



Consolidated  
Financial Statements

As at and for the year ended December 31, 2022



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of STEP Energy Services Ltd. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these financial statements. The accompanying consolidated financial statements, which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of net income (loss) and comprehensive income (loss), consolidated changes in equity and consolidated cash flows for the years then ended, are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards ("IFRS"), using management's best estimates and judgments.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable as a basis for the preparation of the consolidated financial statements.

The Audit Committee is appointed by the Board of Directors and monitors management's financial and accounting policies and practices and the preparation of these consolidated financial statements. The Audit Committee reviews with management and the external auditors the consolidated financial statements of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters.

The shareholders have appointed KPMG LLP as the external auditors of the Company and, in that capacity, they have examined the consolidated financial statements for the year ended December 31, 2022. The Auditors' Report to the shareholders is presented herein.

**SIGNED "Steve Glanville"**

Steve Glanville  
CHIEF EXECUTIVE OFFICER

**SIGNED "Klaas Deemter"**

Klaas Deemter  
CHIEF FINANCIAL OFFICER

March 1, 2023



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of STEP Energy Services Ltd.

### *Opinion*

We have audited the consolidated financial statements of STEP Energy Services Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of net income (loss) and other comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

### ***Assessment of the Recoverable Amount of the Entity's Canadian and US Fracturing Cash Generating Units***

#### ***Description of the matter***

We draw attention to note 1, note 2, and note 5 to the financial statements. The carrying amounts of the Entity's long-lived assets including right-of-use assets, property and equipment and intangibles are reviewed at each reporting date to determine whether impairment or impairment reversal indicators exist, and calculation of the recoverable amount is required for a cash generating unit ("CGU"). Assets are grouped into CGUs for the purposes of measuring recoverable amounts. The determination of the recoverable amount of a CGU involves significant assumptions including terminal growth rates, forecasted cash flows and the pre-tax discount rate.

The Entity concluded that indicators of impairment reversal existed for the Canadian and US fracturing CGUs as at June 30, 2022 and December 31, 2022 respectively and determined the recoverable amount of each CGU at those dates. The Entity recorded impairment reversals of \$32.7 million for the Canadian CGU as at June 30, 2022 and \$5.7 million for the US Fracturing CGU as at December 31, 2022.

#### ***Why the matter is a key audit matter***

We identified the assessment of the recoverable amount of the Entity's Canadian and US Fracturing CGUs as a key audit matter. This matter represented a significant risk of material misstatement given the magnitude of and the high degree of judgement involved in determining the recoverable amount of the CGUs. As a result, significant auditor judgment was required in evaluating the results of our procedures due to the sensitivity of the Entity's assumptions used in determining the recoverable amount.

#### ***How the matter was addressed in the audit***

The primary procedures we performed to address this key audit matter included the following:

We evaluated the forecasted cash flows of the two CGUs by comparing the Entity's forecasted cash flows to historical results considering the impact of changes in conditions and events affecting each CGU.

We compared the Entity's 2021 forecasted cash flows for the 2022 year to actual 2022 results to assess the Entity's ability to accurately forecast.

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the Entity's terminal growth rate and pre-tax discount rate by comparing it to publicly available market data for comparable entities.
- Assessing the Entity's estimate of the recoverable amount of the two CGUs by comparing the Entity's estimate to market metrics and other external data.



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Richard John Mussenden.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Calgary, Canada  
March 1, 2023

# STEP ENERGY SERVICES LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31				
(in thousands of Canadian dollars)		Notes	2022	2021
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents		\$	2,785	\$ 3,698
Trade and other receivables	16		199,004	86,644
Income tax receivable			137	103
Inventory	3		46,410	32,732
Prepaid expenses and deposits			8,025	10,078
			<b>256,361</b>	<b>133,255</b>
Property and equipment	4,5		402,482	335,499
Right-of-use assets	6		23,528	14,788
Intangible assets			161	306
		\$	<b>682,532</b>	\$ 483,848
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current Liabilities				
Trade and other payables	10, 16	\$	165,869	\$ 95,183
Current portion of lease obligations	6		8,326	6,210
Current portion of loans and borrowings	7		-	27,950
Current portion of other liabilities	7		6,526	-
Income tax payable	15		9,060	-
			<b>189,781</b>	<b>129,343</b>
Deferred tax liabilities	15		17,972	1,374
Lease obligations	6		13,860	9,163
Other liabilities	10		14,092	4,519
Loans and borrowings	7		140,794	162,007
			<b>376,499</b>	<b>306,406</b>
Shareholders' equity				
Share capital	9		453,702	435,768
Contributed surplus			32,843	30,820
Accumulated other comprehensive income			16,236	2,383
Deficit			(196,748)	(291,529)
			<b>306,033</b>	<b>177,442</b>
		\$	<b>682,532</b>	\$ 483,848

See accompanying notes to the consolidated financial statements

See Note 8 – Commitments

See Note 19 – Contingencies and provisions

Approved by the Board of Directors:

**SIGNED “Douglas Freel”**

Douglas Freel  
Chairman

**SIGNED “Steve Glanville”**

Steve Glanville  
Director



# STEP ENERGY SERVICES LTD.

## CONSOLIDATED STATEMENTS OF NET INCOME (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS)

For the year ended December 31, (in thousands of Canadian dollars, except per share amounts)	Notes	2022	2021
Revenue	18	\$ 989,018	\$ 536,309
Operating expenses	12	841,433	518,552
Gross profit		147,585	17,757
Selling, general and administrative expenses	12	57,327	34,433
Results from operating activities		90,258	(16,676)
Finance costs	14	10,577	14,624
Foreign exchange gain		(1,020)	(165)
Unrealized loss on derivatives	16	1,511	-
Gain on disposal of property and equipment		(3,209)	(969)
Amortization of intangible assets		145	459
Impairment reversal of property and equipment	5	(38,388)	-
Income (loss) before income tax		120,642	(30,625)
Income tax expense (recovery)			
Current	15	9,364	(88)
Deferred	15	16,497	(2,410)
		25,861	(2,498)
Net income (loss)		94,781	(28,127)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		13,853	(1,429)
Total comprehensive income (loss)		\$ 108,634	\$ (29,556)
Income (loss) per share:			
Basic	11	\$ 1.37	\$ (0.41)
Diluted	11	\$ 1.31	\$ (0.41)

See accompanying notes to the consolidated financial statements

# STEP ENERGY SERVICES LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at January 1, 2021		\$ 431,798	\$ 32,371	\$ 3,812	\$ (263,402)	\$ 204,579
Net loss for the period		-	-	-	(28,127)	(28,127)
Foreign currency translation loss		-	-	(1,429)	-	(1,429)
Share-based compensation	10	-	2,419	-	-	2,419
Exercise of equity share-based compensation	9	3,970	(3,970)	-	-	-
Balance at December, 2021		\$ 435,768	\$ 30,820	\$ 2,383	\$ (291,529)	\$ 177,442
Balance at January 1, 2022		\$ 435,768	\$ 30,820	\$ 2,383	\$ (291,529)	\$ 177,442
Net income for the period		-	-	-	94,781	94,781
Foreign currency translation gain		-	-	13,853	-	13,853
Share-based compensation	10	-	3,081	-	-	3,081
Exercise of equity share-based compensation	9	1,058	(1,058)	-	-	-
Issuance of shares	9	16,876	-	-	-	16,876
<b>Balance at December 31, 2022</b>		<b>\$ 453,702</b>	<b>\$ 32,843</b>	<b>\$ 16,236</b>	<b>\$ (196,748)</b>	<b>\$ 306,033</b>

See accompanying notes to the consolidated financial statements

# STEP ENERGY SERVICES LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,				
(in thousands of Canadian dollars)		Notes	2022	2021
Operating activities:				
Net income (loss)			\$ 94,781	\$ (28,127)
Adjusted for the following:				
Depreciation and amortization	4,6		87,969	73,381
Share-based compensation	10		20,824	6,717
Unrealized foreign exchange gain			(1,739)	(272)
Unrealized loss on derivatives	7		1,511	-
Gain on disposal of property and equipment			(3,209)	(969)
Impairment reversal of property and equipment	5		(38,388)	-
Finance costs	7, 14		10,577	14,624
Income tax expense (recovery)	15		25,861	(2,498)
Income taxes (paid) recovered			(321)	1,856
Cash finance costs paid			(9,768)	(12,801)
Changes in non-cash working capital from operating activities	21		(65,497)	6,935
Net cash provided by operating activities			122,601	58,846
Investing activities:				
Purchase of property and equipment	4		(82,984)	(37,242)
Proceeds from disposal of equipment and vehicles			6,393	1,104
Changes in non-cash working capital from investing activities	21		10,153	5,430
Net cash used in investing activities			(66,438)	(30,708)
Financing activities:				
Repayment of loans and borrowings	7		(46,537)	(19,266)
Repayment of obligations under finance lease			(11,238)	(6,405)
Net cash used in financing activities			(57,775)	(25,671)
Impact of exchange rate changes on cash			699	(35)
(Decrease) increase in cash and cash equivalents			(913)	2,432
Cash and cash equivalents, beginning of year			3,698	1,266
Cash and cash equivalents, end of year			\$ 2,785	\$ 3,698

See accompanying notes to the consolidated financial statements

## Notes to the consolidated financial statements

As at and for the years ended December 31, 2022 and 2021.

Tabular amounts expressed in thousands of Canadian dollars, except where otherwise noted.

### NOTE 1 – NATURE OF BUSINESS AND BASIS OF PREPARATION

STEP Energy Services Ltd. (the “Company”, “STEP Energy Services” or “STEP”) is a publicly traded company domiciled in Canada, incorporated under the laws of the Province of Alberta on March 25, 2011 and is listed under the symbol “STEP” on the Toronto Stock Exchange. The registered office of the Company is 4300, 888 – 3<sup>rd</sup> Street SW, Calgary, Alberta T2P 5C5 and the principal place of business is 1200, 205-5<sup>th</sup> Ave SW, Calgary, Alberta T2P 2V7. STEP provides specialized coiled tubing and associated pumping and fracturing equipment to service the oil and gas industry in Canada and the United States (“U.S.”).

As at December 31, 2022 the significant shareholders of the Company were ARC Energy Fund 6 and ARC Energy Fund 8.

#### Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were prepared under the historical cost basis, except for the revaluation of certain financial assets and liabilities at fair value. These consolidated financial statements are presented in Canadian dollars, which is the presentation currency of the Company. All financial information has been rounded to the nearest thousands, except where indicated.

These consolidated financial statements were approved by the Board of Directors (“Board”) on March 1, 2023.

#### Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make certain estimates and judgments concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management’s judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the consolidated financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes.

#### *Business combination*

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Company. The Company estimates the fair value of assets acquired and liabilities incurred as well as any fair value of intangible assets identified as a result of business combinations. This requires an assessment of estimated cash flows and market conditions in order to determine the fair value of net identifiable assets. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets, goodwill, and deferred taxes in the purchase price equation. Goodwill, if any, is allocated to the Cash Generating Unit (“CGU”) which represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

In determining whether a particular set of activities and assets is a business, the Company assesses whether the set of assets and activities acquired include, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Company has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

#### *Allowance for doubtful accounts*

The Company performs ongoing credit evaluations of its customers and provides credit based on a review of historical collections, current aging status, the customer’s financial condition and anticipated market conditions. Customer payments

are regularly monitored. A provision of doubtful accounts is established based off the Company's lifetime expected credit losses ("ECLs") for trade receivables and probability weighted collectability of significant accounts.

### ***Impairment and Impairment Reversal***

Management judgment is required to assess when impairment or impairment reversal indicators exist and calculation of the recoverable amount is required. The assessment of impairment or impairment reversal indicators is based on management's judgment of whether there are internal and external factors that would indicate that a CGU and specifically the long-lived assets within the CGU are impaired or that a previous impairment may have reversed. The assessment of external indicators considers expected industry activity levels, commodity price environment and market capitalization. The assessment of internal indicators also considers forecasted cash flows of each CGU.

If an indicator of impairment or impairment reversal is identified for a particular asset or CGU, its recoverable amount is estimated. If the carrying value of such asset or CGU exceeds its estimated recoverable amount, an impairment charge is recognized. If the estimated recoverable amount of an asset or CGU that was previously impaired exceeds its carrying value, impairment charges recognized in prior periods are reversed to a maximum of the carrying value that would have been determined, net of depreciation, in the case that no impairment charges were recognized for that CGU in prior periods.

The determination of CGUs is based on management's judgment regarding shared equipment, mobility of equipment, geographical proximity and materiality. The Company's CGUs are defined as: Canadian Coiled Tubing, Canadian Fracturing, U.S. Coiled Tubing, and U.S. Fracturing. Considerations set out in management's analysis included cash inflows by business line, operational considerations and the nature of asset usage.

The recoverable amount of CGUs is determined as the greater of fair value less costs to sell ("FVLCTS") or value in use ("VIU"). These calculations require the use of estimates applied by management regarding significant assumption including forecasted activity levels, expected future results, and discount rates among others, and are subject to changes as new information becomes available. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related assets and CGUs. In determining the estimated recoverable amount for a specific asset that is inactive with no expectation of returning to active cash generating use, the Company uses recent market transactions, if available, or other valuation models.

### ***Net realizable value of inventory***

The Company regularly reviews the nature and quantities of inventory on hand and evaluates the net realizable value of items based on historical usage patterns, known changes to equipment or processes, estimated replacement costs and customer demand for specific products. Significant or unanticipated changes in business conditions could impact the magnitude and timing of expense recognized.

### ***Depreciation and amortization***

Depreciation and amortization of the Company's property and equipment, right-of-use assets and intangible assets incorporates estimates of useful lives and residual values. These estimates may change as more knowledge is obtained or as general market conditions change, or technological advancements are made.

### ***Lease liabilities and right-of-use assets***

The measurement of lease liabilities and right-of-use assets incorporates an estimate of lease terms. The term of a lease is determined as the non-cancellable period of a lease and includes periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. In considering the option to extend a lease, the Company considers all relevant facts and circumstances that create an economic incentive to exercise or not exercise the option. The lease term is revised if there is a change in circumstances in which the Company does or does not extend the lease extension option previously included in the initial measurement of a lease, or an event occurs that obliges or prohibits the Company from further extending the lease. In the event there is a change in estimate of a lease term, the Company remeasures lease liabilities and right-of-use assets at the date of the change in estimate.

### ***Functional currency***

Management applies judgment in determining the functional currency of its foreign subsidiaries. The decision is influenced by the currency that is used for sales prices, labour, materials and other costs as well as financings and receipts from operations.

***Income taxes***

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement amounts of existing assets and liabilities and their respective tax basis. Estimates of the Company's future taxable income are considered in assessing the utilization of available tax losses. The calculation of income taxes involves many complex factors including the Company's interpretation of the relevant tax legislation and regulations.

***Share-based payments***

The fair value of equity settled share-based compensation instruments is estimated at the grant date using the Black-Scholes option pricing model, which includes estimating underlying assumptions related to the risk-free interest rate, average expected life of the instrument, estimated forfeitures, estimated volatility of the Company's shares and anticipated dividends.

***Contingencies and provisions***

The Company establishes provisions for legal claims when the outcome of such matters is probable. Facts and circumstances surrounding the matter and input from legal and other advisors is considered in establishing the estimate.

***Derivative financial instruments***

The Company entered into cross currency swaps ("CCS") in order to manage certain exposures to fluctuations in foreign exchange rates. They are initially recognized at fair value at period end on the Company's consolidated statements of financial position as either an asset, when the fair value is positive, or a liability, when the fair value is negative. These derivatives are not designated as hedges. The derivative contracts are subsequently remeasured to their fair value at the end of each reporting period, with the resulting gain or loss included in the statements of net income (loss) as unrealized loss on derivatives. The CCS derivatives contracts are recognized in the statement of financial position under other assets when in a foreign exchange gain position and in current portion of other liabilities on when in a foreign exchange loss position.

***Climate Change and Environmental, Social and Governance ("ESG")***

Climate change, environmental, and ESG culture policies are evolving at regional, national and international levels. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters.

The direct or indirect costs of compliance with climate change regulations and ESG directives may have an adverse effect on the Company's and its customer's business, financial condition, results of operations and prospects; however, at this time these costs have not yet been quantified. Significant estimates and judgment currently made by management which could be significantly impacted by climate and climate-related matters include:

- Recoverability of asset carrying values;
- Useful life of assets; and,
- Cash flow projections for purpose of impairment tests.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed in changes in significant accounting policies.

***Consolidation***

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are entities over which the Company has control. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee. The financial results of the Company's subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of the Company's subsidiaries have been aligned with the

policies adopted by the Company. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions have been eliminated upon preparation of these consolidated financial statements.

### Foreign Currency Translation

Each of the Company's subsidiaries is measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than a Company's functional currency are recognized in the consolidated statement of net income (loss).

The financial statements of foreign subsidiaries that have a different functional currency are translated into Canadian dollars whereby assets and liabilities are translated at the rate of exchange at each reporting date, revenue and expenses are translated at average exchange rates for the period, any gains and losses in translation are initially recognized in other comprehensive income and reclassified to profit or loss on disposal or partial disposal of the foreign subsidiary. The U.S. entities' functional currency is the U.S. Dollar.

### Business Combinations

The Company applies the acquisition method to account for business combinations under IFRS 3 whereby the assets and liabilities of its acquired entities are measured at their estimated fair value at acquisition date. The Company measures goodwill as the fair value of the consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

### Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial instruments are recognized at fair value on initial recognition less transaction costs directly attributable to the acquisition or issue of the financial instrument. Measurement in subsequent periods depends on the purpose for which the instruments were acquired. Financial assets are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the classification initially designated to the financial asset based on the Company's business model and contractual cash flows of the financial asset. Financial liabilities are subsequently measured at amortized cost with the exception of derivative financial instruments which are measured at fair value through profit or loss. Gains or losses on financial instruments measured at fair value are recognized in profit or loss.

The Company directly writes off the gross carrying amount of financial assets when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company recognizes loss allowances for ECLs that reflect probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Transaction costs include only those costs that are directly attributable to the acquisition or origination of a financial asset or issue of a financial liability. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other transaction costs are amortized using the effective interest method.

### Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a reduction of equity, net of any tax effects.

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with original maturities of three months or less.

### Inventory



Inventory is measured at the lower of cost and net realizable value. The cost of inventories comprised of all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is the estimated selling prices in the ordinary course of business. The Company writes down inventory to net realizable value when it is determined the cost of inventories may not be recoverable. Any write downs of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. Consumable inventory cost is determined on a specific item basis. All other inventory value is determined using weighted average cost.

### Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets, and subsequent expenditures to the extent that they can be measured and future economic benefit is probable.

The carrying amount of an asset is derecognized when the asset is disposed of. Major improvements or retrofits are capitalized. Repairs and maintenance are charged to the consolidated statement of net income (loss) during the period in which they are incurred.

Management estimates the useful life and salvage value of property and equipment based on expected utilization and expected life. The Company allocates the amounts initially recognized in respect of an item of property and equipment to its significant components and depreciates each component separately. Residual values, methods of amortization and useful lives are reviewed annually and adjusted, if appropriate.

Property and equipment are depreciated over their estimated useful economic lives using the straight-line method over the following periods:

Buildings	20 years
Field Equipment	1– 15 years
Office Equipment	3 – 5 years
Vehicles	3 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date the asset becomes fully depreciated, is derecognized or is classified as available for sale. Depreciation does not cease when an asset becomes idle or is retired from active use unless the asset is fully depreciated to its estimated salvage value. Assets under construction are not depreciated until they are substantially complete and available for use.

### Impairment and Impairment Reversal

The carrying amounts of the Company's long-lived assets including right-of-use assets, property and equipment, and intangibles are reviewed at each reporting date to determine whether impairment or impairment reversal indicators exist, and calculation of the recoverable amount is required for a CGU. If any such indication exists, then the CGUs recoverable amount is estimated. The Company also reviews for indicators of impairment with respect to specific assets, that are inactive with no expectation of returning to active cash generating use, at each reporting date.

Assets are grouped into CGUs, the lowest level with separately identifiable cash inflows that are largely independent of the cash inflows of other assets, for the purposes of measuring recoverable amounts. The recoverable amount of a CGU is the greater of its VIU and its FVLCTS. In assessing VIU, the Company uses a discounted cash flow model with significant assumptions including the terminal growth rates, forecasted cash flows and using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In assessing FVLCTS, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate approach to valuation is used, which may include internal valuation estimates.

The recoverable amount for specific assets is determined based on recent market transactions, if available, or other valuation models.

Goodwill, if present, is reviewed for impairment annually or any time there is an indicator of impairment. Goodwill acquired through a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the related business combination. The CGU represents the lowest level within the Company at which goodwill is monitored for internal management purposes.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or non-financial assets within the CGU are considered impaired and their carrying value is reduced to their recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying value of goodwill, if present, and then to reduce the carrying amounts of the other non-financial assets on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the assumptions or data used to determine the estimated recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### Lease Liabilities and Right-of-Use Assets

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to perform this assessment, the Company determines whether: i.) The Company has the right to obtain substantially all of the economic benefits from use of the asset through the period of use; and ii.) The Company has the right to direct the use of the identified asset.

The term of the lease is determined as the non-cancellable period of a lease and periods in which there is reasonable certainty the Company will exercise an option to extend or cancel a lease. The Company considers all relevant facts and circumstances that would create an economic incentive to extend or terminate a lease.

At the commencement date of a lease, the Company measures lease liabilities at the present value of remaining estimated lease payments, discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. Subsequently, the carrying amount of lease liabilities is increased by interest, offset by lease payments made.

The initial cost of right-of-use assets is measured as the value of the lease liability, adjusted for any lease incentives received and initial direct costs. Right-of-use assets are recognized at cost less any accumulated depreciation and any accumulated impairment losses. The Company primarily leases light duty vehicles, office buildings, service centers, and copiers. Recognition exemptions permitted include short term leases or leases for which the underlying asset is of low value. If a contract meets these criteria the Company expenses the payments in the consolidated statements of net income (loss) and other comprehensive income (loss).

Right-of-use assets are depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The useful lives of right-of-use assets are over the following periods:

Buildings	2 – 7 years
Office Equipment	3 – 5 years
Vehicles	2 – 3 years

### Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Qualifying assets are defined as assets which take a substantial time period (greater than a year) to construct. The Company does not currently have any qualifying assets.

All other borrowing costs are recognized as interest expense in the consolidated statement of net income (loss) and other comprehensive income (loss) in the period in which they are incurred.

### Intangible Assets

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on fair values.

Expenditures incurred to acquire, develop, maintain and enhance intangible assets are recognized as assets only if they arise from contractual or other legal rights; it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company; and the cost can be reliably measured.

Subsequent expenditures to maintain such expected economic benefits are only capitalized to the carrying amount of the existing intangible asset if these expenditures separately meet the prescribed criteria for recognition as an intangible and that these costs could be directly attributable to a specific intangible rather than to the business as a whole.

Intangible assets lives are finite and are amortized on a straight-line basis over their estimated useful lives as follows:

Technology license	11 years
Non-compete	4 years

### Income Taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the consolidated statement of net income (loss) and other comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or receivable on taxable income for the year, using the tax rates effective at the end of the reported period, and any adjustments to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates substantially enacted at the reporting date. Deferred tax assets are recognized to the extent it is probable that future taxable profits will be available against which they can be applied.

The Company maintains provisions, if necessary, for uncertain tax positions that it believes appropriately reflect the risk of tax positions under discussion, audit, dispute, or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the Company's best estimate of the amount expected to be paid based on an assessment of all relevant factors, which are reviewed at the end of each reporting period.

### Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount rate is recognized as a finance cost.

### Revenue Recognition

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognized once performance obligations are satisfied. The Company's performance obligations are satisfied from oil and gas services performed over time as customers simultaneously receive and consume the benefits provided. Invoices for services rendered are issued upon completion of the work, generally within the same period.

The consideration for services rendered is measured at the fair value of the consideration received and allocated based on their standalone selling prices. Revenue is measured net of returns, trade discounts and volume discounts.

Consideration received prior to the transferring of goods or services is recognized in the current portion of other liabilities as a contract liability until the performance obligation is satisfied, at which point the consideration will be recognized as revenue once the performance obligation is satisfied.

Included in the current portion of other liabilities is a contract liability of \$5 million related to consideration received during the year ended December 31, 2022 from a customer in advance of providing the goods or services. The Company expects to provide the required goods or services and recognize this contract liability as revenue during the year ended December 31, 2023.

### Share-based Compensation

The Company has equity-settled long-term incentive share-based compensation plans which provide for the granting of options, performance warrants, performance share units and restricted share units to directors, officers, and employees. There are no provisions for cash settlement in these plans.

The Company follows the fair value method of valuing share-based compensation instruments. Under this method, compensation cost is measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of an instrument, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

The fair value of each tranche within an award is measured at the date of the grant using the Black-Scholes option pricing model. Assumptions used in the model include interest rates, underlying volatility, expected life of the tranche, estimated performance metrics and estimated forfeiture rates. The number of awards expected to vest is reviewed on an ongoing basis. The Company also has a cash-settled long-term incentive plan ("the Phantom PRSU Plan") for its employees and executives and a deferred share unit ("DSU") plan for its directors. At each reporting date between the grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in the consolidated statement of net income (loss) and other comprehensive income (loss).

### Earnings per Share

Basic earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated through the adjustment of profit or loss and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

### Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating results are reviewed regularly on a segmented basis by the Company's executive officers to make decisions about resources to be allocated to the segment and to assess its performance.

### Government Grants and Disclosure

Government grants are not recognized until there is reasonable assurance that the Company will comply with conditions attached to them and the grants will be received. The Company uses the income approach in which government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Company, with no future related costs shall be recognized in profit or loss in the period in which it becomes available.

### Future Accounting Pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements include:

- 1) Amendments to IAS 1 Presentation of Financial Statements— Classification of liabilities as current or non-current - The amendments are effective from January 1, 2024.
- 2) Amendments to IAS 1 Presentation of Financial Statements— Updating "significant" accounting policy disclosures to "material" accounting policy disclosures. The amendments are effective from January 1, 2023.

The Company is currently evaluating the potential impact of adopting these amendments.

## NOTE 3 – INVENTORY

As at December 31,		2022		2021
Coiled tubing	\$	9,817	\$	6,319
Sand and chemicals		11,005		9,323
Spare equipment and parts		25,588		17,090
Total Inventory	\$	46,410	\$	32,732

The cost of inventories recognized in operating expenses during the year ended December 31, 2022 was \$305.3 million (December 31, 2021 – \$164.5 million).

During the year ended December 31, 2022, the Company incurred \$1.4 million of write-downs to net realizable value (December 31, 2021 – \$0.7 million) comprised of coiled tubing, chemicals and parts.

## NOTE 4 – PROPERTY AND EQUIPMENT

	Land and buildings	Vehicles	Field equipment	Office equipment	Total
Cost:					
Balance at January 1, 2021	\$ 37,835	\$ 626	\$ 703,085	\$ 8,769	\$ 750,315
Additions	1,118	-	35,927	197	37,242
Disposals	(781)	(512)	(15,321)	(484)	(17,098)
Effect of exchange rate changes	(100)	-	(2,085)	(8)	(2,193)
Balance at December 31, 2021	\$ 38,072	\$ 114	\$ 721,606	\$ 8,474	\$ 768,266
Additions <sup>(1)</sup>	247	773	98,325	487	99,832
Disposals	(2,360)	-	(14,383)	-	(16,743)
Effect of exchange rate changes	744	-	23,030	102	23,876
<b>Balance at December 31, 2022</b>	<b>\$ 36,703</b>	<b>\$ 887</b>	<b>\$ 828,578</b>	<b>\$ 9,063</b>	<b>\$ 875,231</b>
Accumulated depreciation:					
Balance at January 1, 2021	\$ 10,596	\$ 626	\$ 363,240	\$ 7,689	\$ 382,151
Depreciation	1,602	-	64,363	603	66,568
Disposals	(119)	(496)	(14,196)	(451)	(15,262)
Effect of exchange rate changes	(5)	(16)	(666)	(3)	(690)
Balance at December 31, 2021	\$ 12,074	\$ 114	\$ 412,741	\$ 7,838	\$ 432,767
Depreciation	1,485	195	76,724	498	78,902
Disposals	(400)	-	(12,444)	-	(12,844)
Reversal of impairment	(2,972)	-	(35,412)	(4)	(38,388)
Effect of exchange rate changes	175	-	12,057	80	12,312
<b>Balance at December 31, 2022</b>	<b>\$ 10,362</b>	<b>\$ 309</b>	<b>\$ 453,666</b>	<b>\$ 8,412</b>	<b>\$ 472,749</b>
Carrying amounts:					
As at December 31, 2021	\$ 25,998	\$ -	\$ 308,865	\$ 636	\$ 335,499
<b>As at December 31, 2022</b>	<b>\$ 26,341</b>	<b>\$ 578</b>	<b>\$ 374,912</b>	<b>\$ 651</b>	<b>\$ 402,482</b>

(1) Includes non-cash field equipment additions related to the September 1, 2022 acquisition of ProPetro Holding Corp's coiled tubing assets, inventory and prepaids for total consideration of \$16.85 million in shares and \$3.64 million in cash. At the time of the transaction, management applied the IFRS 3 concentration test and concluded that the transaction was an asset acquisition.

Included in field equipment at December 31, 2022 were capital projects under construction of \$30.7 million (December 31, 2021 - \$11.6 million). All capital projects under construction are not depreciated until they are substantially complete and available for use.

## NOTE 5 – IMPAIRMENT REVERSAL

As required by IAS 36, the Company assesses at each reporting period whether there are any internal and external indicators that would indicate whether any assets or cash generating units (CGUs) are impaired or whether any previously recognized impairment losses should be reversed because of a change in the estimates used to determine the impairment loss. The maximum amount of an impairment reversal allowed is the amount necessary to restore the assets of the CGU to their pre-impairment carrying amounts less subsequent depreciation or amortization that would have been recognized if the impairment of assets had not occurred.

On June 30, 2022, as a result of improved results and due to an improved future outlook for the Canadian Fracturing CGU, the Company conducted an impairment test which resulted in the full recovery of the 2020 impairment, net of depreciation.

The recoverable amount of the CGU was determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management's best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 14.7% (pre-tax 19.1%). Discount rates were calculated using the Company's weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for all cash flows beyond 2027.

The Company reversed the maximum amount of the 2020 impairment allowed under IAS 36, net of depreciation that otherwise would have been expensed, for a total reversal of \$32.7 million in the Canadian Fracturing CGU at June 30, 2022. A change in the pre and post discount rate of 1% would not have impacted the amount of impairment reversed at June 30, 2022.

On December 31, 2022, as a result of improved results and due to an improved future outlook for the U.S. Fracturing CGU, the Company conducted an impairment test which resulted in the full recovery of the 2020 impairment, net of depreciation.

The recoverable amount of the CGU was determined using the value in use method, based on multi-year discounted cash flows to be generated from continuing operations. Cash flow assumptions were based on a combination of expected future results, including management's best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 14.7% (pre-tax 19.1%). Discount rates were calculated using the Company's weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for all cash flows beyond 2027.

The Company reversed the maximum amount of the 2020 impairment allowed under IAS 36, net of depreciation that otherwise would have been expensed, for a total reversal of \$5.7 million in the U.S. Fracturing CGU at December 31, 2022. A change in the pre and post discount rate of 1% would not have impacted the amount of impairment reversed at December 31, 2022.

## NOTE 6 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

		Buildings		Vehicles		Office equipment		Total
Balance at January 1, 2021	\$	11,327	\$	12,375	\$	278	\$	23,980
Additions		2,056		8,171		160		10,387
Disposals		(159)		(2,359)		(170)		(2,688)
Effect of exchange rate changes		(42)		(42)		-		(84)
Balance at December 31, 2021	\$	13,182	\$	18,145	\$	268	\$	31,595
Additions		16,497		5,914		39		22,450
Disposals		(6,768)		(3,849)		-		(10,617)
Effect of exchange rate changes		756		933		4		1,693
<b>Balance at December 31, 2022</b>	<b>\$</b>	<b>23,667</b>	<b>\$</b>	<b>21,143</b>	<b>\$</b>	<b>311</b>	<b>\$</b>	<b>45,121</b>
Accumulated depreciation:								
Balance at January 1, 2021	\$	4,388	\$	7,998	\$	141	\$	12,527
Depreciation		2,994		3,296		64		6,354
Disposals		(159)		(1,762)		(125)		(2,046)
Effect of exchange rate changes		(1)		(26)		(1)		(28)
Balance at December 31, 2021	\$	7,222	\$	9,506	\$	79	\$	16,807
Depreciation		4,170		4,704		48		8,922
Disposals		(1,876)		(3,242)		-		(5,118)
Effect of exchange rate changes		267		712		3		982
<b>Balance at December 31, 2022</b>	<b>\$</b>	<b>9,783</b>	<b>\$</b>	<b>11,680</b>	<b>\$</b>	<b>130</b>	<b>\$</b>	<b>21,593</b>
Carrying amounts:								
As at December 31, 2021	\$	5,960	\$	8,639	\$	189	\$	14,788
<b>As at December 31, 2022</b>	<b>\$</b>	<b>13,884</b>	<b>\$</b>	<b>9,463</b>	<b>\$</b>	<b>181</b>	<b>\$</b>	<b>23,528</b>

With respect to the right-of-use assets above, the Company has lease contracts for light duty vehicles, office buildings, service centers and copiers. The maturity date of these contracts range from January 2023 to February 2028 with interest rates ranging from 2.25% to 7.50% per annum. Lease payments made by the Company are blended interest and principal payments. The Company's lease obligations are as follows:

As at	December 31, 2022	December 31, 2021
Future minimum lease payments	\$ 24,344	\$ 16,704
Discount	(2,158)	(1,331)
Present value of minimum lease payments	\$ 22,186	\$ 15,373
Presented as:		
Current portion of lease obligations	\$ 8,326	\$ 6,210
Lease obligations	\$ 13,860	\$ 9,163



## NOTE 7 – LOANS AND BORROWINGS

As at December 31, 2022, the Company's Credit Facilities with a syndicate of lenders were comprised of a Canadian \$215.0 million revolving loan facility, a Canadian \$15.0 million operating facility and a U.S. \$15.0 million operating facility (the "Credit Facilities"). The Credit Facilities included 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. The maturity date of the Credit Facilities is July 12, 2025. As amended July 12, 2022, 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 have an interest coverage ratio of greater than 3.00:1.00. At December 31, 2022 the Company had an interest coverage ratio of 21.85:1.00.
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. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At December 31, 2022, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.75:1.00.

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

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 75 basis points to 200 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the year ended December 31, 2022 was 6.10% (December 31, 2021 – 4.94%). The total amount of Credit Facilities outstanding on December 31, 2022 is as follows:

As at	December 31, 2022	December 31, 2021
Revolving loan facility	\$ 123,896	\$ 189,300
Canadian and U.S. operating lines	19,602	1,283
Deferred financing costs	(2,704)	(626)
Total loans and borrowings	\$ 140,794	\$ 189,957
Less: current portion of term loan facility	-	(27,950)
Long term portion of loans and borrowings	\$ 140,794	\$ 162,007

The following table displays the movements in loans and borrowings during the year ended December 31, 2022:

	(000's)
Balance at January 1, 2022	\$ 189,957
Repayment of loans and borrowings	(46,537)
Accretion of deferred financing costs	969
Deferred financing costs paid	(806)
Gain on modification of credit facilities	(2,239)
Effect of exchange rate changes	(550)
<b>Balance at December 31, 2022</b>	<b>\$ 140,794</b>

The Company has entered into CCS derivatives to manage foreign exchange exposure on U.S. denominated debt, fixing the exchange rate on the principal repayments and interest payments. On October 17, 2022, the Company entered into a 90-day CCS of (CAD)\$90 million for (USD)\$65.4 million. On December 15, 2022, the Company entered into a 30-day CCS of (CAD)\$35 million for (USD)\$25.7 million. The derivative contracts were revalued to a fair value of a \$1.5 million liability on December 31, 2022. The CCS liability is recorded at fair value in current portion of other liabilities on the statements of financial position.

## NOTE 8 – COMMITMENTS

The following table summarizes the Company's estimated commitments that are not included in the consolidated interim statement of financial position related to leases as at December 31, 2022 for the following five years and thereafter:

	2023	2024	2025	2026	2027	Thereafter	Total
Operating expenses for lease obligations <sup>(1)</sup>	\$ 1,215	\$ 1,115	\$ 1,048	\$ 893	\$ 845	\$ -	\$ 5,116
Short term and low value lease obligations <sup>(1)</sup>	112	-	-	-	-	-	112
<b>Total commitments</b>	<b>\$ 1,327</b>	<b>\$ 1,115</b>	<b>\$ 1,048</b>	<b>\$ 893</b>	<b>\$ 845</b>	<b>\$ -</b>	<b>\$ 5,228</b>

(1) Includes U.S. obligations at the December 31, 2022 exchange rate of 1 USD = 1.360 CAD.

Operating expenses for lease obligations relate to leases of certain service centers and office space with lease terms of between 1 year and 5 years. The total expense recognized during the year ended December 31, 2022 for short term and low value lease obligations was \$1.6 million (December 31, 2021 - \$1.7 million).

As at December 31, 2022, the Company had \$25.2 million (December 31, 2021 - \$3.9 million) of commitments related to capital expenditures. These commitments are expected to be incurred in fiscal 2023.

## NOTE 9 – SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The shares have no par value. All issued shares are fully paid.

	Shares #	Amount
Balance at January 1, 2021	67,713,824	\$ 431,798
Issued – exercise of share-based instruments	443,157	3,970
Balance at December 31, 2021	68,156,981	435,768
Issued – exercise of share-based instruments <sup>(1)</sup>	816,185	1,058
Issued – shares issued <sup>(2)</sup>	2,616,460	16,876
<b>Balance at December 31, 2022</b>	<b>71,589,626</b>	<b>\$ 453,702</b>

(1) Option exercises for the period ended December 31, 2022 were on a cashless basis.

(2) Shares were issued as a result of the September 1, 2022 acquisition of ProPetro Holding Corp's coiled tubing assets, inventory and prepaids for consideration of \$16.85 million in shares and \$3.64 million in cash.

## NOTE 10 – SHARE-BASED COMPENSATION

Prior to the initial public offering (“IPO”), the Company’s share-based compensation plans for employees and directors consisted of prior stock options and performance warrants. The Company has since implemented new share-based compensation plans following the IPO including a new stock option plan (the “New Stock Option Plan”), a performance and restricted share unit plan (the “PRSU Plan”), a cash-settled deferred share unit plan (the “DSU Plan”), and a cash-settled Phantom Long-Term Incentive Plan (“The Phantom PRSU Plan”). Effective May 2, 2017, no further awards under the prior stock option plan or performance warrants may be granted.

The maximum number of common shares issuable under the New Stock Option Plan and all other share-based compensation arrangements (excluding the prior options and performance warrants) must not exceed 9.5% of the aggregate of the number of outstanding common shares. The following table summarizes the Company's outstanding equity settled share-based compensation instruments:

### Equity settled share-based instruments

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2021	3,576,101	119,522	347,981	1,804,445	2,923,972	8,772,021
Granted	967,374	761,827	-	-	-	1,729,201
Cancelled	-	-	(45,774)	-	-	(45,774)
Exercised	(46,666)	(106,380)	(302,198)	-	-	(455,244)
Forfeited/Expired	(649,004)	(71,564)	(9)	(1,556,545)	(2,404,332)	(4,681,454)
<b>Outstanding at December 31, 2021</b>	<b>3,847,805</b>	<b>703,405</b>	<b>-</b>	<b>247,900</b>	<b>519,640</b>	<b>5,318,750</b>
Exercisable at December 31, 2021	1,673,130	-	-	247,900	506,040	2,427,070

  

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2022	3,847,805	703,405	-	247,900	519,640	5,318,750
Granted	249,001	1,308,785	148,190	-	-	1,705,976
Exercised <sup>(1)</sup>	(833,767)	(236,274)	-	-	-	(1,070,041)
Forfeited/Expired	(162,963)	(102,788)	-	(235,400)	(494,640)	(995,791)
<b>Outstanding at December 31, 2022</b>	<b>3,100,076</b>	<b>1,673,128</b>	<b>148,190</b>	<b>12,500</b>	<b>25,000</b>	<b>4,958,894</b>
Exercisable at December 31, 2022	1,897,147	-	-	12,500	25,000	1,934,647

(1) Option exercises for the period ended December 31, 2022 were on a cashless basis.

### New stock options

New stock options may be granted at the discretion of the Board of Directors and all officers and employees of the Company are eligible for participation in the New Stock Option Plan. The option price is equal to the volume-weighted-average closing price of the Company’s shares on the Toronto Stock Exchange, for the five trading days preceding the date of grant. Grants vest in three equal portions on the first, second and third anniversary of the grant date and have a maximum life of five years, or as otherwise set out by the Board in the applicable grant agreement. Option holders have the choice of a cashless exercise which results in less shares being issued from treasury stock. When new stock options are exercised, the compensation expense previously recorded in contributed surplus is reclassified to share capital.

	2022		2021	
	New stock options	Weighted average exercise price	New stock options	Weighted average exercise price
Outstanding at beginning of year	3,847,805	\$ 1.56	3,576,101	\$ 1.54
Granted	249,001	4.62	967,374	1.42
Exercised	(833,767)	1.56	(46,666)	0.42
Forfeited / Expired	(162,963)	1.73	(649,004)	1.32
Outstanding at end of year	3,100,076	\$ 1.80	3,847,805	\$ 1.56
Exercisable at end of year	1,897,147	\$ 1.83	1,673,130	\$ 2.07

For New Options exercised in the year, the weighted average share price on exercise date was \$5.22 per share.

As at December 31, 2022	New stock options Outstanding			New stock options Exercisable		
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercisable price	
Exercise price						
\$0.42-\$0.88	1,060,968	2.41	\$ 0.42	646,829	\$ 0.42	
\$0.89-\$1.39	655,847	3.42	1.34	218,614	1.34	
\$1.40-\$2.13	165,690	3.56	1.82	63,134	1.78	
\$2.14-\$3.35	766,583	1.37	2.14	766,583	2.14	
\$3.36-\$5.70	450,988	2.76	5.10	201,987	5.70	
	3,100,076	2.48	\$ 1.80	1,897,147	\$ 1.83	

### ***Restricted share units***

The Board grants restricted share units (“RSUs”) to eligible employees and executives. RSUs granted under the PRSU Plan provide the holder a right to receive a common share from treasury stock for each whole vested share unit. The RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in shares of the Company on those vesting dates. The fair value of the RSU is recognized over the expected life and is based on volume-weighted-average closing price of the Company’s shares on the Toronto Stock Exchange, for the five trading days preceding the date of grant. When RSUs are exercised, the compensation expense previously recorded in contributed surplus is reclassified to share capital. For RSUs exercised in the year, the weighted average share price on exercise date was \$5.10 per share. In 2022, 1,308,785 equity-settled RSUs were granted at a weighted average price of \$4.63 per share. The weighted average remaining life of RSUs outstanding at December 31, 2022 is 2.13 years.

### ***Performance share units***

The Board grants performance share units (“PSUs”) to eligible employees and executives. PSUs granted under the PRSU Plan provide the holder a right to receive a common share from treasury stock for each whole vested share unit. The number of units that vest is based on the achievement of performance measures as specified by the Board of Directors. The Board of Directors assesses performance of the Company to determine the vesting percentage, which can range from 0% to 200%. Corporate PSUs vest at the end of three years, while instruments granted to the business unit senior officers vest in three equal portions on the first, second and third anniversary of the grant date. The PSU fair value approximates the volume-weighted-average closing price of the Company’s shares on the Toronto Stock Exchange, for the five trading days preceding the date of grant. When PSUs are exercised, the compensation expense previously recorded in contributed surplus is reclassified to share capital. No PSUs were exercised in the year. 148,190 equity-settled PSUs were granted in 2022. The weighted average remaining life of PSUs outstanding at December 31, 2022 is 2.38 years.

### Fair Value Assumptions for Share-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value of equity settled share-based compensation instruments. Regarding PSUs and RSUs, the estimated fair value per unit approximates the five-day weighted average share price on grant date. The Company estimates volatility using the Company's historical share prices and peer information. Estimated fair values for the new stock options granted in the year were calculated using the following weighted average assumptions:

New stock options		
For the year ended December 31,	<b>2022</b>	2021
Risk-free interest rate (%)	<b>2.73-3.25</b>	0.72-1.46
Expected life (years)	<b>5.00</b>	4.18-5.00
Expected forfeiture rate (%)	<b>10.01-10.13</b>	7.60-13.42
Expected dividend rate (%)	<b>0.00</b>	0.00
Expected volatility (%)	<b>70.17-73.71</b>	69.24-71.44
Weighted average grant price	<b>4.62</b>	1.42

### Prior stock options

Grants under the prior stock option plan are exercisable for common shares, vest over a period of three years and have a maximum life of five or seven years, or as otherwise set out by the Board in the applicable grant agreement or amendment. Effective May 2, 2017, no further awards under the prior stock option plan may be granted. When prior stock options are exercised, the compensation expense previously recorded in contributed surplus is reclassified to share capital.

	2022		2021	
	Prior stock options	Weighted average exercise price	Prior stock options	Weighted average exercise price
Outstanding at beginning of year	247,900	\$ 6.51	1,804,445	\$ 5.25
Forfeited / Expired	(235,400)	6.59	(1,556,545)	5.05
Outstanding at end of year	12,500	\$ 5.00	247,900	\$ 6.51
Exercisable at end of year	12,500	\$ 5.00	247,900	\$ 6.51

As at December 31, 2022	Prior stock options outstanding and exercisable			
Exercise price	Number outstanding	Weighted average remaining life	Weighted average exercise price	
\$5.00	12,500	0.81	\$	5.00
	<b>12,500</b>	<b>0.81</b>	<b>\$</b>	<b>5.00</b>

### Performance warrants

Grants under the performance warrant plan are exercisable for common shares, vest over a period of five years and have a maximum life of five or seven years, or as otherwise set out by the Board in the applicable grant agreement or amendment. Effective May 2, 2017, no further awards under the performance warrant plan may be granted. When performance warrants are exercised, the compensation expense previously recorded in contributed surplus is reclassified to share capital.

	2022		2021	
	Performance warrants	Weighted average exercise price	Performance warrants	Weighted average exercise price
Outstanding at beginning of year	519,640	\$ 12.54	2,923,972	\$ 11.51
Forfeited / Expired	(494,640)	12.60	(2,404,332)	11.29
Outstanding at end of year	25,000	\$ 11.26	519,640	\$ 12.54
Exercisable at end of year	25,000	\$ 11.26	506,040	\$ 12.48

As at December 31, 2022	Performance warrants outstanding			Performance warrants exercisable	
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercisable price
Exercise price					
\$7.50-\$9.07	5,000	0.81	\$ 8.13	5,000	\$ 8.13
\$9.08-\$10.48	5,000	0.81	9.70	5,000	9.70
\$10.49-\$11.88	5,000	0.81	11.10	5,000	11.10
\$11.89-\$13.28	5,000	0.81	12.50	5,000	12.50
\$13.29-\$15.65	5,000	0.81	14.85	5,000	14.85
	25,000	0.81	\$ 11.26	25,000	\$ 11.26

### Cash settled share-based instruments

The Company has cash-settled long-term incentive plans ("the Phantom PRSU Plan") for its employees and executives as well as a deferred share unit (DSU) plan for its directors.

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2021	2,403,810	1,903,838	1,502,916	5,810,564
Granted	151,707	34,402	-	186,109
Exercised	-	(809,513)	(20,155)	(829,668)
Forfeited/Expired	-	(142,751)	(581,521)	(724,272)
<b>Outstanding at December 31, 2021</b>	<b>2,555,517</b>	<b>985,976</b>	<b>901,240</b>	<b>4,442,733</b>
Exercisable at December 31, 2021	2,555,517	-	-	2,555,517

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2022	2,555,517	985,976	901,240	4,442,733
Granted	64,660	49,893	42,749	157,302
Exercised	-	(715,647)	(481,686)	(1,197,333)
Forfeited/Expired	-	(42,036)	(35,903)	(77,939)
<b>Outstanding at December 31, 2022</b>	<b>2,620,177</b>	<b>278,186</b>	<b>426,400</b>	<b>3,324,763</b>
Exercisable at December 31, 2022	2,620,177	-	-	2,620,177

***Deferred share units***

Deferred Share Units awarded vest immediately and will be settled in cash in the amount equal to the closing price of the Company's common shares on the day before the Company elects to pay. The Company may elect to pay the DSUs at any point after the resignation is received from the Board member and before the last business day of the following year. Since the DSUs vest immediately, on the grant date, the fair value of the liability is recognized on the statement of financial position and the corresponding expense is recognized on the statement of net income (loss) and other comprehensive income (loss) for the period. The weighted average fair value for DSUs granted in 2022 was \$5.03 per unit. Subsequently, at each reporting date between grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized on the statement of net income (loss) and other comprehensive income (loss) for the period.

***Cash-settled restricted share units***

The Board grants cash-settled restricted share units ("Cash-settled RSUs") to eligible employees and executives under the Phantom PRSU Plan. Cash-settled RSUs granted under the Phantom PRSU Plan provide the holder a right to receive the cash equivalent of one common share for each vested RSU. The Cash-settled RSUs awarded will vest in three equal portions on the first, second and third anniversary of the grant date and will be settled in cash on those vesting dates. The weighted average fair value for RSUs granted in 2022 was \$5.47 per unit. Cash-settled RSU liabilities are re-measured at each reporting period to the period end share price until they are fully vested. Any changes in fair value are recognized on the statement of net income (loss) and other comprehensive income (loss) for the period. The weighted average remaining life of cash settled RSUs outstanding at December 31, 2022 is 0.8 years.

***Cash-settled performance share units***

The Board grants cash-settled performance share units ("Cash-settled PSUs") to eligible employees and executives under the Company's Phantom PRSU Plan. Cash-settled PSUs granted under the Phantom PRSU Plan provide the holder a right to receive the cash equivalent of a common share for each vested Cash-settled PSU. The number of units that vest is based on the achievement of performance measures as specified by the Board. The Board assesses performance of the Company to determine the vesting percentage, which can range from 0% to 200%. Corporate Cash-settled PSUs vest at the end of three years, while instruments granted to the business unit senior officers vest in three equal portions on the first, second and third anniversary of the grant date. Cash-settled PSU liabilities are re-measured at each reporting period to the period end share price until they are fully vested. Any changes in fair value are recognized on the statement of net income (loss) and other comprehensive income (loss) for the period. The weighted average remaining life of cash-settled PSUs outstanding is 0.4 years.

The aggregate liability for all cash settled share-based instruments of \$18.1 million is included in the statement of financial position; \$4.13 million in trade and other payables and \$14.0 million in other long-term liabilities. At each reporting date, between grant date and settlement date of cash settled share-based instruments, the fair value of the liability is re-measured with any changes in fair value recognized in share-based compensation expense for the period (refer to Note 12 – Presentation of Expenses).

**Share-based compensation expense**

The composition of share-based compensation expense incurred was:

For the year ended December 31,	2022	2021
Equity settled		
New stock options	\$ 672	\$ 646
Performance warrants	4	147
Performance share units	139	1,226
Restricted share units	2,266	400
	\$ 3,081	\$ 2,419
Cash settled		
Deferred share units	\$ 9,851	\$ 2,336
Performance share units	4,713	480
Restricted share units	3,179	1,482
	\$ 17,743	\$ 4,298
Total share-based compensation expense	\$ 20,824	\$ 6,717



## NOTE 11 – PER SHARE COMPUTATIONS

For the year ended December 31,	2022	2021
Weighted average number of shares outstanding - basic	69,412,087	68,007,878
Dilutive impact of stock options	2,824,227	-
Weighted average number of shares outstanding - diluted	72,236,314	68,007,878

As at December 31, 2022, 12.5 thousand prior stock options, 25 thousand performance warrants, and 450 thousand new stock options, and nil restricted share units were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive (December 31, 2021: 248 thousand prior stock options, 520 thousand performance warrants, 3,848 thousand new stock options and 703 thousand restricted share units).

## NOTE 12 – PRESENTATION OF EXPENSES

For the year ended December 31,	2022	2021
Operating expenses		
Employee costs	\$ 211,851	\$ 144,950
Employee costs – CEWS <sup>(1)</sup>	-	(6,391)
Operating expense	234,446	142,220
Materials and inventory costs	305,300	164,533
	751,597	445,312
Depreciation	86,948	71,865
Share-based compensation	2,888	1,375
Total operating expenses	\$ 841,433	\$ 518,552
Selling, general and administrative expenses		
Employee costs	\$ 28,901	\$ 20,106
Employee costs – CEWS <sup>(1)</sup>	-	(390)
General expenses	9,238	9,231
General expenses - CERS <sup>(2)</sup>	-	(363)
	38,139	28,584
Allowance for doubtful accounts expense (recovery)	376	(550)
Depreciation	876	1,057
Share-based compensation	17,936	5,342
Total selling, general and administrative expenses	\$ 57,327	\$ 34,433

(1) Canadian Emergency Wage Subsidy.

(2) Canadian Emergency Rent Subsidy.

## NOTE 13 – EMPLOYEE EXPENSES

For the year ended December 31,	2022	2021
Salaries and short-term benefits	\$ 239,622	\$ 157,089
Post-employment benefits	830	255
Share-based compensation	20,824	6,717
Termination benefits	300	931
Total employee expenses	\$ 261,576	\$ 164,992
Included in:		
Operating expenses	\$ 214,739	\$ 139,934
Selling, general and administrative	46,837	25,058
Total employee expenses	\$ 261,576	\$ 164,992

## NOTE 14 – FINANCE COSTS

For the year ended December 31,	2022	2021
Interest on loans and borrowings	\$ 10,534	\$ 10,992
Interest on lease obligations	1,267	800
Interest income	(12)	-
Accretion of deferred financing charges	969	2,952
Gain on modification of credit facilities	(2,239)	-
Other	58	(120)
Total finance costs	\$ 10,577	\$ 14,624

## NOTE 15 – INCOME TAXES

**Income Tax Expense (Recovery)**

The components of income tax expense (recovery) are:

*Current tax expense (recovery)*

For the year ended December 31,	2022	2021
Current year tax expense	\$ 9,300	\$ -
Adjustment in respect of prior years	64	(88)
Current tax expense (recovery)	\$ 9,364	\$ (88)

*Deferred tax expense (recovery)*

For the year ended December 31,	2022	2021
Origination and reversal of temporary differences	\$ 16,523	\$ (2,669)
Change in income tax rate	35	164
Adjustment in respect of prior years	(61)	95
Deferred tax expense (recovery)	\$ 16,497	\$ (2,410)

The provision for income taxes in the consolidated statement of net income (loss) and other comprehensive income (loss) varies from the amount that would be computed by applying the combined Federal and Provincial income tax rates of 23.0% (2021 – 23.0%) to income or loss before income tax. The combined income tax rate is presented as 23.0% (8.0% AB + 15.0% Federal) in the rate reconciliation below.

The reasons for the differences between the expected income tax expense (recovery) and the amounts recorded are:

For the year ended December 31,	2022	2021
Income (loss) before income tax	\$ 120,642	\$ (30,625)
Income tax rate %	23.0%	23.0%
Computed expected income tax recovery	27,748	(7,044)
Increase (decrease) in income taxes resulting from:		
Unrecognized (recognized) deferred tax asset	(3,744)	3,744
Change in income tax rate	35	164
Provincial and foreign income tax rate differentials	735	(48)
Share-based compensation	733	573
Other rate effects	286	-
Other permanent differences	65	105
Adjustment in respect of prior years	3	8
Total income tax expense (recovery)	\$ 25,861	\$ (2,498)

## Deferred Tax Balances

The following table summarizes the income tax impact of temporary differences that give rise to the recognized deferred tax liability.

As at December 31,		2022		2021
Tax losses	\$	36,553	\$	43,892
Property and equipment		(64,924)		(51,618)
Intangible assets		-		(25)
Obligation under capital lease		4,053		2,468
Deferred financing		(673)		761
Reserves		2,012		1,409
Other		5,007		1,739
Deferred tax liability net	\$	(17,972)	\$	(1,374)
Deferred tax liability by jurisdiction:				
Canada	\$	(13,704)	\$	(1,374)
United States		(4,268)		-
Deferred tax liability net	\$	(17,972)	\$	(1,374)

A deferred tax asset was not recognized in 2021 in respect of the following temporary differences in the U.S. See below for additional discussion regarding derecognition of the deferred tax asset in the U.S. for 2021.

For the year ended December 31,		2022		2021
Tax Losses	\$	-	\$	16,275
Unrecognized Temporary Differences	\$	-	\$	16,275

As at December 31, 2022 the Company has a tax dispute ongoing relating to a tax claim in a foreign jurisdiction of approximately \$4.0 million. It is the view of the Company this tax claim is without merit. No provision has been booked at this time.

Changes in net deferred income tax balances during the year:

	Tax losses	Property and equipment	Intangible assets	Capital lease obligation	Deferred financing	Reserves	Other	Total
Balance at January 1, 2021	\$ 37,389	\$ (49,044)	\$ (118)	\$ 2,614	\$ 1,015	\$ 3,033	\$ 1,281	\$ (3,830)
Recognized in profit or loss	(31,739)	38,305	117	(1,471)	(254)	(2,786)	238	2,410
Recognized in equity	52	(9)	1	-	-	5	(3)	46
Other	-	-	-	-	-	-	-	-
Balance at December 31, 2021	5,702	(10,748)	-	1,143	761	252	1,516	(1,374)
Recognized in profit or loss	31,004	(54,176)	-	2,906	(1,434)	1,729	3,474	(16,497)
Recognized in equity	(153)	-	-	4	-	31	17	(101)
Other	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2022</b>	<b>\$ 36,553</b>	<b>\$ (64,924)</b>	<b>\$ -</b>	<b>\$ 4,053</b>	<b>\$ (673)</b>	<b>\$ 2,012</b>	<b>\$ 5,007</b>	<b>\$ (17,972)</b>

As at December 31, 2022, the Company has no non-capital losses in Canada (2021 – Canada \$24.1 million). The Company recognizes losses to the extent they are expected to be deductible and are presented in the table above. As at December 31, 2022, the Company has tax assets that relate to \$158.6 million of non-capital losses in U.S (2021 – U.S \$180.8 million) which being to expire starting in 2035.

### Unrecognized Deferred Tax Assets

Deferred income tax assets are recognized for deductible temporary differences in a jurisdiction to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2021, there were deductible temporary differences in U.S of \$16.3 million. Due to uncertainty at that time regarding amounts and timing of future taxable earnings in the US consolidated group, \$16.3 million of deductible temporary differences in U.S were unrecognized as at December 31, 2021. In 2022 this deferred tax asset reversed to a deferred tax liability and the net amount was recognized.

As at December 31, 2022, the Company has unrecognized net-capital loss carry-forwards totaling \$212.1 million in Canada (2021 – Canada \$197.1 million). While these net capital losses do not expire, they are only realizable against future net capital gains in Canada. At the current time the Company does not anticipate capital gains to realize these unrecognized net-capital losses.

## NOTE 16 – FINANCIAL INSTRUMENTS

### Accounting classifications and fair values

Cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings are initially recognized at fair value and subsequently measured at amortized cost. The carrying value 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. The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company entered into derivative contracts to manage risk associated with foreign exchange movements on its estimated future net cash inflows denominated in U.S. dollars. These risk management derivatives are a component of the Company's overall risk management program and are captured under other liabilities on the statement of financial position.

The following is a summary of the Company's derivative contracts outstanding:

	December 31, 2022		December 31, 2021	
	Asset	Liabilities	Asset	Liabilities
Foreign cross currency swaps	\$ -	\$ 1,511	\$ -	\$ -

These CCS derivatives are measured at fair value using the Level 2 input of foreign exchange forward pricing. There were no transfers between levels in the fair value hierarchy in either 2022 or 2021.

### 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 in order 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's objective is to minimize credit losses.

The Company measures potential loss exposures on trade and other receivables at an amount equal to lifetime ECLs. 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.

During the year, the Company recorded \$0.4 million in the allowance for doubtful accounts and recorded no write-offs of trade accounts receivable against the allowance for doubtful accounts.

During the year ended December 31, 2022, there was no one client representing 10% or more of consolidated revenue. During the year ended December 31, 2021, one Canadian segment client represented 12% of consolidated revenue. As at December 31, 2022, one US segment client accounted for 16% of consolidated trade accounts receivable. As at December 31, 2021, one Canadian segment client accounted for 13% of consolidated trade accounts receivable.

The Company's aged trade and other receivables are as follows:

As at December 31,	2022	2021
Current (0 to 30 days from invoice date)	\$ 105,534	\$ 66,523
31 - 60 days	82,447	17,966
61 - 90 days	6,128	504
91+ days	1,634	194
Receivables from trade clients	195,743	85,187
Allowance for doubtful accounts	(730)	(312)
Other amounts	3,991	1,769
Total trade and other receivables	\$ 199,004	\$ 86,644

The Company held cash and cash equivalents of \$2.8 million as at December 31, 2022 (December 31, 2021 - \$3.7 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with major banks and financial institution counterparties.

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company's objective in managing liquidity risk is to maintain sufficient available resources to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in the cash and cash equivalents account (See Note 8 for commitments).

The expected timing of cash outflows relating to financial liabilities on the consolidated interim statement of financial position as at December 31, 2022 are:

	2023	2024	2025	2026	2027	Thereafter	Total
Lease obligations <sup>(1)</sup>	\$ 9,426	\$ 8,075	\$ 3,551	\$ 2,205	\$ 1,057	\$ 30	\$ 24,344
Trade and other payables	165,869	-	-	-	-	-	165,869
Loans and borrowings <sup>(2)</sup>	7,562	7,583	147,890	-	-	-	163,035
	\$ 182,857	\$ 15,658	\$ 151,441	\$ 2,205	\$ 1,057	\$ 30	\$ 353,248

(1) Includes interest portion of lease obligations.

(2) Loans and borrowing balances are based on the credit facility in place at December 31, 2022. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at December 31, 2022. Both are variable in nature.

The Company anticipates that its cash on hand, trade accounts receivable and cash provided by operating activities and the available credit facilities, will be adequate to satisfy its liquidity requirements over the next twelve months.

### Market Risk

Market risk is the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market rates. Market risk is comprised of interest rate risk, currency risk and other price risks which consist primarily of fluctuations in commodity prices.

### 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 \$1.4 million increase or decrease in interest expense for the year ended December 31, 2022 (December, 2021 - \$1.8 million).

### Foreign exchange rate 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. Exposure to foreign exchange rate changes is further mitigated using CCS (refer to Note 7 – Loans and Borrowings).

Fluctuations in the value of foreign currencies on financial instruments denominated in U.S. dollars as at December 31, 2022 would have had the following impact on net income (loss) and other comprehensive income (loss):

For the year ended December 31,	Impact on Net Income (Loss)		Impact on Other Comprehensive Income (Loss)	
	2022	2021	2022	2021
1% change in the value of the U.S. dollar	\$ 240	\$ 220	\$ 1,647	\$ 1,518

## NOTE 17 – CAPITAL MANAGEMENT

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

As at December 31,	2022		2021	
Shareholders' equity	\$	306,033 65%	\$	177,442 46%
Lease obligations		22,186 5%		15,373 4%
Loans and borrowings		140,794 30%		189,957 50%
Total capitalization	\$	469,013	\$	382,772

The Company is subject to various financial and non-financial covenants, which are monitored on a regular basis and controls are in place to maintain compliance with these covenants (Note 7). The Company is in compliance with all financial and non-financial covenants.

## NOTE 18 – OPERATING SEGMENTS

The Company's services are conducted by the Canadian Operations and the U.S. Operations segments. The results of each operating segment are summarized below. Transactions between the segments are recorded at fair value and have been eliminated upon consolidation.

## Segmented operating results and activity

For the year ended December 31, 2022	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 453,611	\$ 296,732	\$ -	\$ 750,343
Coiled tubing	114,227	124,448	-	238,675
Total revenue	567,838	421,180	-	989,018
Expenses				
Operating expenses	464,191	374,867	2,375	841,433
Selling, general and administrative	13,018	12,891	31,418	57,327
Results from operating activities	90,629	33,422	(33,793)	90,258
Finance costs	-	-	10,577	10,577
Foreign exchange (gain) loss	(1,391)	(133)	504	(1,020)
Unrealized loss on derivatives	-	-	1,511	1,511
Gain on disposal of property and equipment	(1,939)	(1,270)	-	(3,209)
Amortization of intangible assets	39	106	-	145
Impairment reversal of property and equipment	(32,708)	(5,680)	-	(38,388)
Income (loss) before income tax	\$ 126,628	\$ 40,399	\$ (46,385)	\$ 120,642
Capital expenditures <sup>(1)</sup>	\$ 59,735	\$ 62,547	\$ -	\$ 122,282
Total assets as at December 31, 2022	\$ 333,384	\$ 347,863	\$ 1,285	\$ 682,532
Total liabilities as at December 31, 2022	\$ 250,150	\$ 126,349	\$ -	\$ 376,499

For the year ended December 31, 2021	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 277,076	\$ 109,735	\$ -	\$ 386,811
Coiled tubing	80,455	69,043	-	149,498
Total revenue	357,531	178,778	-	536,309
Expenses				
Operating expenses	321,678	195,713	1,161	518,552
Selling, general and administrative	7,113	7,788	19,532	34,433
Results from operating activities	28,740	(24,723)	(20,693)	(16,676)
Finance costs	-	-	14,624	14,624
Foreign exchange gain	(130)	(35)	-	(165)
Gain on disposal of property and equipment	(500)	(469)	-	(969)
Amortization of intangible assets	39	420	-	459
Impairment	-	-	-	-
Income (loss) before income tax	\$ 29,331	\$ (24,639)	\$ (35,317)	\$ (30,625)
Capital expenditures <sup>(1)</sup>	\$ 22,462	\$ 25,167	\$ -	\$ 47,629
Total assets as at December 31, 2021	\$ 246,502	\$ 236,503	\$ 843	\$ 483,848
Total liabilities as at December 31, 2021	\$ 253,519	\$ 52,887	\$ -	\$ 306,406

(1) Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets and from the addition of field equipment assets in the ProPetro Holdings Corp. acquisition.

## NOTE 19 - CONTINGENCIES AND PROVISIONS

### 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 any appropriate provisions based on such assessments.

## NOTE 20 – RELATED PARTY TRANSACTIONS

Key management personnel are comprised of the Company's Board of Directors and executive officers. The compensation and other benefits paid to key management personnel are as follows:

For the year ended December 31,	2022	2021
Salaries, fees and short-term benefits	\$ 5,897	\$ 2,300
Post-employment benefits (group retirement savings plans)	-	22
Share-based compensation	13,653	3,778
	\$ 19,550	\$ 6,100

## NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement:

For the year ended December 31,	2022	2021
Net change in non-cash working capital:		
Trade and other receivables	\$ (108,495)	\$ (22,033)
Inventory	(12,391)	(5,802)
Prepaid expenses	2,261	(4,411)
Trade and other payables	58,267	44,611
Current portion of other liabilities	5,014	-
	\$ (55,344)	\$ 12,365
Net change in non-cash working capital relate to:		
Operating activities	\$ (65,497)	\$ 6,935
Investing activities	10,153	5,430
	\$ (55,344)	\$ 12,365



## CORPORATE INFORMATION

### Management

Steve Glanville  
President and Chief Executive Officer

Klaas Deemter  
Chief Financial Officer

Rory Thompson  
Chief Operating Officer

Joshua Kane  
Vice-President, Legal and General Counsel

Brad McFarlane  
Vice-President, Finance

Mike Burvill  
Vice-President, Business Development and Innovation

Tara Boucher  
Vice-President, Human Resources

### Directors

Douglas Freil <sup>(1)</sup>

Evelyn Angelle <sup>(2)</sup>

Steve Glanville <sup>(3)(4)</sup>

Jeremy Gackle <sup>(2)(5)</sup>

Donna Garbutt <sup>(6)(7)</sup>

James Harbilas <sup>(8)(9)</sup>

Jason Skehar <sup>(2)(4)(9)</sup>

1. Chair of the Board
2. Member of the Audit Committee
3. Chief Executive Officer
4. Member of the Health, Safety and Environment Committee
5. Chair of the Compensation and Corporate Governance Committee
6. Lead Director
7. Chair of the Health, Safety and Environment Committee
8. Chair of the Audit Committee
9. Member of the Compensation and Corporate Governance Committee

### Corporate office

Bow Valley Square II  
#1200, 205 – 5 Ave SW  
Calgary, Alberta T2P 2V7

### Registered office

4300, 888 – 3rd Street SW  
Calgary, Alberta T2P 5C5

### Website

[www.stepenergyservices.com](http://www.stepenergyservices.com)

### Trustee and transfer agent

TSX Trust Company  
Calgary, Alberta and Toronto, Ontario

### Bank

ATB Corporate Financial Services

### Auditors

KPMG LLP  
Chartered Professional Accountants  
Calgary, Alberta

### Legal Counsel

Stikeman Elliott LLP

### Stock Symbol

“STEP”  
Toronto Stock Exchange