to meet the following funded debt to tangible net worth ratios:

Quarters Ended	Required Funded debt to tangible net worth ratio
September 30, 2020	1.25:1 or less
December 31, 2020	1.25:1 or less
March 31, 2021 and	1.50:1 or less
June 30, 2021	1.50:1 or less

2. Maximum capital expenditure covenant where the Board approved capital budget and related spend, is not to exceed Canadian $15.5 million for fiscal year 2020 and Canadian $16.5 million for fiscal year 2021, without prior consent of the Majority of Lenders.

3. A minimum quarterly EBITDA test for the following fiscal quarters:

Quarters Ended	Minimum Quarterly EBITDA
September 30, 2020	$ (844)
December 31, 2020	(3,940)
March 31, 2021	(3,310)
June 30, 2021	(3,401)

From September 30, 2021 thereafter the Funded debt to EBITDA Ratio will be effective and the ratio must be 3.00:1 or less.

Amendments to the interest coverage ratio which include the following changes:

Quarters Ended	Required interest coverage ratio
September 30, 2020	1.50:1 or greater
December 31, 2020	1.00:1 or greater
March 31, 2021	Waived
June 30, 2021	Waived
September 30, 2021 and thereafter	3.00:1 or greater

In the event of a breach of the Interest Coverage Ratio as at December 31, 2020, STEP will be required to cure such breach.

CANADIAN OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB. The Company's coiled tubing units were designed to service the deepest wells in the WCSB. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP has 282,500 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 or fracturing units as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 3,397**	$ 53,224	**$ 86,948**	$ 135,575
Coiled tubing	**10,491**	22,881	**35,690**	48,756
	13,888	76,105	**122,638**	184,331
Expenses:				
Operating expenses	**23,003**	78,241	**123,507**	173,432
Selling, general and administrative	**931**	2,488	**2,955**	4,784
Results from operating activities	**$ (10,046)**	$ (4,624)	**$ (3,824)**	$ 6,115
Add non-cash items:				
Depreciation	**10,595**	12,897	**25,464**	25,738
Share-based compensation	**423**	599	**223**	875
Adjusted EBITDA [(1)]	**$ 972**	$ 8,872	**$ 21,863**	$ 32,728
Adjusted EBITDA % [(1)]	**7%**	12%	**18%**	18%
Sales mix (% of segment revenue)				
Fracturing	**24%**	70%	**71%**	74%
Coiled tubing	**76%**	30%	**29%**	26%
Fracturing services				
Fracturing revenue per operating day[(1)]	**$ 242,643**	$ 208,722	**$ 213,108**	$ 205,729
Number of fracturing operating days [(2)]	**14**	255	**408**	659
Proppant pumped (tonnes)	**9,000**	186,000	**391,000**	420,000
Stages completed	**113**	2,367	**4,544**	5,592
Horsepower				
Active pumping HP, end of period	**50,000**	225,000	**150,000**	225,000
Idle pumping HP, end of period	**232,500**	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)]	**$ 51,936**	$ 50,399	**$ 45,815**	$ 49,649
Number of coiled tubing operating days [(2)]	**202**	454	**779**	982
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 50,000 HP is currently deployed and 15,000 of the remainder requires certain refurbishment.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – SECOND QUARTER

During the second quarter of 2020, STEP's fracturing operations were largely idle, with 14 operating days in the later part of the quarter compared to 255 operating days in second quarter 2019. STEP's coiled tubing units had 202 operating days during second quarter 2020 compared to 454 operating days in second quarter of 2019. Revenue for the three months ended June 30, 2020 was $13.9 million. The same period in 2019 generated $76.1 million in revenue. Adjusted EBITDA for the three months ended June 30, 2020 was $1 million or 7% of revenue versus $8.9 million or 12% of revenue for the three months ended June 30, 2019.

STEP took immediate action to maximize Adjusted EBITDA and manage the unprecedented economic and market conditions. STEP permanently reduced headcount in overhead and SG&A and wages were reduced by up to 20% including a temporary 1 day per week furlough. STEP also implemented temporary layoffs for operations employees to manage manned equipment relative to expected demand. STEP also undertook to retain its most senior field staff by maintaining a reduced compensation level. All discretionary expenses such as travel, and meals and entertainment were reduced or eliminated. STEP incurred $1.3 million in severance in its Canadian operations during the second quarter of 2020.

As discussed above, STEP was able to access the federal government's CEWS program and its Canadian operations recorded $2.8 million in benefit from the program in the second quarter of 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS – YEAR TO DATE JUNE 30

STEP's year to date June 30, 2020 results were improved by the stronger first quarter 2020 numbers. STEP was able to largely complete its clients' first quarter fracturing programs prior to the COVID-19 related shutdowns. STEP's coiled tubing operations started to see client's postponing work in mid-March. For the six months ended June 30, 2020, STEP completed 408 fracturing operating days compared to 659 operating days for the same period in 2019. STEP completed 779 coiled tubing operating days for the six months ended June 30, 2020 compared to 982 in the same period in 2019. Revenue for the six months ended June 30, 2020 was $122.6 million compared to $184.3 million for the six months ended June 30, 2019. Adjusted EBITDA for the six months ended June 30, 2020 was $21.9 million or 18% of revenue compared to $32.7 million or 18% of revenue for the six months ended June 30, 2019.

During the six months ended June 30, 2020, STEP incurred $2.6 million in severance costs in its Canadian operations. As indicated above, STEP recorded $2.8 million in benefit from the CEWS program for the six months ended June 30, 2020.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

STEP generated $13.9 million of revenue during the second quarter of 2020 versus $108.8 million of revenue in first quarter of 2020. Adjusted EBITDA for second quarter 2020 was $1.0 million or 6.9% of revenue versus $20.9 million or 19.2% of revenue in first quarter of 2020. Although second quarter in Canada is typically slower due to spring break up conditions that make it difficult to move heavy equipment, the decline in 2020 is largely due to the negative economic impact of the COVID-19 pandemic and the volatility of global crude oil prices.

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 six months ended June 30, 2020 would have increased by approximately $1.2 million and $2.8 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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Revenue:				
Fracturing	**$ 20,483**	$ 85,158	**$ 80,925**	$ 125,393
Coiled tubing	**6,273**	25,314	**31,451**	53,322
	26,756	110,472	**112,376**	178,715
Expenses:				
Operating expenses	**38,711**	104,006	**125,626**	175,526
Selling, general and administrative	**1,656**	3,355	**3,952**	5,505
Results from operating activities	**$ (13,611)**	$ 3,111	**$ (17,202)**	$ (2,316)
Add non-cash items:				
Depreciation	**11,112**	11,830	**23,039**	23,740
Share-based compensation	**71**	686	**(266)**	1,210
Adjusted EBITDA [1]	**$ (2,428)**	$ 15,627	**$ 5,571**	$ 22,634
Adjusted EBITDA % [1]	**(9%)**	14%	**5%**	13%
Sales mix (% of segment revenue)				
Fracturing	**77%**	77%	**72%**	70%
Coiled tubing	**23%**	23%	**28%**	30%
Fracturing services				
Fracturing revenue per operating day [1]	**$ 347,169**	$ 397,935	**$ 307,700**	$ 398,073
Number of fracturing operating days [2]	**59**	214	**263**	315
Proppant pumped (tonnes)	**90,000**	224,000	**383,000**	319,000
Stages completed	**431**	1,087	**1,810**	1,611
Horsepower				
Active pumping HP, end of period	**65,000**	142,500	**65,000**	142,500
Idle pumping HP, end of period	**142,500**	50,000	**142,500**	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]	**$ 42,385**	$ 49,733	**$ 44,802**	$ 49,927
Number of coiled tubing operating days [2]	**148**	509	**702**	1,068
Active coiled tubing units, end of period	**4**	9	**4**	9
Idle coiled tubing units, end of period	**9**	4	**9**	4
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 – SECOND QUARTER

During the second quarter of 2020, STEP's U.S. fracturing operations were impacted by the same reduction in activity as was seen in Canada. U.S. fracturing operations operated 1 crew throughout the quarter which was active for 59 operating days compared to 214 operating days in second quarter of 2019. STEP's coiled tubing units completed 148 operating days during the second quarter of 2020 compared to 509 operating days in the second quarter of 2019. Revenue for the three months ended June 30, 2020 was $26.8 million compared to $110.5 million during the same period of 2019. Adjusted EBITDA was a loss of $2.4 million for the three months ended June 30, 2020 versus Adjusted EBITDA of $15.6 million or 14% of revenue for the three months ended June 30, 2019. Both the fracturing and coiled tubing business have experienced significant price erosion and increased competition particularly in coiled tubing operations during second quarter of 2020.

With the onset of market volatility from COVID-19 and the decline of crude oil prices, STEP took immediate action to maximize Adjusted EBITDA. Headcount was reduced, discretionary management bonuses were eliminated, and layoffs were implemented. Other measures included reduced or eliminated discretionary expenses such as travel, meals and entertainment and vehicle allowances. STEP has 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. Capital spend has been limited to maintenance capital.

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 JUNE 30

STEP's year to date June 30, 2020 results were strengthened by the stronger first quarter 2020 numbers. For the six months ended June 30, 2020, STEP completed 263 fracturing operating days compared to 315 operating days for the same period of 2019. STEP completed 702 coiled tubing operating days for the six months ended June 30, 2020 compared to 1,068 in the same period of 2019. Revenue for the six months ended June 30, 2020 was $112.4 million compared to $178.7 million for the six months ended June 30, 2019. Adjusted EBITDA for the six months ended June 30, 2020 was $5.6 million or 5% of revenue compared to $22.6 million or 13% of revenue for the six months ended June 30, 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS - SEQUENTIAL QUARTER

In the U.S., seasonality is generally not a factor. Revenue decreased by $58.8 million from $85.6 million in first quarter of 2020 to $26.8 million in second quarter of 2020 and adjusted EBITDA decreased by $10.4 million from $8.0 million in first quarter of 2020 to adjusted EBITDA loss of $2.4 million as compared to the second quarter of 2020. The impacts of reduced commodity demand due to COVID-19 was a material impact to results during the second quarter.

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 six months ended June 30, 2020 of $0.8 million and $3.8 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, and other activities that benefit Canadian and U.S. operating segments collectively.

($0 00's)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Expenses:				
Operating expenses	$ **140**	$ 572	$ **773**	$ 1,200
Selling, general and administrative	**3,580**	5,197	**8,848**	9,595
Results from operating activities	**(3,720)**	(5,769)	**(9,621)**	(10,795)
Add non-cash items:				
Depreciation	**196**	311	**412**	627
Share-based compensation	**1,513**	1,298	**1,111**	1,761
Adjusted EBITDA [1]	$ **(2,011)**	$ (4,160)	$ **(8,098)**	$ (8,407)
Adjusted EBITDA % [1,2]	**(5%)**	(2%)	**(3%)**	(2%)

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

FINANCIAL HIGHLIGHTS – SECOND QUARTER

STEP took immediate action to minimize corporate expenses and maximize Adjusted EBITDA as its clients either delayed or cancelled their work programs in response to the unprecedented conditions experienced in the quarter. These measures included reducing manned equipment, reducing capital spend, reducing headcount, reducing compensation for all employees, eliminating discretionary management bonuses, negotiating better pricing with our vendors, and reducing SG&A

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $2.0 million for the second quarter of 2020 compared to $4.2 million for the second quarter of 2019. An additional $0.1 million severance was incurred in the second quarter of 2020 and STEP obtained $0.3 million of benefit from the CEWS program for corporate employees. STEP reduced corporate expenses by 52% from the same period of 2019.

FINANCIAL HIGHLIGHTS – YEAR TO DATE JUNE 30

Expenses from corporate activities, excluding depreciation and share-based compensation related to corporate assets and employees, were $8.1 million for the six months ended June 30, 2020 compared to $8.4 million in the same period of the prior year, a reduction of $0.3 million. The expenses as at June 30, 2020 included $0.7 million in severance which was partially offset by $0.3 million of benefit from the CEWS program for corporate employees for the six months ended June 30, 2020. STEP also recorded $2.5 million in bad debt expense for the period ended June 30, 2020 to account for additional counterparty risk.

FINANCIAL HIGHLIGHTS – SEQUENTIAL QUARTER

Corporate expenses, excluding depreciation and share based compensation, for second quarter of 2020 were $2.0 million compared to first quarter 2020 of $6.1 million. First quarter 2020 included $2.5 million of bad debt expense and $0.6 million in severance. Excluding the bad debt expense and severance expenses would have been $3.0 million. Second quarter of 2020 included an additional $0.1 million of severance and $0.3 million of benefit from the CEWS program. When these amounts are excluded normalized expenses would have been $2.2 million.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	$ 40,644	$ 186,577	$ 235,014	$ 363,046
Operating expenses	61,854	182,819	249,906	350,158
Gross profit	(21,210)	3,758	(14,892)	12,888
Selling, general and administrative	6,167	11,040	15,755	19,884
Results from operating activities	(27,377)	(7,282)	(30,647)	(6,996)
Finance costs	3,402	3,672	7,862	6,925
Foreign exchange (gain) loss	(1,422)	(584)	1,195	(1,849)
Gain on disposal of property and equipment	(185)	(336)	(1,015)	(1,009)
Amortization of intangible assets	132	1,556	261	3,331
Foreign exchange forward contract loss	-	-	-	383
Impairment	13,595	-	72,345	-
Loss before income tax	(42,899)	(11,590)	(111,295)	(14,777)
Income tax expense (recovery)	(2,551)	(5,566)	(18,743)	(8,148)
Net loss	(40,348)	(6,024)	(92,552)	(6,629)
Other comprehensive (loss) income	(9,368)	(7,652)	11,594	(16,445)
Total comprehensive (loss) income	$ (49,716)	$ (13,676)	$ 80,958	$ (23,074)
Earnings (loss) per share – basic	$ (0.60)	$ (0.09)	$ (1.38)	$ (0.10)
Earnings (loss) per share – diluted	$ (0.60)	$ (0.09)	$ (1.38)	$ (0.10)
Adjusted EBITDA [1]	$ (3,467)	$ 20,339	$ 19,336	$ 46,955
Adjusted EBITDA % [1]	(9%)	11%	8%	13%

[1] See Non-IFRS Measures.

OTHER ITEMS

Depreciation and amortization

For the three and six months ended June 30, 2020, depreciation and amortization expense was $22.0 million and $49.2 million respectively, down from $26.6 million and $53.4 million in the same periods of 2019. During the first quarter of 2020, an impairment of $58.8 million was recognized related to Canadian fracturing property and equipment. As such, the second quarter of 2020 saw a reduction in depreciation expense as a result of the impairment. This was partially offset by capital expenditures of $1.9 million and $16.9 million for the three-and six-month periods ended June 30, 2020. Capital spend decreased significantly relative to the prior year in line with the reduction in manned equipment and active management of capital spending.

Finance costs

Finance costs were $3.4 million and $7.9 million for the three- and six-months periods ended June 30, 2020. Finance costs for the three and six months ended June 30, 2019 were $3.7 million and $6.9 million. The effective borrowing rate for loans and borrowings were 4.1% and 4.9% for the three and six months ended June 30, 2020 compared to 4.3% and 4.4% for the same periods in 2019. In addition to the fluctuations in effective interest rates, the amount of debt outstanding at each period also varied. Loans and borrowings, excluding deferred financing costs, were $239.8 million, $267.7 million and $205.5 million as at December 31, 2019, March 31, 2020 and June 30, 2020 respectively. Loans and borrowings excluding deferred financing costs were $253.6 million, $250.6 million and $258.4 million as at December 31, 2018, March 31, 2019 and June 30, 2019, respectively. Therefore, overall interest for the six-month period ended June 30, 2020 was at a slightly higher rate and greater variation in the balance of loans and borrowings outstanding at any time.

Foreign exchange gains and losses

Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations. STEP recorded a foreign exchange gain of $1.4 million and a foreign exchange loss of $1.2 million for the three and six months ended June 30, 2020, compared to gains of $0.6 million and $1.8 million in the relevant periods of 2019. A $1.3 million foreign exchange gain and $1.1 million foreign exchange loss was unrealized for the three and six months ended June 30, 2020. The change over the prior year was primarily due to movement in the exchange rate and increased drawings on the U.S. dollar loans. From December 31, 2019 to June 30, 2020 the Canadian to U.S. dollar exchange rate changed from $1.299:US$1.00 to $1.358:US$1.00.

Gains or losses on disposal of property and equipment

The Company recorded a gain on disposal of property and equipment of $0.2 million and $1.0 million for the three and six months ended June 30, 2020 respectively, compared to gains of $0.3 million and $1.0 million in the same periods of 2019. Gains in the current year relate primarily to the disposal of non-core assets. Non-core assets were acquired through bulk acquisitions of fracturing assets in prior years. Cash proceeds from dispositions were $0.8 million and $3.3 million for the three and six months ended June 30, 2020.

Impairment of long-lived assets

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

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

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

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

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

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

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

For the three months ended March 31, 2020, a comparison of the recoverable amounts of each CGU with their respective carrying amounts resulted in an impairment charge in the Canadian Fracturing CGU against property and equipment of $58.8 million. The recoverable amount for the Canadian Fracturing CGU was determined to be $168.0 million. A post-tax discount

rate of 12.7% (pre-tax 15.8%) would have caused the recoverable amount of the Canadian Fracturing CGU to be equal to its carrying value.

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

In addition to the Company's impairment assessment, the Company identified in second quarter 2020 a market decline in specific assets held for sale and wrote the assets down to recoverable value. As such, an impairment charge of $0.5 million was recorded.

Foreign exchange forward contract gains and losses

For the three and six months ended June 30, 2020, STEP did not have any foreign exchange forward contracts. A foreign exchange forward contract loss of $0.4 million was recorded in the first six months of the prior year. Occasionally, the Company enters into U.S. dollar denominated forward contracts for the purposes of mitigating foreign exchange risk.

Share-based compensation

For the three and six months ended June 30, 2020, STEP recorded share-based compensation expense of $2.0 million and $1.1 million, respectively, compared to $2.6 million and $3.8 million in the same periods of 2019. The decrease in expense is primarily due to decreases in the fair value of cash based restricted share units, deferred share units, and performance share units, offset by the expense related to performance warrants and new options. At June 30, 2020, all prior granted options had fully vested.

Income taxes

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

STEP recorded a total income tax recovery of $2.6 million for the three months ended June 30, 2020 compared to a recovery of $5.6 million for the comparable period of 2019. The net tax recovery was higher in the prior year despite a larger loss before income tax in the current period. This arose from a one-time tax recovery reduction in the second quarter of 2020 to address the enactment of the anti-hybrid rules under section 267A of the U.S. tax code.

STEP recorded a total income tax recovery of $18.7 million for the six months ended June 30, 2020 compared to a recovery of $8.1 million for the comparable period of 2019. During the second quarter, there was a one-time tax recovery reduction year to date 2020 to address the enactment of anti-hybrid rules under section 267A of U.S. tax code. This was offset by a lower effective tax rate for the six-month period ended June 30, 2020.

TOTAL CAPITAL EXPENDITURES

($000s)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Capital program additions	**$ 976**	$ 12,130	**$ 12,670**	$ 22,477
Right-of-use asset additions (new contracts in the period)	**936**	-	**4,262**	3,326
Right-of-use asset additions (upon adoption of IFRS 16)	**-**	1,843	**-**	6,982
Total capital expenditures	**$ 1,912**	$ 13,973	**$ 16,932**	$ 32,785
Capital was incurred for:				
Canada	**$ 147**	$ 11,081	**$ 5,259**	$ 22,686
United States	**$ 1,765**	$ 2,892	**$ 11,673**	$ 10,099

STEP funds capital expenditures from a combination of cash, cash provided by operating activities and funds available under the Credit Facilities.

LIQUIDITY AND CAPITAL RESOURCES

($000s)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Net cash provided by (used in)				
Operating activities	**$ 45,222**	$ 1,730	**$ 62,556**	$ 18,493
Investing activities	**(4,332)**	(10,155)	**(15,735)**	(20,099)
Financing activities	**(62,263)**	2,343	**(39,482)**	2,052
Impact of foreign exchange on cash	**(239)**	155	**657**	303
Increase (decrease) in cash and cash equivalents	**$ (21,612)**	$ (5,927)	**$ 7,996**	$ 749
Opening cash balance	**36,875**	7,040	**7,267**	364
Ending cash balance	**$ 15,263**	$ 1,113	**$ 15,263**	$ 1,113

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled $45.2 million and $62.6 million for the three and six months ended June 30, 2020, respectively, compared to $1.7 million and $18.5 million in the same period of 2019. Net cash provided by operating activities increased by $43.5 million and $44.1 million, respectively primarily due to drawing down non-cash working capital built up during first quarter of 2020.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled $4.3 million and $15.7 million for the three and six months ended June 30, 2020, respectively, compared to $10.2 million and $20.1 million used in the comparable period of 2019. Net cash used decreased primarily due to lower investments in property and equipment.

NET CASH USED IN (PROVIDED BY) FINANCING ACTIVITIES

For the three and six months ended June 30, 2020, net cash used by financing activities totaled $62.3 million and $39.5 million, respectively, compared to $2.3 million and $2.1 million provided in the same periods of 2019. For the three and six months ended June 30, 2020, there were repayments of loans and borrowings of $60.6 million and $35.9 million, respectively, as compared to borrowings of $4.0 million and $5.8 million respectively for the three and six months ended June 30, 2019.

WORKING CAPITAL(1) AND CASH REQUIREMENTS

As at June 30, 2020 STEP had positive working capital(1) of $39.0 million, compared to $72.2 million as at December 31, 2019. Trade and other receivables decreased from $104.7 million as at December 31, 2019 to $37.9 million as at June 30, 2020 due to active collections of receivables and lower second quarter revenue as compared to the fourth quarter of 2019. Trade and other payables decreased to $42.9 million at June 30, 2020 from $77.1 million as at December 31, 2019 as a result of cost management activities undertaken to align with current activity levels.

Available financial resources as at June 30, 2020 were $60.6 million, consisting of cash and cash equivalents plus trade and other receivables and Income tax receivable. The $60.6 million exceeds the remaining 2020 contractual obligations, commitments and provisions. With its positive working capital position, anticipated funds provided by operations and expected available unused capacity on its credit facilities, the Company expects to have adequate resources to fund its operations, financial obligations and expected capital expenditures through the next 12 months. Reductions in clients' cash flow or difficulty in their ability to source debt or equity could negatively impact the Company's assessment of liquidity risk. (see *OVERVIEW AND LIQUIDITY – CONSOLIDATED HIGHLIGHTS AND LIQUIDITY AND SUBSEQUENT EVENT - INDUSTRY CONDITIONS AND OUTLOOK*).

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2020	2021	2022	2023	2024	Thereafter	Total
Trade and other payables	$ 42,928	$ -	$ -	$ -	$ -	$ -	**$ 42,928**
Income tax payable	443	-	-	-	-	-	**443**
Operating commitments [2,3]	667	1,333	1,284	1,278	215	242	**5,019**
Short-term and low value lease obligations[3]	49	90	-	-	-	-	**139**
Lease obligations [3,4]	4,287	6,751	3,186	2,159	1,401	580	**18,364**
Loans and borrowings [5]	4,249	8,429	209,576	-	-	-	**222,254**
Capital expenditure commitments [6]	806	-	-	-	-	-	**806**
Total commitments	$ 53,429	$ 16,603	$ 214,046	$ 3,437	$ 1,616	$ 822	**$ 289,953**

[2] The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to seven years with an option to renew upon expiry.
[3] Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.36 CAD.
[4] Balance includes interest portion of lease obligations.
[5] Includes estimated interest and principle repayments, based on current amounts outstanding and current interest rates at June 30, 2020. Both are variable in nature.
[6] A capital expenditure commitment is defined as a purchase agreement between the Company and the supplier as it relates to the Company's capital program.

CAPITAL MANAGEMENT

($000s)	June 30, 2020	December 31, 2019
Shareholders' equity	**$ 243,819**	$ 322,823
Lease obligations	**16,787**	19,021
Loans and borrowings	**202,597**	237,418
Total capital	**$ 463,203**	$ 579,262

The Company's objectives when managing its capital structure are to maintain a balance between debt and equity so as to withstand industry and seasonal volatility, maintain investor, creditor and market confidence and to sustain future development of the business. The Company considers the items included in shareholders' equity, loans and borrowings and leases as capital. Debt includes the current and long-term portions of loans and borrowings and obligations under leases.

Equity

As at August 13, 2020 there were 67,524,543 common shares in the capital of STEP ("Common Shares") issued and outstanding. During the six months ended June 30, 2020, 0.5 million cash settled Restricted Share Units and Performance Share Units were settled through the issuance of 0.5 million common shares at fair value. As a result, there was an increase in share capital related to the settlement of the cash settled Restricted Share Units and Performance Share Units of $0.2 million.

Debt

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

[1] See Non-IFRS Measures.

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

1) Funded debt to Adjusted bank EBITDA ratio refers to the ratio of total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to earnings before interest, share-based compensation, non-recurring gains and losses on the sale of property and equipment, unrealized foreign exchange gains and losses, taxes, depreciation, amortization, unrealized foreign exchange forward contract (gain) loss and transaction costs, non-cash impairment charges, severance, other non-cash charges, and discretionary management bonuses ("Adjusted bank EBITDA") of the Company for the 12 preceding months. Also, realized foreign exchange (gain) loss is excluded from Adjusted bank EBITDA. The Company amended its required funded debt to Adjusted bank EBITDA ratios on January 22, 2020. The Company is required to meet the following funded debt to Adjusted bank EBITDA ratios:

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

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

2) Interest coverage ratio refers to the ratio of Adjusted bank EBITDA to interest expense for the preceding 12 months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases which would have been accounted for as an operating lease at December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. This ratio is not to fall below 3.00:1. At June 30, 2020, the Interest Coverage Ratio was 3.40:1.00.

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

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

Interest under the Credit Facilities is payable monthly, at the lead syndicate bank's prime lending rate plus 50 basis points to 300 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the second quarter of 2020 was approximately 4.1%. At June 30, 2020, the full amount of the facility less any outstanding letters of credit is available to be drawn on the Credit Facilities. The Company had total outstanding letters of credit of $1.8 million. The total amount of credit facilities outstanding at June 30, 2020 is as follows:

As at ($000s)	June 30, 2020	December 31, 2019
Credit facilities	$ 205,511	$ 239,819
Deferred financing	(2,914)	(2,401)
Loans and borrowings	$ 202,597	$ 237,418

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

($000s)		
Balance at January 1, 2020	$	237,418
Loans and borrowings repayments, net		(35,941)
Deferred financing incurred		(1,184)
Accretion of deferred financing charges		671
Unrealized foreign exchange loss		1,424
Foreign currency translation loss		209
Balance at June 30, 2020	$	202,597

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.

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

SELECTED QUARTERLY INFORMATION

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

Quarterly Results Summary [2] ($000's, except per share amounts)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue								
Canadian Operations	13,888	108,750	72,500	97,834	76,105	108,226	97,756	147,964
United States Operations	26,756	85,619	54,007	80,911	110,472	68,243	71,272	92,577
	40,644	194,369	126,507	178,745	186,577	176,469	169,028	240,541
Net (loss) income attributable to shareholders	(40,348)	(52,203)	(24,411)	(112,843)	(6,024)	(602)	(58,549)	9,260
Adjusted EBITDA [3,4]								
Canadian Operations	972	20,891	9,401	23,085	8,872	23,856	8,995	35,998
United States Operations	(2,428)	7,998	2,175	3,769	15,627	7,009	8,816	9,568
Corporate [4]	(2,011)	(6,087)	(2,411)	(4,164)	(4,160)	(4,248)	(5,509)	(3,115)
	(3,467)	22,802	9,165	22,690	20,339	26,617	12,302	42,451
Capital expenditures [5]								
Canadian Operations	147	5,112	5,172	5,697	11,081	11,605	12,835	22,589
United States Operations	1,765	9,908	11,536	7,051	2,892	7,207	13,950	11,711
	1,912	15,020	16,708	12,748	13,973	18,812	26,785	34,300
Per Common Share								
Net (loss) income – basic	(0.60)	(0.78)	(0.37)	(1.69)	(0.09)	(0.01)	(0.88)	0.14
Net (loss) income – diluted	(0.60)	(0.78)	(0.37)	(1.69)	(0.09)	(0.01)	(0.88)	0.14
Adjusted EBITDA [3] – basic	(0.05)	0.34	0.14	0.34	0.30	0.40	0.18	0.64
Adjusted EBITDA [3] – diluted	(0.05)	0.34	0.14	0.34	0.30	0.40	0.18	0.63

[1] STEP's business is seasonal with the periods of greatest activity in Canada being in the first, third and fourth quarters. The U.S. is generally not affected by seasonality.
[2] Totals may not add due to rounding.
[3] See Non-IFRS Measures.
[4] 2018 amounts were reclassified as the Company reorganized the composition of its operating segments.
[5] Capital expenditures include amounts added in respect of finance right-of-use assets.

Quarterly Operating Summary (000's, except units)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Canada								
Exit active fracturing spreads	**1**	6	6	6	6	6	6	8
Exit active HP (000's)	**50**	225	225	225	225	225	225	225
Total HP (000's)	**283**	283	283	298	298	298	298	298
Exit active coiled tubing units	**5**	10	9	9	9	9	9	13
Total coiled tubing units	**16**	16	16	16	16	14	14	13
United States								
Exit active fracturing spreads	**1**	3	3	3	3	3	3	3
Exit active HP (000's)	**65**	158	158	143	143	143	143	143
Total HP (000's)	**208**	208	208	193	193	193	193	193
Exit active coiled tubing units	**4**	7	8	8	9	9	8	9
Total coiled tubing units	**13**	13	13	13	13	12	12	11

FINANCIAL INSTRUMENTS

Financial instruments included in the Company's consolidated balance sheets are cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings and foreign exchange forward contracts.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and income tax receivable and payable, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value. Foreign exchange forward contracts are classified and measured at fair value through profit or loss.

CREDIT RISK

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

The Company measures potential loss exposures on trade and other receivables at an amount equal to lifetime expected credit losses. At every point after the initial recognition, there is at least some risk of default. To assess this risk, the Company considers quantitative and qualitative information based on the Company's historical experience and forward-looking information. Factors considered include customer payment history, customer credit ratings, customer cash flows, industry trends, and commodity pricing forecasts. The Company assumes that the credit risk on a financial asset increases significantly the longer it is outstanding. The Company did one write-off of $0.1 million against allowance for doubtful accounts during the period ended June 30, 2020.

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.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate loans and borrowings. Based on the average outstanding debt for the three and six months ended June 30, 2020, a 1.0% per annum change in the bankers' prime rate would result in a $0.6 million and $1.3 million increase or decrease in interest expense, respectively.

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. As at June 30, 2020, the Company did not have any open forward contracts.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2020 other than the commitments described under "Contractual Obligations, Commitments and Provisions".

NON-IFRS MEASURES

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

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

($000s)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Net loss	$ **(40,348)**	$ (6,024)	$ **(92,552)**	$ (6,629)
Add (deduct):				
Depreciation and amortization	**22,035**	26,594	**49,176**	53,436
Gain on disposal of equipment	**(185)**	(336)	**(1,015)**	(1,009)
Finance costs	**3,402**	3,672	**7,862**	6,925
Income tax recovery	**(2,551)**	(5,566)	**(18,743)**	(8,148)
Foreign exchange forward contract loss	**-**	-	**-**	383
Share-based compensation	**2,007**	2,583	**1,068**	3,846
Foreign exchange (gain) loss	**(1,422)**	(584)	**1,195**	(1,849)
Impairment	**13,595**	-	**72,345**	-
Adjusted EBITDA	$ **(3,467)**	$ 20,339	$ **19,336**	$ 46,955
Adjusted EBITDA%	(9%)	11%	8%	13%

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

"Working capital", "Total long-term financial liabilities" and "Net debt" are financial measures not presented in accordance with IFRS. "Working capital" is equal to total current assets less total current liabilities. "Total long-term financial liabilities" is comprised of Loans and borrowings, Long-term lease obligations and other liabilities. "Net debt" is equal to loans and borrowings before deferred financing charges less cash and cash equivalents. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The following table presents the composition of the non-IFRS financial measure of Net debt.

As at ($000s)	June 30, 2020	December 31, 2019
Loans and borrowings	$ 202,597	$ 237,418
Add back: Deferred financing costs	2,914	2,401
Less: Cash and cash equivalents	(15,263)	(7,267)
Net debt	$ 190,248	$ 232,552

ACCOUNTING POLICIES AND ESTIMATES

NEW ACCOUNTING POLICIES

IAS 20 – Accounting for Government Grants and Disclosure

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

IFRS 3 – Business Combinations

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

RELATED PARTIES

ARC Energy Fund 6 Canadian Limited Partnership, ARC Energy Fund 6 United States Limited Partnership, ARC Energy Fund 6 International Limited Partnership and ARC Capital 6 Limited Partnership (collectively, "ARC Energy Fund 6") and ARC Energy Fund 8 Canadian Limited Partnership, ARC Energy Fund 8 United States Limited Partnership, ARC Energy Fund 8 International Limited Partnership and ARC Capital 8 Limited Partnership (collectively, "ARC Energy Fund 8"), each a private equity fund advised by ARC Financial Corp. have been investors in the Company since 2011 and 2015, respectively.

DISCLOSURE CONTROLS AND PROCEDURES

The Company is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109"). The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of STEP are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") for the Company.

The Company's designed DC&P provides reasonable assurance that material information is made known to the certifying officers, and that information disclosed by the Company is done in the time period specified in securities legislation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As defined within NI 52-109, the Company's CEO and CFO are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). The Company's designed ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles ("GAAP"). The framework behind the design of the Company's ICFR was the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met and it should not be expected that the control system will prevent all errors or fraud.

There have been no changes in the Company's existing DC&P or ICFR during the period ended June 30, 2020, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Company's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2020. The preparation of the unaudited condensed consolidated interim financial statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Note 1 to the Financial Statements and Notes 1 and 2 to the Annual Financial Statements for a description of the Company's accounting policies, impacts of changes in significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP's financial results. (see *OVERVIEW AND LIQUIDITY – CONSOLIDATED HIGHLIGHTS*)

RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the Annual MD&A, both of which are available on www.sedar.com, and the disclosure provided in this MD&A under the headings "*Consolidated Highlights*" and "*Industry Conditions & Outlook*". In addition, global or national health concerns, including the outbreak of pandemic or contagious diseases such as COVID-19, may adversely affect the Company by: (i) reducing global economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services; (ii) impairing its supply chain (for example, by limiting he manufacturing of materials or the supply of services used in the Company's operations); (iii) interrupting its operations (for example, as a result of government mandated shut-down or other preventative measures, or illness among its workforce); and (iv) affecting the health of its workforce, rendering employees unable to work or travel. Public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses including, most recently, the COVID-19 pandemic, domestic and global trade disruptions, infrastructure disruptions, civil disobedience or unrest, national emergencies and related events can result in volatility and disruption to local and global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial

conditions, results of operations and other factors relevant to the Company, its customers, and/or either of their businesses or operations, which may have a material adverse effect on the Company's reputation, business, financial conditions or operating results. Other than as supplemented in this MD&A, the Company's risk factors and management thereof has not changed substantially from those disclosed in the AIF and Annual MD&A.

FORWARD-LOOKING INFORMATION & STATEMENTS

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

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: 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 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; anticipated reduction in net debt; 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; 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 MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the Company's ability to manage the effect of the COVID-19 pandemic and OPEC or 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 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; 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 this MD&A and the Annual MD&A.

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

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