

STEP Energy Services Ltd. Reports Third Quarter 2021 Results and Announces Executive Leadership Changes

Calgary, Alberta-November 3, 2021 -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, 2021. The following press release should be read in conjunction with the management’s discussion and analysis (“MD&A”) and unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and nine months ended September 30, 2021 (the “Quarterly Financial Statements”). 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, 2020 dated March 17, 2021 (the “AIF”).

CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

(\$000s except percentages and per share amounts)	Three months ended			Nine months ended	
	September 30,	September 30,	June 30,	September 30,	
	2021	2020	2021	2021	2020
Consolidated revenue	\$ 133,235	\$ 62,363	\$ 107,546	\$ 377,593	\$ 297,377
Net loss	\$ (3,388)	\$ (9,762)	\$ (10,582)	\$ (21,915)	\$ (102,314)
Per share-basic	\$ (0.05)	\$ (0.14)	\$ (0.16)	\$ (0.32)	\$ (1.52)
Per share-diluted	\$ (0.05)	\$ (0.15)	\$ (0.16)	\$ (0.32)	\$ (1.52)
Weighted average shares – basic	68,112,520	67,514,015	68,051,699	67,962,997	67,232,574
Weighted average shares – diluted	68,112,520	66,523,901	68,051,699	67,962,997	67,232,574
Adjusted EBITDA ⁽¹⁾	\$ 17,988	\$ 9,098	\$ 11,676	\$ 45,623	\$ 28,434
Adjusted EBITDA % ⁽¹⁾	14%	15%	11%	12%	10%

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

(\$000s except shares and per share amounts)	September 30,	December 31,
	2021	2020
Cash and cash equivalents	\$ 2,337	\$ 1,266
Working capital (including cash and cash equivalents) ⁽²⁾	\$ 33,243	\$ 44,646
Total assets	\$ 483,213	\$ 479,859
Total long-term financial liabilities ⁽²⁾	\$ 203,077	\$ 216,627
Net debt ⁽²⁾	\$ 211,977	\$ 208,735
Shares outstanding	68,125,136	67,713,824

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

FINANCIAL HIGHLIGHTS

- STEP generated revenue of \$133.2 million in the third quarter of 2021 (Q3 2020 - \$62.4 million, Q2 2021 - \$107 million), which is STEP's strongest quarter since the start of the COVID-19 pandemic (the "Pandemic") in early 2020.
- Improving market conditions in STEP's U.S. operations resulted in a meaningful increase in the contribution made to the Company's consolidated results, while in Canada, momentum from the strong performance in Q2 2021 continued into Q3.
- STEP generated Adjusted EBITDA of \$18.0 million, an increase of 98% over the \$9.1 million generated in Q3 2020, and a sequential increase of 54% over the \$11.7 million generated in Q2 2021. The Q3 2021 net loss improved to \$3.4 million from a net loss of \$9.8 million in Q3 2020 and a net loss of \$10.6 million in Q2 2021.
- The strengthening balance sheet and improving outlook for the balance of 2021 and 2022 enabled the Company to extend the maturity date of its Credit Facilities to July 30, 2023, and as a result of these conditions, the Company does not anticipate seeking an extension of the covenant relief provisions.

THIRD QUARTER 2021 OVERVIEW

The third quarter of 2021 was STEP's strongest quarter since the start of the Pandemic in early 2020. This performance was led by rigorous internal cost control and increased activity from our clients as commodity prices rose to multi-year highs as a result of steady draws on global inventories due to increased economic activity and mobility.

(unaudited)	Three months ended				
	September 30, 2021	June 30, 2021	March 31, 2020	December 30, 2020	September 30, 2020
AECO-C Spot Average Price (CAD/MMBtu)	\$ 3.57	\$ 3.10	\$ 3.10	\$ 2.66	\$ 2.26
WTI – Average Price (USD/bbl)	\$ 70.61	\$ 66.19	\$ 58.04	\$ 42.72	\$ 40.88
WCS – Average Price (USD/bbl)	\$ 57.64	\$ 53.29	\$ 46.21	\$ 31.44	\$ 31.15
Condensate – Average Price (USD/bbl)	\$ 70.85	\$ 64.87	\$ 59.16	\$ 43.08	\$ 38.77
Average Exchange Rate (USD/CAD)	\$ 0.79	\$ 0.81	\$ 0.79	\$ 0.77	\$ 0.75
Canadian Average Drilling Rig Count ⁽¹⁾	150	71	144	88	46
U.S. Average Drilling Rig Count ⁽¹⁾	484	437	378	297	241

(1) Only includes land-based rigs.

Source: PSAC, Baker Hughes, Bank of Canada

The increased demand and pricing for hydrocarbons has resulted in gradual increases in production in both Canada and the U.S., with improved drilling activity driving demand for the Company's services. On a consolidated basis, STEP pumped 496 thousand tonnes of proppant in the third quarter of 2021 compared to 283 thousand tonnes in the third quarter of 2020 and 466 thousand tonnes in Q2 2021. Drilling rigs in the U.S. averaged 484 in the third quarter of 2021, a year over year increase of 101% and a sequential increase of 11%. Canadian rig counts averaged 150 in the quarter, increasing 226% from the third quarter of 2020 and 111% from the seasonally lower activity of the second quarter of 2021 due to spring break-up.

STEP's third quarter 2021 revenue increased 114% from the same period last year and 24% from the second quarter 2021, climbing to \$133.2 million. The year over year increase was driven by the strengthening recovery from the slowdown of activity seen in 2020. Revenue was also supported by higher utilization in Canada and the U.S., as well as modestly higher pricing.

STEP generated Adjusted EBITDA of \$18.0 million in the third quarter 2021, an increase of 98% over the \$9.1 million generated in Q3 2020 and an increase of 54% over the \$11.7 million in Q2 2021. For the three months ended September 30, 2021, the Company recognized \$1.1 million (September 30, 2020 - \$4.5 million, June 30, 2021 - \$1.9 million) in grants under the Canada Emergency Wage Subsidy ("CEWS") program as a reduction of employee costs. The Company is seeing cost inflation creeping into the business, a reflection of the tight labour market and global supply chain constraints, which is leading to higher costs, longer lead times, and outright shortages at times.

The Company recorded a net loss of \$3.4 million (\$0.05 basic earnings per share) in the third quarter 2021, an improvement from the net loss of \$9.8 million (\$0.14 basic earnings per share) incurred in the same period last year and net loss of \$10.6 million (\$0.16 basic earnings per share) in the second quarter of 2021. The net loss includes \$3.9 million in finance costs (Q3

2020 - \$3.5 million, Q2 2021 - \$3.4 million) and \$0.3 million in share-based compensation (Q3 2020 - \$0.9 million, Q2 2021 - \$2.6 million). The reductions in net losses are due to increased activity leading to higher revenues combined with economies of scales from disciplined growth and maintenance of the overhead and selling, general, and administrative (“SG&A”) structure.

The balance sheet continues to improve with the increase in activity. The Company continued to make targeted investments to improve efficiencies and reduce the environmental impact of its operations as part of its Environmental, Social and Governance (“ESG”) objectives. It also invested into Working capital to accommodate the increased levels of accounts receivable and inventory to meet the higher revenue levels. The Working capital of \$33.2 million at September 30, 2021 is lower than the \$44.6 million at December 31, 2020 primarily due to the inclusion of \$21.0 million in current liabilities related to scheduled debt repayments commencing in 2022 (December 31, 2020 - \$nil).

The strengthening balance sheet and constructive outlook for the balance of 2021 and 2022 enabled the Company to extend the maturity date of its Credit Facilities to July 30, 2023 (see *Liquidity and Capital Resources – Capital Management – Debt*). The Company remained in compliance with all financial and non-financial covenants under our Credit Facilities as at September 30, 2021 and does not anticipate seeking an extension of the covenant relief provisions.

INDUSTRY CONDITIONS & OUTLOOK

INDUSTRY CONDITIONS

The first nine months of 2021 saw constructive improvements in economic activity leading to optimism for the balance of 2021 and into 2022. While not at pre-pandemic levels, crude oil demand has improved while supply recovery has been gradual resulting in inventory draw downs. This has supported strong commodity prices, reaching multi-year highs, spurring increased drilling and completions activity and demand for our services.

We expect that the global economic recovery will continue, with increased mobility and pent-up consumer demand driving economic activity. The Organisation for Economic Co-operation and Development (“OECD”) projects that Canadian gross domestic product (“GDP”) will grow by 6.1% in 2021 and by 3.8% in 2022¹ while U.S. GDP will grow by 6.9% in 2021 and 3.6% in 2022². This is expected to drive increased demand for energy. Disciplined production growth from the Organization of Petroleum Exporting Countries (“OPEC”), Russia and certain other oil-producing countries (collectively “OPEC+”) combined with a constrained North America supply as a result of recent under-investment and production decline curves are expected to keep global energy supplies in balance.

The higher and more stable commodity prices should result in modest increase in the capital programs for North American oil and gas producers. We are starting to see a bifurcation in the market, where public companies are limiting their spend due to investor pressure to return capital to shareholders, while private companies are increasing their capital programs to take advantage of the improving commodity pricing. North American supply is also being impacted by growing staffing and supply chain challenges curtailing the rate at which activity growth can occur. The current Delta variant driven wave of the Pandemic has interrupted operations more so than the previous waves, requiring constant communication with clients and operational personnel to adequately staff existing crews. The labour market is struggling with scarcity, with high competition across multiple industries and eligible workers choosing not to enter the resources sector, leading to increased costs as higher wages are demanded by current and prospective employees. The supply chain for parts, steel, proppant and chemicals for the oilfield services sector has also been impacted by long lead times, with some deliveries quoted at 12+ months after order, as well as increasing costs.

The Canadian market for coiled tubing and fracturing equipment is approaching a balance point. The projected increase in drilling and completions activity is expected to increase calls for additional market capacity. STEP will continue to advocate that the industry should remain disciplined and only add crews once pricing reflects the improved economics from higher commodity prices that producers are realizing.

¹ (Canada Economic Snapshot, 2021) retrieved from <https://www.oecd.org/economy/canada-economic-snapshot/>

² (United States Economic Snapshot, 2021) retrieved from <https://www.oecd.org/economy/united-states-economic-snapshot/>

In the U.S., the market for coiled tubing and fracturing equipment is in a slight oversupply position but is expected to reach equilibrium in the near term. The recent increases in activity have resulted in some new small to medium sized entrants to the market. These entrants have largely re-activated legacy assets that do not possess the technology to be as efficient and economical as top tier assets run by STEP and other market leaders. Despite the added capacity from these new participants, the demand for and availability of equipment is expected to tighten as labour shortages will limit the amount of equipment available to the market.

Pricing will need to increase to ensure that the oilfield service industry can keep up with the expected increase in activity and avoid further margin compression due to inflationary pressures. The benefits from higher commodity prices have only marginally transferred to the service industry and pricing for our services remains below sustainable levels. STEP is in pricing discussions with clients in Canada and the U.S., and is expecting to see further pricing improvements through the fourth quarter of 2021 and into the first half of 2022 in both Canada and the U.S.

These improvements are critical in enabling the oilfield service sector to respond to the growing ESG narrative in the industry. STEP was an early leader in the introduction of low emission equipment and continues to do so, consistent with its commitment to bringing innovative solutions to the market. It operates 184,750 horsepower (“HP”) of dual fuel capable fracturing pumpers and 80,000 HP of Tier 4 powered fracturing pumpers and is adding idle reduction technology to an increasing number of units to further reduce their environmental impact. The Company has also taken steps towards electrification, developing the STEP-XPRS integrated coil tubing and fracturing spread that reduces the equipment and personnel footprint by 30%, reduces noise levels by 20% and emissions by approximately 11%.

FOURTH QUARTER 2021 AND FIRST QUARTER 2022 OUTLOOK

In Canada, the fourth quarter of 2021 is expected to exceed the fourth quarters of 2020 and 2019. The outlook for the first quarter of 2022 is expected to be similarly strong. The market remains competitive and sensitive to price increases but the anticipated increase in activity in the first quarter of 2022 is prompting some producers to move drilling and completions programs into the fourth quarter of 2021 to secure equipment. The Company is also receiving inquiries for equipment availability in the second quarter of 2022, although visibility into that quarter remains limited. Staffing equipment has become a significant constraint on operations and management is taking steps to attract and retain top talent. This industry wide challenge is expected to limit supply of additional equipment into the market.

STEP’s U.S. operations showed improved revenue growth in the third quarter of 2021 and we anticipate this trend to continue through the balance of the year and into 2022. Drilling and completions activity continues to improve at a higher rate than in Canada and the supply versus demand balance should continue to tighten. High utilization for the Company’s three fracturing fleets is expected for Q4 2021 and into 2022, with customers booking equipment through to mid Q2. U.S. coiled tubing services are also expected to ramp up, with improved utilization expected in Q4 through to mid Q2 2022. The Company is expecting to see continued price recovery along with opportunities for disciplined fleet expansion. Like Canada, field personnel staffing challenges in the U.S. remain a significant constraint to returning equipment to the field.

FINANCING

The improved results from the three and nine months ended September 30, 2021 have allowed STEP, with the support of our banking syndicate, to successfully manage the covenant relief period (see *Liquidity and Capital Resources – Capital Management – Debt*). The Company anticipates a return to normal capital and credit metrics by mid-2022, and as a result, an extension of the credit relief provisions is not anticipated.

CAPITAL EXPENDITURES

The Company’s 2021 capital program remained at \$39.1 million, comprised of \$31.5 million maintenance capital and \$7.6 million of optimization capital. Of this amount, \$18.2 million relates to Canadian operations while the balance of \$20.9 million is allocated to U.S. operations. The Company allocated \$25.5 million towards capital expenditures in the nine months ended September 30, 2021 and anticipates that there will be carryover of the 2021 budget into the 2022 fiscal year. STEP continues to evaluate and manage its manned equipment and capital program based on market demand for STEP’s services and will release the 2022 capital budget following the conclusion of the annual business planning cycle.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB. The Company's coiled tubing units are 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 fracturing HP of which approximately 132,500 HP has dual-fuel capability. 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			Nine months ended	
	September 30, 2021	September 30, 2020	June 30, 2021	September 30, 2021	2020
Revenue:					
Fracturing	\$ 65,336	\$ 29,425	\$ 55,321	\$ 208,486	\$ 116,374
Coiled tubing	18,210	15,424	17,844	57,587	51,112
	83,546	44,849	73,165	266,073	167,486
Expenses:					
Operating expenses	74,216	36,443	65,943	236,287	159,950
Selling, general and administrative	1,748	1,306	1,778	5,293	4,260
Results from operating activities	\$ 7,582	\$ 7,100	\$ 5,444	\$ 24,493	\$ 3,276
Add non-cash items:					
Depreciation	9,598	9,770	9,792	28,629	35,234
Share-based compensation	127	318	397	1,347	541
Adjusted EBITDA ⁽¹⁾	\$ 17,307	\$ 17,188	\$ 15,633	\$ 54,469	\$ 39,051
Adjusted EBITDA % ⁽¹⁾	21%	38%	21%	20%	23%
Sales mix (% of segment revenue)					
Fracturing	78%	66%	76%	78%	69%
Coiled tubing	22%	34%	24%	22%	31%
Fracturing services					
Fracturing revenue per operating day ⁽¹⁾	\$ 267,770	\$ 186,234	\$ 317,937	\$ 298,691	\$ 205,608
Number of fracturing operating days ⁽²⁾	244	158	174	698	566
Proppant pumped (tonnes)	218,000	251,000	275,000	819,000	642,000
Stages completed	3,474	1,703	1,942	8,629	6,360
Proppant pumped per stage	63	147	142	95	101
Horsepower ("HP")					
Active pumping HP, end of period	200,000	150,000	200,000	200,000	150,000
Idle pumping HP, end of period	82,500	132,500	82,500	82,500	132,500
Total pumping HP, end of period	282,500	282,500	282,500	282,500	282,500
Coiled tubing services					
Coiled tubing revenue per operating day ⁽¹⁾	\$ 51,152	\$ 48,351	\$ 58,697	\$ 51,371	\$ 46,550
Number of coiled tubing operating days ⁽²⁾	356	319	304	1,121	1,098
Active coiled tubing units, end of period	7	5	7	7	5
Idle coiled tubing units, end of period	9	11	9	9	11
Total coiled tubing units, end of period	16	16	16	16	16

⁽¹⁾ See Non-IFRS Measures.

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

THIRD QUARTER 2021 COMPARED TO THIRD QUARTER 2020

Canadian operations continued to improve in the third quarter of 2021, with revenue increasing by \$38.7 million or 86% over third quarter 2020. Fracturing led the improvement with a \$35.9 million increase in revenue while coiled tubing had a \$2.8 million increase over the same period in 2020. The increase in drilling and completions activity and our client mix allowed an increase in operating days for both service lines.

Canadian operations generated Adjusted EBITDA of \$17.3 million (21% of revenue) for the third quarter of 2021, slightly ahead of the \$17.2 million (38% of revenue) generated in the third quarter of 2020. Adjusted EBITDA remained consistent despite the increased revenue as a result of decreased CEWS in the current quarter. Third quarter 2021 included \$1.3 million in CEWS compared to \$4.1 million in the third quarter of 2020. The quarter was also impacted by the restoration of compensation related benefits as well as reversal of wage rollbacks effective January 1, 2021. While the overhead and SG&A structure has been scaled up to support increased field operations compared to the third quarter of 2020, the Company is committed to maintaining a lean cost structure.

Fracturing

Canadian fracturing revenue of \$65.3 million increased substantially from the same period in 2020 as STEP operated four spreads, compared to three spreads in third quarter 2020. The service line had reasonable utilization with 244 operating days, compared to 158 days in third quarter 2020, but was impacted by a period of inactivity in early September. This inactivity was caused in part by the industry's move to a "just in time" service model which was disrupted more acutely this quarter by the Pandemic, as well as ongoing competitive pricing pressure. Revenue per day of \$268 thousand increased from \$186 thousand per day in the third quarter of 2020 primarily due to client mix, resulting in STEP supplying most of the proppant pumped. Approximately 67% of wells treated were gas and condensate based in the Montney formation, with the balance coming from light oil formations. Strong natural gas prices continue to drive demand for our fracturing services in northwest Alberta and northeast British Columbia.

Operating costs increased with activity, with product and hauling costs being the most pronounced as a result of the increase in STEP supplied proppant. Payroll expenses were also higher due to increased headcount and the restoration of compensation. Despite the increased costs, the fracturing operation's contributions to results from operating activities were higher than the third quarter of 2020 due to the volume of work combined with strong operational performance on client locations.

Coiled Tubing

Canadian coiled tubing revenue of \$18.2 million in the third quarter of 2021 increased from \$15.4 million in the same period in 2020, with 356 operating days compared to 319 in the third quarter 2020. STEP operated an average of seven coiled tubing units during the third quarter of 2021, as compared to five units in the same period of the prior year. The increase in staffed units combined with reversals of compensation reductions implemented in 2020 resulted in increased payroll expenses while the client and job mix resulted in increased product and coiled tubing string costs. The resulting effect was a lower contribution to Canadian results from operating activities compared to the third quarter of 2020.

THIRD QUARTER 2021 COMPARED TO SECOND QUARTER 2021

Total Canadian revenue for the third quarter of 2021 of \$83.5 million, increased from revenue of \$73.2 million in the second quarter 2021, as drilling and completions programs restarted from the seasonal reductions in the second quarter due to spring break-up. This was buoyed by the improved commodity price environment leading to increased capital expenditures from our clients. Drilling rig counts in the third quarter more than doubled to 150 from 71 in the second quarter of 2021.

Adjusted EBITDA for the third quarter of 2021 was \$17.3 million (21% of revenue) compared to \$15.6 million (21% of revenue) in the second quarter of 2021. Adjusted EBITDA increased quarter over quarter, as variable costs increased proportionately with the increases in revenue and fixed costs remained largely consistent. Third quarter 2021 included \$1.3 million in CEWS, a reduction from the \$1.8 million recorded in second quarter 2021.

Fracturing

Fracturing operations continued to operate four spreads, with 244 operating days in the third quarter of 2021 compared to 174 operating days in the second quarter. Revenue of \$65.3 million did not increase in line with the increase in operating days due to a 16% reduction in revenue per day. While pricing remained consistent quarter over quarter, the client and job mix required less pumping horsepower and equipment on site resulting in reduced revenue per day. Further reducing revenue per day was a reduction in proppant pumped as STEP pumped 218,000 tonnes of proppant at 63 tonnes per stage in third quarter 2021, compared to 275,000 tonnes at 142 tonnes per stage in second quarter 2021.

Coiled Tubing

Coiled tubing operations continued to operate seven coiled tubing units, with 356 operating days, generating \$18.2 million in revenue in the third quarter of 2021, compared to \$17.8 million over 304 operating days in the second quarter of 2021. The increase in revenue due to increased utilization was largely offset by a reduction in revenue per day to \$51 thousand from \$59 thousand per day in the second quarter due to an increase in annular fracturing jobs that involve less coiled tubing string cycling reducing the associated revenue.

NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

Revenue for Canadian operations for the first nine months of 2021 increased 59% to \$266.1 million over the same period in the prior year. Fracturing operations revenue increased \$92.1 million, or 79%, due to increased operating days combined with increased revenue per day primarily due to an increase in STEP supplied proppant work. Coiled tubing operations had a tempered improvement from the prior year with a \$6.5 million, or 13%, increase in revenue due to a highly competitive market. Operating days only increased 2% while revenue per day increased 10% due to modest pricing improvements and increased contributions from fluid and nitrogen pumping services.

Adjusted EBITDA for the nine months ended September 30, 2021 was \$54.5 million (20% of revenue) compared to \$39.1 million (23% of revenue) from the same period in 2020. Adjusted EBITDA improved as the increase in revenue surpassed the increases in costs as the operations maintained the leaner overhead and SG&A structure implemented in the prior year. Operating expenses were impacted by inflationary pressures on material costs due to global supply chain constraints as well as the reversal of wage reductions at the start of 2021. Adjusted EBITDA for the nine months ended September 30, 2020 was negatively impacted by \$3.2 million in severance expense related to right-sizing the operations at the onset of the Pandemic. Canadian operations recorded \$6.7 million in CEWS for the nine months ended September 30, 2021, compared to \$6.9 million in the same period in 2020.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

STEP's U.S. business commenced operations in 2015 with coiled tubing services. STEP has a fleet of 13 coiled tubing units in the Permian and Eagle Ford basins in Texas, the Bakken shale in North Dakota, and the Uinta-Piceance and Niobrara-DJ basins in Colorado. STEP entered the U.S. fracturing business in April 2018. The U.S. fracturing business has 207,500 fracturing HP, of which approximately 52,250 HP has dual-fuel capabilities. Fracturing 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			Nine months ended	
	September 30, 2021	September 30, 2020	June 30, 2021	September 30, 2021	2020
Revenue:					
Fracturing	\$ 29,501	\$ 9,363	\$ 19,036	\$ 64,962	\$ 90,287
Coiled tubing	20,188	8,151	15,345	46,558	39,604
	49,689	17,514	34,381	111,520	129,891
Expenses:					
Operating expenses	50,945	30,739	40,218	129,193	156,366
Selling, general and administrative	2,340	1,555	1,546	5,292	5,508
Results from operating activities	\$ (3,596)	\$ (14,780)	\$ (7,383)	\$ (22,965)	\$ (31,983)
Add non-cash items:					
Depreciation	7,735	9,926	8,133	24,560	32,966
Share-based compensation	81	55	272	629	(212)
Adjusted EBITDA ⁽¹⁾	\$ 4,220	\$ (4,799)	\$ 1,022	\$ 2,224	\$ 771
Adjusted EBITDA % ⁽¹⁾	8%	(27%)	3%	2%	1%
Sales mix (% of segment revenue)					
Fracturing	59%	53%	55%	58%	70%
Coiled tubing	41%	47%	45%	42%	30%
Fracturing services					
Fracturing revenue per operating day ⁽¹⁾	\$ 151,287	\$ 240,077	\$ 130,384	\$ 136,762	\$ 298,964
Number of fracturing operating days ⁽²⁾	195	39	146	475	302
Proppant pumped (tonnes)	278,000	32,278	191,000	658,000	415,670
Stages completed	1,396	182	816	3,121	1,992
Proppant pumped per stage	199	177	234	211	209
Horsepower ("HP")					
Active pumping HP, end of period	165,000	50,000	110,000	165,000	50,000
Idle pumping HP, end of period	42,500	157,500	97,500	42,500	157,500
Total pumping HP, end of period	207,500	207,500	207,500	207,500	207,500
Coiled tubing services					
Coiled tubing revenue per operating day ⁽¹⁾	\$ 40,866	\$ 37,736	\$ 36,363	\$ 37,821	\$ 43,142
Number of coiled tubing operating days ⁽²⁾	494	216	422	1,231	918
Active coiled tubing units, end of period	8	5	8	8	5
Idle coiled tubing units, end of period	5	8	5	5	8
Total coiled tubing units, end of period	13	13	13	13	13

⁽¹⁾ See Non-IFRS Measures.

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

THIRD QUARTER 2021 COMPARED TO THIRD QUARTER 2020

U.S. operations continued the trend of improved performance and Adjusted EBITDA. The improved commodity prices that spurred the increase in drilling and completions activity allowed STEP to activate a third fracturing fleet during the third quarter of 2021. Revenue of \$49.7 million for the three months ended September 30, 2021 increased 184% from \$17.5 million in the same period in the prior year, as 2020 experienced an unprecedented reduction in economic activity as a result of actions taken to manage the Pandemic. Fracturing revenue increased \$20.1 million and coiled tubing revenue increased \$12.0 million compared to the third quarter of 2020.

Adjusted EBITDA was \$4.2 million (8% of revenue) for the three months ended September 30, 2021, compared to an Adjusted EBITDA loss of \$4.8 million (negative 27% of revenue) for the three months ended September 30, 2020. The negative Adjusted EBITDA in 2020 was a result of insufficient revenue to cover the fixed cost base, despite headcount reductions and other measures implemented to lessen the impact of the downturn. The operations continued to see modest pricing improvements in the third quarter of 2021, but results were challenged by increased materials and parts costs due to inflation and global supply chain delays and compensation increases as hiring and retaining experienced personnel is becoming costlier.

Fracturing

U.S. fracturing revenue of \$29.5 million increased 215% from the same period in 2020, as STEP operated three fracturing spreads compared to only one in the prior year. Fracturing operations have gradually scaled up in 2021 and the service line was able to achieve 195 operating days in the third quarter 2021, compared to 39 in the same period in 2020. Revenue per day decreased from \$240 thousand in the third quarter of 2020 to \$151 thousand in the third quarter of 2021 due to a shift in client mix resulting in reductions in proppant revenue as clients chose to source their own proppant.

Operating costs increased with the higher activity levels but the increase was lower than the revenue increase, resulting in significant improvement in contribution to U.S. results from operating activities. Staffing costs continued to increase due to the tight labour market and lead times for critical parts are extending, adding inflationary pressure on costs. Pricing continued to improve but the increases have been tempered as the market remains highly competitive due to a slight over-supply of equipment. This gap is expected to tighten over the fourth quarter and into 2022.

Coiled Tubing

U.S. coiled tubing continued to build momentum with revenue of \$20.2 million, increasing from \$8.2 million in the third quarter of 2020. STEP staffed eight coiled tubing units, which operated 494 days compared to five units and 216 days in the third quarter of 2020. The increased utilization was combined with increased revenue per day of \$41 thousand, compared to \$38 thousand in the same period last year, as improved rates are starting to materialize in North Dakota and Colorado. West and South Texas continue to face sporadic activity and suppressed pricing due to a fragmented market with smaller competitors undercutting pricing to gain utilization. Despite the highly competitive market, STEP made inroads to securing utilization and pricing recovery due to strategic market presence and reputation for execution. Like fracturing, coiled tubing faces cost increases related to labour as well as material, parts, and steel for coiled tubing strings.

THIRD QUARTER 2021 COMPARED TO SECOND QUARTER 2021

U.S. operations delivered on the higher revenue expectations from the second quarter of 2021 generating \$49.7 million for the three months ended September 30, 2021. Fracturing revenue increased \$10.5 million while coiled tubing revenue increased \$4.8 million on a sequential quarter over quarter basis. The increased commodity prices continued to drive drilling and completions activity recovery and STEP's operations were well positioned to capitalize on increased utilization.

Adjusted EBITDA for the third quarter of 2021 increased \$3.2 million compared to the second quarter of 2021 as the operations were able to increase capacity and utilization with minimal increases to the overhead and SG&A structure. The operations remained focused on sustainable growth to the support structure while pursuing pricing improvements and consistent work programs for the balance of the year and into 2022.

Fracturing

The addition of the third fracturing spread, combined with a shift in client mix and improved demand, resulted in increased revenue for fracturing services. The service line had 195 operating days in the third quarter of 2021 compared to 146 in the second quarter of 2021. Revenue per day of \$151 thousand increased from \$130 thousand per day in the second quarter due to pricing improvements, combined with an increase in proppant and chemicals pumped as a result of larger jobs. Fracturing contribution to U.S. results from operating activities improved due to increased flowthrough of proppant and chemical sales combined with proportionately lower repair expenses as the second quarter of 2021 included transitional expenses related to activating the third fracturing fleet. The service line saw overhead increases to support the higher level of activity and the additional fleet of equipment.

Coiled Tubing

U.S. coiled tubing revenue increased by \$4.8 million from the second quarter of 2021 as activity levels increased resulting in 494 operating days in the third quarter of 2021 compared to 422 in the second quarter of 2021. Coiled tubing revenue per day of \$41 thousand in the third quarter of 2021 increased from \$36 thousand per day in the second quarter of 2021 due to improved contribution from industrial nitrogen services as well as increased string cycling charges. Variable costs held steady quarter over quarter, moving up with the increased activity but the largely fixed nature of labour costs, the single largest expense item in this service line, led to improved results with the increase in revenue.

NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

U.S. operations had revenue of \$111.5 million during the nine months ended September 30, 2021 compared to \$129.9 million during the nine months ended September 30, 2020. The reduction was primarily the result of a change in client mix, substantially reducing proppant revenue as clients chose to source their own proppant. U.S. operations posted improving results in the first quarter of 2020 until the unprecedented drop in economic activity caused by the Pandemic reduced commodity prices to all time lows, which led to dramatically lower drilling and completions activity. The second and third quarter of 2021 have shown material improvements compared to the same periods in 2020 but the activity has not returned to pre-Pandemic levels. Recent improvements in revenue as well as an improved outlook are positive indicators of a continued recovery.

Building on the sequential improvements in activity, the U.S. operations generated positive Adjusted EBITDA for the nine months ended September 30, 2021 of \$2.2 million (2% of revenue) compared to Adjusted EBITDA of \$0.8 million (1% of revenue) from the same period in 2020. Adjusted EBITDA improved modestly due to improved equipment pricing, a lower SG&A structure, and improved flow through of product sales. The Company is, however, seeing inflationary pressures on material costs due to the global supply chain constraints as well as compensation cost increases due to a competitive labour environment. The nine months ended September 30, 2021 also included incremental costs associated with activating additional capacity to meet the improving demand for our service.

CORPORATE FINANCIAL REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability and optimization teams, general and administrative costs include costs associated with the executive team, the Board of Directors, public company costs, and other activities that benefit Canadian and U.S. operating segments collectively.

(\$000's)	Three months ended			Nine months ended	
	September 30, 2021	September 30, 2020	June 30, 2021	September 30, 2021	2020
Expenses:					
Operating expenses	\$ 310	\$ 119	\$ 278	\$ 801	\$ 892
General and administrative	3,452	3,907	6,771	15,424	12,754
Results from operating activities	\$ (3,762)	\$ (4,026)	\$ (7,049)	\$ (16,225)	\$ (13,646)
Add non-cash items:					
Depreciation	146	187	155	473	599
Share-based compensation	77	548	1,915	4,682	1,659
Adjusted EBITDA ⁽¹⁾	\$ (3,539)	\$ (3,291)	\$ (4,979)	\$ (11,070)	\$ (11,388)
Adjusted EBITDA % ^(1,2)	(3%)	(5%)	(5%)	(3%)	(4%)

⁽¹⁾ See Non-IFRS Measures.

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

THIRD QUARTER 2021 COMPARED TO THIRD QUARTER 2020

Third quarter 2021 expenses of \$3.8 million were \$0.2 million lower than third quarter 2020 expenses of \$4.0 million. The decrease was comprised of a \$1.5 million reduction in bad debt expense as a result of improved collections activity, improved client credit ratings and settlement of previously at-risk accounts. This reduction was partly offset by increases in compensation expenses. Compensation expenses were higher relative to third quarter 2020, which had temporary compensation rollbacks and eliminations of performance bonuses as a measure to reduce costs to manage the impacts of the Pandemic. Third quarter 2021 also had minimal CEWS compared to \$0.4 million in third quarter 2020, decreases to share-based compensation ("SBC") of \$0.5 million primarily due to marking to market cash-based long term incentive units ("LTIP") and an increase in hiring costs. The Company largely maintained the headcount reductions implemented in the prior year to minimize support structure costs.

THIRD QUARTER 2021 COMPARED TO SECOND QUARTER 2021

Expenses from corporate activities were \$3.8 million for the third quarter of 2021 compared to \$7.0 million for the second quarter of 2021, a decrease of \$3.2 million. The second quarter of 2021 included \$1.6 million of costs related to legal expenses and the settlement of a litigation matter. Further reducing corporate expenses was a reduction of bad debt expense of \$0.6 million and a \$1.8 million reduction in SBC primarily due to marking to market cash-based LTIP units. These reductions were partly offset by increases in compensation expense as the overall improvement in performance resulted in increased bonus accruals.

NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2020

Corporate expenses increased by \$2.6 million from \$13.6 million for the nine months ended September 30, 2020 to \$16.2 million for the nine months ended September 30, 2021. SBC increased by \$3.0 million due to marking to market the cash settled LTIP and the annual grants made June 1, 2021. Corporate costs also included \$1.6 million of costs related to legal expenses and the settlement of a litigation matter as well as increases to compensation related to the reversal of rollbacks and bonus accruals. The increases were partially offset by a reduction in bad debt expense as the Company recorded a recovery in the nine months ended September 30, 2021 of \$0.6 million compared to a provision of \$3.5 million for the same period in 2020. The nine months ended September 30, 2020 also included severance expense of \$0.6 million as management reduced headcount as a measure to minimize the impacts of the Pandemic. The company had minimal CEWS benefits compared to the prior year CEWS of \$0.7 million.

CHANGES TO EXECUTIVE LEADERSHIP TEAM

STEP Energy Services Ltd. (“STEP”) announces that Mr. Brock Duhon will step down as President, United States Operations. Mr. Duhon will continue with STEP through a transition period until December 31, 2021 while STEP commences its search for a new executive team member to lead its U.S. operations. Mr. Steve Glanville, President & Chief Operating Officer, will provide additional support to STEP’s U.S. operations during the transition period and until a successor is found.

Regan Davis, STEP’s Chief Executive Officer commented, “I would like to personally thank Mr. Duhon for his years of dedicated service to STEP and wish him well in his future endeavours.”

As announced October 12, 2021, with the release of STEP’s third quarter 2021 financial statements today, Mr. Klaas Deemter is appointed Chief Financial Officer of STEP Energy Services Ltd. Mr. Michael Kelly, whose retirement was previously announced in June, will assist STEP in an advisory capacity through the fourth quarter to allow for an orderly transition period.

NON-IFRS MEASURES

Please see the discussion in the Non-IFRS Measures section of the Company’s November 3, 2021 MD&A for the reconciliation of non-IFRS items to IFRS measures.

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 in the AIF and Annual MD&A 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 Press Release under the headings “*Industry Conditions & Outlook*”. In addition, global, national or local health concerns, including the outbreak of pandemic or contagious diseases such as COVID-19 and its variants, may adversely affect the Company by: (i) reducing global economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company’s services; (ii) impairing its supply chain (for example, by limiting the manufacturing of materials or the supply of services used in the Company’s operations); (iii) interrupting its operations (for example, as a result of government mandated shut-down or other preventative measures, or illness among its workforce); and (iv) affecting the health of its workforce, rendering employees unable to work or travel. Other than as supplemented in this Press Release, 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 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: 2021 and 2022 industry conditions and outlook, including potential changing activity levels and the impact thereof on the Company's equipment reactivation plans, performance, revenue and cash flows; the potential for a global economic recovery; supply and demand for the Company's and its competitors' services; a strengthening commodity price outlook, including its effects on drilling activity levels and activity levels; expected price improvements for the Company's services; expected fleet expansion; COVID-19, COVID-19 variants and the related public health measures and their impact on energy demand and the Company's financial position and business plans; staffing challenges and labour shortages, and its effect on activity and equipment levels; supply and demand for oilfield services and industry activity levels, including industry capacity, equipment levels, and utilization levels; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the effect of OPEC and OPEC+ agreements on crude oil availability and pricing; market uncertainty, and its effect on commodity prices; relaxation of COVID-19 related restrictions, the potential for another wave of COVID-19 infections, and the resulting impact on crude oil demand and the Company's operations; the Company's anticipated business strategies and expected success, including the level of operating capacity in Canada and U.S.; the Company's ability to upgrade its equipment; the Company's ability to manage its capital structure; pricing received for the Company's services, including the Company's ability to increase pricing; the Company's capital program in 2021 and management's continued evaluation thereof; expectation of the Company's ability to qualify and participate in the CEWS program; planned utilization of government financial support and economic stimulus programs; expected profitability, including future improvements to U.S. financial and operating results; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2021; anticipated carryover of the 2021 capital expenditure budget into fiscal year 2022; planned deployment and staffing levels for the Company's equipment; the Company's ability to retain its existing clients; the monitoring of industry demand, client capital budgets and market conditions; client credit risk, including the Company's ability to set credit limits, monitor client payment patterns, and to apply liens; and the Company's expected compliance with covenants under its Credit Facilities, its return to normal capital and credit metrics and the need for future covenant relief, and its ability to satisfy its financial commitments and obtain relief from the lenders under its Credit Facilities.

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 effects of the COVID-19 Pandemic and OPEC or OPEC+ related market uncertainty on the market for its services; the increase in Canadian and U.S. GDP through 2021 and 2022; industry and regulatory uncertainty caused by the new U.S. Presidential administration and potential changes to laws and regulations affecting the Company and its clients; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; the Company's ability to meet dynamic requests of clients for longer term arrangements in response to equipment supply pressure; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants and the ability to obtain covenant relief; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this Press Release: volatility of the oil and natural gas industry; global, national or local health concerns such as the COVID-19 Pandemic and their impact on demand and pricing for the Company's services, the Company's supply chain, the continuity of the Company's operations and the health of the Company's workforce; competition in the oilfield services industry; availability of staff in the oilfield services industry; restrictions on access to capital; reliance on suppliers of raw materials, diesel fuel and component parts; reliance on equipment suppliers and fabricators; direct and indirect exposure to volatile credit markets; fluctuations in currency exchange rates; fluctuations in interest rates on floating

rate loans and borrowings; merger and acquisition activity among the Company's clients; reduction in the Company's clients' cash flows or ability to source debt or equity; federal, provincial or state legislative and regulatory initiatives that could result in increased costs and additional operating restrictions or delays; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; changes to government financial support and economic stimulus programs implemented to mitigate economic impacts of COVID-19; loss of a significant client could cause the Company's revenue to decline substantially; negative cashflows from operating activities; third party credit risk; hazards inherent in the oilfield services industry which may not be covered to the full extent by the Company's insurance policies; difficulty in retaining, replacing or adding personnel; seasonal volatility due to adverse weather conditions; reliance on a few key employees; legal proceedings involving the Company; failure to maintain the Company's safety standards and record; failure to continuously improve operating equipment and proprietary fluid chemistries; actual results differing materially from management estimates and assumptions; market uncertainties; and the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading "Risk Factors and Risk Management" in this Press Release 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 energy services company that provides coiled tubing, fluid and nitrogen pumping, hydraulic fracturing, 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 has grown into a North American service provider delivering completion and stimulation services to exploration and production (“E&P”) companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin (“WCSB”), while in the U.S., our fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado and the Bakken in North Dakota.

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

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