



Annual Information Form

For the year ended December 31, 2022

March 1, 2023

Table of Contents

Presentation of Information.....	4
Forward-Looking Information & Statements	4
Corporate Information	5
General.....	5
Intercorporate Relationships	5
General Development of the Business	6
Overview	6
Three Year History & Significant Acquisitions.....	6
Description of the Business & Operations.....	8
General Description.....	8
Fracturing Services	10
Coiled Tubing Services.....	10
Segmented Revenue Allocation.....	11
Other Business Information	12
Target Market and Clients	12
Competitive Conditions.....	12
Contracts.....	12
Professionals.....	12
Seasonality	12
Specialized Skill and Knowledge	13
Private Equity Investor	13
Intellectual Property.....	13
Regulation.....	13
Environmental Protection & Social Policies	16
Description of Capital Structure & Dividend Policy.....	17
Share Capital	17
Options and Other Rights to Purchase Securities.....	18
Credit Facilities	18
Dividend Policy	19
Principal Shareholders.....	20
Investment Rights Agreement	20
Nomination and Related Rights	20
Subscription Rights.....	20
Registration Rights.....	20
Termination	21
Market for Securities	22
Trading Price and Volume.....	22
Prior Sales	22

Directors & Executive Officers	23
Directors & Executive Officers	23
Committees of the Board of Directors	26
Share Ownership by Directors and Officers	26
Cease Trade Orders, Bankruptcies, Penalties or Sanctions	26
Conflicts of Interest	27
Indemnity Agreements for Directors and Officers	27
Audit Committee	27
Mandate	27
Composition of the Audit Committee and Relevant Education and Experience	27
Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services	28
External Audit Service Fees	29
Risk Factors	29
Risks Related to the Company	29
Risks Related to the Common Shares and Other Risks	38
Legal Proceedings and Regulatory Actions	40
Interest of Management and Others in Material Transactions	40
Auditors, Transfer Agent and Registrar	40
Material Contracts	40
Interests of Experts	40
Additional Information	41
Schedule “A” – Abbreviations, Definitions & Conventions	42
Schedule “B” – Audit Committee Mandate	45

Presentation of Information

Throughout this AIF, unless otherwise specified or the context otherwise requires, references to “we”, “us”, “our”, “STEP” or “the Company” means STEP Energy Services Ltd. and, where appropriate in the context, to its direct or indirect subsidiaries. Unless otherwise noted, the information contained in this AIF is given at or for the year ended December 31, 2022.

Unless the context otherwise requires, in this AIF, the terms and abbreviations have the meanings set forth in the *Abbreviations, Definitions & Conventions* found in the attached Schedule “A”. A reference to “\$” or “dollars” is to Canadian dollars unless otherwise indicated. Certain portions of STEP's MD&A dated March 1, 2023 are incorporated by reference into this AIF as stated below. The MD&A can be found on SEDAR (www.sedar.com) under STEP's profile.

Forward-Looking Information & Statements

Certain statements contained in this AIF 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 STEP'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 STEP believes the expectations reflected in the forward-looking statements included in this AIF 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 AIF contains forward-looking statements pertaining to: supply and demand for oilfield services and industry activity levels, including demand for the Company's integrated service offerings; expected availability of the Company's equipment and refurbishment requirements; the applicability of the Company's services to oil and gas completion methods and well sites; the Company's technologies and its anticipated client utilization; the Company's anticipated business strategies and expected success; competitive conditions in the Company's industry; the effect of weather conditions on the Company's operations; the Company's ability to meet client requirements; the Company's ability to protect its intellectual property; future development activities; the Company's ability to retain existing clients and attract new business; the Company's ability to attract and retain qualified personnel; the Company's treatment under governmental regulatory regimes; the Company's continued compliance with financial covenants under the Company's Credit Facilities; the Company's ability to manage foreign currency exchange exposure; and the Company's dividend policy, should one be adopted, and its intention to retain future earnings.

The forward-looking information and statements contained in this AIF reflect several material factors and expectations and assumptions of the Company including, without limitation: the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to utilize its equipment; the scope of operations the Company's coiled tubing may be used for; the Company's ability to collect on trade and other receivables; the Company's ability to obtain 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 impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the availability of cross currency swap derivatives; the amount of available equipment in the marketplace; the impact that environmental protection requirements may have on the Company's capital expenditures or earnings; client activity levels and client spending; and the impact ongoing litigation may have on the Company. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth below and elsewhere in this AIF: the level of exploration, development and production for North American oil and natural gas; difficulties in retaining, replacing or adding personnel; difficulties in obtaining raw materials, diesel fuel and component parts; the effect of pandemics (including COVID-19) & natural disasters; the effect of radical activism and armed conflict; excess industry equipment levels; competition from other suppliers of oil and gas services; and the risk factors set forth in the *Risk Factors* section of this AIF.

Any financial outlook or future orientated financial information contained in this AIF 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 contained herein should not be used for purposes other than those for which it is disclosed herein.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Refer to the *Risk Factors* section of this AIF.

The forward-looking statements included in this AIF are expressly qualified in their entirety by the above cautionary statement and, except as otherwise indicated, are made as of the date of this AIF. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or departures from them except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking information.

Corporate Information

General

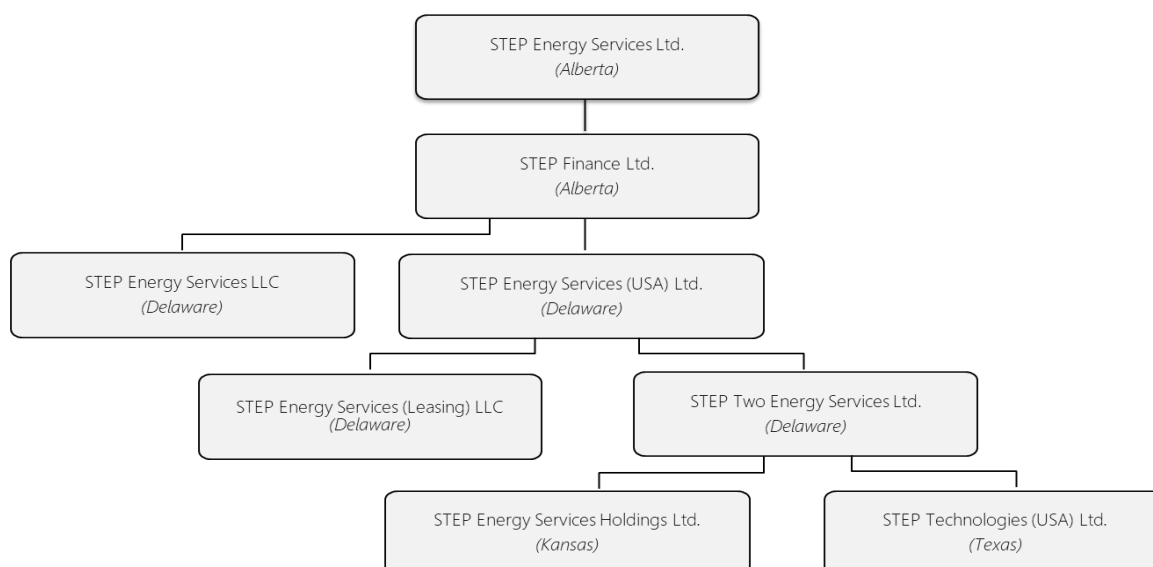
STEP was formed on March 25, 2011 by articles of incorporation under the ABCA and is an oilfield service company that provides specialized and fully integrated coiled tubing, fluid and nitrogen pumping, and hydraulic fracturing to service oil and natural gas wells in deep, technically challenging plays.

The Company's head office is located at Bow Valley Square II, 1200, 205 – 5th Ave SW, Calgary, Alberta, Canada T2P 2V7. The registered office of the Company is located at 4300 Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta, Canada T2P 5C5.

In addition to its head office located in Calgary, the Company operates out of strategic locations in the WCSB including Red Deer, Blackfalds, Grande Prairie and Medicine Hat in Alberta; and Fort St. John in British Columbia. The Company also operates out of a U.S. office located in San Antonio, Texas, and from strategic locations in Houston, Floresville, and Midland in Texas; Windsor, Colorado; and Williston in North Dakota.

Intercompany Relationships

The following diagram presents the name and jurisdiction of incorporation of STEP's material subsidiaries as at December 31, 2022. Each of the subsidiaries listed below is wholly-owned, directly or indirectly, by STEP.



General Development of the Business

Overview

STEP was founded in 2011 as a private company and began operations in the spring of 2012 as a specialized coiled tubing company. It has since grown to become an integrated fracturing, and coiled tubing services provider. This has been accomplished through both the organic development of specialized fit-for-purpose equipment and through strategic acquisitions.

In September 2012, STEP expanded its initial coiled tubing operations through the acquisition of two coiled tubing units and five nitrogen pumps. Over the course of 2013 and 2014, the Company organically built-out its WCSB coiled tubing operations to a total fleet size of 14 purpose-built coiled tubing units. In 2015, STEP extended its coiled tubing operations into the Eagle Ford basin in Texas, U.S.

STEP began its Canadian fracturing operations in 2015. The fracturing service was a natural complement to the Company's original coiled tubing division as both are often at the well location at the same time and working together. STEP executed on key asset acquisitions of fracturing assets including 297,500 HP during 2015 and 2016. The aggregate investment the Company has made to establish its Canadian fracturing operations, including any incremental capital expenditures required to modernize, retrofit and rebrand the assets and new technology additions, is estimated by management to be less than 50% of the equivalent new-build cost.

On May 2, 2017, STEP completed its IPO, issuing 10 million Common Shares at a price of \$10 per Common Share for total gross proceeds of \$100 million. STEP became a "reporting issuer" or the equivalent in each of the provinces of Canada, and its Common Shares trade on the TSX under the symbol "STEP".

On April 2, 2018, the Company acquired Tucker, a company offering fracturing solutions, and coiled tubing services to oil and gas companies and E&P companies in the U.S. The Tucker Acquisition added fracturing operations to STEP's U.S. service offerings and facilitated the Company's entry into oil and gas basins in Oklahoma and Texas.

Three Year History & Significant Acquisitions

Recent Developments

2023

As at March 1, 2023, STEP's Canadian fracturing operations consisted of 282,500 fracturing HP. Of the 282,500 fracturing HP, STEP currently has a fleet of five staffed and operating fracturing crews representing spreads represented 215,000 HP (including 132,500 HP with dual-fuel capabilities). Note that for any stated operating crew HP, additional capacity of 20-25% is required in order to accommodate equipment maintenance cycles. Through use of STEP's purpose built, electric powered integrated combination unit (EPIC) that combines hydration, chemical storage, data van, and blender capabilities into one unit, one of the Canadian crews can be split into two smaller crews. These crews operate in the lower pressure regions in the WCSB that do not require as much pumping horsepower on location. Additionally, STEP's Canadian operations had 16 purpose-built coiled tubing units, 9 of which were deployed.

As at March 1, 2023, STEP's U.S. fracturing operations consisted of 207,500 fracturing HP, STEP is currently operating three fracturing crews representing 165,000 HP (including 50,250 HP with dual fuel capabilities, and 80,000 HP of Tier 4 equipment). Additionally, STEP's U.S. operations had 19 purpose-built coiled tubing units, 12 of which were deployed.

2022

On September 1, 2022, STEP announced changes to its executive leadership team including the resignation of Mr. Regan Davis as Chief Executive Officer and executive member of the Board, and the appointments of Mr. Steve Glanville to Chief Executive Officer and executive member of the Board and Mr. Rory Thompson to Chief Operating Officer effective October 1, 2022.

On September 1, 2022, STEP also announced the acquisition of four coiled tubing units and related assets from ProPetro, a competitor, for \$17.2 million (USD). The ProPetro acquisition was funded through a combination of cash and equity, which was

priced at a 30-day volume weighted share average price. STEP also upgraded a fracturing fleet to Tier 4 Dynamic Gas Blending (“DGB”) engines, secured by a \$10 million deposit and a three-year first-right-of-use agreement from a client.

On September 23, 2022, STEP set a new coiled tubing depth record reaching 8,108 meters (26,600 feet) in the Delaware Basin in West Texas.

On July 12, 2022, STEP entered into a Third Amended and Restated Credit Agreement with a syndicate of Canadian financial institutions to amend and extend its Credit Agreement. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile. The principal terms of the Third Amended and Restated Credit Agreement include: a CAD \$215 million revolving facility, a CAD \$15 million operating facility, a USD \$15 million operating facility; and a three-year term with a maturity date of July 12, 2025. Under the Credit Agreement, the financial covenants are as follows: *Funded Debt to EBITDA Ratio* of not more than 3.00:1.00; and *Interest Coverage Ratio* of at least 3.00:1.00. Refer to the *Description of Capital Structure & Dividend Policy – Credit Facilities* section of this AIF for additional information on STEP's Credit Facilities.

On April 22, 2022, the Company exited the covenant relief period under the Credit Agreement. As a result of doing so and in accordance with the Credit Agreement (originally dated August 13, 2020 as amended by a Second Amending Agreement dated August 3, 2021), the covenants applicable to the Company outside of the covenant relief period were as follows; (i) Funded Debt to Adjusted Bank EBITDA ratio will not be more than 3.00:1.00 and (ii) the Interest Coverage Ratio is at least 3.00:1.00. Both covenants are calculated quarterly on the last day of each fiscal quarter on a rolling four quarter basis. In addition, interest is payable monthly, at the lead syndicate bank's prime lending rate plus 50 basis points to 300 basis points depending on certain financial ratios of the Company. Outside of the covenant relief period, the liquidity covenant of \$7.5 million was no longer applicable.

In Q1 2022, the Company determined that it would exit the wireline business in the U.S. and proceeded to wind down the service line.

In February 2022, STEP's Canadian operations achieved a new record coiled tubing depth of 8,030m (26,345 ft.) with 2-3/8” coiled tubing.

2021

In December 2021, STEP's Canadian operations achieved a new record coiled tubing depth of 7,935 m (26,035 ft.) with 2-3/8” coiled tubing.

In November of 2021, STEP announced the appointment of Mr. Klaas Deemter to the role of Chief Financial Officer.

In the third quarter of 2021, STEP's U.S. operations activated one additional fracturing spread, consisting of 55,000 HP, to its fleet as significant improvements in commodity prices increased drilling and completions activity driving up demand for fracturing services.

On August 3, 2021, STEP entered into a Second Amending Agreement to its Credit Agreement with its syndicate of lenders to make certain amendments to the Credit Facilities. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile.

In the second quarter of 2021, the Company's U.S. coiled tubing operations activated an additional coiled tubing unit, which brought the total number of active coiled tubing units in its fleet in the U.S. to eight. Management actively managed staffed equipment in order to maximize utilization and returns given the market demand.

In June 2021, STEP announced changes to the executive leadership team. Mr. Steve Glanville assumed the role of President and Chief Operating Officer. Mr. Regan Davis continued in his role as Chief Executive Officer. The Company also announced the anticipated retirement of Mr. Michael Kelly, STEP's Executive Vice President and Chief Financial Officer effective December 31, 2021.

On May 12, 2021, STEP entered into a First Amending Agreement to its Credit Agreement with its syndicate of lenders to make certain amendments to its Credit Facilities. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile.

On March 17, 2021, STEP entered into an agreement with its syndicate of lenders to make certain amendments to the Credit Facilities. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile.

In February 2021, STEP opened a service center in Windsor, Colorado out of which the Company began offering coiled tubing services.

In the first quarter of 2021, STEP's Canadian operations activated one fracturing spread and three coiled tubing units as economic recovery began to materialize in the wake of phased relaxation of measures previously implemented to manage the COVID-19 virus, increased government stimulus spending, and the acceleration of vaccinations. The U.S. operations continued to operate two fracturing spreads and added one coiled tubing unit bringing the total units staffed and operated to seven as demand increased on improving commodity prices.

2020

At December 31, 2020, STEP's Canadian fracturing operations consisted of 282,500 fracturing HP. Of the 282,500 fracturing HP, a fleet of three staffed and operating fracturing spreads represented 150,000 HP (including 132,500 HP with dual-fuel capabilities). Additionally, STEP's Canadian operations had 16 purpose-built coiled tubing units, five of which were deployed.

As at December 31, 2020 STEP's U.S. fracturing operations consisted of 207,500 fracturing HP, represented by a fleet of four fracturing spreads of which two were staffed totaling 110,000 HP. The non-staffed pumps were available for deployment, subject to certain capital requirements for maintenance. Additionally, STEP's U.S. operations had 13 purpose-built coiled tubing units, six of which were deployed.

For the year ended December 31, 2020, the Company qualified for the Canada Emergency Wage Subsidy and Canadian Emergency Rent Subsidy which were provided by the Government of Canada to companies impacted by COVID-19.

On November 3, 2020, STEP entered into an agreement with its syndicate of lenders to make certain amendments to the Credit Facilities. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile.

On August 13, 2020, STEP entered into a Second Amended and Restated Credit Agreement with its syndicate of lenders.

In mid-March, STEP reduced headcount and wages for all employees in anticipation of a drop-in activity resulting from COVID-19 and actions of certain members of OPEC and OPEC+. STEP also made reductions in manned equipment and maintenance capital expenditures in proportion to the reduction in manned equipment.

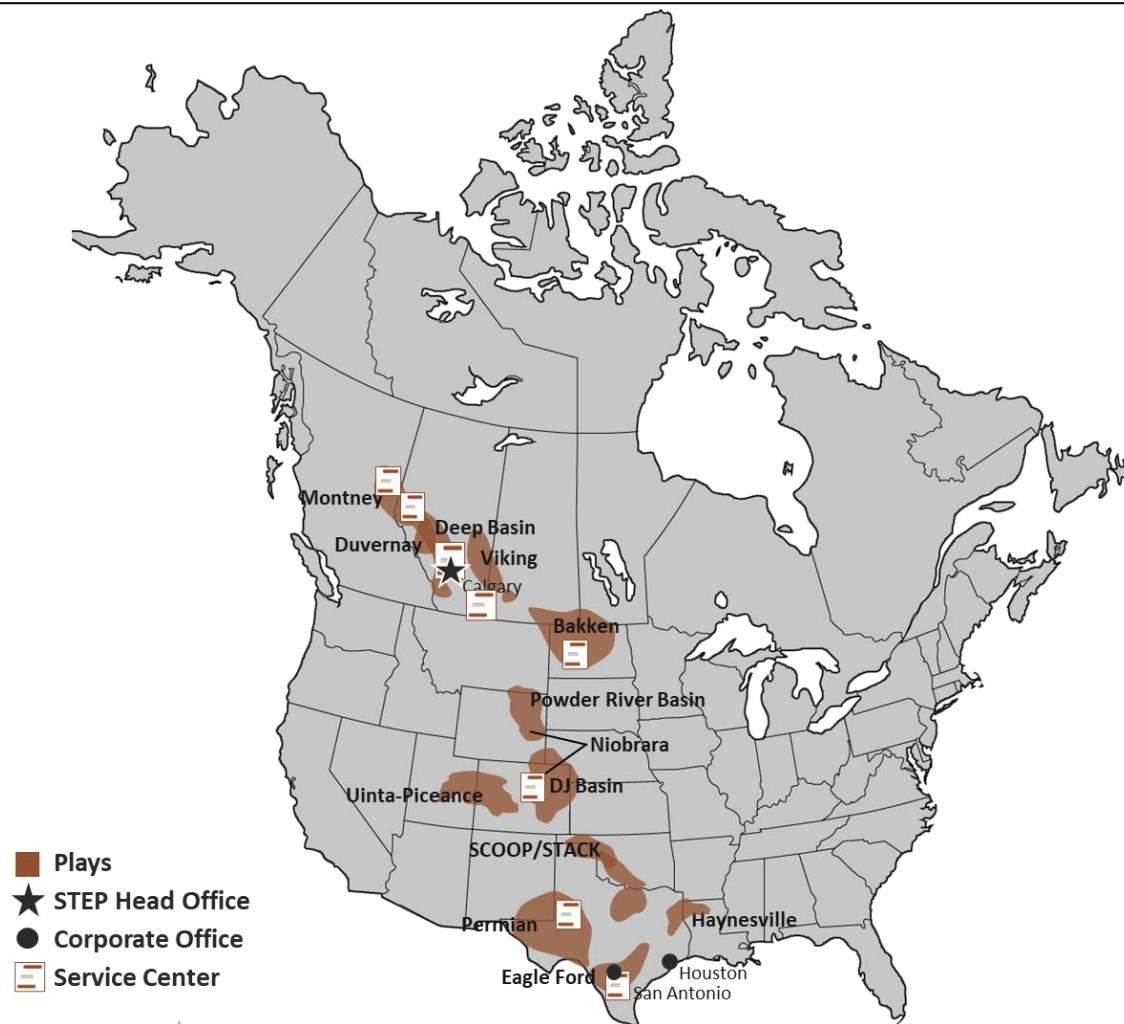
In January 2020, the Company entered into an agreement with its syndicate of lenders to make certain amendments to the Credit Facilities in order to provide increased financial flexibility. This agreement can be found on SEDAR (www.sedar.com) under STEP's profile.

Description of the Business & Operations

General Description

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.



As at December 31, 2022, STEP's key assets were as follows:

In Canada:

- a fleet of 282,500 HP in fracturing capacity servicing E&P companies in the Montney, Duvernay, Viking and Deep Basin areas; and
- 16 purpose-built coiled tubing units, eight of which were deployed at December 31, 2022 in primarily the same plays.

In the U.S.:

- a fleet of 207,500 HP in fracturing capacity servicing E&P companies in the Permian and Eagleford basins in Texas; and
- 19 purpose-built coiled tubing units. Seven units were deployed in the Permian and Eagle Ford basins in Texas, two units were deployed in the Bakken basin in North Dakota, two units were deployed in the Uinta-Piceance and Niobrara-DJ basins in Colorado, four units were maintained for re-deployment and four units require refurbishment.

Fracturing Services

Fracturing services involve pumping a customized fracturing fluid through a wellbore and into a target reservoir formation. With the advent of the modern shale play, fracturing intensity (length of laterals, number of fracturing stages and volume of proppant per stage) has increased, requiring a considerable amount of technical skill from service companies in designing fracturing fluids and managing the fracturing process. As a result, STEP's technology development team is an integral part of the fracturing and re-fracturing operation, working closely with clients and field professionals to provide fit-for-purpose solutions in stimulation chemistry, acidizing and production enhancement.

STEP began its conventional fracturing operations in 2015, following the acquisition of certain liquid petroleum fracturing assets comprising of 115,000 fracturing HP from Gasfrac, which had entered into creditor protection under the CCAA. The assets acquired from Gasfrac included liquid propane fracturing equipment and certain intellectual property rights, as well as certain inventory (such as proppant), office furniture and fixtures, and land and buildings in Edson, Alberta and Floresville, Texas. Prior to the acquisition from Gasfrac, STEP did not offer conventional hydraulic fracturing services and only began offering such services following completion of the modifications and repurposing required of the Gasfrac assets (which were designed for liquid propane fracturing), and the purchase of other support equipment such as proppant handling and blender equipment, and the internal development of technology and related processes, all of which was required in order to deploy such assets for conventional fracturing.

In May 2016, STEP acquired conventional hydraulic fracturing assets comprising of 165,000 fracturing HP from Sanjel, which had entered into creditor protection under the CCAA. The conventional hydraulic fracturing assets acquired from Sanjel included fracturing and coiled tubing equipment, as well as certain field equipment, office furniture and fixtures, rights in respect of certain intellectual property and certain inventory (such as chemicals and spare parts). Following the acquisition of the assets from Sanjel, STEP increased its fracturing workforce and independently bid for and secured fracturing services clients. The assets acquired from Sanjel were dormant at the time of acquisition and required maintenance and repair expenditures prior to deployment.

Late in the second quarter and early in the third quarter of 2016, STEP acquired an additional 17,500 HP of fracturing services equipment, increasing its Canadian fracturing fleet to 297,500 HP.

In Canada, STEP offers fracturing services predominantly in the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP's pumping equipment includes a fleet combination of 2,250, 2,500, 3,000 and 5,000 HP quintuplex pumps and associated equipment. The Company also offers one of the largest dual-fuel fleets in Canada, representing 132,500 HP, or approximately 47% of STEP's Canadian fleet. Dual-fuel equipment can run on either diesel or natural gas, notably reducing diesel consumption by up to 85%, depending on the fuel delivery system. This equipment reduces emissions and lowers operating costs. In addition, STEP provides a fully customizable web-based real-time viewing platform, "Fieldview", to monitor fracturing stimulations. Fieldview is accessible to all clients and STEP professionals to observe live treatments and evaluate previous stimulations.

On April 2, 2018, the Company acquired all of the issued and outstanding shares of Tucker, which added fracturing services to STEP's U.S. service offerings and provided an entry into oil and gas basins in Oklahoma and Texas. The Tucker Acquisition included 192,500 HP of fracturing services equipment, two coiled tubing units, and 15 wireline units. Currently, STEP's U.S. fracturing operations provide services primarily in South and West Texas.

The success of the Company's fracturing services line is in part attributable to the reliable, safe and efficient delivery of fracturing services. STEP's dedicated logistics professionals ensure people, equipment, chemicals and proppant are in the right place at the right time. STEP has access to both northern white proppant that is imported from the U.S. and domestically sourced proppant; multiple transload sites to maximize efficiencies; proppant staging to provide on-time delivery; chemical bulk delivery services; and a supply of nitrogen and on-site storage, providing integrated completion services, such as lab testing and engineering modeling, and project management to STEP's clients.

Coiled Tubing Services

Coiled tubing is a continuous long steel pipe wound on a reel and is transported to a well location. It is straightened prior to pushing into a wellbore and is spooled back onto the reel on completion of the well intervention. First developed in the 1960s for well cleanouts, coiled tubing services are primarily used in the completion of new wells or enhancement of existing wells. The advancement of deep resource plays (Montney, Duvernay, Deep Basin, Permian, and Eagle Ford) and horizontal pad drilling has increased the demand for deeper, sophisticated coiled tubing units.

The Company's 35 coiled tubing units are designed for 38.1 mm to 73.0 mm (1-1/2" to 2-7/8") outside diameter with lengths that can service the deepest wells in North America; the Company's current depth record is 8,108 metres set in Q3 2022. To provide these services, STEP utilizes specialized deep capacity coiled tubing units and associated equipment, including ultra-capacity reel trailers, fluid pumping units, purpose-built Command Centers, nitrogen pumping units and transports. STEP's fluid pumping equipment, which provides pumping support for coiled tubing operations, pump-down services and diagnostic fracture testing, is fully integrated with redundant twin quintuplex pumps can be used in conjunction with the Company's coiled tubing units or for stand-alone projects. STEP's nitrogen pumping units support coiled tubing and hydraulic fracturing operations, including nitrogen cleanouts and purging, well kick-arounds, nitrified acid assist, foam cementing assists, underbalanced drilling assists, pressure testing vessels, pipeline pigging and facility purging. Key equipment components have been selected to meet the demands of 24-hour continuous operations and high downhole pressures. The Company utilizes coiled tubing intervention modeling software to simulate well conditions and predict coiled tubing performance while in the field. Data acquisition software is used to monitor and record well conditions and coiled tubing spread parameters during the job, which are displayed real-time in the Company's control cab and can be monitored remotely.

The Company's commitment to technology and deep capacity coiled tubing equipment are a differentiator to its clients, resulting in enhanced utilization in an otherwise challenging market. Clients have provided positive support for the STEP-IQ suite of products and services, including e-coil and STEP-conneCT. STEP-conneCT is a downhole data acquisition tool that provides real-time data to the surface during milling operations. This data allows operators to evaluate critical job parameters and make instant decisions to reduce motor stalls and non-productive time.

In addition to the integration of the Company's fracturing and coiled tubing service lines, STEP also provides in-house engineering, technology development, procurement, health, safety and environment, maintenance and operations management expertise to manage and optimize project outcomes. The utilization of a "site manager" model facilitates enhanced communication with onsite client personnel, enhanced communication with corporate personnel, ongoing training and mentoring, improved safety, and tighter management of operations.

Segmented Revenue Allocation

The following table shows the revenues generated in Canada and the U.S. over the past two years ended December 31, by service:

Location & Service	2021		2022	
	(\$ 000s) Amount	% of Total Revenue	(\$ 000s) Amount	% of Total Revenue
Canada				
Fracturing	277,076	52	453,611	46
Coiled Tubing	80,455	15	114,227	11
Canada Total	357,531	67	567,838	57
U.S.				
Fracturing	109,735	20	296,732	30
Coiled Tubing	69,043	13	124,448	13
U.S. Total	178,778	33	421,180	43
Corporate Total	536,309	100	989,018	100

Other Business Information

Target Market and Clients

STEP provides oilfield services to a broad range of publicly-owned and private E&P companies in Canada and the U.S., from large, multinational to small, junior companies. The Company has enjoyed a stable relationship with its clients but acknowledges that it operates in a highly competitive industry with other suppliers offering similar services. STEP attempts to mitigate this risk by utilizing service contracts where possible, and striving to produce safe, consistent, cost-effective, high-quality services. As at December 31, 2022, the Company's five largest clients collectively represented approximately 29% of its revenue and its largest client accounted for approximately 8% of its revenue.

Refer to the *Risk Factors – Risks Related to the Company – The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially* section of this AIF for additional information.

Competitive Conditions

The markets in which the Company operates are highly competitive. To be successful, a service provider must provide services that meet the specific needs of the oil and natural gas E&P companies at competitive prices. The principal competitive factors in the oilfield services market are service and product quality, equipment capacity and availability, performance, technical knowledge and experience, safety performance and price. The Company currently operates in Canada and the U.S. In each of these jurisdictions, the Company competes against a large number of other entities that offer similar services. STEP's competition includes multi-national oilfield service companies as well as regional competitors. The Company's major competitors in North America include Halliburton Company, and Liberty Oilfield Services; the major competitors in Canada include Essential Energy Services Ltd., Calfrac Well Services Ltd., Trican Well Service Ltd.; and the major competitors in the U.S. include NexTier Oilfield Solutions, ProPetro Holding Corporation, ProFrac Services, Nine Energy Service, Coil Tubing Partners, KLX Energy Services, Gladiator Energy, Conquest Completion Services and Cudd Pressure Control.

Refer to the *Risk Factors – Risks Related to the Company – The Company's industry is intensely competitive* section of this AIF for additional information.

Contracts

The Company operates under a number of key supplier and client arrangements. These agreements set out the commercial terms under which the Company's services will be provided. None of the client agreements contain a guaranteed minimum commitment of work.

Professionals

STEP had approximately 1,439 professionals, consisting of 845 in Canada and 594 in the U.S. as at December 31, 2022.

Seasonality

In Canada, the level of activity in the oilfield services sector is influenced by seasonal weather patterns. On a quarterly basis, activity can vary greatly. In typical years, the first calendar quarter is the most active in the well stimulation services industry, the second quarter is the least active, and the third and fourth quarters typically reflect increasing activity over the second quarter. During the second quarter, commonly referred to as the "spring break-up", the frost leaves the ground making certain roads incapable of supporting the weight of heavy equipment, resulting in restrictions in the level of oilfield servicing activity across western Canada.

Activity in the southern U.S. is generally not as influenced by seasonal conditions. More northern U.S. states do experience some degree of seasonality, although not to the same extent seen in Canada.

Refer to the *Risk Factors – Risks Related to the Company – The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions* and *Risk Factors – Risks Related to the Company – Climate change may impact weather conditions* sections of this AIF for additional information.

Specialized Skill and Knowledge

The Company's team is selected specifically for its technical and professional expertise, as well as cultural fit. This complementary mix is present in both corporate and field personnel and has facilitated the advancement of operational efficiencies and technological improvements. The Company has made significant investments to recruit experienced professionals, provide ongoing training programs and integrated a rigorous auditing process to ensure it complies with industry standards. Using progressive health, safety and environment management, training programs and individually selected third-party services allows STEP to meet its stringent client requirements.

Refer to the *Risk Factors – Risks Related to the Company – Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business* section of this AIF for additional information.

Private Equity Investor

The ARC Funds have provided three separate financing commitment rounds, including two financing commitment rounds during the 2014-2016 downturn in the O&G industry. Mr. Freel, a former Managing Director of ARC Financial Corp. (which advises the ARC Funds) serves as the Chair of the Board and brings over two decades of oilfield services industry experience in engineering and investment roles to the Company, including nine years with Schlumberger Ltd. Mr. Gackle, also a Managing Director of ARC Financial Corp. leading its oilfield service investment team, brings significant industry experience and strategic oversight to the Company as a member of STEP's Board.

Refer to the *Principal Shareholders* section of this AIF for additional information.

Intellectual Property

The Company's success in fracturing has been facilitated by its ability to provide customized fracturing fluids, which typically consist of a mix of proprietary chemicals that, together with STEP's design of the fracturing process, result in its clients' wells being more productive. STEP's technical engineering team works closely with clients and field professionals to provide fit-for-purpose solutions in stimulation chemistry, acidizing and production enhancement. The Company undertakes to protect the intellectual property that it develops through confidentiality agreements and, where appropriate, applications for patent protection.

Refer to the *Risk Factors – Risks Related to the Company – There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement* section of this AIF for additional information.

Regulation

The Company's operations are subject to various federal, provincial, state and local laws affecting the oilfield services industry across Canada and the U.S. These laws include those relating to employee health and safety, environmental permitting and licensing, the release of substances into the environment, emissions, water pollution, waste management, remediation of soil and groundwater contamination, land use, reclamation and restoration of properties, hazardous materials exposure and handling, and the O&G industry in the jurisdictions where the Company operates. These laws are often modified or new such laws are frequently promulgated and generally become more stringent over time. The Company and its customers are required to adhere to these regulations and non-compliance can result in significant costs and liabilities. The Company believes that its operations are in substantial compliance with these laws and regulations, and that continued compliance with current requirements would not have a material adverse effect on the Company, its business, financial position, results of operations or cash flows. However, there is no assurance that this degree of compliance will continue into the future. Furthermore, there can be no assurance that future events, such as changes in existing laws or enforcement policies, the promulgation of new laws or regulations, or the development or discovery of new facts or conditions adverse to its operations will not cause the Company to incur significant costs.

The Company's customers are subject to extensive controls and regulations imposed by various levels of government. These governments may regulate or intervene with respect to price, taxes, royalties, and exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic and political conditions and could potentially have an adverse effect on the Company's clients and thus an effect on the Company's operations.

Environmental laws and regulations that could have a material impact on the oil and natural gas industry include but may not be limited to the following:

Hazardous Substances and Wastes

In Canada, the *Environmental Protection and Enhancement Act* (“EPEA”) (Alberta), the *Oil and Gas Conservation Act* (“OGCA”) (Alberta) the *Environmental Management Act* (British Columbia) (“EMA”), the *Oil and Gas Activities Act* (“OGAA”) (British Columbia) and the *Transportation of Dangerous Goods Act* (Federal), among their other functions, regulate the manners, methods and limits to be applied in the generation, transportation, treatment, storage, disposal, and clean-up of hazardous wastes, recyclables, and non-hazardous wastes in Canada. Individual provinces administer some or all of the transportation of dangerous goods regime, in addition to or in concert with existing provincial environmental protection and oil and gas industry obligations. Drilling fluids, produced waters, and many other wastes associated with the exploration, development, and production of crude oil, natural gas, or geothermal energy generally constitute “oilfield waste,” for the purposes of the EPEA and OGCA. Water discharges where pollutants may be present can also be considered as a release of a substance into the environment in Alberta (governed and regulated by the EPEA) and British Columbia (governed and regulated by the EMA). In the U.S., the *Resource Conservation and Recovery Act* (“RCRA”), and comparable state statutes, regulate the generation, transportation, treatment, processing, storage, disposal and cleanup of “hazardous wastes” and non-hazardous wastes.

The Company believes that it is currently in substantial compliance with the hazardous waste requirements of the EPEA, OGCA, EMA, OGAA, RCRA, and related statutes and regulations, and that it holds all necessary and up-to-date permits, registrations and other authorizations to the extent that its operations require them under such laws and regulations. Although the Company does not believe the current costs of managing its wastes as presently classified to be significant, any new or revised legislation, or legislative or regulatory reclassification of oil and natural gas exploration and production wastes could increase the Company's costs to manage and dispose of such wastes. Moreover, failure to comply with such waste handling requirements can result in the imposition of administrative, civil and criminal penalties, as well as claims for personal injury and property damage allegedly caused by such substances released into the environment.

In addition, the *Comprehensive Environmental Response, Compensation and Liability Act* (“CERCLA”), also known as the “Superfund” law, and analogous state laws, impose strict, and in certain circumstances joint and several liability, on persons who are considered to be responsible for the release of a “hazardous substance” into the environment. Under CERCLA, and analogous state laws, such persons may be liable for the costs of cleaning up the hazardous substances released into the environment, damages to natural resources and certain health studies. In addition, neighboring landowners and other third parties may file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. Although the Company believes it has utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes, or hydrocarbons may have been released on, under, or from the properties serviced by the Company, or on, under or from other locations, including off-site locations, where such substances have been taken for disposal.

Hydraulic Fracturing

Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into underground rock formations to stimulate oil and natural gas production flow returns into the wellbore. Due to seismic activity reported in the Fox Creek, Brazeau Dam and Red Deer areas of Alberta, the AER has announced seismic monitoring and reporting requirements for fracturing operators operating primarily in the Duvernay zone and other stratigraphic zones in the Fox Creek area, as well as in certain zones near the Brazeau Dam area and Red Deer area. These requirements include, among others, an assessment of the potential for seismicity prior to operations, the implementation of a response plan to address potential events, and the suspension of operations if a seismic event above a particular threshold occurs. The AER has the discretion to suspend operations while it investigates following a seismic event until it has assessed the ongoing risk of earthquakes in a specific area and/or may require the operator to update its response plan. The AER continues to monitor seismic activity around the province and may extend these requirements to other areas of the province if that is deemed to be necessary. In British Columbia, the British Columbia Oil and Gas Commission completed two reports on seismic events related to fracturing and deep wastewater disposal wells, and has imposed mitigation measures, including seismic risk assessments for disposal wells, pressure and reporting conditions during operations, and regulations to shut down industry operations if seismic activity reaches a certain threshold.

Increased regulation and attention given to the fracturing process could lead to greater opposition, including litigation, to oil and natural gas production activities using fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil, natural gas, and natural gas liquids including from the development of shale plays or could make it more difficult to perform fracturing. The adoption of additional federal, provincial or local laws or the implementation of regulations regarding fracturing could potentially cause a decrease in the completion of new oil and natural gas wells, increased compliance costs and time needed for compliance, which could materially adversely affect demand for the Company's fracturing services and, as a result, the Company's business, financial condition, results of operations and cash flows.

On March 20, 2015, the U.S. Bureau of Land Management (“BLM”) released regulations governing hydraulic fracturing operations on federal and Indian lands, including requirements for chemical disclosure, well bore integrity and handling of flowback water. In December of 2017, the BLM repealed the 2015 regulations, and environmental organizations and the State of California are suing the BLM and the Secretary of the U.S. Department of the Interior over the repeal. In March 2020, the Northern District of California issued a ruling in favor of the BLM and this ruling is currently being appealed. The regulations, if reinstated or amended, may result in additional levels of regulation or complexity with respect to existing regulations that could lead to operational delays, increased operating costs and additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase costs of compliance and doing business.

Water Discharges

Water discharges affecting federal lands or waters in Canada, or water released in association with activities under federal jurisdiction are governed by the *Canadian Environmental Protection Act, 1999* (“CEPA”). In the U.S., the *Federal Water Pollution Control Act*, also known as the *Clean Water Act* (“CWA”), and analogous state laws impose restrictions and strict controls on the discharge of pollutants, including produced waters and other oil and natural gas wastes, into waters of the U.S. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by U.S. Environmental Protection Agency (“EPA”) or the relevant state agency, or, if jurisdictional waters could potentially be impacted by dredge and fill during construction activities, the U.S. Army Corps of Engineers (“USACE”). Whether CWA permitting is required depends upon whether and the extent to which “Waters of the United States” (“WOTUS”) may be impacted by the planned activity—for example, construction of drilling pads, access roads, or pipelines. Rulemaking by EPA and the USACE to define WOTUS has been heavily litigated, resulting in the rule taking effect at times in some states but not others. Most recently, EPA and USACE’s WOTUS definition rulemaking on December 30, 2022, incorporated “relatively permanent” and “significant nexus” standards for determining jurisdiction over adjacent wetlands and additional waters. This WOTUS definition will become effective March 20, 2023. Regardless, the applicable WOTUS definition affects what CWA permitting or other regulatory obligations, such as spill prevention, control, and countermeasure (“SPCC”) planning, may be triggered during development and operation of oil and gas assets, and changes to the WOTUS definition could cause delays in development and/or increase the cost of development and operation. Refer also to the *Risk Factors – Risks Related to the Company – 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* in this AIF for additional information.

Federal, state and provincial regulatory agencies in the U.S. and Canada can impose administrative, civil and criminal penalties for non-compliance with applicable permits, including discharge permits or other requirements of environmental laws and regulations affecting water discharges. Issues pertaining to wastewater generated by oil and natural gas exploration and production activities are drawing increased scrutiny from state legislators and may lead to additional regulations. Federal and provincial regulatory bodies in Canada can similarly impose administrative, civil, and criminal penalties for non-compliance with applicable permits. Any legislative or regulatory reclassification or amendments affecting water discharges and water discharge practices could increase the Company's costs to manage and dispose of water and to protect water bodies where the Company operates.

Disposal Wells

In Alberta, water injection and disposal wells are regulated directly by the AER under the OGCA and EPEA through a number of directives, including Directive 051, which sets out acceptable waste streams and fluid types, and provides requirements for wellbore design, integrity logging, monitoring, operating, and reporting requirements for injection and disposal wells (“SWDs”). In the U.S., the federal *Safe Drinking Water Act* (“SDWA”) and the Underground Injection Control (“UIC”) program promulgated under the SDWA and state programs regulate the drilling and operation of saltwater disposal wells. Contamination of groundwater by oil and natural gas drilling, production, and related operations may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the OGCA, EPEA, OGCA, SDWA, potentially the CWA, and other state and provincial laws. And in April 2020, a U.S. Supreme Court ruling opened the door for regulation of injection wells under the CWA, holding that discharges into groundwater may be regulated under the CWA if the discharge is the “functional equivalent” of a direct discharge into navigable waters. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury and harm to human health. Refer also to the *Risk Factors – Risks Related to the Company – 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* in this AIF for additional information.

Endangered Species

The *Species At Risk Act* (Federal), the *Migratory Birds Convention Act* (Federal), *Wildlife Act* (British Columbia) and *Wildlife Act* (Alberta), among other analogous environmental protection legislation in Canada, designate a number of species and critical

habitats for species that are listed as endangered or threatened, and these statutes may regulate or otherwise limit activities that adversely affect such species or critical habitats. Similarly, the U.S. federal *Endangered Species Act* (“ESA”) and analogous state laws regulate a variety of activities that adversely affect species listed as threatened or endangered under the ESA or their habitats. Similar protections are offered to migratory birds and certain species of eagles under the Migratory Bird Treaty Act (“MBTA”) and Bald and Golden Eagle Protection Act (“BGEPA”). The designation of previously unidentified endangered or threatened species in areas where the Company operates could cause it to incur additional costs or become subject to operating delays, restrictions, bans or restrictive conditions on its licences, permits and registrations under applicable legislation.

Refer also to the *Risk Factors – Risks Related to the Company – Legislation, regulations, and court rulings could result in increased costs and additional operating restrictions or delays*, *Risk Factors – Risks Related to the Company – 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*, and *Risk Factors – Risks Related to the Company – The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results* sections of this AIF for additional information.

Environmental Protection & Social Policies

Environmental Protection

The oilfield services industry is subject to environmental regulations pursuant to a variety of Canadian and U.S. federal, provincial, state and local legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain industry operations. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in injunctive relief, significant penalties, material fines, and civil or criminal liability for pollution damage.

Refer to the *Other Business Information – Regulation*, *Risk Factors – Risks Related to the Company – Legislation, regulations, and court rulings could result in increased costs and additional operating restrictions or delays*, *Risk Factors – Risks Related to the Company – 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*, and *Risk Factors – Risks Related to the Company – The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results* sections of this AIF for additional information.

STEP is committed to meeting its responsibilities to protect the environment where it operates and has taken the required steps to ensure substantial compliance with environmental laws and regulations wherever it operates. The Company did not incur any material expenditure in the past year as a result of environmental protection requirements, nor does it anticipate any environmental protection requirements to have any material effects on capital expenditures or earnings in 2023. Further, STEP operates one of the largest dual-fuel fracturing fleets in Canada, with capabilities of 132,500 HP. Dual-fuel reduces diesel consumption by up to 85% and importantly reduces carbon emissions to the environment.

Social Policies

We are committed to conducting our business and affairs in accordance with our core values, vision, purpose and highest ethical standards. As part of these efforts, STEP maintains a written Code of Business Conduct and Ethics (“Code”), applicable to directors, officers, professionals, consultants and contractors. The Code provides guidance on areas such as conflict of interest, outside employment and directorships, confidential information, protection and proper use of corporate assets, fair dealings with our shareholders, customers, suppliers and competitors, corporate communications, compliance with applicable laws, and reporting illegal or unethical behavior. The Code is available on our website (www.stepenergyservices.com).

All professionals (including executive officers) and directors must certify their compliance with the Code annually. The Code is reviewed annually by the Compensation and Corporate Governance Committee and the Board. The Board, through the Audit Committee, receives regular reports regarding compliance with the Code.

STEP is committed to the protection of the health and safety of all persons associated with STEP's operations, the environment, and the relationship of STEP with the communities nearest its operations. An important part of this commitment involves working in collaboration with Indigenous communities in Canada to build and maintain mutually beneficial relationships based on transparency, trust, mutual respect and accountability. Our growing Indigenous Engagement and Relations program is reflective of

our corporate values and commitment to the communities in which we work. Our Indigenous Engagement and Relations Policy has been created to provide the framework and guide our initiatives as they relate to the Indigenous communities in Canada.

Whistleblower Policy

STEP has adopted a whistleblower policy which provides professionals, clients, contractors, and others with the ability to report to STEP's third-party reporting service, on a confidential and anonymous basis, any violation within the Company including, but not limited to, criminal conduct, falsification of financial records or unethical conduct. The Board believes that providing a forum for professionals, clients, contractors, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical conduct. The whistleblower policy is available on our website (www.stepenergyservices.com).

STEP has also established a toll-free, anonymous telephone, electronic mail, and web-based compliance hotline, which can be used by professionals and others to report suspected accounting or auditing irregularities and unethical behaviour impacting STEP. The hotline telephone number is 866.921.6714 and the website address is www.integritycounts.ca/org/stepenergyservices.

The Audit Committee receives regular compliance reports with respect to STEP's whistleblower policy and compliance hotline.

Description of Capital Structure & Dividend Policy

Share Capital

The authorized share capital of the Company as of the date hereof consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. As of the date of this AIF, there are 71,617,464 Common Shares and nil preferred shares issued and outstanding. As at the date hereof, a total of 12,500 Common Shares are reserved for issuance on exercise of outstanding Prior Options, 25,000 Common Shares are reserved for issuance on exercise of outstanding Performance Warrants, 3,050,944 Common Shares are reserved for issuance on exercise of outstanding New Options and 1,809,318 Common Shares are reserved for issuance upon redemption of outstanding equity-settled PSUs and RSUs. The following is a description of the rights, privileges, restrictions and conditions attaching to STEP's share capital.

Common Shares

Holders of Common Shares are entitled to receive notice of, to attend and to vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares, and are entitled to one vote per Common Share held at such meetings. Holders of Common shares are entitled to receive dividends as may be declared thereon by the Board from time to time. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of STEP or any other distribution of STEP's assets among its shareholders for the purpose of winding-up its affairs (a "Distribution"), holders of Common Shares are entitled, subject to the preferences accorded to holders of preferred shares and any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

Preferred Shares

As of the date of this AIF, the Company has not issued any preferred shares. Preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the provisions of the ABCA, the Board shall fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of preferred shares including, without limitation, participation rights in respect of a Distribution (if any), voting rights (if any) and dividend rights (if any). The preferred shares of each series will rank on parity with every other series of preferred shares of the Company and shall have priority over the Common Shares and any other shares of the Company ranking junior to the preferred shares with respect to redemption, the payment of dividends and any Distribution.

Options and Other Rights to Purchase Securities

Prior to the IPO, the Company's share-based compensation plans for professionals and directors consisted of Prior Options and Performance Warrants. The Company implemented new share-based compensation plans following the IPO, including the New Option Plan, the PRSU Plan and the DSU Plan. The Company also implemented a Phantom Long-Term Incentive Plan in 2019, and a Board of Directors' Phantom Restricted Share Unit Plan in 2022. Grants under the New Option Plan are exercisable for Common Shares, vest over a period of three years and have a maximum term of five years, or as otherwise set out by the Board in the applicable grant agreement. The Board may, from time to time, determine those eligible persons of the Company who will receive grants under the PRSU Plan and Phantom Long-Term Incentive Plan. Grants under the PRSU Plan provide the holder a right to receive a Common Share for each whole vested share unit. Grants under the Phantom Long-Term Incentive Plan provide the holder a right to receive the cash equivalent value of a Common Share for each whole vested share unit. Grants under the DSU Plan vest immediately and will be settled in cash in the amount equal to the closing price of the Company's Common Shares on the day before the Company elects to pay. The Company may elect to pay the DSUs at any point after the resignation is received from the Board member and before the last business day of the following year. Since the DSUs vest immediately, the fair value of the liability and the corresponding expense is charged to profit or loss at the grant date. Subsequently, at each reporting date between grant date and settlement date, the fair value of the liability is re-measured with any changes in fair value recognized in profit or loss for the period. Grants under the Board of Directors' Phantom Restricted Share Unit Plan provide the holder a right to receive the cash equivalent value of a Common Share for each whole vested phantom restricted share unit.

The maximum number of Common Shares issuable under the PRSU Plan must not exceed 5% of the aggregate number of outstanding Common Shares, and the maximum number of Common Shares issuable under all share-based compensation arrangements (excluding the Prior Options and Performance Warrants) must not exceed 9.5% of the aggregate number of outstanding Common Shares. Effective May 2, 2017, no further awards under the Prior Option Plan are permitted and no further Performance Warrants may be granted.

For further information on options and other rights to purchase securities, refer to the *Market for Securities* section of this AIF, as well as the Company's annual and interim financial statements, the notes thereto and MD&A, filed on SEDAR.

Credit Facilities

As at December 31, 2022, the Company's Credit Facilities with a syndicate of lenders were comprised of a Canadian \$215.0 million revolving loan facility, a Canadian \$15.0 million operating facility and a U.S. \$15.0 million operating facility. The Credit Agreement includes 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 Agreement is July 12, 2025. Any current and future leases that would have been accounted for as an operating lease on December 31, 2018 will continue to be recognized as operating leases for purposes of calculating financial covenants. As amended July 12, 2022, the Credit Agreement included certain financial and non-financial covenants, including:

1. An Interest Coverage Ratio. This refers to the ratio of Adjusted Bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to have an interest coverage ratio of greater than 3.00:1.00. At December 31, 2022 the Company had an interest coverage ratio of 21.85:1.00.
2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a

four-quarter rolling basis. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At December 31, 2022, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.75:1.00.

The Company complied with all financial and non-financial covenants under its Credit Agreement on December 31, 2022.

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

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

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

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

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

Dividend Policy

The Company has never declared or paid any dividends nor does it currently anticipate paying any dividends. At this time STEP intends to retain future earnings, if any, to finance future operations, re-pay debt, and, if appropriate, reinvest in STEP's business and equipment. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition and debt levels, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

Principal Shareholders

To the knowledge of directors and officers of the Company, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, any class of voting securities carrying in aggregate 10% or more of the votes attached to such issued and outstanding voting securities, except as set out below:

Shareholder	Common Shares Held	Percentage Ownership (%)
ARC Energy Fund 6	13,588,546	18.98%
ARC Energy Fund 8	26,654,454	37.23%

Investment Rights Agreement

On February 7, 2017, the Company and the ARC Funds entered into an agreement governing the rights and obligations of the ARC Funds and the Company (the “Investment Rights Agreement”). The following description of certain provisions of the Investment Rights Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Investment Rights Agreement, which is available on the Company's profile on SEDAR (www.sedar.com).

Nomination and Related Rights

Pursuant to the Investment Rights Agreement, for so long as the ARC Group (which includes the ARC Funds and any other investment funds advised by ARC Financial Corp.) owns or exercises control or direction over 10% or more of the outstanding Common Shares, the ARC Group will have the right to nominate one representative to stand for appointment and election as a director of STEP; for so long as the ARC Group owns or exercises control or direction over 25% or more of the outstanding Common Shares, the ARC Group will have the right to nominate two representatives to stand for appointment and election as directors of STEP; and for so long as the ARC Group owns or exercises control or direction over 45% or more of the outstanding Common Shares, the ARC Group will have the right to nominate three representatives to stand for appointment and election as directors of STEP; and such nominees will be included in any slate of directors proposed by STEP. At such times as the ARC Group owns or exercises control or direction over 45% or more of the outstanding Common Shares and is entitled to have three nominees on the Board, one of such nominee directors shall, unless the ARC Group otherwise agrees, be Chair of the Board. The Investment Rights Agreement provides that such rights are premised on a Board of up to seven directors, and if the size of the Board is increased to more than seven directors, then the ARC Group shall be entitled to nominate such number of additional representatives to the Board as are necessary such that the ARC Group's minimum rights to nominees to the Board (as a percentage of the total number of directors on the Board) are proportionately maintained. The ARC Group currently has two representatives on the Board, being Mr. Freel (Chair) and Mr. Gackle.

If requested by the ARC Group from time to time, subject to applicable securities laws, one of the nominees of the ARC Group shall be required to be appointed to each committee of directors formed by the Board.

Subscription Rights

Pursuant to the Investment Rights Agreement, for so long as the ARC Group owns or exercises control or direction over 10% or more of the outstanding Common Shares, the ARC Group will have the right to purchase securities of STEP in connection with any issue of Common Shares or securities convertible or exchangeable into or exercisable for Common Shares or other voting or participating securities of STEP (other than Common Shares or other such securities of STEP pursuant to a stock option or similar plan of STEP, any director, officer, employee or consultant purchase plan of STEP, or the issuance of performance warrants of STEP issued to any director, officer, employee or consultant of STEP and certain other exceptions as specified in the Investment Rights Agreement) in order to maintain its pro rata percentage ownership interest in STEP.

Registration Rights

The Investment Rights Agreement provides the ARC Group with the right, for so long as the ARC Group owns or exercises control or direction over 15% or more of the outstanding Common Shares, to require the Company to qualify Common Shares held by the ARC Group (a “Demanding Shareholder”) for distribution by way of a secondary offering prospectus prepared in accordance with applicable securities laws (a “Demand Distribution”) at any time after the date the Company becomes a “reporting issuer” under

applicable securities laws in any jurisdiction in Canada or the date on which securities of the Company are first listed on the Toronto Stock Exchange (or other stock exchange or market). The ARC Group is entitled to a maximum of five Demand Distributions in total, and a maximum of two Demand Distribution in any calendar year; provided, however, that the aggregate market value of the Common Shares specified in each request for a Demand Distribution is not less than \$10,000,000 (or, if less than \$10,000,000, then such securities must represent at least 33% of the total Common Shares then held by the ARC Group). The Company shall be responsible for paying all fees and expenses incurred in connection with such Demand Distribution up to a maximum of \$200,000 per Demand Distribution, and the ARC Group shall pay the balance of such fees and expenses in excess of \$200,000 and all underwriting discounts, commissions and similar fees and transfer taxes applicable to the Common Shares of such Demand Distribution. The ARC Group shall have the right to select the investment banker(s) and manager(s) to administer the offering of the Common Shares which are the subject of the Demand Distribution.

The Investment Rights Agreement provides the ARC Group with the right, for so long as the ARC Group owns or exercises control or direction over 10% or more of the outstanding Common Shares to require the Company to include Common Shares held by the ARC Group in any qualification or registration of the Company's Common Shares under applicable securities laws (a "Piggyback Distribution"). The Company must cause to be included in the Piggyback Distribution all Common Shares that a member of the ARC Group (a "Participating Shareholder") requests to be included in the Piggyback Distribution; provided, however, that: (a) if a Piggyback Distribution is to occur in conjunction with a distribution of securities by the Company and the managing underwriters or agents advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Company and the ARC Group, each acting reasonably, the Company will include in such distribution: (i) first, as many of the Common Shares (or other securities) that the Company proposes to sell from treasury as will not cause the distribution to exceed the maximum offering size, and (ii) second, as many of the Participating Shareholder's Common Shares requested to be included in such distribution as will not cause the distribution to exceed the maximum offering size; and (b) if a Piggyback Distribution is to occur in conjunction with a secondary distribution on behalf of another shareholder of the Company and the managing underwriters or agents advise that the total number of securities requested to be included in the distribution exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to that other Shareholder and the ARC Group, then the number of Common Shares requested to be included by the Participating Shareholder will be included in such distribution pro rata (based upon each security holder's (including the ARC Group's) relative security holdings to each other) with the Common Shares or other securities request to be included in such distribution. The Company shall have the right to select the investment banker(s) and manager(s) to administer the offering from treasury and of the Common Shares which are subject to the Piggyback Distribution. The expenses pursuant to the Piggyback Distribution will be paid by the Company to the extent permitted by applicable law, except that each Participating Shareholder shall be responsible for the underwriting discounts, commissions and similar fees, and transfer taxes applicable to the Common Shares of such Participating Shareholder included in such Piggyback Distribution.

Upon receipt of a request from the ARC Group for a Demand Distribution or a Piggyback Distribution, and subject to the execution and delivery of an underwriting agreement in form and content satisfactory to the Company, acting reasonably, the Company will use its reasonable commercial efforts to effect the distribution of the Common Shares which are the subject of a Demand Distribution or Piggyback Distribution. Pursuant to the Investment Rights Agreement, the Company is obligated to indemnify each member of the ARC Group participating in such distribution (and their managers, directors, officers, employees, shareholders, partners and agents) for any untrue or alleged untrue statement of a material fact contained in any prospectus, or any amendment thereof or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make any statement therein not misleading. Pursuant to the Investment Rights Agreement, each Demanding Shareholder or Participating Shareholder, as the case may be, may be requested by the Company to indemnify the Company for any untrue statement or alleged untrue statement of a material fact contained in any prospectus, or any amendment thereof or supplement thereto, relating solely to the ARC Group furnished to the Company in writing by the ARC Group and stated to be specifically for use in any such document, or any omission or alleged omission to state therein a material fact relating to the ARC Group required to be stated therein or necessary to make any statement therein not misleading.

Termination

The Investment Rights Agreement will terminate on the earliest of the following dates: (i) upon the written agreement of the parties thereto providing for such termination, (ii) at the time that the ARC Group no longer owns or exercises control or direction over any outstanding Common Shares or other exercisable or convertible securities of STEP, and (iii) at the time that the ARC Group has owned or exercised control or direction over less than 10% of the Common Shares (assuming the exercise or conversion of convertible securities of STEP owned or controlled or directed by the ARC Group, but otherwise calculated on a non-diluted basis) over a period of three consecutive months.

Market for Securities

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the trading symbol “STEP”. The following table sets forth the market monthly price ranges and the trading volumes of the Common Shares for the financial year ended December 31, 2022, as well as for the current year-to-date:

	Price Range (\$ per Common Share)		Volume
	High	Low	
2022			
January	1.96	1.77	2,746,924
February	2.03	1.78	2,854,443
March	2.80	1.95	4,188,369
April	4.13	2.95	5,907,161
May	5.32	3.78	4,899,163
June	5.72	4.16	8,284,858
July	5.08	3.70	6,753,572
August	6.81	4.35	8,168,091
September	6.10	4.36	4,572,768
October	6.31	4.66	3,755,098
November	6.56	5.50	4,816,656
December	5.78	4.79	3,678,175
2023			
January	5.91	4.90	4,344,750
February	5.08	4.20	2,904,940

Prior Sales

During the financial year ended December 31, 2022, the Company granted 249,001 New Options with a weighted average exercise price of \$4.62. Under the equity-settled PRSU Plan, the Company granted 1,308,785 RSUs and 148,190 PSUs. Under the cash-settled Phantom Long Term Incentive Plan, the Company granted 49,893 RSUs. Under the cash-settled DSU Plan, the Company granted 64,660 DSUs.

Directors & Executive Officers

Directors & Executive Officers

The table below lists the names of the directors and officers, their municipalities of residence, positions and offices with the Company and principal occupations for the last five years. All directors have been elected to serve as such until the Company's next annual meeting of shareholders, or until their successor is duly elected, unless their office is vacated earlier in accordance with the by-laws of the Company or applicable law. Each director will devote the amount of time as is required to fulfill their obligations to the Company. The Company's officers are appointed by and serve at the discretion of the Board.

Name, Province/State & Country of Residence	Position Held	Principal Occupation for Last 5 Years	Director Since	Common Share Ownership & Percentage^{(1),(2)}
Directors				
Evelyn M Angelle ⁽³⁾ Houston, TX, U.S.	Director	Director of Forum Technologies, Inc. since February 2011 and member of the Board of Managers of Amp Americas II since May 2022. From November 2017 to present, and from January 2015 to December 2016, private investor and philanthropist. Prior to, Executive Vice President and CFO of BJ Services Company LLC from January 2017 to November 2017; prior to, Senior Vice President, Supply Chain of Halliburton Company from January 2014 through January 2015.	March 6, 2019	67,400 (0.09 %)
Douglas Freel ⁽⁵⁾ Calgary, AB, Canada	Director (Chair)	Corporate Director following retirement from ARC Financial Corp. on December 31, 2022, where he was Managing Director since 2016; prior to, other positions at ARC since joining the firm in 1998.	March 25, 2011	Nil (0.00%)
Donna Garbutt ⁽⁶⁾ Calgary, AB, Canada	Director (Lead Director)	Corporate Director since June 2021; prior to, Senior Vice President, Oil & Gas/Commodities for Bureau Veritas in North America from March 2019 to June 2021; prior to, Chief Executive Officer at Maxxam Analytics Corp. from November 2015 to March 2019; prior to, roles of increasing responsibility at Schlumberger, including President of Schlumberger Canada.	May 2, 2017	Nil (0.00 %)

Name, Province/State & Country of Residence	Position Held	Principal Occupation for Last 5 Years	Director Since	Common Share Ownership & Percentage ^{(1),(2)}
Jeremy Gackle ^{(5),(7)} Calgary, AB, Canada	Director	Managing Director at ARC Financial Corp., oilfield service investment team since July 1, 2020; prior to then Senior Vice President at ARC since 2017; prior to then various other positions at ARC since 2004.	March 25, 2011	Nil (0.00%)
Stephen Glanville ⁽⁴⁾ Calgary, AB, Canada	President and Chief Executive Officer	Chief Executive Officer of the Company since October 1, 2022 and President since July 1, 2021. Prior to, Chief Operating Officer since March 2011, and Vice-President, Operations from November 2013 to June 30, 2021.	October 1, 2022	171,848 (0.24 %)
James Harbilas ^{(8),(9)} Cochrane, AB, Canada	Director	Executive Vice-President and Chief Financial Officer at AltaGas Ltd. since June 2019; prior to, Executive Vice-President and Chief Financial Officer at Enerflex Ltd., and its predecessor since 2007.	May 2, 2017	46,000 (0.06 %)
Jason Skehar ^{(3),(9),(10)} Chestermere, AB, Canada	Director	Chief Operating Officer of Lucero Energy Corp. (formerly PetroShale Inc.) since January 13, 2022. Prior to, President and Chief Executive Officer at Bonavista Energy Corporation from December 2012 to October 7, 2020; prior to, Chief Operating Officer thereat since 2008.	June 22, 2012	8,000 (0.01 %)

Executive Officers

Stephen Glanville Calgary, AB, Canada	President and Chief Executive Officer	Chief Executive Officer since October 1, 2022, and President since July 1, 2021. Prior to, Chief Operating Officer since March 2011, and Vice-President, Operations from November 2013 to June 30, 2021.	N/A	171,848 (0.24 %)
Klaas Deemter Calgary, AB, Canada	Chief Financial Officer	CFO since November 4, 2021; prior to, Senior Vice-President, Finance from October 12 to November 3, 2021. Prior to, held progressively senior roles at Trican Well Service, including finance director in 2014, senior finance director in 2016, corporate controller in 2017, and as interim CFO in the first and second quarters of 2021.	N/A	14,134 (0.02 %)

Name, Province/State & Country of Residence	Position Held	Principal Occupation for Last 5 Years	Director Since	Common Share Ownership & Percentage ^{(1),(2)}
Rory Thompson Rivers Edge, AB, Canada	Chief Operating Officer	Chief Operating Officer since October 1, 2022. Prior to, President, Canadian Operations since August 2018; Vice-President, Coiled Tubing Services, Canada from April 2015 to August 2018; Director, Coiled Tubing Services, Canada from January 2014 to April 2015, at STEP.		45,979 (0.06 %)
Tara Boucher Calgary, AB, Canada	Vice President, Human Resources	Vice-President, Human Resources since March 17, 2022. Prior to, Director, Human Resources at STEP since June 7, 2021; prior to Vice-President, Human Resources at Crescent Point Energy Corp. From January 2016 to October 2018.	N/A	3,413 (0.00 %)
Michael Burvill Houston, TX, U.S.	Vice-President, Business Development and Innovation	Vice-President, Business Development and Innovation since July 2019. Prior to, President, U.S. Operations from August 2018 to July 2019; Senior Vice-President, Fracturing and Cased Hole Wireline Services from April to August 2018; Vice-president, Fracturing Services from April 2015 to April 2018, at STEP. Prior to, Corporate Service Line Manager, Fracturing & Nitrogen Services at Trican Well Service Ltd. from 2007 to April 2015.	N/A	72,940 (0.10 %)
Joshua Kane Calgary, AB, Canada	Vice-President, Legal and General Counsel	Vice-President, Legal and General Counsel at STEP since January 4, 2021, and General Counsel since 2016. Prior to, held progressively more senior roles in the legal department at Sanjel Corporation from 2011-2016, and was a director and corporate secretary for Sanjel International Saudia Arabia Limited from December 2014 to March 2017.	N/A	125,200 (0.17 %)
Brad McFarlane New Braunfels, Texas, U.S.	Vice-President, Finance	Vice-President, Finance since January 1, 2023. Prior to, Vice-President, Finance, U.S. since December 15, 2021; Director, Finance, U.S. since July 2019; and Controller, Canada and U.S. since November 2014, at STEP.	N/A	18,380 (0.03 %)

Notes:

- (1) Represents Common Shares beneficially owned, controlled or directed (directly or indirectly) by the director or officer as at December 31, 2022.
- (2) Does not include Prior Options, Performance Warrants, New Options, PSUs or RSUs held by these individuals.
- (3) Member of the Audit Committee.
- (4) Effective October 1, 2022, Mr. Glanville replaced Mr. Davis as an Executive Director of the Board and as a member of Health and Safety Committee. Mr. Davis acted in the capacity of Strategic Advisor until December 31, 2022.
- (5) Mr. Gackle is a representative of the ARC Group and is employed by ARC Financial Corp., which advises entities holding an aggregate of 40,243,000 Common Shares, representing approximately 56.21% of the issued and outstanding Common Shares. Mr. Freel was a representative of the ARC Group and was employed by ARC Financial Corp. until December 31, 2022. As of January 1, 2023, Mr. Freel is a director nominee representative of the ARC Group.
- (6) Chair of Health and Safety Committee.
- (7) Chair of Compensation and Corporate Governance Committee.
- (8) Chair of Audit Committee.
- (9) Member of Compensation and Corporate Governance Committee.
- (10) Member of Health and Safety Committee.

Committees of the Board of Directors

The Company currently has an Audit Committee, a Compensation & Corporate Governance Committee and a Health and Safety Committee. Refer to the *Audit Committee* section of this AIF for a description of the roles and responsibilities of the Audit Committee.

Share Ownership by Directors and Officers

As a group and as at the date of this AIF, the Company's officers and directors beneficially own or exercise control or direction over, directly or indirectly, 565,294 Common Shares, representing approximately 0.79% of the issued and outstanding Common on a non-diluted basis.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "Order"), that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief officer or chief financial officer.

To the knowledge of the Company no director or officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or Shareholder.

To the knowledge of the Company, no director or officer of the Company (nor any personal holding company of any of such persons), or Shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. For the purposes of this part, "order" means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an

order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Conflicts of Interest

Certain officers and directors of the Company are or may become officers and/or directors of other companies engaged in the oilfield services business generally. As a result, situations may arise where the interest of such directors' and officers' conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company, and also by the Company's Code. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that in the event that a director has an interest in a material contract or material transaction, whether made or proposed, the director shall disclose his interest in such contract or transaction to the Company and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

When assessing candidates and Board members, the Compensation and Corporate Governance Committee considers whether serving on the boards of, or acting as officers or in another capacity, for other entities poses any conflict to act in our best interests, and/or interferes with any of our directors' ability to fulfill their Board duties and responsibilities. The Board reviews these relationships annually to determine that they do not interfere with any of our director's ability to act in our best interests. We endeavor to ensure that such other directorships, officerships and/or business associations do not hinder the ability as a STEP director or the Board's overall performance. We discuss time commitments in addition to duties and responsibilities with every candidate to ensure that they have a full understanding of the role and expectations associated with serving on our Board.

Indemnity Agreements for Directors and Officers

STEP has entered into indemnity agreements with each of the current directors and officers pursuant to which STEP has agreed to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform to the provisions of the ABCA.

Audit Committee

Mandate

The Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibility for (among other things) reviewing the Company's financial statements and the Company's public disclosure documents containing financial information and reporting on such review to the Board, ensuring the Company's compliance with legal and regulatory requirements, overseeing qualifications, engagement, compensation, performance and independence of the Company's external auditors and reviewing, evaluating and approving the internal control and risk assessment systems that are implemented and maintained by management.

STEP's Audit Committee mandate sets out the committee's purpose, organization, duties and responsibilities. A copy of the mandate is attached hereto as Schedule "B".

Composition of the Audit Committee and Relevant Education and Experience

The Company believes that each member of the Audit Committee possesses:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

The Audit Committee currently consists of Mr. Harbilas (Chair), Ms. Angelle and Mr. Skehar.

The following is a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of their responsibilities as a member of the Audit Committee:

- Mr. Harbilas has been the Executive Vice-President and CFO at AltaGas Ltd. (energy infrastructure) since June 2019 and is responsible for AltaGas' finance, treasury, corporate development and capital market functions. Prior to joining AltaGas, Mr. Harbilas was the Executive Vice-President and CFO at Enerflex Ltd. and its predecessor (oil and gas) from 2007 to May 2019, responsible for overseeing and providing leadership and all financial affairs, reporting and corporate governance of Enerflex. Previously, he was Vice-President, Finance and CFO of Fortis Alberta Inc. (utilities), and held senior positions in various financial capacities at SNC-Lavalin Group (engineering and construction) and AltaLink Management Ltd. (utilities). Mr. Harbilas holds a Bachelor of Commerce and graduate diploma in accounting from Concordia University (1996). He is a chartered accountant and a member of the Institute of Chartered Accountants of Alberta, the Ordre des comptables agréés du Québec and Financial Executive Institute.
- Ms. Angelle has been a director of Forum Energy Technologies, Inc. (oil and gas) since February 2011 and currently serves as the Chairperson of the audit committee and a member of the Nominating Governance and Sustainability committee. She is also a member of the Board of Managers of Amp Americas II since May 2022. From November 2017 to the present, and from January 2015 to December 2016, Ms. Angelle has served as a private investor and philanthropist. Ms. Angelle's breadth of experience includes serving as executive vice president and chief financial officer of BJ Services Company LLC (oil and gas), from January 2017 to November 2017. Prior to, Ms. Angelle served as senior vice president — supply chain for Halliburton Company, and she served in various finance and accounting roles for Halliburton, including senior vice president and chief accounting officer and vice president of investor relations. Before joining Halliburton, Ms. Angelle worked for 15 years in the audit department of Ernst & Young LLP, where she specialized in serving large, multinational public companies and provided technical accounting and consultation to clients and other professionals. Ms. Angelle is a graduate of Saint Mary's College (Notre Dame) and is a certified public accountant in Texas and a certified management accountant. She holds a certificate in Cyber Security Oversight from Carnegie Mellon University. Ms. Angelle has been designated as a Board Leadership Fellow by the National Association of Corporate Directors (NACD) distinguished Board Leadership Fellows and is NACD Directorship Certified™.
- Mr. Skehar joined Lucero Energy Corp. (formerly Petroshale Inc.) as Chief Operating Officer pursuant to the recapitalization of the organization in January 2022, and his responsibilities include oversight of capital deployment in connection with drilling, completions, facilities and infrastructure; the operations, engineering and geotechnical department, Health, Safety, and Environment, as well as field operations and production management. He has almost 30 years of oil and gas experience in leadership and operational roles most recently as president and chief executive officer of Bonavista Energy Corporation ("Bonavista") (oil and gas) which he held between December 2012 to October 2020. Mr. Skehar joined Bonavista in November 1999 as a production engineer and was promoted to the position of president and chief operating officer in November 2008. He started his career in 1994 as an operations engineer at Fletcher Challenge Energy Ltd. (oil and gas) and, prior to joining Bonavista, held both production and exploration positions at Renaissance Energy Ltd. (oil and gas) and Probe Exploration Inc. (oil and gas). Mr. Skehar graduated from the University of Saskatchewan (1994) with a Bachelor of Science in Mechanical Engineering. Mr. Skehar served as a director of Bonavista from December 2012 to October 2020, and currently serves member on the board of trustees with the Engineering Advancement Trust, College of Engineering at the University of Saskatchewan.

Mr. Harbilas, Mr. Skehar, and Ms. Angelle are considered "financially literate", and are considered "independent".

Pre-Approval Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors, KPMG LLP. The Audit Committee may delegate such pre-approval authority, if and to the extent permitted by law.

External Audit Service Fees

KPMG LLP has served as STEP's external auditors since 2011. The following table lists the audit fees paid or payable to KPMG LLP, by category, for the last two fiscal years:

	2021 (\$ Amount)	2022 (\$ Amount)
Audit fees ⁽¹⁾	522,692	621,026
Audit-related fees ⁽²⁾	16,050	16,050
Tax fees ⁽³⁾	132,680	79,715
Total	671,422	716,791

Notes:

- (1) Audit fees consist of fees for the audit of the Company's Annual Financial Statements and fees for the review of the Company's interim financial statements.
- (2) Audit-related fees consist of fees for accounting and reporting matters, out of pocket expenses, technology and IT fees that are reasonably related to the performance of audit and review services.
- (3) Tax fees consist of fees for tax advice and research, as well as out of pocket expenses and technology fees that are reasonably related to such tax advice and research.

Risk Factors

Following is a list of risks that the Company faces in its normal course of business. The risks and uncertainties set out below 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 actually occur, the Company's business may be harmed, and the Company's financial condition and results of operations may suffer significantly.

Risks Related to the Company

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.

The demand, pricing and terms for the Company's services largely depend upon the level of expenditures made by E&P companies on exploration, development and production activities in North America. Expenditures by E&P companies are typically directly related to the demand for, and price of, O&G. Generally, when commodity prices and demand are predicted to be, or are relatively, high, demand for the Company's services is high. The converse is also typically true. However, E&P clients are also demonstrating increased capital budget discipline, such as using surplus cash flows to return capital to shareholders through dividends or share buy backs rather than increasing capital budgets.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could also reduce the demand for crude oil and other hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The prices for O&G are subject to a variety of factors including: the demand for energy; the ability of OPEC to set and maintain production levels for oil; international conflicts and related sanctions involving O&G producing nations such as Russia and Iran; O&G production by non-OPEC countries; availability of pipeline and other O&G transportation capacity; availability of storage capacity; production curtailment regulations such as those imposed by the Alberta government in early 2019; the decline rates for current production; political and economic uncertainty and socio-political unrest; cost of exporting, producing and delivering O&G; technological advances affecting energy consumption; and weather conditions. The outbreak of the COVID-19 also affected and may continue to affect pricing of, demand for, and investment in, oil and gas products. The Russian invasion of Ukraine and related

Canadian, U.S. and international sanctions involving Russia, and the possible relaxation or strengthening of U.S. sanctions on Venezuelan and Iranian oil exports, are all creating additional uncertainty regarding global O&G supply and corresponding pricing volatility. Any prolonged reduction in oil and natural gas prices would likely decrease the level of activity and expenditures in O&G exploration, development and production activities and, in turn, decrease the demand for the Company's services.

In addition to current and expected future O&G prices, the level of expenditures made by E&P companies are influenced by numerous factors over which the Company has no control, including but not limited to: general economic conditions; E&P shareholder demands for returns over new production; market perception of oil and gas related investment risk; the cost of exploring for, producing and delivering O&G; the expected rates of current production; the discovery rates of new O&G reserves; cost and availability of drilling equipment; availability of pipeline and other O&G transportation capacity; natural gas and oil storage levels; political, regulatory and economic conditions; taxation and royalty changes; government regulation (including, but not limited to, regulations curtailing production, and regulatory certainty with respect to potential project completion); environmental regulation; ability of E&P companies to obtain credit, equity capital or debt financing; and currency fluctuations. A material decline in global oil and natural gas prices or North American activity levels as a result of any of the above factors could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Difficulty in retaining, replacing or adding personnel could adversely affect the Company's business.

The Company may not be able to find enough labour to meet its needs, and this could limit growth. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services and as new fracturing capacity is brought into service. Specific client demands may further reduce the available labour pool to service those clients. Increased demand or reduced availability also typically leads to higher wages that may or may not be reflected in any increases in service rates.

Volatility in the oilfield services industry, exacerbated by the recent energy downturn, oil price instability, COVID-19, and past industry layoffs, may also prompt workers to pursue other careers that offer employment stability, less remote work locations, less physically demanding work, and wages competitive to the Company's. In addition, many key responsibilities within the Company's business have been assigned to a small number of professionals, and loss of their services could disrupt the Company's operations. The competition for qualified personnel in the oilfield services industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. In addition, the Company does not maintain "key person" life insurance policies on any of its professionals. As a result, the Company is not insured against any losses resulting from the death of its key professionals.

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.

The Company's ability to provide services to its clients is also dependent upon the availability of fuel and raw materials and component parts at reasonable prices, which the Company purchases from various suppliers, most of whom are located in North America. Labour shortages, and the availability of input raw materials, fuel and component parts to those suppliers also affects their ability to supply the Company. Activist blockades of roads and highways may also interfere with the Company's suppliers' ability to make such deliveries. If the current suppliers are unable to provide the necessary raw materials, or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services to the Company's clients could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company is also a significant purchaser of products which are at risk of cost inflation given rising commodity prices and other costs of production. Should rising costs of product materialize in excess of expectations, and should the Company not be able to offset such cost inflation through higher prices for its services or other cost savings, there could be a negative impact on the Company's sales and margin performance.

STEP's reliance on equipment suppliers and fabricators exposes it to risks including timing of delivery and quality of equipment.

STEP's ability to expand its operations and execute on its capital expenditure program is dependent upon timely delivery of parts and equipment. Equipment suppliers and fabricators may be unable to meet their planned delivery schedules for a variety of reasons which may include, but are not limited to, skilled labour shortages, the inability to source component parts and materials in a timely manner, complexity of new technology and inadequate financial capacity. STEP's capital expenditure program and operational planning depends, in part, upon planned equipment delivery schedules. Failure of equipment suppliers and fabricators to meet their delivery schedules and to provide high-quality working equipment may have a material adverse effect on STEP's business, results of operations, cash flows and financial condition. Outbreaks of novel COVID-19 variants could affect the ability of certain suppliers to meet their planned delivery schedules.

Radical activism could harm the Company's business.

Radical activism or armed conflict (including protests, blockades and environmental terrorism) occurring in Canada or the U.S. may adversely affect the Company's ability to carry out its business. Oil and natural gas related facilities could be direct targets of activist attacks (as seen in the February 2022 attack on Coastal GasLink facilities in Northern B.C. Canada), blockades or other activities, and the Company's operations could be adversely impacted if infrastructure integral to the Company or its clients' operations is destroyed or damaged, or access to it is impeded. Activist blockades of roads and highways may also interfere with the Company's ability to move its equipment to client locations and to otherwise carry out its business. Legislative action purported to address such activism and conflict, including use of the *Emergencies Act* in Canada, may have as yet unknown effects on transportation and other service providers in the Company's industry. Costs for insurance and other security may increase as a result of such activism and conflict, and some insurance coverage may become more difficult to obtain, if available at all.

Natural disasters and pandemics (including COVID-19) could adversely affect the Company.

Natural disasters, such as hurricanes, floods, earthquakes or the occurrence of pandemics, such as the outbreak of COVID-19, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics and natural disasters (and the restrictions and other governmental or regulatory measures taken or guidelines adopted in response thereto, including but not limited to, restrictions on travel, temporary business closures and quarantines) could result in volatility and disruptions in the supply and demand for oil and natural gas, global supply chains and financial markets as well as general economic slowdown, declining trade and market sentiment and reduced mobility of people, any of which could affect commodity prices, interest rates, credit risk and inflation, and may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Additionally, the outbreak of new pandemics or contagious diseases, such as new COVID-19 variants, may have the potential to spread rapidly and may place the Company's workforce at risk. Illness among the Company's workforce could affect the health and safety of the Company's workforce, render employees unable to work or travel, disrupt the ability to perform their duties and may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. The extent and duration of the COVID-19 pandemic (including the evolution of new variants of COVID-19) and its ultimate impact on the global economy, the oilfield services industry, and ultimately on the Company and its business, financial condition, results of operations and cash flows, remain unknown. The impact of COVID-19, its variants, and other unanticipated events may have the effect of heightening or varying many of the other risks described herein.

The Company's industry is affected by excess equipment levels.

Because of the long-life nature of oilfield service equipment and the lag between when a decision to build additional equipment is made and when the equipment is placed into service, the quantity of oilfield service equipment in the industry does not always correlate with the level of demand for service equipment. Periods of high demand often spur increased capital expenditures on equipment, and those capital expenditures may add capacity that exceeds actual demand. Such capital overbuild could cause the Company's competitors to lower their pricing and could lead to a decrease in rates in the oilfield services industry generally, which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company's industry is intensely competitive.

Each of the markets in which the Company participates is highly competitive. To be successful, a service provider must provide services that meet the specific needs of oil and natural gas E&P companies at competitive prices. The principal competitive factors in the markets in which the Company operates are service and product quality, equipment capacity and availability, performance, technical knowledge and experience, safety performance and price. The Company competes with large national and multi-national oilfield service companies that have extensive financial and other resources. These companies offer a wide range of well stimulation services in all geographic regions in which the Company operates. In addition, the Company competes with several regional competitors and new entrants to the markets in which the Company operates will also compete with the Company. As a result of competition or new entrants to the fracturing or coiled tubing services markets, the Company may suffer from a significant reduction in revenue or be unable to pursue additional business opportunities.

The Company's current technology may become obsolete or experience a decrease in demand.

Certain of the Company's equipment may become obsolete or experience a decrease in demand through the introduction of competing products or new technologies that are lower in cost; exhibit enhanced performance characteristics; or are determined by the market to be preferable for environmental or other reasons. These changes could have a material adverse effect on the

Company's business, financial condition, results of operations and cash flows. Although the Company makes reasonable efforts to keep current with the changing market for O&G services and technological and regulatory changes, there can be no assurance that the Company will be able to identify all changes to competing products or technology. The ability of the Company to meet its clients' performance and cost expectations will depend upon continuous improvements in operating equipment and proprietary fluid chemistries. There can be no assurance that the Company will be successful in its efforts in this regard or that it will have the resources available to meet this continuing demand. Failure by the Company to do so could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Cyber-attacks and loss of the Company's information and computer systems could adversely affect the Company's business.

The Company is dependent on its information systems and computer-based programs, including its well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in the Company's hardware or software network infrastructure, possible consequences include a loss of communication links and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on the Company's business.

The Company continues to face cyber security risks and could be subject to cyber-security events directed against its information technology. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. A breach in the security of the Company's information technology could expose the Company's business to a risk of loss, misuse or interruption of critical information and functions. This could affect the Company's operations, damage its assets, result in safety incidents, damage to the environment, reputational harm, competitive disadvantage, regulatory enforcement actions and potential litigation, which could have a material adverse effect on the Company's operations, financial position and results of operations.

The Company's client base is concentrated and loss of a significant client could cause its revenue to decline substantially.

During the year ended December 31, 2022, the Company worked for approximately 189 oil and natural gas E&P companies, ranging from large multi-national public companies to small private companies. Notwithstanding the Company's broad client base its five largest clients collectively accounted for approximately 29% of its revenue for the year ended December 31, 2022 and, of such clients, the single largest accounted for approximately 8% of the Company's revenue for the year ended December 31, 2022. Merger and acquisition activity amongst E&P companies may constrain demand for the Company's services as clients focus on reorganizing their businesses prior to committing funds to exploration and development projects, or because an acquiring company may have preferred supplier relationships with oilfield service providers other than STEP. There can be no assurance that the Company's relationship with these clients will continue, and a significant reduction or total loss of the business from these clients, if not offset by sales to new or existing clients, would have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Fluctuations in currency exchange rates could adversely affect the Company's business.

The Company's consolidated financial statements are reported in Canadian dollars. Accordingly, the results of the Company's foreign operations are directly affected by fluctuations in the exchange rates for U.S. dollars. Financial results from the Company's U.S. operations are denominated in U.S. dollars, so a decrease in the value of the U.S. dollar would decrease the Canadian dollar amount of such financial results from U.S. operations. In addition, world oil and natural gas prices are quoted in U.S. dollars. The Canadian/U.S. dollar exchange rate, which fluctuates over time, consequently, affects the price received by Canadian producers of oil and natural gas, which in turn affects the Company's ability to secure profitable service contracts. Other than natural hedges arising from the normal course of business in foreign jurisdictions, the Company did not have any hedging positions as at December 31, 2022.

A significant portion of STEP's revenues are earned in U.S. dollars. Accordingly, fluctuations in exchange rates between the Canadian and U.S. dollar may have an increased adverse effect on STEP's results and financial condition. Future events that may significantly increase or decrease the risk of future movement in the exchange rates for these currencies cannot be predicted.

Legislation, regulations, and court rulings could result in increased costs and additional operating restrictions or delays.

The Company's business is dependent on its ability to conduct fracturing and wellbore completion and servicing operations. While fracturing has been in use and improved upon for many years, there has been increased focus on environmental aspects of fracturing practices in recent years, and regulations have generally become more stringent over time. Various provinces and states have proposed or adopted legislation regulating or requiring disclosure regarding hydraulic fracturing, including the details of

fracturing fluids used. The EPA has asserted federal regulatory authority over certain fracturing activities involving diesel under the SDWA. Various jurisdictions have implemented rules and regulations pertaining to seismic activity, including some requiring assessments of the potential for seismicity prior to operations, the suspension of operations if a seismic event above a particular threshold occurs, and in certain U.S. states limits on saltwater disposal well permits. Any of these rules and regulations could force oil and natural gas companies, including the Company's clients, to incur increased costs for services, or cease using certain processes and services of the Company. Refer to the *Other Business Information – Regulation* section of this AIF for additional information.

The Company's business is also dependent upon its clients' ability to engage in new E&P activity, which may be affected by changing legislation, regulations and the effect of court rulings. For example, in June of 2021, the British Columbia Supreme Court released its decision in *Yahey v. British Columbia*, in which it ruled that the rights of the Blueberry River First Nation ("Blueberry") had been breached by the cumulative impacts of industrial developments within Blueberry's traditional territories in northeast British Columbia (the "Blueberry Decision"). The Blueberry Decision called for the Province of British Columbia to pause some development in the Blueberry traditional area pending the results of an investigation into the cumulative impacts of industrial development in Blueberry traditional territory. The Province of British Columbia and Blueberry have since signed the Blueberry River First Nations Implementation Agreement in response to the Blueberry Decision, which includes plans to implement a long term cumulative effects management regime. The specific impacts of the Blueberry Decision and the Blueberry River First Nations Implementation Agreement on the operations of the Company's clients in the Treaty 8 area are still being assessed. The Blueberry Decision and Blueberry River First Nations Implementation Agreement may also lead to similar opposition, including litigation, to E&P activities in other treaty areas.

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.

The Company is subject to increasingly stringent and complex federal, provincial, state and local laws and regulations relating to the importation, release, transport, handling, storage, disposal and use of, and exposure to, hazardous and radioactive materials, and the protection of workers and the environment, including laws and regulations governing occupational health and safety standards, air emissions, chemical usage, water discharges, waste management and plant and wildlife protection. The Company incurs, and expects to continue to incur, significant capital, managerial and operating costs to comply with such health, safety and environmental laws and regulations. Violation of these laws and regulations could lead to injunctive relief, loss of accreditation, damage to the Company's social license to operate, loss of access to markets and substantial fines and penalties which could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

The Company uses and generates hazardous substances and wastes in its operations. Because the Company provides services to companies producing oil and natural gas, it may also become subject to claims relating to the release of such substances into the environment. Some environmental laws and regulations provide for joint and several strict liability related to spills and releases of hazardous substances for damages to the environment and natural resources or threats to public health and safety. Strict liability can render a potentially responsible party liable for damages irrespective of negligence or fault. Accordingly, the Company could become subject to potentially material liabilities relating to the investigation and cleanup of contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require the Company to incur costs or become the basis of new or increased liabilities that could reduce its earnings and cash available for operations.

Political and social events and decisions could have an adverse effect on the Company.

There is uncertainty as to the various positions governments in the jurisdictions the Company operates will take with respect to domestic and international legislative and regulatory matters, including global affairs and events and environmental legislation or policies. Implementation of new legislative or regulatory regimes or policies by governments at all levels could impose additional costs on the Company, decrease demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations. These policy positions may take the form of general climate change commitments (such as the U.S. proposed Climate Leadership and Environmental Action for our Nation's (CLEAN) Future Act, that would require economy wide net-zero greenhouse gas emissions by 2050) or specific initiatives such as the termination of permits for existing projects (for example, on January 20, 2021, U.S. President Biden revoked the presidential permit for the Keystone XL pipeline).

The Company is susceptible to seasonal volatility in its operating and financial results due to adverse weather conditions.

The level of activity in the Canadian oilfield services industry, as well as field operations in North and South Dakota, Colorado, New Mexico, and Texas in the United States, are influenced by extreme weather events, such as snow and ice storms, flooding, drought, tornadoes and seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. In addition, during excessively rainy periods in any of the Company's operating areas, equipment moves may be delayed, thereby adversely affecting revenue. The volatility in the weather adds a further element of unpredictability to activity and utilization rates, which can have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

There is also public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, drought, wildfires, tornados and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. Extreme weather conditions can interfere with the Company's operations and the E&P operations of its clients and increase the Company's costs, and related legislation, and damage resulting from extreme weather may not be insured in all cases. The Company and its clients may also be subject to increased direct costs arising from legislative and regulatory responses to such extreme weather events, such the costs associated with compliance with the weatherization requirements of the Texas Railroad Commission. However, at this time, the Company is unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting its operations or to predict the costs the Company or its clients may need to incur to mitigate such effects or comply with state and local weatherization requirement.

The Company may be exposed to third-party credit risk.

The Company's accounts receivable are with E&P companies, whose revenues may be impacted by fluctuations in commodity prices. In the event such entities fail to meet their contractual obligations to STEP, such failures could have a material adverse effect on STEP's business, financial condition, results of operations, cash flows and future prospects.

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.

The Company's operations are subject to hazards inherent in the oilfield services industry, such as equipment defects, malfunction and failures, and natural disasters which result in fires, vehicle accidents, explosions and uncontrollable flows of natural gas or well fluids that can cause personal injury, loss of life, suspension of operations, damage to formations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. These hazards could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, contamination of drinking water and other environmental damages. The Company continuously monitors its activities for quality control and safety, and although the Company maintains insurance generally in accordance with industry standards to address certain of these risks, such insurance may not be adequate to cover potential liabilities. Insurance may not be available in the future at rates that the Company considers reasonable and commercially justifiable, as the cost and availability of insurance to the Company may be affected by broader industry claim rates and incident trends. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Failure to maintain the Company's safety standards and record could lead to a decline in the demand for services.

Standards for the prevention of incidents in the oilfield services industry are governed by service company safety policies and procedures, accepted industry safety practices, client specific safety requirements and health and safety legislation. In order to ensure compliance, the Company has developed and implemented safety and training programs which it believes meet or exceed the applicable standards. A key factor considered by clients in retaining oilfield service providers is safety. Deterioration of the Company's safety performance could result in a decline in the demand for the Company's services and could have a material adverse effect on its business, financial condition, results of operations and cash flows.

Access to capital may become restricted, more expensive, or repayment could be required.

The Company's business plan may be subject to the availability of additional financing for future costs of operations or expansion that may not be available or may not be available on favourable terms. If the Company's cash flow from operations is not sufficient

to fund its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements on terms acceptable to the Company or at all. The Company's inability to raise capital could impede its ability to execute on its capital program, and could materially adversely affect the business, financial condition and results of operations of the Company.

Covenants under the Company's Credit Facilities, including covenants relating to financial ratios, affect the availability and/or price of funding from the Credit Facilities. In the event that the Company does not comply with such covenants, the Company's access to capital could be restricted, become more expensive, or repayment could be required. This could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. If the Company is unable to repay amounts owing under its Credit Facilities, the lenders could proceed to foreclose or otherwise realize upon any collateral granted to them to secure the indebtedness. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions.

As at December 31, 2022, STEP had \$140.79 million drawn under the Credit Facilities and \$109 million of availability for additional borrowings under the Credit Facilities, subject to Borrowing Base requirements. The degree to which STEP is leveraged could also have important consequences, including: (i) STEP's ability to obtain additional financing for working capital, capital expenditures, or acquisitions may be limited; (ii) all or part of STEP's cash flow from operations may be dedicated to the payment of the principal of and interest on STEP's indebtedness, thereby reducing funds available for operations; and (iii) certain of STEP's borrowings are at variable rates of interest. The Bank of Canada and the U.S. Federal Reserve have each signaled that increased lending rates may be forthcoming. Any increase in applicable interest rates would increase the cost of borrowing and could make obtaining financing or refinancing of debt more challenging for the Company.

The Credit Facilities contain covenants that restrict STEP's ability, and that of certain of its affiliates, to engage in certain transactions and may impair its ability to respond to changing business and economic conditions. These covenants include limitations on, among other things, the ability to: incur additional indebtedness; make or pay dividends or other distributions; make certain other payments, investments, loans and guarantees; sell or dispose of assets; incur or assume liens on assets; engage in transactions with affiliates; and enter into certain mergers, consolidations or amalgamations. In addition, the Credit Facilities require STEP to satisfy certain financial covenants. Future indebtedness or other contracts could contain financial or other covenants more restrictive than those contained in the Credit Facilities.

STEP's ability to comply with these provisions may be affected by general economic conditions, political decisions, regulations, industry conditions and other events beyond its control. A decrease or sustained period of materially reduced client spending and demand for STEP's services may result in non-compliance with the financial covenants in the Credit Facilities and reduced liquidity due to changes in the Credit Facilities. As a result, there is no assurance that STEP will be able to comply with the covenants described above. STEP's failure to comply with the covenants contained in its Credit Facilities, including failure as a result of events beyond its control, could result in an event of default, which could materially and adversely affect its operating results and financial condition. Should STEP anticipate non-compliance with the financial covenants in the Credit Facilities, it would expect to proactively approach its lending syndicate to amend the Credit Facilities to ensure their availability. There is no certainty that STEP would be successful in negotiating any such amendment on terms acceptable to STEP or at all.

If there were an event of default under the Credit Facilities or any other debt instrument of STEP's that may be outstanding from time to time, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately which may cause cross default to other debt. There is no assurance that STEP's assets or cash flow would be sufficient to fully repay borrowings under its outstanding debt instruments if accelerated upon an event of default, or that it would be able to repay, refinance or restructure the payments on those debt instruments.

Actual results may differ materially from management estimates and assumptions.

In preparing consolidated financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. Estimates may be used in management's assessment of items such as business combinations, allowance for doubtful accounts, impairment of assets, net realizable value of inventory, depreciation, functional currency, income taxes, share-based payments and litigation. Actual results for all estimates could differ materially from the

estimates and assumptions used by the Company, which could have a material adverse effect on STEP's business, financial condition, results of operations, cash flows and future prospects.

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 Company is, and from time to time 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 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. If any claims which the Company may be subject to in the future, were to be determined in a manner adverse to the Company or if the Company elects to settle one or more of such claims, it could have a material adverse effect on its business, financial condition, results of operations and cash flows.

The direct and indirect costs of various GHG regulations, existing and proposed, may adversely affect the Company's business, operations and financial results.

The oil and natural gas industry's facilities and other activities emit GHGs, and both E&P companies and oilfield services providers may be required to comply with GHG emissions legislation and regulatory requirements in Canada and the U.S. GHG and related climate change policies are evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Examples of such legislation, regulatory requirements, and climate initiatives include:

- Announcements and legislation on GHG emissions as a result of the *United Nations Framework Convention on Climate Change*, related Copenhagen Agreement and Paris Agreement, and various Conference of the Parties (COP).
 - In particular, the Federal government of Canada has announced that it would impose a cap on emissions from the oil and gas sector following COP 26, and provinces have also implemented various provincial regulations regarding GHG emissions that affect the oil and gas sector (such as Alberta's *Technology Innovations and Emissions Reduction* (TIER) regulation, and B.C.'s *Climate Change Accountability Act and Greenhouse Gas Industrial Reporting and Control Act*).
- In the U.S., changes to the *Clean Air Act* ("CAA") and related EPA initiatives, including the Oil and Natural Gas Sector: New Source Performance Standards ("NSPS"), all seek to directly or indirectly regulate emissions from most operations associated with oil and natural gas production facilities. EPA proposed revisions in November 2022 to strengthen and expand the NSPS, including through increased leak monitoring requirements, limitations on flaring, and the implementation of a "super-emitter response program." The U.S. Federal government has also announced the U.S.'s return to participation in the Paris Agreement, and U.S. President Biden has announced a commitment to reduce national GHG emissions fifty percent (50%) from 2005 levels by 2030.
- Construction and operating permit requirements under the CAA for GHG emissions from stationary sources that already emit conventional pollutants (i.e., sulfur dioxide, particulate matter, nitrogen dioxide, carbon monoxide, ozone, and lead) above certain thresholds.
- EPA reporting requirements, which require annual reporting of GHG emissions for persons operating certain types of industrial operations, including oil and gas production, transmission and storage operations that emit 25,000 metric tons or more of carbon dioxide equivalent per year.
- Carbon levies and carbon pricing initiatives applied to fossil fuel use, including those under Canada's *Greenhouse Gas Pollution Pricing Act*.
- Net zero carbon emission requirements, including those under the *Canadian Net-Zero Emissions Accountability Act and the proposed Clean Electricity Standard*, that would require reducing greenhouse-gas emissions with the objective of reaching net-zero emissions.
- Methane emissions reduction initiatives, such as Alberta's Methane Emission Reduction Regulation; B.C.'s Drilling and Production Regulation; the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector); and the Global Methane Pledge and the Methane Reduction Program under the U.S. *Inflation Reduction Act*, which provides for financial assistance (grants, rebates, contracts, loans, and other activities) and technical assistance to reduce methane emissions from the oil and gas sector and a charge on methane emissions that exceed a certain threshold.
- Clean fuel standards that are intended to reduce the carbon intensity of fuels, including the Clean Fuel Regulations that require fuel suppliers to gradually reduce the carbon intensity of fuels they produce and sell for use in Canada.

Any future legislative and regulatory changes could require the Company or its customers to incur additional costs and to reduce emissions associated with their operations, potentially resulting in a decrease in E&P activity. The direct or indirect costs of compliance with these regulations may also have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. Such legislative and regulatory items could also increase the cost of consumption, and thereby reduce demand for the oil, NGLs and natural gas the Company's clients produce. Given the evolving nature of the scientific, policy, and regulatory debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict with certainty the impact on the Company and its operations and financial condition.

The Company's internal controls may not be sufficient to ensure the Company maintains control over its financial processes and reporting.

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken and will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those that may be imposed on it under applicable securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. Additionally, implementing and monitoring effective internal controls can be costly. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and harm the trading price of the Common Shares.

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.

The Company considers acquisitions and dispositions of businesses and assets in the ordinary course of business. Any acquisition that the Company completes could have unforeseen and potentially material adverse effects on the Company's financial position and operating results. Some of the risks involved with acquisitions include unanticipated costs and liabilities; difficulty integrating the operations and assets of the acquired business; inability to properly access and maintain an effective internal control environment over an acquired company; potential loss of key professionals and clients of the acquired company; and increased expenses and working capital requirements.

The Company may incur substantial indebtedness to finance acquisitions and may also issue equity securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on the Company's results of operations and financial condition and the issuance of additional equity could be dilutive to the Company's shareholders.

Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Company's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Company. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The inability of the Company to realize the anticipated benefits of acquisitions and dispositions could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

There can be no assurance that the steps the Company takes to protect its intellectual property rights will prevent misappropriation or infringement.

The success and ability of the Company to compete depends on the proprietary technology of the Company, proprietary technology of third parties that has been, or is required to be, licensed by the Company and the ability of the Company and such third parties to prevent others from copying such proprietary technology. The Company currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trademark laws, trade secrets, confidentiality procedures, contractual provisions, licences and patents to protect its proprietary technology. The Company also relies on third parties from whom licences have been received to protect their proprietary technology. The Company may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This kind of litigation can be time-consuming and expensive, regardless of whether the Company is successful. The process of seeking patent protection can itself be long and expensive, and there can be no assurance that any patent applications of the Company or such third parties will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Company. Furthermore, others may

develop technology that is similar or superior to the technology of the Company or such third parties or design technology in such a way as to bypass the patents owned by the Company and/or such third parties.

Despite the efforts of the Company or such third parties, the intellectual property rights, particularly existing or future patents, of the Company or such third parties may be invalidated, circumvented, challenged, infringed or required to be licensed to others. It cannot be assured that any steps the Company or such third parties may take to protect their intellectual property rights and other rights to such proprietary technology that is central to the Company's operations will prevent misappropriation or infringement or the termination of licenses from third parties.

Improper access to confidential information could adversely affect the Company's business.

While discussing potential business relationships or other transactions with third parties, STEP may disclose confidential information relating to its business, operations or affairs. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put STEP at competitive risk and may have a material adverse effect on its business. The harm to STEP's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, STEP will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause. In addition, the Company's efforts to protect its confidential information, as well as the confidential information of its clients, may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or malfeasance, lost or damaged data as a result of a natural disaster, data breach, intentional harm done to software by hackers or other factors. Any of these events could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Some of the Company's directors and officers have conflicts of interest as a result of their involvement with other oilfield services companies.

Certain of the Company's directors and officers are also directors and officers of other oilfield services companies, and conflicts of interest may arise between their duties as officers and directors of STEP and as officers and directors of such other companies. To the extent that such other companies may participate in ventures in which the Company may participate, or in ventures which the Company may seek to participate, the Company's directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where the Company's directors and officers have an interest in other companies, such other companies may also compete with the Company in order to provide oilfield services to clients. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's profitability, results of operation and financial condition. As a result of these conflicts of interest, the Company may miss the opportunity to participate in certain transactions, which may have a material adverse effect on the Company's financial position.

Risks Related to the Common Shares and Other Risks

The price of the Common Shares could be volatile.

A number of factors could influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry related developments and the impact of changes in the Company's daily operations. Each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in the Company's earnings estimates or other financial or operating metrics by securities analysts and the market prices of the securities of the Company's competitors may also lead to fluctuations in the trading price of the Common Shares.

The ARC Funds maintain control of the Company.

ARC Energy Fund 6 and ARC Energy Fund 8 beneficially own or control 13,588,546 Common Shares and 26,654,454 Common Shares, respectively, which in the aggregate represent approximately 56.21% of the Company's issued and outstanding Common Shares. As a result, the ARC Funds collectively have the ability to control (or veto) certain matters submitted to the Company's shareholders for approval, including without limitation the election and removal of directors. Practically, the ARC Funds also collectively hold a sufficient proportion of the Common Shares to effectively control (or veto) or otherwise significantly influence matters requiring approval of 66 2/3% of the Company's shareholder present at a meeting thereof, including, without limitation, amendments to the Company's articles and by-laws and the approval of any business combination. This may negatively affect the attractiveness of the Company to third parties considering an acquisition of the Company or cause the market price of the Common Shares to decline. In addition, the ARC Funds are entitled to nominate up to three directors for election pursuant to the Investor

Rights Agreement depending on the aggregate percentage of Common Shares they hold from time to time. The interests of the ARC Funds may not in all cases be aligned with interests of the Company's shareholders. In addition, the ARC Funds may have an interest in pursuing acquisitions, divestitures and other transactions that in the judgement of its management could enhance its equity investment, even though such transactions might involve risks to the Company's shareholders and may ultimately affect the market price of the Common Shares. So long as the ARC Funds or their affiliates continue to own, directly or indirectly, a significant amount of the Common Shares and/or otherwise control a majority of the Board, the ARC Funds (or their affiliates) will continue to be able to strongly influence or effectively control the Company's decisions.

Refer to the *Principal Shareholders* section of this AIF.

The ARC Funds are in the business of making investments in companies and have made investments in or may in the future make investments in businesses that directly or indirectly compete with certain portions of the Company's business or are suppliers or clients of the Company.

There may be no return on investment in the Common Shares.

There is no assurance that the business of the Company will be operated successfully, or that the business will generate sufficient income to allow investors to recoup all or any portion of their investment. There is no assurance that an investment in the Common Shares will earn a specified rate of return or any return over the life of the investment.

The Common Shares will be subject to further dilution.

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. The sale of a substantial number of the Common Shares in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Shares and negatively impact the Company's ability to raise equity capital in the future.

Residents of the U.S. may have limited ability to enforce civil remedies.

STEP is organized under the laws of Alberta, Canada and its principal places of business are in Canada. The majority of STEP's directors and officers and the experts named herein are residents of Canada. As a result, it may be difficult for investors in the U.S. to effect service of process within the U.S. upon those directors, officers and experts who are not residents of the U.S. or to enforce against them judgments of U.S. courts based upon civil liability under the U.S. federal securities laws or the securities laws of any state within the U.S. There is doubt as to the enforceability in Canada against STEP or against any of the Company's directors, officers or experts who are not residents of the U.S. in original actions or in actions for enforcement of judgments of U.S. courts of liabilities based solely upon the U.S. federal securities laws or the securities laws of any state within the U.S.

The Company has no plans to pay dividends.

The Company currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Common Shares. Any future determinations to pay dividends on the Common Shares will be at the sole discretion of the Board of Directors after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends. In addition, the Company's ability to pay dividends may be restricted by restrictions and/or limitations imposed by the Credit Agreement or any other future outstanding indebtedness of the Company. As a result, a holder of Common Shares may not receive any return on an investment in the Common Shares.

ESG goals, programs, and reporting are increasingly being used as criteria by capital providers and investors as a priority for the oil and gas industry, and access to capital and investors for companies not prioritizing ESG may become increasingly limited.

Spurred by increasing concerns regarding climate change, the oil and gas industry faces growing demand for corporate transparency and a demonstrated commitment to sustainability goals. ESG goals and programs, which typically include extralegal targets related to environmental stewardship, social responsibility and corporate governance, have become an increasing focus of

investors and shareholders across the industry. While reporting on ESG metrics remains voluntary, access to capital and investors is likely to favor companies with robust ESG programs in place.

Additional information on the risks, assumptions and uncertainties are found in the *Forward-Looking Information & Statements* section of this AIF.

Legal Proceedings and Regulatory Actions

There are no legal proceedings that the Company is or was a party to, or that any of its property is or was a subject of, during the most recently completed financial year that were or are material to the Company, nor are any such legal proceedings known to the Company to be contemplated which could be deemed material to the Company.

To the knowledge of management of the Company, there have not been any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, and the Company has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

Interest of Management and Others in Material Transactions

To the knowledge of the directors and officers of the Company, none of the directors or executive officers of the Company, nor any person or Company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, nor any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the Company's current year or in any proposed transaction which has materially affected or is reasonably expected to materially affect the Company.

Auditors, Transfer Agent and Registrar

The external auditors of the Company are KPMG LLP, Chartered Professional Accountants, 3100, 205 5th Avenue S.W., Calgary, Alberta T2P 4B9. KPMG LLP has been the Company's auditors since 2011.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

Material Contracts

Other than the following agreement entered into by STEP in connection with the Company's Credit Facilities, which can be found on SEDAR under the Company's profile (www.sedar.com):

- Third Amended and Restated Credit Agreement dated July 12, 2022;

the Company did not enter into any material contracts outside the ordinary course of business during the year ended December 31, 2022, nor has it entered into any material contracts outside the ordinary course of business prior to the year ended December 31, 2022 which are still in effect as at the date of this AIF. The above referenced amending agreement is further described in the *Description of Capital Structure & Dividend Policy – Credit Facilities* section of this AIF.

Interests of Experts

KPMG LLP have confirmed with respect to the Company that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

Other than as set out above, no other experts (whose profession or business gives authority to a report, valuation, statement or opinion made by them) were named in any securities disclosure document filed by the Company pursuant to NI 51-102 in the most recently completed financial year.

Additional Information

Additional information in relations to the Company may be found under STEP's profile on SEDAR (www.sedar.com). Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed year, which may be found on SEDAR under the Company's profile (www.sedar.com). Additional information including directors' and officers' remuneration and indebtedness, principal holders of STEP's securities and securities authorized for issuance under equity compensation plans (all where applicable), is contained in STEP's management information circular for its most recent annual meeting of shareholders that involved the election of directors and can be found under the Company's profile (www.sedar.com).

Schedule “A” – Abbreviations, Definitions & Conventions

“ABCA” means the *Business Corporations Act* (Alberta), as amended.

“AER” means the Alberta Energy Regulator.

“AIF” means this Annual Information Form.

“Annual Financial Statements” means the audited consolidated financial statements of STEP for the year ended December 31, 2022, together with the notes thereto and the auditor’s report thereon.

“ARC Energy Fund 6” means, collectively, 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.

“ARC Energy Fund 8” means, collectively, 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.

“ARC Funds” means ARC Energy Fund 6 and ARC Energy Fund 8.

“ARC Group” means ARC Energy Fund 6 and ARC Energy Fund 8, and the investors therein and other related funds advised by ARC Financial Corp., collectively.

“BLM” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“Board” means the board of directors of the Company.

“CCAA” means *Companies’ Creditors Arrangement Act*.

“CCS” means cross currency swap.

“CERCLA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“Code” means the Company’s Code of Business Conduct and Ethics.

“Common Shares” means the common shares in the capital of STEP.

“COVID-19” has the meaning set out in the *Risk Factors – Risks Related to the Company – 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* section of this AIF.

“Credit Agreement” means the Third Amended and Restated Credit Agreement dated July 12, 2022, between STEP Energy Services Ltd. and STEP Energy Services (UDA) Ltd., as borrowers, and ATB Financial and Canadian Imperial Bank of Commerce and the other financial institutions named therein, as lenders, and ATB Financial, as administrative agent and Canadian Imperial Bank of Commerce as syndication agent; as amended, restated, supplemented, replaced or otherwise modified from time to time.

“Credit Facilities” means the Company’s syndicated credit facilities pursuant to the Credit Agreement, as further set out in the *Capital Structure & Dividend Policy – Credit Facilities* section of this AIF.

“CWA” has the meaning set out in the *Other Business Information – Regulation – Water Discharges* section of this AIF.

“Demand Distribution” has the meaning set out in the *Investment Rights Agreement – Registration Rights* section of this AIF.

“Demanding Shareholder” has the meaning set out in the *Investment Rights Agreement – Registration Rights* section of this AIF.

“Distribution” has the meaning set out in the *Description of Capital Structure & Dividend Policy – Common Shares* section of this AIF.

“DSU” means a right to receive a cash payment equal to the trading price of the Common Shares on the date of exercise granted under the DSU Plan.

“DSU Plan” means the deferred share unit plan of the Company which was adopted in connection with the IPO.

“E&P” means oil and gas exploration and production.

“EMA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“EPA” means the U.S. Environmental Protection Agency.

“EPEA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“ESA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“ESG” means Environmental, Social and Governance.

“IFRS” means International Financial Reporting Standards.

“Gasfrac” means, collectively, Gasfrac Energy Services Inc., Gasfrac Energy Services Limited Partnership, Gasfrac Services GP Inc., Gasfrac US Holdings Inc., Gasfrac Energy Services (US) Inc. and Gasfrac Luxembourg S.A.R.L.

“GHG” means greenhouse gases.

“HP” means horsepower.

“Investment Rights Agreement” has the meaning set out in the *Investment Rights Agreement* section of this AIF.

“IPO” means the Company's initial public offering, completed on May 2, 2017.

“MD&A” means the Management's Discussion and Analysis, filed on March 1, 2023 in conjunction with the Annual Financial Statements.

“New Option” means an option to purchase a Common Share granted under the New Option Plan.

“New Option Plan” means the new stock option plan of the Company which was adopted in connection with the IPO.

“NGL” means natural gas liquid.

“O&G” means oil and gas.

“OGAA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“OGCA” has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

“OPEC” means the Organization of Petroleum Exporting Countries.

“OPEC+” means OPEC, Russia and certain other oil-producing countries.

“Participating Shareholder” has the meaning set out in the *Investment Rights Agreement – Registration Rights* section of this AIF.

“Performance Warrants” means the performance warrants issued to directors, officers, employees and consultants of the Company, no further awards of which are to be granted since the closing of the IPO. Each whole Performance Warrant is exercisable for one-fifth of a post-consolidation Common Share upon the payment of the applicable exercise price.

“Piggyback Distribution” has the meaning set out in the *Investment Rights Agreement – Registration Rights* section of this AIF.

"Prior Option" means an option to purchase a Common Share granted under the Prior Option Plan. Each whole Prior Option is exercisable for one-fifth of a post-consolidation Common Share upon payment of the applicable exercise price.

"ProPetro" means ProPetro Holding Corp.

"Prior Option Plan" means the stock option plan of the Company dated March 28, 2011 under which no further awards are to be granted since the closing of the IPO.

"proppant" is a solid material, typically sand, treated sand or man-made ceramic materials, designed to keep an induced hydraulic fracture open, during or following a fracturing treatment.

"PRSU Plan" means the performance and restricted share unit plan of the Company which was adopted in connection with the IPO.

"PSU" means a right to receive a Common Share, based upon the achievement of certain performance criteria and granted under the PRSU Plan.

"RCRA" has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

"RRC" has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

"RSU" means a right to receive a Common Share under the PRSU Plan.

"Sanjel" means Sanjel Corporation and Sanjel Canada Ltd.

"SDWA" has the meaning set out in the *Other Business Information – Regulation – Disposal Wells* section of this AIF.

"SEDAR" means the System for Electronic Document Analysis and Retrieval.

"TSX" means the Toronto Stock Exchange.

"Tucker" means Tucker Energy Services Holdings, Inc.

"Tucker Acquisition" means the acquisition of all of the issued and outstanding capital stock of Tucker which closed on April 2, 2018, pursuant to the stock purchase agreement among the Company, STEP Energy Services (Holdings) LLC, and Tucker Energy Services Ltd. dated February 22, 2018.

"UIC" has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

"U.S." means United States.

"WCSB" means the Western Canadian Sedimentary Basin.

"WOTUS" has the meaning set out in the *Other Business Information – Regulation* section of this AIF.

Schedule “B” – Audit Committee Mandate

Introduction

The Audit Committee (the “Committee”) is a committee of the Board whose primary function is to assist the Board by:

1. working with the Chief Executive Officer to recruit persons to hold key positions in the financial management of STEP including the Chief Financial Officer, the Controller and any other persons hired to be the primary interface between STEP and its financial agents, lenders or shareholders;
2. recommending to the Board for consideration and further recommendation to the shareholders the appointment and compensation of the external auditor;
3. overseeing the work of the external auditor, including gaining an understanding of disagreements between the external auditor and management;
4. overseeing the assignment of non-audit services to the external auditor, including but not restricted to pre-approving all non-audit services (or delegating such pre-approval, if and to the extent permitted by law) to be provided to STEP or its subsidiary entities (“subsidiaries”) by the external auditor;
5. reviewing and approving any proposed hiring of any current or former partner or employee of the current or former external auditor of STEP or its subsidiaries;
6. establishing procedures for the receipt, retention and treatment of complaints received by STEP regarding accounting, internal controls or auditing matters, and for anything that may be required beyond STEP's Whistleblower Policy for the confidential, anonymous submission by employees of STEP or its subsidiaries of concerns regarding questionable accounting or auditing matters;
7. reviewing and approving the quarterly financial statements, the related Management's Discussion and Analysis (“MD&A”), and similar financial information provided by STEP to any governmental body, the shareholders of STEP or the public, including by way of press release;
8. reviewing and recommending that the Board approve annual financial statements, the related MD&A, and similar financial information provided by STEP to any governmental body, the shareholders of STEP or the public, including by way of press release; and
9. satisfying itself that adequate procedures are in place for the compilation, calculation and review of STEP's disclosure of financial information, other than as described in 7 above, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.

The Committee should primarily fulfill these roles by carrying out the activities enumerated in this Mandate.

Composition and Meetings

1. The Committee must be comprised of a minimum of three directors, as appointed by the Board, each of whom shall be independent within the meaning of National Instrument 52-110–Audit Committees (“NI 52-110”) of the Canadian Securities Administrators unless the Board determines that an exemption contained in NI 52-110 is available and determines to rely thereon, and free of any relationship that, in the opinion of the Board, would interfere with the exercise of their independent judgment as a member of the Committee.
2. All of the members of the Committee must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being “financially literate” means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by STEP's financial statements.
3. The members of the Committee and its Chair shall be elected by the Board on an annual basis, or until they are removed or their successors are duly appointed.
4. The members of the Committee may be removed or replaced by the Board at any time. The Chair of the Committee may be removed by the Board at any time. Any member shall automatically cease to be a member of the Committee on ceasing to be a director. The Board may fill vacancies on the Committee. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains.
5. The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee should meet within forty-two (42) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within eighty-five (85) days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

6. The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them and shall be permitted to discuss such information and any other matters relating to the financial position of STEP with senior employees, officers and the external auditor, and others as they consider appropriate. For greater certainty, corporate information includes information relating to STEP's affiliates, subsidiaries and their respective operations.
7. In order to foster open communication, the Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with STEP's interim financial statements and the Committee should meet not less than quarterly with the auditors, independent of the presence of management.
8. At all meetings of the Committee every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote and in such cases the undecided matter should be referred to the Board as a whole.
9. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.
10. Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, any Lead Director, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary shall also be entitled to call a meeting.
11. Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of each meeting will be recorded and reviewed for errors or omissions and then filed with the Corporate Secretary and made available to any director at any time. The Committee should report on its activities at each quarterly meeting of the Board or more frequently as material issues are addressed by the Committee. It will be the responsibility of the Chair to report to the Board or delegate such reporting.
12. Any issue arising from these meetings that bear on the relationship between the Board and management should be communicated to the Board by a member of the Committee, the Committee being responsible to designate the member responsible for such report.

Role

In addition to the matters described in the Introduction, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

- A. General
 - Review and recommend to the Board changes to this Mandate, as considered appropriate from time to time.
 - Review any and all disclosure regarding the Committee as contemplated by NI 52-110.
 - Oversee by direct involvement or by delegation to the Disclosure Committee of management the disclosure of STEP's quarterly and annual financial statements and related filings.
 - Summarize in STEP's disclosure materials the Committee's composition and activities, as required.
- B. Internal Controls. Satisfy itself on behalf of the Board with respect to STEP's internal control systems, including in particular but not exclusively:
 - matters relating to derivative instruments;
 - management's identification, monitoring and development of strategies to avoid and/or mitigate business risks;
 - the adequacy of the security measures that are in place in respect of STEP's information systems and the information technology that is utilized by STEP; and
 - ensuring compliance with legal and regulatory requirements.
- C. Documents/ Reports Review
 - Review and recommend to the Board for approval STEP's annual financial statements; and
 - Review and approve STEP's quarterly financial statements, including in each case any certification, report, opinion or review rendered by the external auditor, and related MD&A.
 - The process of reviewing annual and quarterly financial statements should include but not be limited to:
 - reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;

- reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing financial reporting relating to asset retirement obligations;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors;
 - obtaining explanations of significant variances with comparative reporting periods; and
 - determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.
- Review the financial statements, prospectuses, MD&A, AIF's and all public disclosure containing financial information that is based upon the financial statements of STEP that has not previously been released, before release and prior to Board approval, if required.
 - Seek to ensure that adequate procedures are in place for the review of STEP's disclosure of financial information extracted or derived from STEP's financial statements and periodically assess the adequacy of those procedures.

D. External Auditor

- Recommend to the Board the nomination of the external auditor for shareholder approval, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor. Instruct the external auditor that its ultimate client is the shareholders of STEP as a group.
- Advise the external auditor that it is required to report directly to the Committee, and not to management of STEP and, if it has any concerns regarding the conduct of the Committee or any member thereof, it should contact the Chair of the Board or any other director.
- Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- Review and discuss, on an annual basis, with the external auditor all significant relationships they have with STEP, its management or employees to determine their independence.
- Review and approve requests for any material management consulting or other engagement to be performed by the external auditor and be advised of any other material study undertaken by the external auditor at the request of management that is beyond the scope of the audit engagement letter and related fees.
- Review the performance of the external auditor and any proposed dismissal or non-renewal of the external auditor when circumstances warrant.
- Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has or has not taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- Review with external auditors (and internal auditor if one is appointed by STEP) their assessment of the internal controls of STEP, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.
- Communicate directly with the external auditor and arrange for the external auditor to report directly to the Committee.
- Communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the full Board as needed.

E. Financial Reporting Processes

- Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as the Committee sees fit.
- Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of STEP's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices relative to STEP's peers.
- Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- Consider proposed major changes to STEP's accounting principles and practices.

F. Reporting Process

- If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

- Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
 - Review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of STEP and its subsidiaries.
 - Periodically consider the need for an internal audit function, if not present.
 - Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
 - Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
 - Where there are significant unsettled issues between management and the external auditors that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
 - Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
 - Review the system in place to seek to ensure that the financial statements, related MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.
 - When there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.
- G. Risk Management
- Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
 - Review, not less than quarterly, a mark to market assessment of STEP's hedge positions and counterparty credit risk and exposure.
- H. General
- If considered appropriate, conduct or authorize investigations into any matters within the Committee's scope of activities. The Committee is empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of STEP) the compensation for any such advisors.
 - Perform any other activities as the Committee deems necessary or appropriate.

Complaint Procedures

- A. Submitting a Complaint
- Anyone may submit a whistle blower notice or complaint regarding conduct by STEP or its subsidiaries or their respective employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair or in his/her absence or by his/her delegation, any other member of the Committee should oversee the treatment of such complaints.
- B. Procedures
- The Chair of the Committee is designated to receive and administer or supervise the administration of employee complaints with respect to accounting or financial control matters.
 - In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint in accordance with STEP's Whistleblower Policy, and such complaint shall be addressed in accordance with that policy.
- C. Records and Report
- The Chair of the Committee should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Committee.