STEP energy services

TSX STEP

Third Quarter

Management Discussion and Analysis

As at and for the three and nine months ended September 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for STEP Energy Services Ltd. ("STEP" or the "Company") has been prepared by management as of November 1, 2023 and is a review of the Company's financial condition and results of operations based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and nine months ended September 30, 2023 (the "Quarterly Financial Statements") and the audited consolidated financial statements as at and for the year ended December 31, 2022 (the "Annual Financial Statements") and related MD&A (the "Annual MD&A"). All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at www.sedar.com, including the Company's Annual Information Form for the year ended December 31, 2022 dated March 1, 2023 (the "AIF").

STEP is an energy services company that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing solutions. Our combination of modern equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals and higher pressures. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its clients.

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP has grown into a North American service provider delivering completion and stimulation services to exploration and production ("E&P") companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado and the Bakken in North Dakota.

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

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CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

($000s except percentages and per share amounts)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Consolidated revenue	**$ 255,235**	$ 245,085	**$ 750,676**	$ 737,624
Net income	**$ 20,734**	$ 30,852	**$ 55,663**	$ 78,089
Per share-basic	**$ 0.29**	$ 0.45	**$ 0.77**	$ 1.14
Per share-diluted	**$ 0.28**	$ 0.43	**$ 0.74**	$ 1.09
Adjusted EBITDA [(1)]	**$ 52,286**	$ 58,050	**$ 145,142**	$ 150,290
Adjusted EBITDA % [(1)]	**21%**	24%	**19%**	20%
Free Cash Flow [(1)]	**37,121**	40,076	**87,269**	89,416

[(1)] Adjusted EBITDA and Free Cash Flow are non-IFRS financial measures, Adjusted EBITDA % is a non-IFRS financial ratio. These metrics are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

OPERATIONAL REVIEW

($000s except days, proppant, pumped, horsepower and units)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Fracturing services				
Fracturing operating days [(2)]	**407**	444	**1,273**	1,566
Proppant pumped (tonnes)	**589,000**	478,000	**1,693,000**	1,776,000
Fracturing crews	**8**	8	**8**	8
Dual fuel horsepower (“HP”), ended	**205,250**	182,750	**205,250**	182,750
Total HP, ended	**478,750**	490,000	**478,750**	490,000
Coiled tubing services				
Coiled tubing operating days [(2)]	**1,311**	1,199	**3,713**	3,187
Active coiled tubing units, ended	**21**	19	**21**	19
Total coiled tubing units, ended	**35**	33	**35**	33

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

($000s except shares)	**September 30 2023**	December 31, 2022
Cash and cash equivalents	**$ 1,486**	$ 2,785
Working Capital (including cash and cash equivalents) [(1)]	**$ 72,443**	$ 66,580
Total assets	**$ 670,249**	$ 682,532
Total long-term financial liabilities [(1)]	**$ 124,673**	$ 168,746
Net Debt [(1)]	**$ 89,750**	$ 142,224
Shares outstanding	**72,233,064**	71,589,626

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

THIRD QUARTER 2023 HIGHLIGHTS

- Consolidated revenue for the three months ended September 30, 2023 of $255.2 million, increased 4% from $245.1 million for the three months ended September 30, 2022 and increased 10% from $232.1 million for the three months ended June 30, 2023.
- Net income for the three months ended September 30, 2023 was $20.7 million ($0.28 per diluted share) compared to $30.9 million ($0.43 per diluted share) in the same period of 2022 and $15.3 million ($0.21 per diluted share) for the three months ended June 30, 2023.
- For the three months ended September 30, 2023, Adjusted EBITDA was $52.3 million or 21% of revenue compared to $58.1 million or 24% of revenue in Q3 2022 and $47.4 million or 20% of revenue in Q2 2023.
- Free Cash Flow for the three months ended September 30, 2023 was $37.1 million compared to $40.1 million in Q3 2022 and $34.8 million in Q2 2023.
- STEP made significant progress on debt reduction during the quarter, achieving its year end goal of reducing net debt to less than $100 million one quarter early, while continuing investment into the long-term sustainability of the business.
  - The Company had Net Debt of $89.8 million at September 30, 2023, compared to $142.2 million at December 31, 2022. STEP has reduced Net Debt by nearly $230 million from peak levels in 2018.
  - The Company invested $25.2 million into sustaining and optimization capital equipment in the quarter. The Company completed conversion of nine Tier 4 direct injection dual-fuel pumps in the U.S. and had sixteen Tier 4 dual-fuel units in the field in Canada at the end of Q3, providing diesel substitution rates of up to 85%.

THIRD QUARTER 2023 OVERVIEW

The third quarter of 2023 continued the trend of positive financial results since the first quarter of 2022. Revenue of $255.2 million and Adjusted EBITDA of $52.3 million were driven by solid performance across all service lines. Despite the unstable market environment, the Adjusted EBITDA in Q3 2023 was the best quarterly financial results for the current year. While Adjusted EBITDA showed a modest decline year over year, it showed a slight improvement sequentially as a result of improved activity in the Canadian fracturing and U.S. coiled tubing segments of our business.

Commodity prices stabilized in the third quarter after a volatile second quarter. West Texas Intermediate (WTI), the benchmark U.S. oil price, rose from approximately $70 per barrel at the start of the quarter to approximately $90 per barrel at the close. Strong global demand coupled with cuts from the Organization of the Petroleum Exporting Countries ("OPEC") finally began to impact the physical oil market, driving the price of crude oil higher. U.S. natural gas prices rallied approximately 20% quarter over quarter, with the benchmark Henry Hub natural gas price responding to the drop off in drilling activity. The U.S. land rig count continued to slide, declining 10% from Q2 to an average count of 630 rigs in Q3 2023[1]. The average Q3 2023 rig count in the Permian basin, home of STEP's three U.S. fracturing crews, was 326 rigs, down 24 rigs since Q2 2023[1]. Rig counts in Canada increased to 187 rigs in Q3 2023 from 116 in Q2 2023[1].

STEP's Canadian fracturing service line had another solid quarter, despite residual impacts from wildfires and floods in Q2 that delayed operations to start the third quarter. The Canadian fracturing service line generated $127.4 million in revenue on 308,000 tonnes of proppant pumped, the best third quarter in the Company's history. Activity in the U.S. fracturing service line was down sequentially on weak client activity at the start of the quarter but finished strong with all three fracturing fleets fully utilized.

U.S. coiled tubing continues to demonstrate the advantages of scale in that business, setting another quarterly record for operating days while generating $50.0 million in revenue for the quarter. STEP shifted units to capitalize on the higher demand northern regions during the quarter. Clients in these regions have been very receptive to STEP's technical competency and fleet capability, laying a strong foundation for growth in these areas in 2024. The U.S. coiled tubing division also set a depth record of 8,253 meters (27,075 feet) for a client in the Permian Basin. Canadian coiled tubing levels were sequentially higher in Q3, although decisions by some clients to shift budgets from 2023 to 2024 negatively impacted the service line in the quarter. Early in Q4 2023, the Canadian coiled tubing division also set a depth record, reaching 8,101 meters (26,578 feet) for a client in the Duvernay.

Net income was $20.7 million in Q3 2023 ($0.28 diluted earnings per share), sequentially higher than the $15.3 million in Q2 2023 ($0.21 diluted earnings per share) and lower than the $30.9 million in Q3 2022 ($0.43 diluted earnings per share). Net

[1] Baker Hughes North American Rotary Rig Count, September 29, 2023

income included $2.9 million in finance costs (Q2 2023 - $2.8 million, Q3 2022 - $1.3 million) and $4.0 million in share-based compensation expense (Q2 2023 - $1.4 million, Q3 2022 - $1.4 million).

Free Cash Flow was $37.1 million in Q3 2023, sequentially higher than the $34.8 million in Q2 2023 but lower than the $40.1 million in Q3 2022. This strong Free Cash Flow enabled STEP to reduce Net Debt to $89.8 million at the close of Q3 2023 from $115.8 million at close of Q2 2023, achieving its year-end target of sub-$100 million one quarter early. This debt reduction was accomplished while investing $27.6 million into capital expenditures during Q3 2023. STEP has now reduced debt by nearly $230 million from peak levels in 2018. The reduction in debt and improvement in Adjusted EBITDA resulted in a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.56:1.00, well under the limit of 3.00:1 in the Company's Credit Facilities (as defined in *Capital Management – Debt* below).

MARKET OUTLOOK

Oil prices are expected to remain volatile in the near term, as recessionary concerns over the macro economic outlook are being overshadowed by geopolitical events in Europe and the Middle East. Notwithstanding immediate geopolitical tensions, the tight supply demand balance is anticipated to continue into 2024, as OPEC balances production to maintain a target price of $80-$90 per barrel for Brent crude, while remaining sensitive to inflationary concerns in the world's leading economies. This strategy provides price support for North American producers to moderately increase their capital programs for 2024.

Near term natural gas prices are expected to rise with the seasonal demand for winter heating in both Canada and the U.S. 2024 prices are expected to increase modestly relative to 2023 levels but will remain relatively range-bound until additional liquified natural gas (LNG) capacity under construction in Canada and the U.S. is completed in the second half of the year. Economics of Canadian gas production are boosted by the price for natural gas liquids (NGL), particularly for diluent. Prices for NGLs are correlated more closely to oil prices, creating attractive returns for NGL-focused producers.

The long-term outlook for 2025 and onward for oilfield services is very constructive. The recent Supreme Court of Canada reference ruling that found the Impact Assessment Act (Bill C-69) and the related regulations to be unconstitutional in part may be a positive signal for Canadian energy production. While not binding on the federal government, it may create an opportunity for Canada to develop a policy framework that recognizes climate concerns while supporting an energy industry that is among the most environmentally sensitive in the world.

Creating a North American regulatory framework to unleash the power of clean, safe and secure energy, particularly LNG, will immediately lower emissions and improve living standards across the world, while continuing to advance global climate goals. STEP is proud to be part of an energy industry in Canada and the U.S., countries that have the natural resources, the regulatory frameworks, and the technical expertise to deliver safe and affordable energy to the world.

Canada

As with most years, Canadian Q4 activity levels are expected to show a sequential decline as client budget exhaustion and seasonal holiday activity begins to slow activity in the basin. Despite stronger commodity prices, producers are not expected to materially add to their 2023 budgets, preferring instead to maintain tight capital discipline to support shareholder return frameworks. Fracturing job mix is expected to see a higher mix of smaller jobs, resulting in less efficient activity levels through the quarter. Coiled tubing activity is anticipated to remain steady until the seasonal slowdown begins in early to mid-December.

STEP will use the moderating of activity in Q4 2023 to complete more intensive maintenance on equipment to prepare it for the extremely intensive utilization anticipated for Q1 2024. STEP also has the flexibility to redeploy professionals from operating fracturing equipment to operating sand transport trucks, reducing the payroll burden during slower periods while also reducing logistics costs. STEP has one of western Canada's largest sand hauling fleets, a critical advantage in the basin that is often tight for sand hauling capacity.

Activity in 2024 is expected to increase, with multiple clients signalling that their 2024 capital budgets will be higher than 2023. The discipline in global oil markets and anticipated completion of the Trans Mountain pipeline project and the Coastal Gas Link pipeline/LNG Canada projects are creating an opportunity for Canada to materially increase production in 2024. Demand for oil and gas is projected to continue growing, creating an opportunity for Canada to deliver among the most sustainably produced energy in the world. STEP is similarly committed to sustainability, introducing its first Tier 4 dual fuel fracturing fleet in 2023. In response to strong client demand for this equipment, which displaces up to 85% of diesel with cleaner burning natural gas, STEP will upgrade an additional fleet with Tier 4 dual fuel technology, with anticipated completion in Q2 2024.

The first quarter fracturing schedule is almost fully booked, supported by an expected incremental year over year increase in work scope following the award of a two-year fracturing service and ancillary services agreement from a leading Montney gas producer. First quarter sand volumes are expected to hit record levels, making sand logistics critical to meeting client

expectations in the quarter. STEP has an industry leading sand hauling and logistics capability, which it will continue to invest into through 2024 to meet client demand. The demand for fracturing equipment will likely also exceed STEP's Canadian fleet capacity, necessitating the transfer of some U.S. fracturing equipment to Canada. STEP's geographic diversity creates flexibility to move equipment between countries to capitalize on opportunities that deliver the highest return, a key competitive advantage for STEP.

Demand for coiled tubing is expected to grow in 2024. Since inception, STEP pursued a differentiation strategy of bringing the most technically capable equipment and crews to client locations. STEP's equipment is purpose built for the deepest, most technically challenging wells found in the Montney and Duvernay, which are key growth areas that underpin Canada's LNG feedstock. The recent competitor consolidation is expected to drive positive change in the coiled tubing market, bringing more price discipline and will more clearly delineate STEP's value proposition.

United States

U.S. land rig counts have steadily declined from 756 at the start of 2023 to 603 at the close of Q3 2023, a decline of 20%. Fracturing spreads have fluctuated more dramatically through the year, with intra-quarter peak-to-trough declines of approximately 17% but only an overall decline of 1% from the start of 2023 to the close of Q3 2023. The tightening of the rig count to frac spread ratio has resulted in a short-term oversupply in Q4 2023, putting pressure on pricing for spot market opportunities. STEP has two fracturing crews committed with longer term clients through to the close of 2023, with the third crew likely to remain utilized until late in the quarter before being transferred to Canada.

STEP's 12 coiled tubing units are anticipated to remain highly utilized for much of the quarter, although the holiday season is likely to affect efficiencies in November and December. STEP's performance in the northern basins continues to outpace many of the existing competitors that are unable to bring the technology and equipment that comes with the STEP service offering. The consolidation in the premium coiled tubing market has been supportive for pricing in these regions, maintaining rates at more consistent levels. As the Permian and Eagle Ford basins remain under pressure due to equipment oversupply, STEP has transferred coiled tubing units from these areas to the northern basins in order to capitalize on the opportunities that exist in those areas.

Sustained oil prices in the $80-$90 per barrel range are expected to drive a modest recovery in rig counts through the first half of the year, particularly in the Permian, home of STEP's fracturing crews and four of its twelve coiled tubing fleets. The ongoing capacity constraints within the U.S. natural gas transportation, storage and liquefaction system are not expected to improve until the second half of the year, which may result in uneven fracturing activity levels in the first half of the year. The second half of the year is expected to see the completion of additional LNG capacity on the Gulf Coast, which should provide an additional source of demand for U.S. natural gas oriented fracturing activity.

Consolidated

STEP's focus for the balance of 2023 and into 2024 is on the generation of Free Cash Flow while continuing to invest in emission reducing technologies on our asset base, including the recently deployed Tier 4 dual fuel engines in our Canadian and U.S. fracturing fleet. The strong results posted year to date support the Company's goals to reduce its balance sheet leverage and make disciplined investments that support STEP's goal of building a resilient company and creating shareholder value.

CAPITAL EXPENDITURES

($000's)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Capital program additions				
Sustaining capital	**$ 8,518**	$ 11,107	**$ 30,139**	$ 30,531
Optimization capital [10]	**16,714**	25,995	**35,467**	16,517
Total capital program additions	**25,232**	37,102	**65,606**	67,198
Right-of-use asset additions	**2,402**	7,501	**11,453**	18,399
Total capital expenditures	**$ 27,634**	$ 44,603	**$ 77,059**	$ 85,597
Capital was incurred for:				
Canada	**$ 12,198**	$ 11,113	**$ 34,549**	$ 36,676
United States	**$ 15,436**	$ 33,490	**$ 42,510**	$ 48,921

(10) On September 1, 2022 the Company acquired the coiled tubing assets as part of the transaction with ProPetro Holding Corp. The Company acquired the coiled tubing assets, inventory and prepaids for total consideration of $3.64 million in cash and $16.85 million in shares.

STEP classifies capital expenditures as either optimization capital, sustaining capital or right-of-use additions. Optimization capital are capital expenditures that add revenue generating assets or increase the revenue generating profile of an asset. Sustaining capital refers to capital expenditures required to maintain ongoing business operations. Right-of-use assets primarily consist of leases associated with facilities and light duty vehicles. STEP funds its capital program from a combination of existing cash, cash provided by operating activities, available Credit Facilities and, in certain circumstances, issuance of equity.

Capital expenditures for the three months ended September 30, 2023 were $27.6 million, a decrease from $44.6 million for the three months ended September 30, 2022. STEP initiated the build of its second Canadian Tier 4 dual fuel fleet in the third quarter, responding to strong customer interest in the Company's first Tier 4 dual fuel fleet that was completed in Q2 2023. The first fleet has produced consistently high diesel substitution rates for STEP's anchor client, as well as for other valued STEP clients. The second fleet is expected to be completed in Q2 2024, with pumps being dispatched to the field as they are individually completed. STEP also commenced the conversion of its U.S. Tier 4 fleet to full dual fuel capability. These direct injection dual fuel conversion kits are similar to the kits deployed on STEP's Tier 2, which provides industry leading dual fuel substitution. Conversion of the U.S. fleet is anticipated to be complete by Q2 2024, with pumps being dispatched to the field as they are individually completed.

These dual fuel units are a key part of STEP's Environmental, Social and Governance ("ESG") strategy to improve the sustainability of our operations and support our clients in meeting their ESG targets by substituting diesel fuel with cleaner burning natural gas. STEP anticipates that at least 90% of its fracturing fleet will be capable of operating with natural gas by the end of 2025.

Supply chain constraints continue to impact the availability of major components and will require STEP to commit to certain expenditures in Q4 2023, rather than waiting until the new fiscal year begins in 2024. The Company is announcing a preliminary 2024 capital expenditure budget that is focused largely on sustaining and critical optimization capital requirements of $60 million. STEP anticipates that the full year capital budget, which includes additional optimization capital, will be released in Q1 2024. STEP will continue to strike the balance between continued deleveraging of the balance sheet and investing opportunistically where adequate returns can be generated. The 2023 approved capital budget remains at $105 million, with the balance anticipated to be spent in Q4 2023 and Q1 2024.

Effective January 1, 2023, STEP's Canadian region started to record fracturing fluid ends as maintenance expense rather than sustaining capital. Fluid ends have a useful life that is based on an expected number of pumping hours, which is now being realized in a period less than 12 months as daily pumping hours and equipment utilization increase. STEP's Canadian operations recognized $1.5 million for fluid end expense in the third quarter and $5.5 million for the nine months ended September 30, 2023. STEP's U.S. region has been expensing fluid ends since 2018.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB, all of which are designed to service the deepest wells in the basin. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Revenue:				
Fracturing	**$ 127,415**	$ 110,991	**$ 378,784**	$ 370,518
Coiled tubing	**30,241**	30,100	**89,224**	82,494
	157,656	141,091	**468,008**	453,012
Expenses	**125,414**	112,213	**375,512**	374,536
Results from operating activities	**$ 32,242**	$ 28,878	**$ 92,496**	$ 78,476
Adjusted EBITDA [(1)]	**$ 41,235**	$ 40,895	**$ 119,401**	$ 112,473
Adjusted EBITDA % [(1)]	**26%**	29%	**26%**	25%
Sales mix (% of segment revenue)				
Fracturing	**81%**	79%	**81%**	82%
Coiled tubing	**19%**	21%	**19%**	18%
Fracturing services				
Number of fracturing operating days [(2)]	**250**	271	**771**	945
Proppant pumped (tonnes)	**308,000**	234,000	**914,000**	915,000
Stages completed	**3,268**	4,006	**10,165**	11,881
Fracturing crews	**5**	5	5	5
Coiled tubing services				
Number of coiled tubing operating days [(2)]	**448**	536	**1,368**	1,468
Active coiled tubing units, end of period	**9**	8	**9**	8
Total coiled tubing units, end of period	**16**	16	**16**	16

[(1)] Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.
[(2)] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

THIRD QUARTER 2023 COMPARED TO THIRD QUARTER 2022

Revenue for the three months ended September 30, 2023 was $157.7 million compared to $141.1 million for the same period of the prior year. Increased intensity on fracturing jobs resulted in higher daily average revenue year-over-year despite continued pricing pressure. This was partially offset by reduced operating days which decreased to 250 for Q3 2023 from 271 during the same period of 2022. Residual effects from the fire and flood conditions during Q2 slowed drilling activity which impacted timing for completion services. STEP remains focused on proper client alignment which contributed to steady utilization in the coiled tubing business during the quarter, however overall days decreased to 448 for Q3 2023 from 536 during the comparable period of 2022. Coiled tubing revenue was also impacted by client delays to start the quarter however an increase in ancillary services contributed to revenue remaining flat year-over-year.

Adjusted EBITDA for the third quarter of 2023 was $41.2 million (26% of revenue) versus $41.0 million (29% of revenue) in the third quarter of 2022. While Adjusted EBITDA increased slightly, year-over-year Adjusted EBITDA % fell slightly due to the change in job mix.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

Revenue for the nine months ended September 30, 2023 was $468.0 million compared to $453.0 million for the nine months ended September 30, 2022. Revenue increased compared to the prior year despite decreasing activity levels as changes in

client mix and work scope has improved average daily revenue even with continued pressure on pricing. Fracturing operating days decreased to 771 for the first nine months of 2023 from 945 during the same period of 2022. The general decline in market activity as a result of lower natural gas prices combined with fire and flood conditions during Q2 and Q3 were the primary reasons for declining activity year-over-year. The same conditions contributed to the decline in coiled tubing operating days from 1,468 for the first nine months of 2022 to 1,368 for the comparable period of 2023. An increase in ancillary services contributed to an increase of total coiled tubing revenue year-over-year.

The Company's Canadian operating expenses were relatively flat as cost management remains a focus. Despite these efforts, the higher inflationary environment combined with continued supply chain disruptions, commodity price appreciation, and strong industry activity has costs escalating across most expense categories.

Canadian operations generated Adjusted EBITDA of $119.4 million (26% of revenue) for the first nine months of 2023 compared to $112.5 million (25% of revenue) in the same period of 2022. Continued cost management while retaining pricing improvements achieved since 2022 was the most significant factor in the $6.9 million increase in Adjusted EBITDA. The margin improvement provides the critical cash flow needed to reinvest into the business to ensure that clients receive the best equipment on their well sites.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 19 coiled tubing units in the Permian and Eagle Ford basins in Texas, the Bakken shale in North Dakota, and the Uinta-Piceance and Niobrara-DJ basins in Colorado while the U.S. fracturing business primarily operates in the Permian basin in Texas. The Company deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped and HP)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Revenue:				
Fracturing	**$ 47,579**	$ 67,794	**$ 145,544**	$ 199,035
Coiled tubing	**50,000**	36,200	**137,124**	85,577
	97,579	103,994	**282,668**	284,612
Expenses	**94,464**	91,034	**280,819**	265,788
Results from operating activities	**$ 3,115**	$ 12,960	**$ 1,849**	$ 18,824
Adjusted EBITDA [(1)]	**$ 15,356**	$ 20,814	**$ 38,504**	$ 50,958
Adjusted EBITDA % [(1)]	**16%**	20%	**14%**	18%
Sales mix (% of segment revenue)				
Fracturing	**49%**	65%	**51%**	70%
Coiled tubing	**51%**	35%	**49%**	30%
Fracturing services				
Number of fracturing operating days[(2)]	**157**	173	**502**	621
Proppant pumped (tonnes)	**281,000**	244,000	**779,000**	861,000
Stages completed	**1,328**	1,121	**3,767**	3,678
Fracturing crews	**3**	3	3	3
Coiled tubing services				
Number of coiled tubing operating days [(2)]	**863**	663	**2,345**	1,719
Active coiled tubing units, end of period	**12**	11	**12**	11
Total coiled tubing units, end of period	**19**	17	**19**	17

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

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

THIRD QUARTER 2023 COMPARED TO THIRD QUARTER 2022

Revenue for the three months ended September 30, 2023 was $97.6 million compared to $104.0 million at September 30, 2022. The increase in active coiled tubing units and resultant increase in operating days offset much of the declines in fracturing revenue resulting from the transition to client-supplied product. Key acquisitions in 2022 have enabled STEP to deploy additional coiled tubing units to key basins and benefit from strong oilfield activity levels in those regions. Proper client alignment within the coiled tubing business has been a main driver to our continued success in this segment as operating days increased to 863 for Q3 2023 from 663 during the comparable period of 2022. Fracturing activity stabilized in the third quarter however market conditions have continued to put pressure on pricing compared to the prior year.

U.S. operations generated Adjusted EBITDA of $15.4 million (16% of revenue) for the third quarter 2023 versus $20.8 million (20% of revenue) in the third quarter of 2022. While coiled tubing rates have remained stable, the change in job mix and downward pressure on rates for fracturing services were the primary contributors to the drop in Adjusted EBITDA compared to the prior year.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

Revenue for the nine months ended September 30, 2023 was $282.7 million compared to $284.6 million for the nine months ended September 30, 2022. U.S. operations realized a 36% increase in operating days for the coiled tubing service line reflecting

the additional assets acquired during 2022 that increased our depth capacity and allowed us to expand our operating footprint. Operating days across the Company's U.S. fracturing operations were relatively flat at 3,767 for the first nine months of 2023 compared to 3,678 days during the same period of 2022, however, the transition to client supplied product resulted in significantly lower revenue.

The year over year increase in operating expenses reflects increased maintenance costs from the increase in fracturing intensity compared to the prior year and from the intensive preventative maintenance program completed during the first quarter of 2023. Inflationary pressures and supply chain constraints have eased slightly during Q3 2023, but costs remain higher on a year over year basis across most expense categories.

U.S. operations generated Adjusted EBITDA of $38.5 million (14% of revenue) for the nine months ended September 30, 2023, compared to an Adjusted EBITDA of $51.0 million (18% of revenue) for the nine months ended September 30, 2022. The transition to client supplied product and declining fracturing rates were the primary contributors to the Adjusted EBITDA decline and were partially offset by improved activity in coiled tubing.

CORPORATE FINANCIAL REVIEW

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

($000's)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Expenses:				
Operating expenses	**$ 490**	$ 503	**$ 1,438**	$ 1,869
Selling, general and administrative	**7,259**	4,027	**10,656**	24,577
Results from operating activities	**$ (7,749)**	$ (4,530)	**$ (12,094)**	$ (26,446)
Add:				
Depreciation	**222**	151	**637**	437
Share-based compensation expense (recovery)	**3,322**	720	**(1,306)**	12,868
Adjusted EBITDA [1]	**$ (4,205)**	$ (3,659)	**$ (12,763)**	$ (13,141)
Adjusted EBITDA % [1]	**(2%)**	(1%)	**(2%)**	(2%)

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

THIRD QUARTER 2023 COMPARED TO THIRD QUARTER 2022

For the three months ended September 30, 2023, expenses from corporate activities were $7.7 million compared to expenses of $4.5 million for the same period in 2022. The increase in these expenses was primarily due to the mark to market adjustment on cash settled share-based compensation in the current period. Corporate expense were $3.2 million higher in Q3 2023 relative to Q3 2022, as the Company's share price increased by $0.98 from June 30, 2023 to September 30, 2023 compared to a share price decrease of $0.21 during the same period of the prior year. Adjusted EBITDA of $(4.2) million for the three months ended September 30, 2023 remained aligned with Adjusted EBITDA of $(3.7) million for the same period in 2022.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

For the nine months ended September 30, 2023 expenses from corporate activities were $12.1 million compared to $26.4 million for the same period in 2022. Cash settled share-based compensation expense was lower in the first nine months of 2023 as a decrease in number of cash settled instruments outstanding combined with the share price decreasing $1.09 from December 31, 2022 to September 30, 2023 resulted in lower expenses from the mark to market adjustment in the current period. Adjusted EBITDA of $(12.8) million for the nine months ended September 30, 2023 was relatively consistent with Adjusted EBITDA of $(13.1) million for the same period of the prior year.

CONSOLIDATED FINANCIAL REVIEW

($000's except per share amounts)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Revenue	**$ 255,235**	$ 245,085	**$ 750,676**	$ 737,624
Operating expenses	**214,218**	198,770	**639,293**	623,622
Gross profit	**41,017**	46,315	**111,383**	114,002
Selling, general and administrative	**13,409**	9,007	**29,132**	43,148
Results from operating activities	**27,608**	37,308	**82,251**	70,854
Finance costs	**2,850**	1,330	**8,557**	7,551
Foreign exchange loss (gain)	**1,278**	(173)	**2,036**	(224)
Unrealized gain on derivatives	**(3,783)**	-	**(1,289)**	-
Gain on disposal of property and equipment	**(417)**	(921)	**(1,064)**	(2,571)
Amortization of intangible assets	**10**	9	**30**	135
Impairment reversal	**-**	-	**-**	(32,708)
Income before income tax	**27,670**	37,063	**73,981**	98,671
Income tax expense	**6,936**	6,211	**18,318**	20,582
Net income	**20,734**	30,852	**55,663**	78,089
Other comprehensive income	**6,039**	13,956	**56**	17,092
Total comprehensive income	**$ 26,773**	$ 44,808	**$ 55,719**	$ 95,181
Income per share – basic	**$ 0.29**	$ 0.45	**$ 0.77**	$ 1.14
Income per share – diluted	**$ 0.28**	$ 0.43	**$ 0.74**	$ 1.09
Adjusted EBITDA [1]	**$ 52,386**	$ 58,050	**$ 145,142**	$ 150,290
Adjusted EBITDA % [1]	**21%**	24%	**19%**	20%

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

OTHER ITEMS

Depreciation and amortization

For the three months ended September 30, 2023, depreciation and amortization expense increased to $20.7 million, from $19.4 million for the same period of 2022. For the nine months ended September 30, 2023 depreciation and amortization expense decreased to $62.6 million from $63.1 million in the same period of 2022. The Company recorded accelerated depreciation expense in Q2 2022 following the determination that the useful life of certain assets had been diminished due to changes in technology and operating conditions, resulting in lower depreciation in the nine months ended September 30, 2023 than the same period in the prior year despite a slightly larger asset base in 2023.

Finance costs

Finance costs were $2.9 million and $8.6 million for the three and nine months ended September 30, 2023 compared to $1.3 million and $7.6 million for the three and nine months ended September 30, 2022. The effective borrowing rate for loans and borrowings was 7.06% and 6.78% for the three and nine months ended September 30, 2023 respectively, compared to 5.40% and 4.99% for the same periods in 2022. Finance costs increased in comparison to the same periods in 2022 due to additional right-of-use assets combined with the increase in interest rates, however this was mostly offset by comparatively lower levels of outstanding debt in Q3 2023 as compared to Q3 2022.

Foreign exchange gains and losses

STEP recorded $1.3 million and $2.0 million in foreign exchange losses for the three and nine months ended September 30, 2023 compared to $0.2 million of gains in both the corresponding periods of 2022. Foreign exchange gains and losses arise from the translation of monetary assets or liabilities that are held in U.S. dollars by Canadian operations, including the revolving secured overnight financing rate ("SOFR") loan denominated in USD.

Unrealized gains and losses on derivatives

STEP recorded an unrealized gain on derivatives of $3.8 million and $1.3 million for the three and nine months ended September 30, 2023, respectively, compared to nil amounts in the corresponding periods of 2022. Unrealized gains and losses on derivatives arise from the revaluation of the fair value of any outstanding derivative contracts as at period end. The unrealized gain recorded during the three and nine months ended September 30, 2023 relates to the fair value of the cross-currency swap ("CCS") derivatives and the fair value of contract embedded derivatives. The unrealized gain on CCS derivatives will reverse against the SOFR unrealized foreign exchange gain upon settlement and the cash impact from these two transactions, collectively, will be immaterial. The unrealized loss on contract embedded derivatives will be realized over the term of the contract as the underlying contract services are rendered.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of property and equipment of $0.4 million and $1.1 for the three and nine months ended September 30, 2023, respectively, compared to gains of $0.9 million and $2.6 million in the same periods of 2022. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from disposal of non-core assets that were acquired through bulk acquisitions of fracturing assets in prior years.

Share-based compensation

For the three and nine months ended September 30, 2023, STEP recorded share-based compensation expense of $4.0 million and $0.3 million, respectively, compared to $1.4 million and $16.4 million in the same periods of 2022. The increase in the three month period year over year is primarily due to the increase in the fair value of cash settled instruments due to the increase in share price from $3.26 per share at June 30, 2023 to $4.24 per share at September 30, 2023. The decrease in the nine month period year over year is primarily due to the decrease in the number of cash settled instruments and fair value of these instruments due to the decrease in share price from $5.33 per share at December 31, 2022, to $4.24 per share at September 30, 2023.

Income taxes

STEP recorded a total income tax expense of $6.9 million and $18.3 million for the three and nine months ended September 30, 2023. This compares to a total income tax expense of $6.2 million and $20.6 million for the comparable periods of 2022. The increase in Q3 2023 income tax, despite the lower income compared to Q3 2022, was a result the U.S. segment recognizing a tax asset in Q3 2022, resulting in effectively no U.S. income tax expense for the period, compared to a tax liability in Q3 2023. The decrease in income tax for the nine month period was a result of a decrease in income for nine months ended September 30, 2023 compared to the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Net cash provided by (used in)				
Operating activities	**$ 50,736**	$ 73,048	**$ 131,876**	$ 90,265
Investing activities	**(22,544)**	(25,159)	**(73,569)**	(44,561)
Financing activities	**(32,446)**	(49,225)	**(59,716)**	(48,597)
Impact of foreign exchange on cash	**32**	914	**110**	951
Increase (decrease) in cash and cash equivalents	**$ (4,222)**	$ (422)	**$ (1,299)**	$ (1,942)
Opening cash balance	**5,708**	2,178	**2,785**	3,698
Ending cash balance	**$ 1,486**	$ 1,756	**$ 1,486**	$ 1,756

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled $50.7 million and $131.9 million for the three and nine months ended September 30, 2023, compared to $73.1 million and $90.3 million in the comparable periods of 2022. Net cash provided by operating activities decreased for the three months ended September 30, 2023 compared to the same periods in 2022, primarily due to lower net income and changes in non-cash working capital. Net cash provided by operating activities increased

for the nine months ended September 30, 2023 compared to the same periods in 2022, primarily due to changes in non-cash working capital.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled $22.5 million and $73.6 million for the three and nine months ended September 30, 2023, compared to $25.2 million and $44.6 million used for the three and nine months ended September 30, 2022. The decrease for the three month period was due to changes in non-cash working capital from investing activities. The increase for the nine month period was due to increased capital spending as improvements in activity drove higher sustaining capital spending and a positive long-term outlook supported capital investment in optimization projects.

NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities totaled $32.4 million and $59.7 million for the three and nine months ended September 30, 2023. Net cash used in financing activities totalled $49.2 million and $48.6 million for three months and nine months ended September 30, 2022 respectively. Financing activities primarily relate to the draws (repayments) of loans and borrowings and the repayment of obligations under finance leases. For the three and nine months ended September 30, 2023 there were net repayments of loans and borrowings of $30.2 million and $53.3 million respectively, compared to net repayment of loans and borrowings of $46.1 million and $41.0 million for the comparable periods of 2022.

WORKING CAPITAL AND CASH REQUIREMENTS

As at September 30, 2023, STEP had positive Working Capital of $72.4 million, compared to $66.6 million as at December 31, 2022. Trade and other receivables decreased from $199.0 million at December 31, 2022 to $169.3 million at September 30, 2023, primarily due to a change in client mix resulting in an improved collection profile. Trade and other payables decreased to $138.0 million at Q3 2023 from $165.9 million as at Q4 2022, due to the timing of payments to vendors and a shift away from supplied product in the U.S. which reduced the overall cost profile. At September 30, 2023, the Company's Working Capital and available Credit Facilities exceeded the level required to manage timing differences between cash collections and cash payments. Availability of the Credit Facilities is dependent on compliance with certain covenants. As at September 30, 2023, the Company was in compliance with all terms of its Credit Facilities. Based on currently available information, the Company anticipates maintaining compliance with the covenants during the next twelve months and having sufficient liquidity during the next year and beyond, to support its ongoing operations.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2023	2024	2025	2026	2027	Thereafter	Total
Trade and other payables	$ 137,973	$ -	$ -	$ -	$ -	$ -	**$ 137,973**
Operating commitments [3,4]	277	1,001	935	885	844	-	**3,942**
Short-term and low value lease obligations [4]	99	128	-	-	-	-	**227**
Lease obligations [4,5]	2,618	9,454	6,262	3,993	2,258	8,516	**33,101**
Loans and borrowings [6]	1,566	6,229	95,230	-	-	-	**103,025**
Capital expenditure commitments [7]	26,400	7,306	-	-	-	-	**33,706**
Total commitments	$ 168,933	$ 24,118	$ 102,427	$ 4,878	$ 3,102	$ 8,516	**$ 311,974**

[3] The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to five years with an option to renew upon expiry.
[4] Includes U.S. obligations at the September 30, 2023 exchange rate of 1 USD = 1.358 CAD.
[5] Balance includes interest portion of lease obligations.
[6] Loans and borrowing balances are based on the credit facility in place at September 30, 2023. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at September 30, 2023. Both are variable in nature.
[7] A capital expenditure commitment is defined as a purchase agreement between the Company and the supplier as it relates to the Company's capital program.

CAPITAL MANAGEMENT

($000s)	**September 30, 2023**	December 31, 2022
Shareholders' equity	**$ 365,772**	$ 306,033
Lease obligations	**26,763**	22,186
Loans and borrowings	**89,740**	140,794
Total capital	**$ 482,275**	$ 469,013

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

Equity

As at November 1, 2023 there were 72,233,064 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Debt

As at September 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 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 September 30, 2023 the Company had an interest coverage ratio of 17.79:1.00.

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 September 30 2023, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.56:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at September 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 nine months ended September 30, 2023 was 7.06% and 6.78% respectively (September 30, 2022 – 5.40% and 4.99% respectively). The total amount of Credit Facilities outstanding on September 30, 2023 was as follows:

As at		**September 30, 2023**		December 31, 2022
Revolving loan facility	$	**82,431**	$	123,896
Canadian and U.S. operating lines		**9,218**		19,602
Deferred financing costs		**(1,909)**		(2,704)
Total loans and borrowings	$	**89,740**	$	140,794

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

		(000's)
Balance at January 1, 2023	$	140,794
Repayment of loans and borrowings		(53,302)
Accretion of deferred financing costs		795
Effect of exchange rate changes		1,453
Balance at September 30, 2023	$	**89,740**

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 September 20, 2023, the Company entered into a 30-day CCS of (CAD)$82 million for (USD)$60.7 million. The derivative contract was revalued to its fair value of a $0.4 million asset on September 30, 2023. The Company estimates that through the CCS derivative contracts interest costs were reduced by $0.2 million during the nine-month period.

LITIGATION

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

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by a number of factors including the seasonality [8] of the business in Canada, assets deployed, asset utilization, pricing, changes in STEP's clients' capital programs, foreign exchange rates, product costs, and other significant events impacting operations. See the *Risk Factors and Risk Management* section below.

Quarterly Results Summary ($000's, except per share amounts)	**Q3 2023**	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Revenue								
Canadian Operations	**157,656**	135,917	174,435	114,826	141,091	165,109	146,812	91,458
United States Operations	**97,579**	96,156	88,933	136,568	103,994	107,891	72,727	67,258
	255,235	232,073	263,368	251,394	245,085	273,000	219,539	158,716
Net income (loss) attributable to shareholders	**20,734**	15,273	19,656	16,692	30,852	38,064	9,173	(6,212)
Adjusted EBITDA [1]								
Canadian Operations	**41,235**	33,390	44,776	23,561	40,895	39,710	31,868	13,591
United States Operations	**15,356**	18,332	4,816	28,627	20,814	20,324	9,820	8,012
Corporate	**(4,205)**	(4,318)	(4,240)	(3,572)	(3,659)	(4,783)	(4,698)	(4,263)
	52,386	47,404	45,352	48,616	58,050	55,251	36,990	17,340
Capital expenditures [9]								
Canadian Operations	**12,198**	9,173	13,178	23,059	11,113	14,820	10,743	6,886
United States Operations[10]	**15,436**	13,604	13,470	13,626	33,490	9,173	6,258	10,404
	27,634	22,777	26,648	36,685	44,603	23,993	17,001	17,290
Per Common Share								
Net income (loss) – basic	**0.29**	0.21	0.27	0.24	0.45	0.56	0.14	(0.08)
Net income (loss) – diluted	**0.28**	0.21	0.26	0.23	0.43	0.54	0.13	(0.08)
Adjusted EBITDA [1] – basic	**0.73**	0.66	0.63	0.70	0.84	0.81	0.54	0.25
Adjusted EBITDA [1] – diluted	**0.70**	0.64	0.60	0.67	0.80	0.78	0.53	0.25
Canada								
Exit active fracturing spreads	**5**	5	5	5	5	5	5	4
Exit active coiled tubing units	**9**	9	9	8	8	8	8	7
Total coiled tubing units	**16**	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	**3**	3	3	3	3	3	3	3
Exit active coiled tubing units	**12**	12	12	11	11	8	8	8
Total coiled tubing units	**19**	19	19	19	17	13	13	13

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

[8] STEP's business is seasonal with the periods of greatest activity in Canada being in the second, third and fourth quarters. The U.S. is generally not affected by seasonality.

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

[10] On September 1, 2022 the Company acquired the coiled tubing assets as part of the transaction with ProPetro Holding Corp. The Company acquired the coiled tubing assets, inventory and prepaids for total consideration of $3.64 million in cash and $16.85 million in shares.

THIRD QUARTER – 2023

The third quarter of 2023 was STEP's best quarter in the current year. STEP's Canadian fracturing and coiled tubing operations showed an increase in revenues as compared to the prior quarter as well as the comparable period in 2022. STEP's U.S. coiled tubing operations continued its trend of sequential quarterly increases while the U.S. fracturing service line returned to steady work programs during the quarter. Fracturing pricing remained strong in Canada driving increased profitability while an oversupplied market caused continued pricing pressure on the U.S. fracturing business.

SECOND QUARTER – 2023

The second quarter of 2023 continued the trend of positive financial results since the first quarter of 2022. STEP's Canadian fracturing and coiled tubing operations were impacted by the seasonal spring break up slowdown, which was exacerbated by the extreme weather events that brought drought, fire and floods. STEP's U.S. operations were significantly improved over the first quarter as coiled tubing continued its trend of sequential quarterly increases while the U.S. fracturing service line was able to secure a solid book of work during the quarter. Profitability decreased slightly as a result of the traditional slow down during the second quarter in Canada but increased in the U.S. due to the improved activity in both service lines.

FIRST QUARTER – 2023

STEP's Canadian operations had a robust Q1 2023 in both fracturing and coiled tubing, leading to its best quarterly revenue performance while STEP's U.S. operations saw mixed results in the first quarter. STEP's U.S. coiled tubing continued its trend of sequential quarterly increases while STEP's U.S. fracturing service line was negatively impacted by shifting client schedules related to drilling delays and commodity price pressures. Profitability increased in Canada as a result of increased work scope and the strong pricing environment but decreased in the U.S. due to the completion of a more robust preventative maintenance program to position the assets for the balance of the year.

FOURTH QUARTER – 2022

Q4 2022 showed the benefit of geographic diversity as activity slowed down in Canada but remained strong in the U.S. Activity decreased in Canada for both service lines as many E&P companies completed their capital programs in mid to late Q4 while activity remained strong in the U.S. for both service lines as market fundamentals supported nearly full deployment of staffed units. Profitability increased in the U.S. as a result of the strong pricing environment and additional STEP supplied product but decreased in Canada due to margin pressures in response to the decrease in work scope.

THIRD QUARTER – 2022

Q3 2022 saw commodity prices decline from Q2 in response to increased global economic uncertainty. Activity remained strong across all geographic areas and service lines despite this decline in commodity prices. Declines in activity were predominately driven from required maintenance programs rather than a decline in demand for services. This strong demand resulted in further price increases during the period allowing STEP to continue to sustain margins in the current high inflationary environment. These factors contributed to a third consecutive quarter of improving profitability.

SECOND QUARTER – 2022

Q2 2022 saw strong demand from clients in all regions as strong commodity prices provided incentive for E&P companies to expand their production. The increased demand provided a more constructive pricing environment, leading to better returns for STEP in Canada and the U.S., and, at that time, delivering the Company's best quarterly revenue and Adjusted EBITDA results. The strengthening outlook resulted in a $32.7 million reversal of the general impairment taken in Q1 2020.

FIRST QUARTER – 2022

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

FOURTH QUARTER – 2021

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES

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:

	September 30, 2023		December 31, 2022	
	Asset	**Liabilities**	Asset	Liabilities
Foreign cross currency swaps	$ 413	$ -	$ -	$ 1,511
Contract embedded derivatives	-	636	-	-

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 third 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		September 30, 2023		December 31, 2022
Current (0 to 30 days from invoice date)	$	**145,410**	$	105,534
31 - 60 days		**16,644**		82,447
61 - 90 days		**5,682**		6,128
91+ days		**2,444**		1,634
Receivables from trade clients		**170,180**		195,743
Allowance for doubtful accounts		**(1,433)**		(730)
Other amounts		**566**		3,991
Total trade and other receivables	$	**169,313**	$	199,004

The cash and cash equivalents and the derivative contracts are held with major banks and counterparties.

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 $0.2 million and $0.7 million increase or decrease in interest expense for the three and nine months ended September 30, 2023 respectively (September, 30 2022 - $0.4 million and $1.2 million respectively).

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. Exposure to foreign exchange rate changes is further mitigated using CCS derivatives. As at September 30, 2023 the Company was not materially exposed to foreign exchange risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at September 30, 2023 other than those previously noted within this MD&A.

NON-IFRS MEASURES AND RATIOS

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

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

($000s except percentages)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Net income	**$ 20,734**	$ 30,852	**$ 55,663**	$ 78,089
Add (deduct):				
Depreciation and amortization	**20,743**	19,378	**62,614**	63,140
Gain on disposal of equipment	**(417)**	(921)	**(1,064)**	(2,571)
Finance costs	**2,850**	1,330	**8,557**	7,551
Income tax expense	**6,936**	6,211	**18,318**	20,582
Share-based compensation – Cash settled	**2,709**	396	**(3,713)**	14,441
Share-based compensation – Equity settled	**1,336**	977	**4,020**	1,990
Foreign exchange (gain) loss	**1,278**	(173)	**2,036**	(224)
Unrealized gain on derivatives	**(3,783)**	-	**(1,289)**	-
Impairment reversal	**-**	-	**-**	(32,708)
Adjusted EBITDA	**$ 52,386**	$ 58,050	**$ 145,142**	$ 150,290
Adjusted EBITDA %	**21%**	24%	**19%**	20%

"Free Cash Flow" is a financial measure not presented in accordance with IFRS and is equal to net cash provided by operating activities adjusted for changes in non-cash Working Capital from operating activities, sustaining capital expenditures, term loan principal repayments and lease payments (net of sublease receipts). The Company may deduct or include additional items in its calculation of Free Cash Flow that are unusual, non-recurring or non-operating in nature. Free Cash Flow is presented as this measure is widely used in the investment community as an indication of the level of cash flow generated by ongoing operations. Management uses Free Cash Flow to evaluate the adequacy of internally generated cash flows to manage debt levels, invest in the growth of the business or return capital to shareholders. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow to the IFRS financial measure of net cash provided by operating activities.

($000s)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
Net cash provided by (used in) operating activities	**$ 50,736**	$ 73,048	**$ 131,876**	$ 90,265
Add (deduct):				
Changes in non-cash working capital from operating activities	**(2,607)**	(19,395)	**(8,319)**	50,246
Sustaining capital	**(8,518)**	(11,107)	**(30,139)**	(30,531)
Term loan principal repayments	**-**	-	**-**	(13,975)
Lease payments (net of sublease receipts)	**(2,490)**	(2,470)	**(6,149)**	(6,589)
Free Cash Flow	**$ 37,121**	$ 40,076	**$ 87,269**	$ 89,416

“Working Capital”, “Total long-term financial liabilities” and “Net Debt” are financial measures not presented in accordance with IFRS. “Working Capital” is equal to total current assets less total current liabilities. “Total long-term financial liabilities” is comprised of loans and borrowings, long-term lease obligations and other liabilities. “Net Debt” is equal to loans and borrowings before deferred financing charges less cash and cash equivalents and CCS derivatives. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The following table represents the composition of the non-IFRS financial measure of Working Capital (including cash and cash equivalents).

($000s)	**September 30, 2023**	December 31, 2022
Current assets	**$ 233,899**	$ 256,361
Current liabilities	**(161,456)**	(189,781)
Working Capital (including cash and cash equivalents)	**$ 72,443**	$ 66,580

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

($000s)	**September 30, 2023**	December 31, 2022
Long-term loans	**$ 89,740**	$ 140,794
Long-term leases	**18,461**	13,860
Other long-term liabilities	**16,472**	14,092
Total long-term financial liabilities	**$ 124,673**	$ 168,746

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

($000s)	**September 30, 2023**	December 31, 2022
Loans and borrowings	**$ 89,740**	$ 140,794
Add back: Deferred financing costs	**1,909**	2,704
Less: Cash and cash equivalents	**(1,486)**	(2,785)
Less: CCS Derivatives liability (asset)	**(413)**	1,511
Net Debt	**$ 89,750**	$ 142,224

ACCOUNTING POLICIES AND ESTIMATES

RELATED PARTIES

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

There have been no changes in the Company's existing ICFR that occurred during the period ended September 30, 2023, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the Quarterly Financial Statements. The preparation of the Quarterly Financial Statements requires that certain estimates and judgments be made concerning the reported amount of revenue and expenses and the carrying values of assets and liabilities. These estimates are based on historical experience and management's judgment. The estimation of anticipated future events involves uncertainty and therefore the estimates used by management in the preparation of the Quarterly Financial Statements may change as events unfold, additional knowledge is acquired or the environment in which the Company operates changes. Refer to Notes 1 to the Quarterly Financial Statements and Notes 1 and 2 to the Annual Financial Statements for a description of the Company's accounting policies, impacts of changes in significant accounting policies, and practices involving the use of estimates and judgments that are critical to determining STEP's financial results.

RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. If any of the following risks occur, the Company's business may be harmed and the Company's financial condition and results of operations may suffer significantly:

- The Company's business depends on the oil and natural gas industry and particularly on the level of exploration, development and production for North American oil and natural gas, which is volatile;
- Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business;
- If the Company is unable to obtain raw materials, diesel fuel and component parts from its current suppliers or obtain them at competitive prices, it could have a material adverse effect on the Company's business;
- STEP's reliance on equipment suppliers and fabricators exposes it to risks including timing of delivery and quality of equipment;
- Radical activism could harm the Company's business;
- Natural disasters and pandemics (including COVID-19) could adversely affect the Company;
- The Company's industry is affected by excess equipment levels;
- The Company's industry is intensely competitive;
- The Company's current technology may become obsolete or experience a decrease in demand;
- Cyber-attacks and loss of the Company's information and computer systems could adversely affect the Company's business;
- The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially.
- Fluctuations in currency exchange rates could adversely affect the Company's business;
- Legislation, regulations, and court rulings could result in increased costs and additional operating restrictions or delays;
- The Company is subject to a number of health, safety and environmental laws and regulations that may require it to make substantial expenditures or cause it to incur substantial liabilities;
- Political and social events and decisions could have an adverse effect on the Company;
- The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.
- The Company may be exposed to third-party credit risk;
- The Company's operations are subject to hazards inherent in the oilfield services industry, which risks may not be covered to the full extent by the Company's insurance policies;
- Failure to maintain the Company's safety standards and record could lead to a decline in the demand for services.
- Access to capital may become restricted, more expensive, or repayment could be required;
- Actual results may differ materially from management estimates and assumptions;
- The Company may become subject to legal proceedings which could have a material adverse effect on its business, financial condition and results of operations;
- The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results;
- The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting;
- Business acquisitions involve numerous risks and the failure to realize anticipated benefits of acquisitions and dispositions could negatively affect the Company's results of operations;
- There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement;
- Improper access to confidential information could adversely affect the Company's business; and
- Some of the Company's directors and officers have conflicts of interest as a result of their involvement with other oilfield services companies.

In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services. For additional information regarding the risks that the Company is exposed to, see the disclosure provided under the heading "Risk Factors" in the AIF which is available on the SEDAR website at www.sedar.com and is incorporated by reference herein.

FORWARD-LOOKING INFORMATION & STATEMENTS

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

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: 2023, 2024, and 2025 industry conditions and outlook, including the effect of European and Middle East geopolitical events, demand for oil and gas, industry production discipline, and other macroeconomic factors, and the effect of new LNG facilities; OPEC production as it relates to oil prices; anticipated 2023 and 2024 utilization levels, commodity prices, and pricing for the Company's services; recession risk, including its effect on oil prices; the timing of completion of the Company's tier 4 dual fuel conversions and anticipated substitution rates in the Company's dual fuel fleets; the effect of a Canadian Supreme Court reference opinion on the federal Impact Assessment Act and related regulations, and consequently on Canadian energy production; the effect of under-investment in hydrocarbon production; the effect large clients and their programs may have on the Company's activity levels; supply and demand for the Company's and its competitors' services, including the ability for the industry to respond to demand increases; the effect of inflation and related cost increases; the effect of natural gas transportation, storage and liquefaction system constraints; the impact of weather and break up on the Company's operations; the competitive labour market; the potential for commodity price volatility; the effect of changes in work scope and awards on expected margins and the location of deployed equipment; the Company's focus on Free Cash Flow and investment in emissions reduction technologies; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's plans regarding equipment; the Company's ability to manage its capital structure; expected debt repayment and Funded Debt to Adjusted Bank EBITDA ratios; expected income tax and derivative liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures; the Company's ability to retain its existing clients; the monitoring of impairment, amount and age of balances owing, and the Company's financial assets and liabilities denominated in U.S. dollars, and exchange rates; supply chain constraints impact on new-build and refurbishment timelines; and the Company's expected compliance with covenants under its Credit Facilities and its ability to satisfy its financial commitments thereunder.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the effect of macroeconomic factors, including global energy security concerns and levels of oil and gas inventories; market concerns regarding economic recession; levels of oil and gas production and the effect of OPEC related capacity and related uncertainty on the market for the Company's services; that the Government of Canada will respond to a Supreme Court reference ruling in a manner consistent with past practice; that the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; predictability of Q4 activity levels; predictable effect of seasonal weather and break up on the Company's operations; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; Client demand for dual fuel fleets and emissions reduction technologies; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the

forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading *Risk Factors and Risk Management* in this MD&A.

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

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