STEP energy services

TSX STEP

First Quarter

Management Discussion and Analysis

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

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 May 11, 2022 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 the three months ended March 31, 2022 (the "Quarterly Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2021 (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 and Ratios" 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, 2021 dated March 16, 2022 (the "AIF").

STEP is an oilfield service company that provides stand-alone and fully integrated fracturing, fluid and nitrogen pumping, and coiled tubing 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. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its E&P clients.

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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CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

($000s except percentages, per share amounts, days, proppant pumped, horsepower, and units)	Three months ended March 31, 2022	March 31, 2021	December 31, 2021
Consolidated revenue	$ 219,539	$ 136,812	$ 158,716
Net income (loss)	$ 9,173	$ (7,944)	$ (6,212)
Per share-basic	$ 0.135	$ (0.117)	$ (0.091)
Per share-diluted	$ 0.132	$ (0.117)	$ (0.091)
Weighted average shares – basic	68,189,275	67,720,318	68,141,058
Weighted average shares – diluted	69,737,461	67,720,318	68,141,058
Adjusted EBITDA [(1)]	$ 36,990	$ 15,960	$ 17,340
Adjusted EBITDA % [(1)]	17%	12%	11%
Fracturing services			
Fracturing operating days [(2)]	615	414	508
Proppant pumped (tonnes)	601,000	516,000	495,000
Active horsepower (“HP”), ending [(3)]	380,000	310,000	365,000
Total HP, ending	490,000	490,000	490,000
Coiled tubing services			
Coiled tubing operating days [(2)]	1,075	776	955
Active coiled tubing units, ending	16	14	15
Total coiled tubing units, ending	29	29	29

[(1)] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. These metrics are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.
[(2)] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.
[(3)] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

($000s except shares)	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 6,637	$ 3,698
Working capital (including cash and cash equivalents) [(1)]	$ 52,800	$ 3,912
Total assets	$ 546,651	$ 483,848
Total long-term financial liabilities [(1)]	$ 211,928	$ 175,689
Net debt [(1)]	$ 214,278	$ 186,885
Shares outstanding	68,204,590	68,156,981

[(1)] Working capital, Total long-term financial liabilities and Net debt are non-IFRS financial measures. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

	Three months ended March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
AECO-C Spot Average Price (CAD/MMBtu)	$ 4.78	$ 4.75	$ 3.57	$ 3.10	$ 3.10
WTI – Average Price (USD/bbl)	$ 94.77	$ 77.31	$ 70.61	$ 66.19	$ 58.04
WCS – Average Price (USD/bbl)	$ 81.80	$ 60.84	$ 57.64	$ 53.29	$ 46.21
Condensate – Average Price (USD/bbl)	$ 97.19	$ 79.53	$ 70.85	$ 64.87	$ 59.16
Average Exchange Rate (USD/CAD)	$ 0.79	$ 0.79	$ 0.79	$ 0.81	$ 0.79
Canadian Average Drilling Rig Count [(4)]	193	159	150	71	144
U.S. Average Drilling Rig Count [(4)]	636	545	484	437	378

Source: Baker Hughes, Bloomberg
[(4)] Only includes land-based rigs.

FINANCIAL HIGHLIGHTS

- Revenue of $219.5 million in the first quarter of 2022 was the strongest first quarter in company history and was significantly better than the $136.8 million generated in Q1 2021 and $158.7 million generated in Q4 2021.
- Q1 2022 adjusted EBITDA of $37.0 million, was an increase of 131% over the $16.0 million generated in Q1 2021 and a sequential increase of 114% over the $17.3 million generated in Q4 2021. Q1 2021 benefited from $3.6 million of Canadian Emergency Wage Subsidy ("CEWS") (Q4 2021 - $nil, Q1 2022 - $nil).
- Q1 2022 generated net income of $9.2 million, the first quarter since Q3 2018 that STEP generated net income. STEP had a net loss of $7.9 million in Q1 2021 and a net loss of $6.2 million in Q4 2021.
- STEP's operations in Canada and the U.S. continued to benefit from improving market conditions, with net pricing and utilization improvements driving stronger financial results in Q1 2022 relative to Q4 2021.
- As a result of the significant increase in operating activity in Q1 2022, Working capital increased to $52.8 million at the end of Q1 from $3.9 million in Q4 2021 and Net debt increased to $214.3 million from $186.9 million in Q4 2021.
- Subsequent to March 31, 2022, STEP delivered notice to its syndicate of lenders of early termination of the covenant relief, reflecting the Company's return to conventional credit metrics and lowering the Company's borrowing costs by 200 basis points for the remainder of the second quarter.

FIRST QUARTER 2022 OVERVIEW

The first quarter of 2022 delivered the confident start to the year that the Company had signalled in its Q4 2021 release. Industry activity levels, as represented by rig counts, increased markedly on a sequential and year over year basis. According to the Baker Hughes rig count, the Canadian land rig count averaged 193 in Q1 2022, up 21% sequentially and 35% on a year over year basis. The U.S. land rig count averaged 636 in Q1 2022, up 17% sequentially and 68% on a year over year basis.

STEP's fracturing and coiled tubing crews experienced high utilization across both countries, despite the typical cold weather impacts early in Q1 2022 and the Omicron COVID 19 variant that caused significant operational disruption. The health and safety of our professionals is our utmost priority, and Management is extremely proud of the resilience shown by our operational teams as they managed crews in the field that were impacted by quarantine requirements while still delivering the Exceptional Client Experience that STEP prides itself in. Management estimates that COVID 19 had an impact of $0.4-0.5 million in the quarter through reduced operating days and higher costs.

The Company pumped 601 thousand tonnes of sand, across 395 operating days in Canada and 220 operating days in the US. Following a January that was characterized by smaller single well jobs in both countries, the Company moved on to larger multi-well pad work through most of February and March, driving strong efficiencies and delivering sequentially improved returns. The coiled tubing division had similarly strong utilization, with 561 operating days in Canada and 514 operating days in the U.S. The coiled tubing service line was more severely impacted by COVID 19 compared to the fracturing service line, as coiled tubing's smaller crew sizes cannot absorb an absence of professionals in the same way that a fracturing crew can.

Rising industry activity supported our continued drive for higher pricing, as exploration and production ("E&P") companies faced inflationary pressure from service providers across their value chain. STEP faced similar inflationary pressure from its supply chain but has been successful in passing on these costs to our clients and through strategic buying has been able to secure supply and cost certainty. Our U.S. region had sand contracts in place for the quarter, which was a key factor in maintaining steady utilization through a quarter where sand supply disrupted fracturing operations in the Permian basin.

STEP generated $219.5 million of revenue in the quarter, the strongest first quarter in company history, with $146.8 million coming from Canada and $72.7 million coming from the U.S. This was a significant increase from $158.7 million in the prior quarter and $136.8 million in the same period last year. U.S. revenue benefitted from STEP supplied sand in Q1 2022, supplying 38% of sand pumped in the quarter, up from 36% in the prior quarter and up from 16% in the same period of the prior year. Canadian operations saw improved utilization and pricing resulting in 61% revenue increase over the prior quarter and 34% increase over the same period in the prior year.

STEP earned $37.0 million in Adjusted EBITDA for the quarter and $9.2 million in net income. Both metrics are a meaningful improvement over the prior quarter and same period in the prior year and are the best first quarter results since Q1 2018. STEP generated net income for the first time since Q3 2018, producing basic and diluted net income per share of $0.135 and $0.132, respectively. This is a significant improvement compared to a net loss per share, basic and diluted, of $0.091 and $0.117 in the prior quarter and same period of the prior year, respectively. The improvement in Adjusted EBITDA outpaced the improvement in net income as there was a 74% increase in the Company's share price through the quarter, which led to a $5.2 million expense for cash settled share-based compensation. STEP has added back equity and cash settled share-based compensation to its Adjusted EBITDA calculation since becoming a public company in 2017 as Management believes this is a better representation of the operational performance of the Company.

The sharp ramp up in activity and increased STEP supplied sand in the U.S. resulted in an increased draw on our credit facilities and higher Working capital. Net Debt at quarter end was $214.3 million, higher than the $186.9 million at December 31, 2021 while Working capital increased to $52.8 million at March 31, 2022, up from $3.9 million at December 31, 2021. Liquidity was $77.5 million at March 31, 2022, an increase of $20.0 million from $57.5 million at December 31, 2021. The Company made a $7 million payment on its term loan facility during the first quarter and remained in compliance with all financial and nonfinancial covenants at March 31, 2022. Subsequent to the quarter end, the Company provided notice of early termination of the covenant relief provisions that were granted in Q3 2021. The termination will reduce the Company's borrowing costs by approximately 200 basis points for the balance of Q2 2022.

OUTLOOK

STEP anticipates that the current strength in oil and gas prices will continue through the balance of the year, supporting higher demand for oilfield services. Global inventories of oil and gas were already at the low end of their five-year ranges, and there are indications that the fallout from Russia's unprovoked invasion of Ukraine is leading to a rebalancing of global oil and gas flows and a call for higher North American energy exports. STEP is aligned with the broader commentary expressed by our peers and clients that the North American oil and gas industry is positioned well to respond to this increased demand, and STEP will participate in this growth with its operations in the major basins.

The Company has a constructive view on the second quarter, which could show stronger results than the second quarter of 2021, itself the strongest on record for the Company. Fracturing capacity in the U.S. is largely committed through the second quarter, carrying forward the steady utilization experienced in the first quarter. Coiled tubing in the U.S. and Canada are both expected to see steady utilization, with some impact from spring break up conditions and heavy snowstorms already experienced in Canada and in northern U.S. operating regions. Fracturing activity in Canada has similarly had some impact from spring break up from mid April to mid May, providing an opportunity to complete needed maintenance and give our professionals some time off. The balance of the quarter is anticipated to see robust utilization, with virtually no pricing discounts given relative to the first quarter, unlike the typical pattern in Canada where spring break up work is priced at a discount. Inclement weather conditions and their impact on activity are always a concern in the second quarter in Canada, but we anticipate that any missed work will push into the third and fourth quarter.

Visibility into the second half of the year is improving, with much of the third quarter fracturing schedule already filled. Consistent with the commentary coming from the publicly traded drilling companies, our clients are indicating that rig count will build and that the Q4 rig count will be higher than Q1, which will be supportive of a highly utilized fourth quarter.

Inflationary pressures are expected to continue building. Costs of proppant, chemicals, equipment parts, electronics, major components are all increasing, with availability becoming more of a concern than it has been in the past. Labour costs are expected to continue escalating, adding costs through direct compensation expense and through higher third party service costs. STEP will be resolute in passing these costs through to our clients.

The limited availability of qualified labour and field ready equipment will constrain the ability of the oilfield service sector to add capacity, creating a market that has tightened considerably since the fourth quarter of 2021. These restraints are fortifying the oilfield service narrative around the need for increased pricing not just to cover the cost of inflation but also the need for return to shareholders. STEP will continue to move prices higher, targeting top of cycle returns, and anticipates sequential margin growth in the coming quarters as the market shifts from oversupplied in 2021 to an undersupplied position in 2022.

CAPITAL BUDGET

In response to the higher activity expectations, STEP's Board of Directors has approved an increase of $8.3 million to the 2022 capital program, increasing it to $56.0 million. The additional capital will fund further investment into low emissions focused equipment upgrades that support the Company's Environmental, Social and Governance objectives as well as additional maintenance capital to support operations.

The Company will continue to evaluate and manage its manned equipment fleet and capital program based on market demand for STEP's services.

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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended		
	March 31, 2022	March 31, 2021	December 31, 2021
Revenue:			
Fracturing	**$ 119,014**	$ 87,829	$ 68,590
Coiled tubing	**27,798**	21,533	22,868
	146,812	109,362	91,458
Expenses:			
Operating expenses	**121,365**	96,126	85,391
Selling, general and administrative	**3,324**	1,764	1,820
Results from operating activities	**$ 22,123**	$ 11,472	$ 4,247
Add non-cash items:			
Depreciation	**9,126**	9,239	9,294
Share-based compensation – Cash settled	**544**	361	72
Share-based compensation – Equity settled	**75**	459	(22)
Adjusted EBITDA [(1)]	**$ 31,867**	$ 21,531	$ 13,591
Adjusted EBITDA % [(1)]	**22%**	20%	15%
Sales mix (% of segment revenue)			
Fracturing	**81%**	80%	75%
Coiled tubing	**19%**	20%	25%
Fracturing services			
Fracturing revenue per operating day [(1)]	**$ 301,301**	$ 313,675	$ 245,842
Number of fracturing operating days [(2)]	**395**	280	279
Proppant pumped (tonnes)	**323,000**	327,000	193,000
Stages completed	**4,761**	3,213	3,593
Proppant pumped per stage	**68**	102	54
Horsepower ("HP")			
Active pumping HP, end of period [(3)]	**215,000**	200,000	200,000
Total pumping HP, end of period	**282,500**	282,500	282,500
Coiled tubing services			
Coiled tubing revenue per operating day [(1)]	**$ 49,551**	$ 46,709	$ 51,045
Number of coiled tubing operating days [(2)]	**561**	461	448
Active coiled tubing units, end of period	**8**	7	7
Total coiled tubing units, end of period	**16**	16	16

(1) Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % and Revenue per operating day are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.
(2) An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.
(3) Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

FIRST QUARTER 2022 COMPARED TO FIRST QUARTER 2021

Revenue for the three months ended March 31, 2022 was $146.8 million compared to $109.4 million for the first quarter of 2021. Revenue improved due to a substantial rise in utilization for both service lines as a result of an industry wide increase in activity. Fracturing operating days increased to 395 in first quarter of 2022 from 280 during first quarter of 2021 allowing us to add a small low pressure spread in the oil focused Viking and Cardium areas, bringing the Canadian fracturing spread count to five. The oil focused work is typically characterized by higher stages and lower proppant per stage, which resulted in a lower revenue per day and proppant per stage relative to Q1 2021, which was more focused on the natural gas plays in the Montney and Duvernay areas. The low-pressure crew typically fractures through coiled tubing, leading to additional coiled tubing operating days, albeit at lower revenue per day. Coiled tubing operating days increased to 561 in first quarter of 2022 from 461 during first quarter of 2021, while revenue per day had a slight increase of 6%.

Operating expenses scaled upwards with increased activity levels. Personnel related costs increased following adjustments to base and incentive pay to remain competitive in the current market and the reinstatement of various benefits and allowances that were eliminated during the Pandemic to reduce costs. Inflationary pressures continued to be a factor in the current quarter with supply chain disruptions, commodity price appreciation, and increased industry activity resulting in costs escalating across all expense categories. The overhead and SG&A structure has been scaled up to support increased field operations compared to the first quarter of 2021, however, the Company will continue to maintain a lean cost structure while adequately supporting the growth of the business.

Adjusted EBITDA for the first quarter of 2022 was $31.9 million (22% of revenue) versus $21.5 million (20% of revenue) in the first quarter of 2021. Adjusted EBITDA increased as a result of the improved operating environment enabling higher pricing and utilization partially offset by rising costs due to continued inflationary pressure. Q1 2021 benefited from $3.6 million received from the CEWS program.

Fracturing

Canadian fracturing revenue of $119.0 million for the three months ended March 31, 2022 increased by 36% from $87.8 million for the three months ended March 31, 2021. STEP operated five fracturing spreads with 215,000 HP during the first quarter of 2022, compared to four spreads and 200,000 HP operated during the first quarter of 2021. Fracturing operating days increased to 395 in first quarter of 2022 from 280 during first quarter of 2021, as strong demand in the Viking and Cardium areas allowed STEP to add a small low pressure spread to these oil focused areas.

The oil focused work is typically characterized by higher stages and lower proppant per stage, which resulted in a lower revenue per day and proppant per stage relative to Q1 2021, which was more focused on the natural gas plays in the Montney and Duvernay areas. The shift in job mix resulting from the additional low-pressure crew resulted in a lower revenue per day, offsetting the increase in pricing realized from Q1 2021 to Q1 2022.

Coiled Tubing

Canadian coiled tubing revenue of $27.8 million for the three months ended March 31, 2022 increased 29% from $21.5 million for the three months ended March 31, 2021. The service line operated eight units for 561 operating days during the first quarter of 2022 compared to seven units and 461 operating days in the comparable period of 2021. The increase in utilization followed improvement in drilling and completions activity while pricing gains have been slower to materialize.

FIRST QUARTER 2022 COMPARED TO FOURTH QUARTER 2021

Revenue for the three months ended March 31, 2022 of $146.8 million increased 60% from $91.5 million from the quarter ended December 31, 2021 due to an overall increase in utilization coupled with some pricing improvement. Strong commodity price fundamentals drove our operations to a quick start, despite the cold weather and Omicron COVID 19 challenges experienced at the start of the quarter.

Canadian operations had Adjusted EBITDA of $31.9 million (22% of revenue) in the first quarter of 2022 compared to $13.6 million (15% of revenue) in the fourth quarter of 2021. Inflationary pressures hit the industry hard in Q1 2022, with high commodity prices, supply chain interruptions and tight labour conditions combining to increase costs. STEP monitors inflation

closely to ensure that bids and pricing reflect these cost increases and was able to work with clients to increase pricing to avoid margin erosion.

Fracturing

STEP operated five fracturing spreads with 215,000 HP during the first quarter of 2022, compared to four spreads and 200,000 HP operated during the fourth quarter of 2021. The growing demand from oil focused E&P clients enabled STEP to add a small low pressure fracturing spread in Q1 2022, while continuing to enjoy strong utilization on the larger crews that work in the gas focused areas of the basin. Total operating days surged 42% on a quarter over quarter basis and revenue increased to $119.0 million, up 61% sequentially. STEP pumped 323 thousand tonnes of proppant in Q1 2022, up from 193 thousand tonnes in Q4 2021.

The high level of activity throughout the basin created a more constructive pricing environment, allowing for recovery of costs as well as modest margin expansion. Pricing in Q1 2022 increased in response to inflation by approximately 10-15% from Q4 2021 although timing of the increase limited the immediate quarterly benefit to less than 5%. The full benefit of the pricing increase is expected to be realized in the coming quarters.

Coiled Tubing

Coiled tubing operations operated eight coiled tubing units, with 561 operating days, generating $27.8 million in revenue in the first quarter of 2022, compared to $22.9 million over 448 operating days in the fourth quarter of 2021. Pricing improved sequentially from Q4 2021, but revenue per day was marginally lower on a sequential basis due to a change in job mix.

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 80,000 HP is Tier 4 diesel and 50,250 HP has dual-fuel capabilities. Fracturing primarily operates in the Permian and Eagle Ford basins in Texas. 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.

($000's except per day, days, units, proppant pumped and HP)	Three months ended		
	March 31, 2022	March 31, 2021	December 31, 2021
Revenue:			
Fracturing	**$ 49,667**	$ 16,425	$ 44,773
Coiled tubing	**23,060**	11,025	22,485
	72,727	27,450	67,258
Expenses:			
Operating expenses	**68,127**	38,029	66,520
Selling, general and administrative	**2,904**	1,406	2,496
Results from operating activities	**$ 1,696**	$ (11,985)	$ (1,758)
Add non-cash items:			
Depreciation	**7,694**	8,691	9,829
Share-based compensation – Cash settled	**430**	277	(59)
Share-based compensation – Equity settled	**-**	-	-
Adjusted EBITDA [(1)]	**$ 9,822**	$ (3,017)	$ 8,012
Adjusted EBITDA % [(1)]	**14%**	(11%)	12%
Sales mix (% of segment revenue)			
Fracturing	**68%**	60%	67%
Coiled tubing	**32%**	40%	33%
Fracturing services			
Fracturing revenue per operating day [(1)]	**$ 225,759**	$ 122,575	$ 195,515
Number of fracturing operating days [(2)]	**220**	134	229
Proppant pumped (tonnes)	**278,000**	189,000	302,000
Stages completed	**1,122**	909	1,515
Proppant pumped per stage	**248**	208	199
Horsepower ("HP")			
Active pumping HP, end of period [(3)]	**165,000**	110,000	165,000
Total pumping HP, end of period	**207,500**	207,500	207,500
Coiled tubing services			
Coiled tubing revenue per operating day [(1)]	**$ 44,864**	$ 35,000	$ 44,349
Number of coiled tubing operating days [(2)]	**514**	315	507
Active coiled tubing units, end of period	**8**	7	8
Total coiled tubing units, end of period	**13**	13	13

[(1)] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % and Revenue per operating day are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

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

[(3)] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

FIRST QUARTER 2022 COMPARED TO FIRST QUARTER 2021

Revenue for the three months ended March 31, 2022 was $72.7 million compared to $27.5 million for the first quarter of 2021. U.S. operations realized a substantial increase in utilization for both service lines as a result of the industry wide increase in activity and improved pricing due to the strong industry fundamentals. Operating days across the fracturing operations increased to 220 in the first quarter of 2022 from 134 days during the first quarter of 2021 due to the improved macro environment and as result of operating an additional fracturing spread in the current period. Revenue per day increased by 84% primarily due to increased proppant supplied by STEP combined with improved pricing. Coiled tubing operating days increased to 514 in first quarter of 2022 from 315 during first quarter of 2021 while revenue per day increased by 28%.

U.S. operations continued the trend of improved performance and Adjusted EBITDA. Adjusted EBITDA was $9.8 million for the three months ended March 31, 2022, compared to an Adjusted EBITDA loss of $3.0 million for the three months ended March 31, 2021. The 14% Adjusted EBITDA margin is inline with STEP's larger U.S. based competitors, who also publicly raised concern over the rising inflation which is leading to higher costs across all expense categories.

Fracturing

STEP operated three fracturing spreads with 165,000 HP during the first quarter of 2022, compared to two spreads and 110,000 HP operated during the first quarter of 2021. Operating days across the fracturing operations increased to 220 in the first quarter of 2022 from 134 days during the first quarter of 2021 due to an improved operating environment and from operating an additional fracturing spread in the current period.

Revenue per day for the first quarter of 2022 increased by 84% primarily due to increased proppant supplied by STEP combined with improved pricing. U.S. fracturing revenue of $49.7 million increased 203% from the same period in 2021. A shift in client mix resulting in increased proppant revenue was a significant factor in the higher revenue per day in the first quarter of 2022 compared to the first quarter of 2021, however, the U.S. fracturing operations was also able to realize a significant increase in base operating rate over this same period.

Coiled Tubing

U.S. coiled tubing continued to build momentum during the first quarter of 2022 with revenue of $23.0 million, increasing from $11.0 million in the first quarter of 2021. STEP staffed eight coiled tubing units, which operated 514 days during the first quarter of 2022 compared to seven units and 315 days in the first quarter of 2021. The increased utilization was combined with increased revenue per day of $45 thousand, compared to $35 thousand in the same period last year; improved rates and stronger activity is materializing in all operating regions. STEP's strategic market presence and reputation for execution continues to help secure utilization and drive higher pricing in all regions.

FIRST QUARTER 2022 COMPARED TO FOURTH QUARTER 2021

Revenue for the first quarter of 2022 increased $5.4 million to $72.7 million from $67.3 million in the fourth quarter of 2021 driven primarily from additional proppant revenue and price increases in fracturing operations. The U.S. market tightened considerably from Q4 2021 to Q1 2022, leading to stronger pricing and a shift in the supply narrative between service providers and E&P companies.

Adjusted EBITDA of $9.8 million (14% of revenue) for the first quarter of 2022 compared to $8.0 million (12% of revenue) for the fourth quarter of 2021 continues the positive trend in the U.S. business. Utilization remains strong across both business lines and steady price increases have allowed for the continuous improvement of Adjusted EBITDA on a sequential basis despite ongoing inflationary pressures.

Fracturing

Changing client mix, improved demand and higher rates resulted in revenue of $49.7 million for U.S. fracturing services in Q1 2022 compared to $44.8 million in Q4 2021. While activity remained relatively flat at 220 operating days in the first quarter of 2022 compared to 229 in the fourth quarter of 2021, revenue per day increased to $266 thousand from $196 thousand due to an increase in proppant and chemicals supplied by STEP along with pricing improvements. Pricing in Q1 2022 increased in response to inflation by approximately 20-25% from Q4 2021 although timing of the increase limited the immediate quarterly benefit to less than 5%. The full benefit of the pricing increase is expected to be realized in the coming quarters.

Coiled Tubing

Coiled tubing operations continued to operate eight coiled tubing units, with 514 operating days, generating $23.0 million in revenue in the first quarter of 2022 compared to $22.5 million over 507 operating days in the fourth quarter of 2021; sequentially flat in both utilization and pricing. While there were modest increases in both rates and operating days, weather delays during the quarter and continued pressure from low-cost providers limited STEP's ability to further increase revenue in these operations.

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, as well as general and administrative costs which 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				
		March 31, 2022		March 31, 2021		December 31, 2021
Expenses:						
Operating expenses	$	**571**	$	214	$	360
General and administrative		**8,722**		5,205		4,108
Results from operating activities	$	**(9,293)**	$	(5,419)	$	(4,468)
Add items:						
Depreciation		**138**		173		137
Share-based compensation – Cash settled		**4,192**		1,564		7
Share-based compensation – Equity settled		**265**		1,128		61
Adjusted EBITDA [1]	$	**(4,699)**	$	(2,554)	$	(4,263)
Adjusted EBITDA % [1]		**(2%)**		(2%)		(3%)

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

FIRST QUARTER 2022 COMPARED TO FIRST QUARTER 2021

For the three months ended March 31, 2022 expenses from corporate activities were $9.3 million compared to $5.4 million for the same period in 2021. Share based compensation was significantly higher in the first quarter of 2022 as the share price increased $1.19 (74%) from December 31, 2021 to March 31, 2022 compared to an increased share price of only $0.54 (73%) during the same period of the prior year resulting in higher expenses as a result the mark to market adjustment in the current period on cash settled share-based compensation. Additionally, payroll costs rose as the Company increased total rewards to retain and attract talented professionals in an increasingly competitive labour market while Q1 2021 recognized $0.2 million in CEWS benefits, which reduced total expenses.

FIRST QUARTER 2022 COMPARED TO FOURTH QUARTER 2021

Expenses from corporate activities were $9.3 million for the first quarter of 2022 compared to $4.5 million for the fourth quarter of 2021, an increase of $4.8 million. The mark to market adjustments on cash settled share-based compensation were a significant factor in the first quarter of 2022, unlike the fourth quarter of 2021 which saw minimal mark to market adjustments due to limited share price appreciation. The Company accrued an additional performance bonus for our professionals in Q1 2022 in recognition of the strong year to date performance. This bonus was paid in Q2 2022, at the same time as the 2021 performance bonus, which was accrued through the prior year. STEP is committed to increasing the total reward package for its professionals to recognize the contribution that they have made to the improving results.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)	Three months ended		
	March 31, 2022	March 31, 2021	December 31, 2021
Revenue	$ 219,539	$ 136,812	$ 158,716
Operating expenses	190,063	134,369	152,271
Gross profit	29,476	2,443	6,445
Selling, general and administrative	14,950	8,375	8,424
Results from operating activities	14,526	(5,932)	(1,979)
Finance costs, net	3,317	3,087	4,196
Foreign exchange loss (gain)	180	(9)	245
(Gain) loss on disposal of property and equipment	(818)	369	(638)
Amortization of intangible assets	114	114	116
Income (loss) before income tax	11,733	(9,493)	(5,898)
Income tax expense (recovery)	2,560	(1,549)	314
Net income (loss)	9,173	(7,944)	(6,212)
Other comprehensive loss	(1,844)	(2,550)	(215)
Total comprehensive income (loss)	$ 7,329	$ (10,494)	$ (6,427)
Income (loss) per share – basic	$ 0.135	$ (0.117)	$ (0.091)
Income (loss) per share – diluted	$ 0.132	$ (0.117)	$ (0.091)
Adjusted EBITDA [1]	$ 36,990	$ 15,960	$ 17,340
Adjusted EBITDA % [1]	17%	12%	11%

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

OTHER ITEMS

Depreciation and amortization

For the three months ended March 31, 2022, depreciation and amortization expense was $17.1 million down from $18.2 million in the same period of 2021. Depreciation is affected by lower sustaining capital additions during 2020 and 2021 due to the reduced activity and amount of equipment in service.

Finance costs

STEP's finance costs were $3.3 million for the three months ended March 31, 2022 compared to $3.1 million for the three months ended March 31, 2021. The effective borrowing rates for the three months ended March 31, 2022 was 5.29% compared to 4.63% for the same period in 2021. Finance costs increased in the first quarter of 2022 compared to the same period in 2021 due to an increase in effective interest rates.

Foreign exchange gains and losses

STEP recorded $0.2 million in foreign exchange gains for the three months ended March 31, 2022 compared to a nominal loss for the three months ended March 31, 2021. Foreign exchange gains and losses arise from the translation of assets, including temporary loans to U.S. operations, or liabilities that are held in U.S. dollars by Canadian operations.

Gains or losses on disposal of property and equipment

The Company recorded gains on the disposal of property and equipment of $0.8 million for the three months ended March 31, 2022 compared to loss of $0.4 million for the same period in 2021. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from deposal of non-core assets that were acquired through bulk acquisitions of fracturing assets in prior years.

Share-based compensation

For the three months ended March 31, 2022 and March 31, 2021, STEP recorded share-based compensation expense of $5.5 million and $3.8 million, respectively. The increase year over year is primarily due to increases in the fair value of cash settled instruments during the current period compared to the same period in 2021.

Income taxes

STEP recorded a total income tax expense of $2.6 million for the three months ended March 31, 2022. This compares to a total income tax recovery of $1.5 million for the comparable period of 2021. The transition from a net loss to net income resulted in deferred income tax expense during the current period compared to deferred income tax recovery in the comparable period of 2021.

CAPITAL EXPENDITURES

($000's)		Three months ended				
		March 31, 2022		March 31, 2021		December 31, 2021
Capital program additions	**$**	**11,714**	$	7,873	$	11,704
Right-of-use asset additions (new contracts in the period)		**5,287**		2,235		5,586
Total capital expenditures	**$**	**17,001**	$	10,108	$	17,290
Capital was incurred for:						
Canada	**$**	**10,743**	$	6,107	$	6,886
United States	**$**	**6,258**	$	4,001	$	10,404

STEP funds capital expenditures from a combination of cash, cash provided by operating activities, and available credit facilities. STEP also manages its capital expenditures based on the actual and anticipated level of activity. The capital expenditures for the three months ended March 31, 2022 was $17.0 million, a significant increase from $10.1 million for the three months ended March 31, 2021. The increase in capital expenditures was the result of higher activity compared to the same period in 2021.

LIQUIDITY AND CAPITAL RESOURCES

($000's)		Three months ended				
		March 31, 2022		March 31, 2021		December 31, 2021
Net cash provided by (used in)						
Operating activities	**$**	**(16,843)**	$	11,929	$	36,366
Investing activities		**(8,741)**		(6,213)		(9,766)
Financing activities		**28,565**		2,450		(25,232)
Impact of foreign exchange on cash		**(42)**		23		(7)
Increase in cash and cash equivalents	**$**	**2,939**	$	8,189	$	1,361
Opening cash balance		**3,698**		1,266		2,337
Ending cash balance	**$**	**6,637**	$	9,455	$	3,698

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Net cash used by operating activities of $16.8 million for the three months ended March 31, 2022 compares to net cash provided of $11.9 million in the same period of 2021. The first quarter of 2022 experienced a significant build up of Working capital as strong activity generated increased accounts receivable balances.

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

Net cash used in investing activities totaled $8.7 million for the three months ended March 31, 2022, compared to net cash of $6.2 million used in the comparable period of 2021. The increase was due to increased capital spend as improvements in activity drove sustaining capital spending and an improved outlook allowed for capital investment in optimization projects.

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

For the three months ended March 31, 2022, net cash provided by financing activities totaled $28.6 million compared to $2.5 million for the same period in 2021, as a result of increased borrowings on the credit facilities to fund Working capital.

WORKING CAPITAL AND CASH REQUIREMENTS

As at March 31, 2022, STEP had Working capital of $52.8 million, compared to Working capital of $3.9 million as at December 31, 2021. Trade and other receivables increased from $86.6 million at December 31, 2021 to $152.2 million at March 31, 2022, due to the significant increases in activity in both Canada and the U.S. Trade and other payables increased to $111.0 million as at March 31, 2022 compared to $95.2 million as at December 31, 2021, due to an increase in activity, capital program spending, and management of loans and borrowings in relation to collection of trade receivables. At March 31, 2022, the Company's Working capital and available Credit Facilities (as defined in *Capital Management – Debt* below) exceed the level required to manage timing differences between cash collections and cash payments. Availability of the Credit Facilities is dependent on compliance with certain covenants. As at March 31, 2022, the Company is in compliance with all terms of its Credit Facilities and based on currently available information, the Company anticipates to maintain compliance with the covenants during the next twelve months.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2022	2023	2024	2025	2026	Thereafter	Total
Trade and other payables	$ 110,990	$ -	$ -	$ -	$ -	$ -	**$ 110,990**
Operating commitments [5,6]	940	1,216	344	281	69	-	**2,850**
Short-term and low value lease obligations [6]	106	-	-	-	-	-	**106**
Lease obligations [6,7]	5,874	6,671	6,146	840	264	-	**19,795**
Loans and borrowings [8]	29,488	208,390	-	-	-	-	**237,878**
Capital expenditure commitments [9]	11,202	-	-	-	-	-	**11,202**
Total commitments	$ 158,600	$ 216,277	$ 6,490	$ 1,121	$ 333	$ -	**$ 382,821**

[5] 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.
[6] Balance includes U.S. obligations at a forecast exchange rate of 1 USD = 1.26 CAD.
[7] Balance includes interest portion of lease obligations.
[8] Includes estimated interest and principal repayments, based on current amounts outstanding and current interest rates at March 31, 2022. Both are variable in nature.
[9] 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

($000s)	March 31, 2022	December 31, 2021
Shareholders' equity	**$ 185,111**	$ 177,442
Lease obligations	**18,062**	15,373
Loans and borrowings	**220,392**	189,957
Total capital	**$ 423,565**	$ 382,772

The Company's objectives when managing its capital structure are to maintain a balance between debt and equity 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 bank indebtedness and obligations under leases.

Equity

As at May 11, 2022 there were 68,220,335 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

As at March 31, 2022, the Company's credit facilities with a syndicate of lenders were comprised of a Canadian $200.0 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 (the "Credit Facilities"). 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. Any current and future leases that would have been accounted for as an operating lease on December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants. The maturity date of the Credit Facilities is July 30, 2023, and the Covenant Relief Period (as defined in the Credit Facilities) was set to ends June 30, 2022, however on April 22, 2022 the Company delivered notice to its lenders of early termination of the covenant relief period.

Scheduled quarterly repayments of the term loan facility of $7.0 million per quarter commenced on March 31, 2022. The balance is 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 (see item three below). At March 31, 2022, the Company's calculated borrowing base was $116.4 million compared to $59.0 million as at December 31, 2021. This borrowing base is subject to the limits of the Credit Facilities. Mandatory repayments are required anytime the amount outstanding under the revolving facility and Canadian and U.S. operating facilities exceeds the borrowing base. As amended August 3, 2021, the Credit Facilities include certain financial and non-financial covenants, including:

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

Quarters Ended	Interest Coverage ratio minimum permitted
March 31, 2022	3.00:1
June 30, 2022	3:00:1
September 30, 2022 and thereafter	3.00:1

On March 31, 2022, STEP's Interest Coverage Ratio was 6.32:1.

2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis:

Quarters Ended	Funded Debt to Adjusted Bank EBITDA ratio maximum permitted
March 31, 2022	4.00:1
June 30, 2022[1]	3.50:1
September 30, 2022 and thereafter [10]	3.00:1

[10] These covenant ratios are applicable in the covenant relief period. On April 22, 2022, the Company exited the covenant relief period. See the subsequent event disclosure below for more details.

On March 31, 2022, STEP's Funded Debt to Adjusted Bank EBITDA ratio was 2.46:1.

3. A Minimum Liquidity Availability. This means the Company must ensure on a consolidated monthly basis during the Covenant Relief Period (as defined in the Credit Facilities) Liquidity Availability of $7.5 million or greater. Liquidity Availability means the applicable Borrowing Base minus the sum of: (a) all outstanding accommodations under the revolving facility and the operating facilities; and (b) all interest, fees, expenses, and other amounts due and payable under the Credit Facilities. The Liquidity Availability was $77.5 million at March 31, 2022 compared to $57.5 million as at December 31, 2021.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at March 31, 2022.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 200 basis points to 500 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three months ended March 31, 2022 was 5.29% respectively (three months ended March 31, 2021 – 4.63%). The total amount of Credit Facilities outstanding on March 31, 2022 is as follows:

($000s) As at		March 31, 2022		December 31, 2021
Term loan facility	$	**182,300**	$	189,300
Canadian and U.S. operating lines		**18,615**		1,283
Revolving facility		**20,000**		-
Deferred financing costs		**(523)**		(626)
Total Loans and borrowings	$	**220,392**	$	189,957
Less: current portion of term loan facility		**(27,950)**		(27,950)
Long term portion of loans and borrowings	$	**192,442**	$	162,007

The following table displays the movements in loans and borrowings during the three months ended March 31, 2022:

($000s)		
Balance at January 1, 2022	$	189,957
Issuance of loans and borrowings, net		30,600
Accretion of deferred financing costs		103
Effect of exchange rate changes		(268)
Balance at March 31, 2022	$	220,392

SUBSEQUENT EVENT

On April 22, 2022, the Company exited the covenant relief period under the Credit Facilities. As a result of doing so and in accordance with the Credit Facilities' agreement (originally dated August 13, 2020 as last amended by a Second Amending Agreement dated August 3, 2021), the covenants applicable to the Company outside of the covenant relief period are as follows; (i) Funded Debt to Adjusted Bank EBITDA ratio will not be more than 3.00:1.00 and (ii) the Interest Coverage Ratio is at least 3.00:1.00. Both covenants are calculated quarterly on the last day of each fiscal quarter on a rolling four quarter basis. In addition, interest 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. Outside of the covenant relief period, the liquidity covenant of $7.5 million is no longer applicable.

LITIGATION

Periodically, the Company may become involved in, named as a party to, or be the subject of various legal proceedings which are usually related to normal operational or labor issues. The results of such legal proceedings or related matters cannot be determined with certainty. The Company's assessment of the likely outcome of such matters is based on input from internal examination of the facts of the case and advice from external legal advisors, which is based on their judgment of a number of factors including the applicable legal framework and precedents, relevant financial and operational information, and other evidence and facts specific to the matter as known at the time of the assessment. The Company makes appropriate provisions based on such assessments.

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by the seasonality [11] 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 [12].

Quarterly Results Summary [2] ($000's, except per share amounts)	**Q1 2022**	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Revenue								
Canadian Operations	**146,812**	91,458	83,546	73,165	109,362	40,973	44,849	13,888
United States Operations	**72,727**	67,258	49,689	34,381	27,450	30,595	17,514	26,756
	219,539	158,716	133,235	107,546	136,812	71,568	62,363	40,644
Net (loss) income attributable to shareholders	**9,173**	(6,212)	(3,388)	(10,582)	(7,944)	(17,045)	(9,762)	(40,348)
Adjusted EBITDA [1]								
Canadian Operations	**31,867**	13,591	17,307	15,633	21,531	5,542	17,188	972
United States Operations	**9,822**	8,012	4,220	1,022	(3,017)	(1,398)	(4,799)	(2,428)
Corporate	**(4,699)**	(4,263)	(3,539)	(4,979)	(2,554)	(1,697)	(3,291)	(2,011)
	36,990	17,340	17,988	11,676	15,960	2,447	9,098	(3,467)
Capital expenditures [13]								
Canadian Operations	**10,743**	6,886	4,216	5,253	6,107	2,913	1,285	147
United States Operations	**6,258**	10,404	5,293	5,469	4,001	1,010	64	1,765
	17,001	17,290	9,509	10,722	10,108	3,923	1,349	1,912
Per Common Share								
Net (loss) income – basic	**0.135**	(0.091)	(0.050)	(0.156)	(0.117)	(0.252)	(0.145)	(0.600)
Net (loss) income – diluted	**0.132**	(0.091)	(0.050)	(0.156)	(0.117)	(0.252)	(0.147)	(0.600)
Adjusted EBITDA [3] – basic	**0.542**	0.255	0.264	0.172	0.236	0.036	0.135	(0.052)
Adjusted EBITDA [3] – diluted	**0.530**	0.255	0.264	0.172	0.236	0.036	0.137	(0.052)
Canada								
Exit active fracturing spreads	**5**	4	4	4	4	3	3	1
Exit active HP (000's)	**215**	200	200	200	200	150	150	50
Total HP (000's)	**283**	283	283	283	283	283	283	283
Exit active coiled tubing units	**8**	7	7	7	7	5	5	5
Total coiled tubing units	**16**	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	**3**	3	3	2	2	2	1	1
Exit active HP (000's)	**165**	165	165	110	110	110	50	65
Total HP (000's)	**208**	208	208	208	208	208	208	208
Exit active coiled tubing units	**8**	8	8	8	7	6	5	4
Total coiled tubing units	**13**	13	13	13	13	13	13	13

[1] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

[3] Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles

[11] 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.

[12] Totals may not add due to rounding.

[13] Capital expenditures include amounts added in respect of finance right-of-use assets.

FIRST QUARTER – 2022

Q1 2022 saw the continuation of commodity prices rising, particularly in the wake of the Russian invasion of Ukraine. The heightened geopolitical uncertainty combined with rising prices increased demand from clients in all regions. These conditions resulted in a continuation of the sequential improvement in both the Canadian and the U.S. operations. The improved activity and rates resulted in positive income for the first time since Q3 2018 and the best first quarter revenue in STEP's history.

FOURTH QUARTER – 2021

Q4 2021 saw commodity prices rise to multi-year highs, further increasing activity from clients in all regions. The Company continued to see meaningful increases in the contributions to the consolidated results from its U.S. operations as the tightening market resulted in increased utilization and rates. The Company did not recognize any benefits from the CEWS program.

THIRD QUARTER – 2021

Q3 2021 saw commodity prices continue to rise, leading to increased activity from clients, particularly in the U.S. operations resulting in meaningful increases in the contributions to the consolidated results. The Company recognized $1.1 million in benefits from the CEWS program.

SECOND QUARTER – 2021

Q2 2021 built on the momentum from the prior period with demand for commodities increasing, driving demand for our services leading to a 165% increase in revenue compared to the same period in the prior year with significant improvements to Adjusted EBITDA. The Company recognized $1.9 million in benefits from the CEWS program.

FIRST QUARTER – 2021

Q1 2021 saw signs of economic recovery as the Pandemic measures eased and vaccinations were distributed globally resulting in increased economic activity and mobility. While this resulted in improved commodity pricing and increased client activity, the improvements were not at pre-pandemic levels. The Company recognized $3.8 million in benefits from the CEWS program.

FOURTH QUARTER – 2020

Q4 2020 saw increased optimism from clients as commodity prices began to stabilize resulting in improving revenue for STEP. In anticipation of a busier 2021, the Company spent approximately $2.5 million on the reactivation of equipment. The Company recognized $4.1 million in benefits from the CEWS program.

THIRD QUARTER – 2020

Q3 2020 saw commodity prices stabilize relative to earlier periods of volatility, but uncertainty prevented clients from restarting their drilling and completions programs which kept the Company's revenues suppressed. The Company continued to manage costs effectively but incurred $0.4 million in severance costs. The Company recognized $4.5 million in benefits from the CEWS program. With continued uncertainty due to commodity demand reduction, STEP recorded an additional $1.0 million in bad debt expenses.

SECOND QUARTER – 2020

Q2 2020 continued to be impacted by low commodity prices due to reduced global demand, brought on by government restrictions, resulting in historically low rig counts. In response, the Company re-sized operations and focused on liquidity and effectively managed the unwinding of Working capital as activity decreased. As a result, the Company incurred $1.4 million in severance costs from headcount reductions, and an impairment of the U.S. Fracturing CGU of $13.1M. The federal government aided organizations through the CEWS program resulting in the company recognizing $3.1 million in benefits in the quarter.

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 and loans and borrowings.

FAIR VALUES

The carrying values of cash and cash equivalents, trade and other receivables and trade and other payables, approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value.

CREDIT RISK

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

The Company 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 had no write-offs of allowance for doubtful accounts during the three months ended March 31, 2022.

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate bank indebtedness. Based on the average outstanding consolidated debt, a 1.0% change in the bankers' prime rate would result in a $0.6 million increase or decrease in interest expense for the three-month period ended March 31, 2022 (March 31, 2021 - $0.5 million). Based on the average outstanding U.S. dollar denominated debt, a 1.0% change in the bankers' prime rate and a change in foreign exchange rates by $0.10, would result in a $0.1 million increase or decrease in interest expense for the three-month period ended March 31, 2022 (March 31, 2021 - $nil).

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at March 31, 2022.

NON-IFRS MEASURES AND RATIOS

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 measures should be read in conjunction with the Company's Quarterly Financial Statements and Annual 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, equity and cash settled share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. "Adjusted EBITDA %" is a non-IFRS ratio and is calculated as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA % are presented because they are widely used by the investment community as they provide 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 and Adjusted EBITDA % internally to evaluate operating and segment performance, because management believes they provide better comparability between periods. The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income (loss).

($000s except percentages)	Three months ended		
	March 31, 2022	March 31, 2021	December 31, 2021
Net income (loss)	**$ 9,173**	$ (7,944)	$ (6,212)
Add (deduct):			
Depreciation and amortization	**17,072**	18,217	19,376
(Gain) loss on disposal of equipment	**(818)**	369	(638)
Finance costs	**3,317**	3,087	4,196
Income tax expense (recovery)	**2,560**	(1,549)	314
Share-based compensation – Cash settled	**5,166**	2,202	21
Share-based compensation – Equity settled	**340**	1,587	38
Foreign exchange loss (gain)	**180**	(9)	245
Adjusted EBITDA	**$ 36,990**	$ 15,960	$ 17,340
Adjusted EBITDA %	**17%**	12%	11%

"Revenue per operating day" is a financial ratio 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 represents the composition of the non-IFRS financial measure of Working capital (including cash and cash equivalents).

($000s)	**March 31, 2022**	December 31, 2021
Current assets	**$ 198,478**	$ 133,255
Current liabilities	**(145,678)**	(129,343)
Working capital (including cash and cash equivalents)	**$ 52,800**	$ 3,912

The following table presents the composition of the non-IFRS financial measure of Total long-term financial liabilities.

($000s)		March 31, 2022	December 31, 2021
Long-term loans	$	**192,442**	162,007
Long-term leases		**11,324**	9,163
Other long-term liabilities		**8,162**	4,519
Total long-term financial liabilities	$	**211,928**	175,689

The following table presents the composition of the non-IFRS financial measure of Net debt.

($000s)		March 31, 2022	December 31, 2021
Loans and borrowings	$	**220,392**	189,957
Add back: Deferred financing costs		**523**	626
Less: Cash and cash equivalents		**(6,637)**	(3,698)
Net debt	$	**214,278**	186,885

ACCOUNTING POLICIES AND ESTIMATES

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 issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) ("COSO").

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 ICFR that occurred during the period ending March 31, 2022, 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 Quarterly Financial Statements. The preparation of the Quarterly 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 Quarterly 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 Quarterly 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.

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 MD&A under the headings "*Industry Conditions & Outlook*". In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing 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. 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: 2022 industry conditions and outlook, including the continuation of string oil and gas prices in 2022, and its effects on drilling activity levels and activity levels; anticipated Q2 2022 results; the potential for higher North American energy exports; supply and demand for the Company's and its competitors' services, including the ability for the industry to respond to demand increases and the Company's capacity commitments; expected price improvements for the Company's services; the impact of weather on the Company's operations; staffing challenges and labour shortages, and its effect on activity and equipment levels and service sector supply; the potential for an undersupplied market in 2022; the Company's ability to realize the benefits of pricing increases in subsequent quarters; the Company's ability to meet all financial commitments including interest payments over the next twelve months; 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 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 2022 and management's continued evaluation thereof; expected profitability; expected income tax liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures in 2022; 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 and its ability to satisfy its financial commitments under its Credit Facilities.

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 effect of military conflict in the Ukraine and related Canadian,

U.S. and international sanctions involving Russia on the market for the Company's services; OPEC or OPEC+ related market uncertainty on the market for the Company's services; that the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; 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; predictable effect of seasonal weather on the Company's operations; 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 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 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.