



Condensed Consolidated Interim Financial Statements

As at and for the three and six months ended June 30, 2023

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at Unaudited (in thousands of Canadian dollars)	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 5,708	\$ 2,785
Trade and other receivables	9	136,307	199,004
Income tax receivable		-	137
Inventory		48,601	46,410
Prepaid expenses and deposits		2,540	8,025
		193,156	256,361
Property and equipment		393,054	402,482
Right-of-use assets		27,598	23,528
Intangible assets		142	161
Other assets	11	4,140	-
		\$ 618,090	\$ 682,532
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade and other payables	5,9	\$ 86,600	\$ 165,869
Current portion of lease obligations		7,927	8,326
Current portion of other liabilities	3,9	5,571	6,526
Income tax payable		9,216	9,060
		109,314	189,781
Deferred tax liabilities		16,209	17,972
Lease obligations		19,066	13,860
Other liabilities	5,9	17,053	14,092
Loans and borrowings	3	118,784	140,794
		280,426	376,499
Shareholders' equity			
Share capital		455,833	453,702
Contributed surplus		33,396	32,843
Accumulated other comprehensive income		10,254	16,236
Deficit		(161,819)	(196,748)
		337,664	306,033
		\$ 618,090	\$ 682,532

See accompanying notes to the condensed consolidated interim financial statements

See Note 4 – Commitments

See Note 12 – Contingencies and provisions

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET INCOME AND OTHER COMPREHENSIVE INCOME

Unaudited (in thousands of Canadian dollars, except per share amounts)	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2023	2022	2023	2022
Revenue	10	\$ 232,073	\$ 273,000	\$ 495,441	\$ 492,539
Operating expenses	7	196,120	234,789	425,075	424,852
Gross profit		35,953	38,211	70,366	67,687
Selling, general and administrative expenses	7	10,994	19,191	15,723	34,141
Results from operating activities		24,959	19,020	54,643	33,546
Finance costs	8	2,807	2,904	5,707	6,221
Foreign exchange loss (gain)		588	(231)	758	(51)
Unrealized loss on derivatives	9	1,442	-	2,494	-
Gain on disposal of property and equipment		(374)	(832)	(647)	(1,650)
Amortization of intangible assets		10	12	20	126
Impairment reversal of property and equipment	2	-	(32,708)	-	(32,708)
Income before income tax		20,486	49,875	46,311	61,608
Income tax expense (recovery)					
Current		4,718	3,352	13,070	3,352
Deferred		495	8,459	(1,688)	11,019
Total income tax expense		5,213	11,811	11,382	14,371
Net income		15,273	38,064	34,929	47,237
Other comprehensive income					
Foreign currency translation (loss) gain		(4,742)	4,980	(5,982)	3,136
Total comprehensive income		\$ 10,531	\$ 43,044	\$ 28,947	\$ 50,373
Net income per share:					
Basic	6	\$ 0.21	\$ 0.56	\$ 0.49	\$ 0.69
Diluted	6	\$ 0.21	\$ 0.54	\$ 0.47	\$ 0.67

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited in thousands of Canadian dollars)	Notes	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at January 1, 2022		\$ 435,768	\$ 30,820	\$ 2,383	\$ (291,529)	\$ 177,442
Net income for the period		-	-	-	47,237	47,237
Foreign currency translation gain		-	-	3,136	-	3,136
Share-based compensation	5	-	1,013	-	-	1,013
Exercise of equity share-based compensation	5	709	(709)	-	-	-
Balance at June 30, 2022		\$ 436,477	\$ 31,124	\$ 5,519	\$ (244,292)	\$ 228,828
Balance at January 1, 2023		\$ 453,702	\$ 32,843	\$ 16,236	\$ (196,748)	\$ 306,033
Net income for the period		-	-	-	34,929	34,929
Foreign currency translation loss		-	-	(5,982)	-	(5,982)
Share-based compensation	5	-	2,684	-	-	2,684
Exercise of equity share-based compensation		2,131	(2,131)	-	-	-
Balance at June 30, 2023		\$ 455,833	\$ 33,396	\$ 10,254	\$ (161,819)	\$ 337,664

See accompanying notes to the condensed consolidated interim financial statements

STEP ENERGY SERVICES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)		For the three months ended June 30,		For the six months ended June 30,	
Notes	2023	2022	2023	2022	
Operating activities:					
Net income	\$ 15,273	\$ 38,064	\$ 34,929	\$ 47,237	
Adjusted for the following:					
Depreciation and amortization	21,097	26,690	41,871	43,762	
Share-based compensation (recovery)	5 1,358	9,553	(3,738)	15,058	
Unrealized foreign exchange loss (gain)	2,258	(265)	2,372	25	
Unrealized loss on derivatives	3,9 1,442	-	2,494	-	
Gain on disposal of property and equipment	(374)	(832)	(647)	(1,650)	
Impairment reversal of property and equipment	-	(32,708)	-	(32,708)	
Finance costs	3,8 2,807	2,904	5,707	6,221	
Income tax expense	5,213	11,811	11,382	14,371	
Income taxes paid	(3,020)	(44)	(12,870)	(44)	
Cash finance costs paid	(2,540)	(2,277)	(6,072)	(5,414)	
Changes in non-cash working capital from operating activities	(8,210)	(18,836)	5,712	(69,641)	
Net cash provided by operating activities	35,304	34,060	81,140	17,217	
Investing activities:					
Purchase of property and equipment	(14,382)	(18,382)	(40,374)	(30,096)	
Proceeds from disposal of equipment and vehicles	1,622	4,369	1,948	4,770	
Changes in non-cash working capital from investing activities	(3,295)	3,352	(12,599)	5,924	
Net cash used in investing activities	(16,055)	(10,661)	(51,025)	(19,402)	
Financing activities:					
(Repayment) draws of loans and borrowings	3 (12,540)	(25,566)	(23,066)	5,034	
Repayment of obligations under finance lease	(2,205)	(2,371)	(4,204)	(4,406)	
Net cash (used in) provided by financing activities	(14,745)	(27,937)	(27,270)	628	
Impact of exchange rate changes on cash	(33)	79	78	37	
Increase (decrease) in cash and cash equivalents	4,471	(4,459)	2,923	(1,520)	
Cash and cash equivalents, beginning of period	1,237	6,637	2,785	3,698	
Cash and cash equivalents, end of period	\$ 5,708	\$ 2,178	\$ 5,708	\$ 2,178	

See accompanying notes to the condensed consolidated interim financial statements

Notes to the condensed consolidated interim financial statements (unaudited)

As at and for the three and six months ended June 30, 2023 and 2022.

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 – 3rd Street SW, Calgary, Alberta T2P 5C5 and the principal place of business is 1200, 205-5th 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.”).

Statement of Compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34, interim Financial Reporting, as issued by International Accounting Standard Board (“IASB”). Other than discussed below, the same accounting policies and methods of computation are followed in these interim financial statements as compared with the last annual financial statements. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2022.

These condensed consolidated interim financial statements were approved by the Board of Directors (“Board”) on August 2, 2023.

Certain comparative figures have been reclassified to conform to the financial statement presentation for the current period.

The condensed consolidated interim financial statements were prepared under the historical cost basis, except for the revaluation of cash settled share-based compensation and 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.

Seasonality of operations

The Company’s Canadian business is seasonal in nature with the periods of greatest activity being in the first, third and fourth quarters, and the least activity generally tends to be in the second quarter because of spring break-up. Spring break-up typically occurs between March and June and can limit the Company’s operating activities due to extended periods of adverse weather which can result in restrictions on the movement of heavy equipment. Activity in the U.S. can be affected by spring break-up but is generally not as influenced by seasonal conditions.

Critical accounting estimates and judgments

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes.

NOTE 2 – 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.

NOTE 3 – LOANS AND BORROWINGS

As at June 30, 2023, 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 June 30, 2023 the Company had an interest coverage ratio of 21.09:1.00.
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 June 30 2023, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.68:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at June 30, 2023.

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 three and six months ended June 30, 2023 was 6.75% and 6.64% respectively (June 30, 2022 – 4.27% and 4.78% respectively). The total amount of Credit Facilities outstanding on June 30, 2023 is as follows:

As at	June 30, 2023	December 31, 2022
Revolving loan facility	\$ 99,471	\$ 123,896
Canadian and U.S. operating lines	21,494	19,602
Deferred financing costs	(2,181)	(2,704)
Total loans and borrowings	\$ 118,784	\$ 140,794

The following table displays the movements in loans and borrowings during the six months ended June 30, 2023:

	(000's)
Balance at January 1, 2023	\$ 140,794
Repayment of loans and borrowings	(23,066)
Accretion of deferred financing costs	523
Effect of exchange rate changes	533
Balance at June 30, 2023	\$ 118,784

The Company has entered into Cross Currency Swap ("CCS") derivatives to manage foreign exchange exposure on U.S. denominated debt, fixing the exchange rate on the principal repayments and interest payments. On June 20, 2023, the Company entered into a 30-day CCS of (CAD)\$85 million for (USD)\$63.8 million. The derivative contract was revalued to its fair value of a \$0.5 million liability on June 30, 2023. The CCS liability is recorded at fair value in current portion of other liabilities on the statements of financial position.

NOTE 4 – COMMITMENTS

The following table summarizes the Company's estimated commitments that are not included in the condensed consolidated interim statement of financial position related to leases as at June 30, 2023 for the following five years and thereafter:

	2023	2024	2025	2026	2027	Thereafter	Total
Operating expenses for lease obligations ⁽¹⁾	\$ 549	\$ 992	\$ 931	\$ 883	\$ 838	\$ -	\$ 4,193
Short term and low value lease obligations ⁽¹⁾	144	71	-	-	-	-	215
Total commitments	\$ 693	\$ 1,063	\$ 931	\$ 883	\$ 838	\$ -	\$ 4,408

(1) Includes U.S. obligations at the June 30, 2023 exchange rate of 1 USD = 1.324 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 three and six months ended June 30, 2023 for short term and low value lease obligations was \$0.4 million and \$0.8 million, respectively (June 30, 2022 - \$0.4 million and \$0.8 million, respectively).

As at June 30, 2023, the Company had \$31.7 million (December 31, 2022 - \$25.2 million) of commitments related to capital expenditures. These commitments are expected to be incurred in fiscal 2023 and 2024.

NOTE 5 – SHARE-BASED COMPENSATION

Equity settled share-based instruments

	New stock options	Restricted share units	Performance share units	Prior stock options	Performance warrants	Total
Balance at January 1, 2023	3,100,076	1,673,128	148,190	12,500	25,000	4,958,894
Granted	283,656	1,244,581	249,386	-	-	1,777,623
Exercised ⁽¹⁾	(50,903)	(594,580)	-	-	-	(645,483)
Forfeited/Expired	(40,795)	(224,843)	(28,337)	-	-	(293,975)
Outstanding at June 30, 2023	3,292,034	2,098,286	369,239	12,500	25,000	5,797,059
Exercisable at June 30, 2023	2,570,236	-	-	12,500	25,000	2,607,736

(1) Option exercises for the six month period ended June 30, 2023 were on a cashless basis.

Cash settled share-based instruments

	Deferred share units	Cash-settled RSUs	Cash-settled PSUs	Total
Balance at January 1, 2023	2,620,177	278,186	426,400	3,324,763
Granted	81,250	63,450	246,715	391,415
Exercised	-	(221,824)	-	(221,824)
Forfeited/Expired	-	(23,099)	(673,115)	(696,214)
Outstanding at June 30, 2023	2,701,427	96,713	-	2,798,140
Exercisable at June 30, 2023	2,701,427	-	-	2,701,427

The aggregate liability for all cash settled share-based instruments of \$8.9 million is included in the condensed consolidated interim statement of financial position; \$0.1 million in trade and other payables and \$8.8 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 7 – Presentation of Expenses).

Share-based compensation expense

The composition of share-based compensation expense (recovery) incurred was:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Equity settled				
New stock options	\$ 190	\$ 182	\$ 377	\$ 364
Performance warrants	-	-	-	4
Performance share units	116	26	192	26
Restricted share units	1,056	466	2,115	619
	\$ 1,362	\$ 674	\$ 2,684	\$ 1,013
Cash settled				
Deferred share units	\$ 3	\$ 5,106	\$ (5,159)	\$ 8,148
Performance share units	13	2,056	(942)	3,100
Restricted share units	(20)	1,717	(321)	2,797
	\$ (4)	\$ 8,879	\$ (6,422)	\$ 14,045
Total share-based compensation expense (recovery)	\$ 1,358	\$ 9,553	\$ (3,738)	\$ 15,058

NOTE 6 – PER SHARE COMPUTATIONS

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Weighted average number of shares outstanding - basic	71,829,218	68,322,384	71,716,796	68,263,897
Dilutive impact of stock options	2,030,776	2,763,721	2,569,417	2,007,716
Weighted average number of shares outstanding - diluted	73,859,994	71,086,105	74,286,213	70,271,613

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Net income	\$ 15,273	\$ 38,064	\$ 34,929	\$ 47,237
Per share – basic	0.21	0.56	0.49	0.69
Per share – diluted	0.21	0.54	0.47	0.67

For the three and six months ended June 30, 2023, 12.5 thousand prior stock options, 25 thousand performance warrants, and 697 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 (Three and six months ended June 30, 2022: 18.5 thousand prior stock options, 25 thousand performance warrants and 442 thousand new stock options).

NOTE 7 – PRESENTATION OF EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Operating expenses				
Employee costs	\$ 57,028	\$ 51,047	\$ 123,049	\$ 102,101
Operating expense	57,183	62,698	121,649	116,347
Materials and inventory costs	60,610	93,279	138,340	161,122
	174,821	207,024	383,038	379,570
Depreciation	20,824	26,463	41,321	43,204
Share-based compensation expense	475	1,302	716	2,078
Total operating expenses	\$ 196,120	\$ 234,789	\$ 425,075	\$ 424,852
Selling, general and administrative expenses				
Employee costs	\$ 7,210	\$ 8,265	\$ 14,139	\$ 15,985
General expenses	2,752	2,228	5,336	4,244
	9,962	10,493	19,475	20,229
Allowance for doubtful accounts expense (recovery)	(114)	232	172	500
Depreciation	263	215	530	432
Share-based compensation expense (recovery)	883	8,251	(4,454)	12,980
Total selling, general and administrative expenses	\$ 10,994	\$ 19,191	\$ 15,723	\$ 34,141

NOTE 8 – FINANCE COSTS

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest on loans and borrowings	\$ 2,095	\$ 2,519	\$ 4,443	\$ 5,395
Interest on lease obligations	432	277	759	598
Interest income	-	(12)	(52)	(12)
Accretion of deferred financing charges	257	104	523	207
Other	23	16	34	33
Total finance costs	\$ 2,807	\$ 2,904	\$ 5,707	\$ 6,221

NOTE 9 – 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 following is a summary of the Company's derivative contracts outstanding:

	June 30, 2023		December 31, 2022	
	Asset	Liabilities	Asset	Liabilities
Foreign cross currency swaps	\$ -	\$ 502	\$ -	\$ 1,511
Contract embedded derivatives	-	3,505	-	-

The Company entered into foreign CCS 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. These CCS derivatives are measured at fair value using the Level 2 input of foreign exchange forward pricing.

The Company entered into a three-year service agreement that resulted in the recognition of embedded derivatives (contract embedded derivatives) which have been classified as Level 3 within the fair value hierarchy. The contract embedded derivatives are accounted for at fair value with unrealized gains and losses recognized in net income. The fair value is measured using the contracted future service price at the reporting date compared to the Company's base service price for similar portfolios of work.

The significant unobservable inputs that impact the fair value of the Level 3 derivative instruments are contracted service prices based on forward WTI pricing and the Company's base service price. Forward WTI prices are obtained from the Chicago Mercantile Exchange Group ("CME") long-term price forecast. The Company's base service price is calculated using average customer data such as contract revenues, scope of work and contract structure.

There were no transfers between levels in the fair value hierarchy in either the second quarter of 2023 or 2022.

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's aged trade and other receivables are as follows:

As at		June 30, 2023		December 31, 2022
Current (0 to 30 days from invoice date)	\$	119,029	\$	105,534
31 - 60 days		14,118		82,447
61 - 90 days		2,383		6,128
91+ days		1,127		1,634
Receivables from trade clients		136,657		195,743
Allowance for doubtful accounts		(867)		(730)
Other amounts		517		3,991
Total trade and other receivables	\$	136,307	\$	199,004

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 4 for commitments).

The expected timing of cash outflows relating to financial liabilities on the consolidated interim statement of financial position as at June 30, 2023 are:

	2023	2024	2025	2026	2027	Thereafter	Total
Lease obligations ⁽¹⁾	\$ 4,940	\$ 8,780	\$ 5,584	\$ 3,624	\$ 2,215	\$ 8,304	\$ 33,447
Trade and other payables	86,600	-	-	-	-	-	86,600
Loans and borrowings ⁽²⁾	4,049	8,054	125,630	-	-	-	137,733
	\$ 95,589	\$ 16,834	\$ 131,214	\$ 3,624	\$ 2,215	\$ 8,304	\$ 257,780

(1) Includes interest portion of lease obligations.

(2) Loans and borrowing balances are based on the credit facility in place at June 30, 2023. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at June 30, 2023. 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 \$0.3 million and \$0.6 million increase or decrease in interest expense for the three and six months ended June 30, 2023 respectively (June 30 2022 - \$0.5 million and \$1 million respectively).

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 3 – Loans and Borrowings). As at June 30, 2023 the Company was not materially exposed to foreign exchange risk.

NOTE 10 – 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

Three months ended June, 2023	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 111,793	\$ 48,648	\$ -	\$ 160,441
Coiled tubing	24,124	47,508	-	71,632
Total revenue	135,917	96,156	-	232,073
Expenses				
Operating expenses	108,732	86,925	463	196,120
Selling, general and administrative	2,757	3,374	4,863	10,994
Results from operating activities	24,428	5,857	(5,326)	24,959
Finance costs	-	-	2,807	2,807
Foreign exchange (gain) loss	760	(9)	(163)	588
Unrealized loss on derivatives	-	-	1,442	1,442
Gain on disposal of property and equipment	(211)	(163)	-	(374)
Amortization of intangible assets	10	-	-	10
Income (loss) before income tax	\$ 23,869	\$ 6,029	\$ (9,412)	\$ 20,486
Capital expenditures ⁽¹⁾	\$ 9,173	\$ 13,604	\$ -	\$ 22,777
Total assets as at June 30, 2023	\$ 320,207	\$ 295,972	\$ 1,911	\$ 618,090
Total liabilities as at June 30, 2023	\$ 213,040	\$ 67,386	\$ -	\$ 280,426

Three months ended June 30, 2022	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 140,513	\$ 81,574	\$ -	\$ 222,087
Coiled tubing	24,596	26,317	-	50,913
Total revenue	165,109	107,891	-	273,000
Expenses				
Operating expenses	133,684	100,310	795	234,789
Selling, general and administrative	3,950	3,413	11,828	19,191
Results from operating activities	27,475	4,168	(12,623)	19,020
Finance costs	-	-	2,904	2,904
Foreign exchange (gain) loss	(363)	(70)	202	(231)
Gain on disposal of property and equipment	(487)	(345)	-	(832)
Amortization of intangible assets	10	2	-	12
Impairment reversal of property and equipment	(32,708)	-	-	(32,708)
Income (loss) before income tax	\$ 61,023	\$ 4,581	\$ (15,729)	\$ 49,875
Capital expenditures ⁽¹⁾	\$ 14,820	\$ 9,173	\$ -	\$ 23,993
Total assets as at June 30, 2022	\$ 359,105	\$ 256,218	\$ 629	\$ 615,952
Total liabilities as at June 30, 2022	\$ 304,669	\$ 82,455	\$ -	\$ 387,124

(1) Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets.

Six months ended June, 2023	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 251,369	\$ 97,965	\$ -	\$ 349,334
Coiled tubing	58,983	87,124	-	146,107
Total revenue	310,352	185,089	-	495,441
Expenses				
Operating expenses	243,855	180,272	948	425,075
Selling, general and administrative	6,243	6,083	3,397	15,723
Results from operating activities	60,254	(1,266)	(4,345)	54,643
Finance costs	-	-	5,707	5,707
Foreign exchange (gain) loss	876	68	(186)	758
Unrealized loss on derivatives	-	-	2,494	2,494
Gain on disposal of property and equipment	(279)	(368)	-	(647)
Amortization of intangible assets	20	-	-	20
Income (loss) before income tax	\$ 59,637	\$ (966)	\$ (12,360)	\$ 46,311
Capital expenditures ⁽¹⁾	\$ 22,351	\$ 27,074	\$ -	\$ 49,425
Total assets as at June 30, 2023	\$ 320,207	\$ 295,972	\$ 1,911	\$ 618,090
Total liabilities as at June 30, 2023	\$ 213,040	\$ 67,386	\$ -	\$ 280,426

Six months ended June 30, 2022	Canadian Operations	U.S. Operations	Corporate	Total
Revenue				
Fracturing	\$ 259,527	\$ 131,241	\$ -	\$ 390,768
Coiled tubing	52,394	49,377	-	101,771
Total revenue	311,921	180,618	-	492,539
Expenses				
Operating expenses	255,049	168,437	1,366	424,852
Selling, general and administrative	7,274	6,317	20,550	34,141
Results from operating activities	49,598	5,864	(21,916)	33,546
Finance costs	-	-	6,221	6,221
Foreign exchange (gain) loss	(98)	(80)	127	(51)
Gain on disposal of property and equipment	(856)	(794)	-	(1,650)
Amortization of intangible assets	20	106	-	126
Impairment reversal of property and equipment	(32,708)	-	-	(32,708)
Income (loss) before income tax	\$ 83,240	\$ 6,632	\$ (28,264)	\$ 61,608
Capital expenditures ⁽¹⁾	\$ 25,563	\$ 15,431	\$ -	\$ 40,994
Total assets as at June 30, 2022	\$ 359,105	\$ 256,218	\$ 629	\$ 615,952
Total liabilities as at June 30, 2022	\$ 304,669	\$ 82,455	\$ -	\$ 387,124

(1) Capital expenditures include non-cash expenditures from the addition of leased right-of-use assets.

NOTE 11 – OTHER ASSETS

At June 30, 2023, the Company had an ongoing tax dispute relating to a tax claim in a foreign jurisdiction of approximately \$4.1 million. The Company believes this claim is without merit and intends to vigorously defend its tax filing position. The Company paid the entire claim amount as a deposit to the foreign jurisdiction in order to avoid interest and penalties. This amount was recorded as an other asset in the condensed consolidated interim statement of financial position at June 30, 2023.

NOTE 12 - 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.

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 Frele ⁽¹⁾

Evelyn Angelle ⁽²⁾

Steve Glanville ⁽³⁾⁽⁴⁾

Jeremy Gackle ⁽⁵⁾

Donna Garbutt ⁽⁶⁾⁽⁷⁾

James Harbilas ⁽⁸⁾⁽⁹⁾

Jason Skehar ⁽²⁾⁽⁴⁾⁽⁹⁾

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

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