

STEP

energy services

TSX STEP

Third Quarter

Management Discussion and Analysis

As at and for the three and nine months ended September 30, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) for STEP Energy Services Ltd. (“STEP” or the “Company”) has been prepared by management as of November 13, 2024 and is a review of the Company’s financial condition and results of operations based on IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board. It should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto as at and for the three and nine months ended September 30, 2024 (the “Quarterly Financial Statements”) and the audited consolidated financial statements as at and for the year ended December 31, 2023 (the “Annual Financial Statements”) and related MD&A (the “Annual MD&A”). Readers should also refer to the “Forward-Looking Information & Statements” legal advisory and the section regarding “Non IFRS Measures and Ratios” at the end of this MD&A. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR+ website at www.sedarplus.ca, including the Company’s Annual Information Form for the year ended December 31, 2023 dated March 11, 2024 (the “AIF”).

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

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

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

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CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

(\$000s except percentages and per share amounts)	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023
Consolidated revenue	\$ 255,991	\$ 255,235	\$ 807,512	\$ 750,676
Net income (loss)	\$ (5,460)	\$ 20,734	\$ 46,366	\$ 55,663
Per share-basic	\$ (0.08)	\$ 0.29	\$ 0.65	\$ 0.77
Per share-diluted	\$ (0.08)	\$ 0.28	\$ 0.62	\$ 0.74
Adjusted EBITDA ⁽¹⁾	\$ 43,800	\$ 52,286	\$ 164,999	\$ 145,142
Adjusted EBITDA % ⁽¹⁾	17%	21%	20%	19%
Free Cash Flow ⁽¹⁾	\$ 28,404	\$ 37,121	\$ 102,347	\$ 87,269
Per share-basic	\$ 0.40	\$ 0.51	\$ 1.43	\$ 1.21
Per share-diluted	\$ 0.40	\$ 0.49	\$ 1.38	\$ 1.17

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

OPERATIONAL REVIEW

(\$000s except days, proppant pumped, crews, horsepower and units)	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2024	2023	2024	2023
Fracturing services				
Fracturing operating days ⁽²⁾	360	407	1,304	1,273
Proppant pumped (tonnes)	594,000	589,000	2,064,000	1,693,000
Fracturing crews	7	8	7	8
Dual fuel horsepower ("HP"), ended	367,050	205,250	367,050	205,250
Total HP, ended	490,000	478,750	490,000	478,750
Coiled tubing services				
Coiled tubing operating days ⁽²⁾	1,340	1,311	4,060	3,713
Active coiled tubing units, ended	22	21	22	21
Total coiled tubing units, ended	35	35	35	35

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

(\$000s except shares)	September 30		December 31,	
	2024		2023	
Cash and cash equivalents	\$	1,482	\$	1,785
Working Capital (including cash and cash equivalents) ⁽¹⁾	\$	60,643	\$	42,104
Total assets	\$	665,361	\$	606,519
Total long-term financial liabilities ⁽¹⁾	\$	89,536	\$	118,970
Net Debt ⁽¹⁾	\$	60,725	\$	87,844
Shares outstanding		71,728,384		72,233,064

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

THIRD QUARTER 2024 HIGHLIGHTS

- Consolidated revenue for the three months ended September 30, 2024 of \$256.0 million, in line with revenue of \$255.2 million for the three months ended September 30, 2023 and an increase of 11% from \$231.4 million for the three months ended June 30, 2024.
- Net loss for the three months ended September 30, 2024 of \$5.5 million (\$0.08 loss per diluted share) compared to net income of \$20.7 million (\$0.28 per diluted share) in the same period of 2023 and \$10.5 million (\$0.14 per diluted share) for the three months ended June 30, 2024. Included in net income for three months ended September 30, 2024 was:
 - share based compensation expense of \$1.0 million, compared to \$4.0 million in the same period of the prior year, and;
 - impairment expense of \$12.7 million compared to nil in the same period of the prior year. The impairment was taken on real estate and legacy Tier 1 and Tier 2 diesel engine powered fracturing pumps and associated ancillary fracturing equipment held in the U.S. fracturing cash generating unit.
- For the three months ended September 30, 2024, Adjusted EBITDA was \$43.8 million (17% of revenue) compared to \$52.3 million (21% of revenue) in Q3 2023 and \$41.7 million (18% of revenue) in Q2 2024.
- Free Cash Flow for the three months ended September 30, 2024 was \$28.4 million compared to \$37.1 million in Q3 2023 and \$20.5 million in Q2 2024.
- STEP also made significant progress on debt reduction during the quarter while continuing to invest into the long-term sustainability of the business:
 - The Company had Net Debt of \$60.7 million at September 30, 2024, compared to \$87.8 million at December 31, 2023 and \$75.8 million at June 30, 2024. STEP has reduced Net Debt by \$245 million from peak levels in 2018.
 - The Company invested \$17.7 million into sustaining and optimization capital budget expenditures. Optimization capital continues to be focused on the upgrade of fracturing fleets with the latest Tier 4 dual fuel engine technology, which displaces up to 85% of diesel with natural gas. At September 30, 2024, 75% of the Tier 2 and Tier 4 engines in STEP's fracturing fleet have been transitioned to dual fuel technology.
- Working Capital as at September 30, 2024 of \$60.6 million was \$18.5 million higher than the \$42.1 million at December 31, 2023 and lower by \$4.0 million compared to the \$64.6 million as at June 30, 2024. Working capital fluctuations are typical and are influenced by activity levels and timing of client receipts.
- Subsequent to September 30, 2024, the Company entered into a definitive agreement with its major shareholder (ARC Energy Fund 8) and 2659160 Alberta Ltd. pursuant to which 2659160 Alberta Ltd. would acquire, via plan of arrangement, all the issued and outstanding common shares of STEP not already owned, directly or indirectly, by ARC Energy Fund 6 and ARC Energy Fund 8, and after which it is expected that the Company's shares will be delisted from trading on the TSX and STEP would cease to be a reporting issuer. Refer to the subsequent event note below for more details.

THIRD QUARTER 2024 OVERVIEW

Benchmark natural gas prices in the third quarter showed continued weakness, with the average benchmark U.S. Henry Hub and Canadian AECO natural gas prices declining from the second quarter. Henry Hub averaged \$2.23/MMBtu in Q3, down from \$2.31/MMBtu in Q2 (USD), while AECO averaged \$0.70/Mcf in Q3, down from \$1.20/Mcf in Q2 (CAD). The AECO price was the lowest quarterly average price in 20 years, and while the impact of this is muted for many Canadian gas producers as they rely more heavily on the associated natural gas liquids production which is tied more closely to the price of oil, the pricing weakness prompted some operators to shut in production, primarily in the dry gas regions, and to defer completion activities into Q4 or into 2025. Oil prices declined as well, with the benchmark West Texas Intermediate ("WTI") crude price retreating to \$75.27/barrel, down from \$80.64/barrel (USD) in Q2.

Oilfield service levels are primarily reflected in publicly reported drilling rig counts and estimates made by analysts on fracturing crews. Land based drilling rigs in the U.S. continued to slide, retreating to an average of 565 rigs in the third quarter, down from 583 in the second quarter. Canadian rig counts averaged 207 during the third quarter, up from 120 in the second quarter but in line with the seasonal recovery that is typical in this quarter. Primary Vision, an independent energy research and business intelligence company, reported that U.S. fracturing fleets declined in the third quarter to an average of 233, down from 253 in the second quarter.

STEP's Canadian geographic region generated quarterly revenue of \$210.7 million and Adjusted EBITDA of \$49.4 million. STEP's reputation in the Canadian market as a technical leader and focus on strong client alignment continue to drive the success of these operations. Activity during the third quarter benefited from longer term client commitments that STEP has secured. Revenue during the third quarter for the fracturing operations increased compared to the prior year as activity levels and operating efficiencies continue to improve, driving an increase in both operating days and proppant volumes. STEP continues to increase its proppant throughput with 570 thousand tonnes pumped during the quarter and 1,630 thousand tonnes pumped for the year to date, compared to 310 thousand tonnes and 910 thousand tonnes, respectively, in the comparable periods of the prior year. STEP's focus on working with clients with larger scale programs has been a key contribution to the improvements within STEP's coiled tubing operations, with operating days increasing against comparable periods of the prior year as well.

STEP's U.S. geographic region generated quarterly revenue of \$45.3 million and an Adjusted EBITDA loss of \$1.4 million, a decline sequentially and year over year. The U.S. coiled tubing business remains resilient but was also impacted by an increasingly competitive spot market resulting in a slight decline in activity sequentially, although year over year activity remains higher. Pricing pressures have continued within the coiled tubing operations, however, alignment with some of the largest operators in each basin continues to be a positive factor for this service line. The tight market conditions resulted in STEP scaling back to 12 active coiled tubing units in the third quarter, but STEP will continue to look for opportunities to reactivate units when market conditions warrant. Challenging market conditions and client consolidation continued to impact STEP's U.S. fracturing operations resulting in significantly fewer operating days in the period compared to the prior year. One fleet was active in the quarter, with work at the beginning and end of the quarter. The work was completed to STEP's high standard and exceeded client expectations, but continual pricing pressure from competitors meant that the contracts were not extended. STEP carried additional costs in the fracturing service line during the quarter to maintain optionality and preserve value as it evaluated different scenarios for the future of the service line.

STEP's consolidated revenue in the third quarter was \$256.0 million, in line with the same period last year, but Adjusted EBITDA of \$43.8 million (17% Adjusted EBITDA margin) was down from \$52.3 million (21% Adjusted EBITDA margin) in the same period last year. The margin compression is the result of the ongoing pricing pressures in the U.S. and Canada stemming from the low natural gas prices and the cumulative effect of several years of high inflation increasing the Company's cost profile.

Net loss was \$5.5 million in Q3 2024 (\$0.08 diluted loss per share), sequentially lower than the \$20.7 million in Q2 2024 (\$0.28 diluted earnings per share) and the \$15.3 million in Q2 2023 (\$0.21 diluted earnings per share). Net loss included \$1.0 million in share-based compensation expense (Q2 2024 - \$2.1 million, Q3 2023 - \$4.0 million expense), \$4.3 million in finance costs (Q2 2024 - \$2.8 million, Q3 2023 - \$2.9 million) and \$12.7 million in impairment expense (Q2 2024 - \$nil, Q3 2023 - \$nil). The impairment was taken on real estate and legacy Tier 1 and Tier 2 diesel engine powered fracturing pumps and associated ancillary fracturing equipment held in the U.S. fracturing cash generating unit.

Free Cash Flow was \$28.4 million in Q3 2024 (\$0.40 diluted Free Cash Flow per share), sequentially higher than the \$20.5 million in Q2 2024 and lower than the \$37.1 million in Q3 2023. STEP continues to generate positive Free Cash Flow enabling the Company to continue to upgrade its asset base as well as deliver on its shareholder return framework. STEP invested \$21.3 million into capital expenditures during Q3 2024 to further transition its asset base to next generation technology and meet client demands for solutions that reduce both costs and emissions. Phase one of STEP's shareholder return framework is the focus on deleveraging the balance sheet. Net Debt decreased to \$60.7 million at the close of Q3 2024 from \$75.8 million at close of Q2 2024. Net Debt is now \$245 million lower than peak levels in 2018. The reduction in Net Debt and improvement in Adjusted EBITDA resulted in a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.43:1.00, well under the limit of 3.00:1 in the Company's Credit Facilities (as defined in *Capital Management – Debt* below). Phase two of STEP's shareholder return framework was the initiation of a normal course issuer bid ("NCIB") in late 2023. As at September 30, 2024, 1,921,734 shares had been repurchased to date under the NCIB program at a weighted average price of \$4.16 per share.

SUBSEQUENT EVENT

On November 3, 2024, STEP and 2659160 Alberta Ltd. (the "Purchaser"), and ARC Energy Fund 8 (as defined in the *Accounting Policies and Estimates, Related Parties*, section below) entered into a definitive arrangement agreement (the "Agreement") pursuant to which the Purchaser will acquire all of the issued and outstanding common shares of STEP (each, a "Share") not already owned, controlled or directed, directly or indirectly, by ARC Energy Fund 6 (as defined in the *Accounting Policies and Estimates, Related Parties*, section below), the Purchaser, ARC Energy Fund 8, or any other person controlled or managed, directly or indirectly by ARC Financial Corp. (such persons, together with ARC Energy Fund 6 and ARC Energy Fund 8, the "ARC Funds"). Under the terms of the Agreement, the Purchaser will acquire all the Shares that the ARC Funds do not currently own,

control or direct, directly or indirectly (the "Minority Shares") for cash consideration of \$5.00 per Share. The transaction will be effected by way of an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement").

The Arrangement, which has been unanimously approved by STEP's board of directors entitled to vote thereon, will be subject to the approval of the holders of Shares (the "Shareholders") including the approval of holders of the Minority Shares, court approval and customary closing conditions. Following completion of the Arrangement, it is expected that the Shares will be delisted from trading on the TSX and an application will be made for STEP to cease to be a reporting issuer.

Further details regarding the Arrangement will be contained in a management information circular (the "Circular") to be sent to Shareholders in connection the special meeting of Shareholders to be called and held to approve the Arrangement (the "STEP Meeting"). The Circular is expected to be mailed on or about November 27, 2024, and the STEP Meeting is expected to be held on December 19, 2024.

Closing of the Arrangement is expected to occur on or about December 23, 2024, following the STEP Meeting and upon satisfaction of all conditions precedent, including receipt of the final order of the Court of King's Bench of Alberta.

MARKET OUTLOOK

Continued pressure on commodity prices is expected to result in sequential and year over year decrease in fourth quarter activity, which will exacerbate the typical slowdown related to wind down of client capital programs in the fourth quarter, which is expected to result in a decline in revenue, adjusted EBITDA and net profit. STEP will manage expenses through this period, while also preparing for a Q1 in 2025 that is anticipated to be highly utilized.

The long-term outlook for oilfield services is very constructive. North America is expected to double its LNG export capacity by 2028, with Canada finally expected to participate in the growth that has driven the U.S. natural gas market. U.S. gas prices are expected to strengthen into 2025 in part due to the increase in LNG capacity coming from Golden Pass, Plaquemines and Corpus Christi Stage 3. LNG Canada is expected to start shipping meaningful volumes in 2025, which will draw down storage volumes and contribute to a strengthening of natural gas prices in Canada.

Canada

Canadian fourth quarter activity levels are expected to show a sequential decline as client budget exhaustion and seasonal holiday activity begins to slow activity in the basin. Weak commodity prices and tight capital discipline are expected to further discourage producers from pulling work forward from Q1 2025 into Q4 2024.

Fracturing job mix is expected to see a higher mix of smaller jobs, resulting in less efficient activity levels through the quarter. Coiled tubing activity will see spotty utilization in the quarter as a result of the slowdown in fracturing activity. STEP will focus on cost control in the quarter, while also preparing for a highly utilized first quarter in 2025.

The first quarter 2025 fracturing schedule is almost fully booked, a reflection of STEP's focus on securing longer term work agreements with leading producers in the basin. Coiled tubing services are similarly booked for the first quarter of 2025. Pricing for contracted fracturing and coiled tubing work in the first quarter has come under pressure in response to lower commodity prices and increased service capacity in the basin, which will likely result in margin compression relative to the same period in 2024.

United States

Competitive pressures are expected to continue through the fourth quarter as the market continues to struggle with equipment oversupply and weak client demand. STEP's coiled tubing service line will likely see utilization taper as the quarter plays out, with the impact particularly felt in the highly competitive southern operating districts. STEP has one fracturing fleet active in the fourth quarter, with only intermittent utilization expected.

Activity levels for coiled tubing are expected to increase into the first quarter of 2025 as client budgets are reset. Pricing for coiled tubing operations have been shielded from much of the intense pressure seen in the fracturing market, but some margin compression is expected. Fracturing continues to be challenged by the extremely competitive market conditions and although some relief is expected in the first quarter as client budgets are reset, this service line is not expected to make a meaningful

contribution to U.S. revenue. Management continues to evaluate all options for the fracturing service line, including those that leverage STEP's geographic footprint and its ability to transfer assets where economic returns are most favourable.

Consolidated

STEP's focus for the balance of 2024 and into 2025 is on generation of Free Cash Flow while continuing to reduce balance sheet leverage and invest in upgrading the Company's asset base. The Company remains committed to having 90% of its fracturing horsepower capable of operating on natural gas by the end of 2025, displacing diesel and the associated emissions. Further investments into the development of next generation coiled tubing technologies are also anticipated.

CAPITAL EXPENDITURES

(\$000's)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Capital program additions				
Sustaining capital	\$ 7,187	\$ 8,518	\$ 27,898	\$ 30,139
Optimization capital	10,469	16,714	46,727	35,467
Total capital program additions	17,656	25,232	74,625	65,606
Right-of-use asset additions	3,606	2,402	11,314	11,453
Total capital expenditures	\$ 21,262	\$ 27,634	\$ 85,939	\$ 77,059
Capital was incurred for:				
Canada	\$ 14,892	\$ 12,198	\$ 47,509	\$ 34,549
United States	\$ 6,370	\$ 15,436	\$ 38,430	\$ 42,510

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

Capital expenditures for the three months ended September 30, 2024 were \$21.3 million, a decrease from \$27.6 million for the three months ended September 30, 2023. STEP's near-term capital focus continues to be upgrading the existing asset base to Tier 4 dual fuel capability. STEP delivered its second Canadian Tier 4 dual fuel fleet to the field during the third quarter and a portion of the U.S. Tier 4 dual fuel fleet remains in Canada to support the Canadian operations. The Tier 4 dual fuel fleets have produced consistently high diesel substitution rates for STEP's valued clients.

In response to the slowing market conditions, STEP has trimmed the 2024 capital budget to \$91.2 million, down from \$99 million at June 30, 2024.

CANADIAN FINANCIAL AND OPERATIONS REVIEW

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

(\$000's except per day, days, units, proppant pumped and HP)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue:				
Fracturing	\$ 172,980	\$ 127,415	\$ 496,225	\$ 378,784
Coiled tubing	37,675	30,241	116,485	89,224
	210,655	157,656	612,710	468,008
Expenses	172,834	125,414	486,335	375,512
Results from operating activities	\$ 37,821	\$ 32,242	\$ 126,375	\$ 92,496
Adjusted EBITDA ⁽¹⁾	\$ 49,414	\$ 41,235	\$ 158,203	\$ 119,401
Adjusted EBITDA % ⁽¹⁾	23%	26%	26%	26%
Sales mix (% of segment revenue)				
Fracturing	82%	81%	81%	81%
Coiled tubing	18%	19%	19%	19%
Fracturing services				
Number of fracturing operating days ⁽²⁾	349	250	1,104	771
Proppant pumped (tonnes)	573,000	308,000	1,634,000	914,000
Fracturing crews	6	5	6	5
Coiled tubing services				
Number of coiled tubing operating days ⁽²⁾	549	448	1,691	1,368
Active coiled tubing units, end of period	10	9	10	9
Total coiled tubing units, end of period	16	16	16	16

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

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

THIRD QUARTER 2024 COMPARED TO THIRD QUARTER 2023

Revenue for the three months ended September 30, 2024 was \$210.7 million compared to \$157.7 million for the same period of the prior year. STEP's fracturing operations continue to benefit from its alignment with clients that have large multi-well pads that provide consistent utilization throughout much of the year. These dedicated programs are complemented by smaller work programs creating a diverse client mix and improving overall utilization for the fracturing service line. Operating days and proppant volumes continued to increase compared to the prior year with operating days increasing by 40% and proppant volumes increasing by 86%. The Canadian coiled tubing operations also continued to improve compared to the prior year with operating days increasing by 23% to 549 operating days in the period from 448 operating days in the same period in 2023. Client alignment has been a key driver for the improvements for these operations through the long-term contracts secured with key clients in the highly utilized Montney basin.

Adjusted EBITDA for the third quarter of 2024 was \$49.4 million (23% of revenue) versus \$41.2 million (26% of revenue) in the third quarter of 2023. The increase in Adjusted EBITDA is a reflection of the overall increase in activity during the period however there has been some erosion in margins due to increased sand volumes and competitive pressures that limited the ability to increase rates while inflationary pressures continued to impact the cost profile.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2023

Revenue for the nine months ended September 30, 2024 was \$612.7 million compared to \$468.0 million for the nine months ended September 30, 2023. The positive momentum experienced through the first half of the year continued into the third quarter. Alignment with key clients and favourable weather conditions allowed for consistent activity through the first nine months of the year. Coiled tubing operating days increased to 1,691 for the first nine months of 2024 from 1,368 during the comparable period of 2023, a 24% increase. STEP's focus on modernizing its fracturing fleet, client alignment and favourable weather conditions resulted in increased operating days for the fracturing service line to 1,104 for the first nine months of 2024 from 771 during the same period of 2023, an increase of 43%. Increased utilization and higher fracturing intensity have been a significant benefit to the fracturing service line as STEP has exceeded the prior year's annual volume of proppant pumped and is up 79% compared to the same period of 2023.

The increased utilization across the entire Canadian operations has resulted in a significant boost to profitability of this segment. Canadian operations generated Adjusted EBITDA of \$158.2 million (26% of revenue) for the first nine months of 2024 compared to \$119.4 million (26% of revenue) in the same period of 2023.

UNITED STATES FINANCIAL AND OPERATIONS REVIEW

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

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(\$000's except per day, days, units, proppant pumped and HP)				
Revenue:				
Fracturing	\$ 2,908	\$ 47,579	\$ 63,747	\$ 145,544
Coiled tubing	42,428	50,000	131,055	137,124
	45,336	97,579	194,802	282,668
Expenses	61,808	94,464	216,438	280,819
Results from operating activities	\$ (16,472)	\$ 3,115	\$ (21,636)	\$ 1,849
Adjusted EBITDA ⁽¹⁾	\$ (1,380)	\$ 15,356	\$ 20,857	\$ 38,504
Adjusted EBITDA % ⁽¹⁾	(3)%	16%	11%	14%
Sales mix (% of segment revenue)				
Fracturing	6%	49%	33%	51%
Coiled tubing	94%	51%	67%	49%
Fracturing services				
Number of fracturing operating days ⁽²⁾	11	157	200	502
Proppant pumped (tonnes)	21,000	281,000	430,000	779,000
Fracturing crews	1	3	1	3
Coiled tubing services				
Number of coiled tubing operating days ⁽²⁾	791	863	2,369	2,345
Active coiled tubing units, end of period	12	12	12	12
Total coiled tubing units, end of period	19	19	19	19

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

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

THIRD QUARTER 2024 COMPARED TO THIRD QUARTER 2023

Revenue for the three months ended September 30, 2024 was \$45.3 million compared to \$97.6 million for the three months ended September 30, 2023. STEP's U.S. fracturing operations continue to be impacted by market consolidation and an oversupply of assets limiting activity to just 11 operating days in the third quarter compared to 157 days in the same period in 2023. The challenging market conditions also had an impact on the U.S. coiled tubing operations as operating days fell 8% to

791 days compared to 863 days for the same period in 2023. This decline was primarily a result of a challenging spot market as STEP has been able maintain its strong relationships with key clients in each basin.

U.S. operations generated an Adjusted EBITDA loss of \$1.4 million (3% of revenue) for the third quarter 2024 versus Adjusted EBITDA of \$15.4 million (16% of revenue) for the third quarter 2023. The decline in profitability was largely driven by the declines experienced in the U.S. fracturing operations as coiled tubing operations continued to provide positive results during the period.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2023

Revenue for the nine months ended September 30, 2024 was \$194.8 million compared to \$282.7 million for the nine months ended September 30, 2023. Operating days for the U.S. coiled tubing operations were effectively flat year over year as the momentum generated during the first half of the year has flattened in recent months. The consistent utilization for the coiled tubing service line reflects the alignment with key clients in each operating basin which provides operating stability. Operating days across the Company's U.S. fracturing operations decreased to 200 in the first nine months of 2024 from 502 days during the same period of 2023 due to market consolidation and asset oversupply that has limited STEP's ability to secure consistent work.

Adjusted EBITDA of \$20.9 million (11% of revenue) for the nine months ended September 30, 2024 was significantly lower than Adjusted EBITDA of \$38.5 million (14% of revenue) for the nine months ended September 30, 2023 as STEP continues to navigate the current challenges in the U.S. fracturing market.

CORPORATE FINANCIAL REVIEW

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

(\$000's)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Expenses:				
Operating expenses	\$ 507	\$ 490	\$ 1,622	\$ 1,438
Selling, general and administrative	4,024	7,259	14,935	10,656
Results from operating activities	\$ (4,531)	\$ (7,749)	\$ (16,557)	\$ (12,094)
Add:				
Depreciation	110	222	345	637
Share-based compensation expense (recovery)	187	3,322	2,151	(1,306)
Adjusted EBITDA ⁽¹⁾	\$ (4,234)	\$ (4,205)	\$ (14,061)	\$ (12,763)
Adjusted EBITDA % ⁽¹⁾	(2%)	(2%)	(2%)	(2%)

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

THIRD QUARTER 2024 COMPARED TO THIRD QUARTER 2023

For the three months ended September 30, 2024, expenses from corporate activities were \$4.5 million compared to expenses of \$7.7 million for the same period in 2023 due to the mark to market adjustment on cash settled share-based compensation in the current period. This expense was \$3.2 million lower in Q3 2024 relative to Q3 2023, as the Company's share price decreased by \$0.25 from June 30, 2024 to September 30, 2024 compared to a share price increase of \$0.98 during the same period of the prior year. Adjusted EBITDA of \$(4.2) million for the three months ended September 30, 2024 remained in line with Adjusted EBITDA of \$(4.2) million for the same period in 2023.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2023

For the nine months ended September 30, 2024 expenses from corporate activities were \$16.6 million compared to \$12.1 million for the same period in 2023. Cash settled share-based compensation expense was higher in the first nine months of 2024 as the share price only decreased \$0.09 from December 31, 2023 to September 30, 2024 compared to a share price

decrease of \$1.09 during the same period of the prior year. This drove the change in the share-based compensation expense from a recovery of \$1.3 million in nine months ended September 30, 2023 to a \$2.1 million expense in the same period of 2024, a swing of \$3.4 million. Adjusted EBITDA of \$(14.1) million for the nine months ended September 30, 2024 was lower than Adjusted EBITDA of \$(12.8) million for the same period of the prior year.

CONSOLIDATED FINANCIAL REVIEW

(\$000's except per share amounts)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	\$ 255,991	\$ 255,235	\$ 807,512	\$ 750,676
Operating expenses	229,494	214,218	687,162	639,293
Gross profit	26,497	41,017	120,350	111,383
Selling, general and administrative	9,679	13,409	32,168	29,132
Results from operating activities	16,818	27,608	88,182	82,251
Finance costs	4,336	2,850	10,016	8,557
Foreign exchange (gain) loss	(63)	1,278	1,954	2,036
Unrealized (gain) loss on derivatives	802	(3,783)	(1,865)	(1,289)
Gain on disposal of property and equipment	(1,218)	(417)	(4,382)	(1,064)
Impairment of property and equipment	12,735	-	12,735	-
Amortization of intangible assets	10	10	30	30
Income before income tax	216	27,670	69,694	73,981
Income tax expense	5,676	6,936	23,328	18,318
Net income (loss)	(5,460)	20,734	46,366	55,663
Other comprehensive income (loss)	(2,246)	6,039	5,140	56
Total comprehensive income (loss)	\$ (7,706)	\$ 26,773	\$ 51,506	\$ 55,719
Net income (loss) per share – basic	\$ (0.08)	\$ 0.29	\$ 0.65	\$ 0.77
Net income (loss) share – diluted	\$ (0.08)	\$ 0.28	\$ 0.62	\$ 0.74
Adjusted EBITDA ⁽¹⁾	\$ 43,800	\$ 52,386	\$ 164,999	\$ 145,142
Adjusted EBITDA % ⁽¹⁾	17%	21%	20%	19%

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

OTHER ITEMS

Depreciation and amortization

For the three and nine months ended September 30, 2024, depreciation and amortization expense increased to \$26.0 million and \$73.0 million respectively, from \$20.7 million and \$62.6 million in the same periods of 2023. The Company incurred accelerated depreciation expense in the quarter, following the determination that the useful life of certain assets had been diminished due to changes in operating conditions.

Finance costs

Finance costs were \$4.3 million and \$10.0 million for the three and nine months ended September 30, 2024 compared to \$2.9 million and \$8.6 million for the three and nine months ended September 30, 2023. The effective borrowing rate for loans and borrowings was 6.87% and 7.15% for the three and nine months ended September 30, 2024 respectively, compared to 7.06% and 6.78% for the same periods in 2023. Finance costs were higher than the same periods in 2023 due to a loss on modification of the credit facility and higher interest rates in 2024.

Foreign exchange gains and losses

STEP recorded a gain of \$(0.1) million and a loss of \$2.0 million related to foreign exchange for the three and nine months ended September 30, 2024 compared to a loss of \$1.3 million and \$2.0 million in the corresponding periods of 2023. Foreign exchange gains and losses arise from the translation of assets or liabilities that are held in U.S. dollars by Canadian operations, including the revolving secured overnight financing rate (“SOFR”) loan denominated in USD.

Unrealized gains and losses on derivatives

STEP recorded an unrealized loss on derivatives of \$0.8 million and a gain of \$(1.9) million for the three and nine months ended September 30, 2024, respectively, compared to gains of \$3.8 million and \$1.3 million amounts in the corresponding periods of 2023. Unrealized gains and losses on derivatives arise from the revaluation of the fair value of any outstanding derivative contracts as at period end. The unrealized loss (gain) recorded during the three and nine months ended September 30, 2024 relates to the fair value of the cross-currency swap (“CCS”) derivatives and the fair value of contract embedded derivatives. The unrealized gain/loss on CCS derivatives will reverse against the SOFR unrealized foreign exchange gain/loss upon settlement and the cash impact from these two transactions, collectively, will be immaterial. The unrealized loss on contract embedded derivatives will be realized over the term of the contract as the underlying contract services are rendered.

Gains or losses on disposal of property and equipment

The Company recorded gains on disposal of property and equipment of \$1.2 million and \$4.4 million for the three and nine months ended September 30, 2024, respectively, compared to gains of \$0.4 million and \$1.1 million in the same periods of 2023. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from disposal of non-core assets.

Impairment of long-lived assets

IAS 36 requires the Company to review the carrying values of its long-lived assets at each reporting period for indicators of impairment. STEP has identified four cash generating units (“CGUs”): Canadian Coiled Tubing, Canadian Fracturing, U.S. Coiled Tubing and U.S. Fracturing. During the third quarter of 2024, the Company noted impairment indicators for the U.S. Fracturing CGU as a result of a volatile and oversupplied U.S. fracturing market causing a decline in profitability and as such, an impairment test was performed at September 30, 2024 for this CGU.

The recoverable amount of the U.S. Fracturing CGU was based on the fair value less cost to sell method (“FVLCS”), estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. Cash flow assumptions were based on a combination of expected future results, including management’s best estimates of asset utilization, pricing for available equipment, costs to maintain that equipment and a post-tax discount rate of 17.3% (pre-tax 22.6%). Discount rates were calculated using the Company’s weighted-average cost of capital adjusted for uncertainties in forecasting. A terminal growth rate of 2.0% was applied for all cash flows beyond 2029.

As a result of the impairment testing performed, the recoverable amount of the U.S. Fracturing CGU was estimated to be \$29.7 million compared to a carrying value of \$42.4 million resulting in \$12.7 million recognized as impairment of property and equipment for the three months ended September 30, 2024. A 1% increase in the discount rate would have resulted in an additional impairment charge of \$1.0 million in the U.S. Fracturing CGU. A 1% decrease in the forecasted cashflows would have resulted in an additional impairment charge of \$0.3 million in the U.S. Fracturing CGU.

Assumptions that are valid at the time of preparing the impairment test may change significantly when new information becomes available. The Company will continue to monitor and update its assumptions and estimates with respect to impairment on an ongoing basis.

Share-based compensation

For the three and nine months ended September 30, 2024, STEP recorded share-based compensation expense of \$1.0 million and \$3.9 million, respectively, compared to \$4.0 million and \$0.3 million in the same periods of 2023. The fluctuations in these expenses are result of the movement in share price during the respective periods and the corresponding impact that has on the fair value of cash settled instruments. The expense associated with equity settled instruments were down on a year to date basis due to the expiry of units during the first half of 2024.

Income taxes

STEP recorded a total income tax expense of \$6.3 million and \$23.9 million for the three and nine months ended September 30, 2024. This compares to a total income tax expense of \$6.9 million and \$18.3 million for the comparable periods of 2023. The decrease in income tax for the quarter was a result of a decrease in income for Q3 2024 compared to the same period in 2023. Income tax for the nine months ended September 30, 2024 has increased compared to the same period in 2023 due to the shift in income distribution between geographic regions.

LIQUIDITY AND CAPITAL RESOURCES

(\$000's)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net cash provided by (used in)				
Operating activities	\$ 35,956	\$ 50,736	\$ 114,461	\$ 131,876
Investing activities	(18,433)	(22,544)	(71,674)	(73,569)
Financing activities	(18,963)	(32,446)	(43,036)	(59,716)
Impact of foreign exchange on cash	(33)	32	(54)	110
Decrease in cash and cash equivalents	\$ (1,473)	\$ (4,222)	\$ (303)	\$ (1,299)
Opening cash balance	2,955	5,708	1,785	2,785
Ending cash balance	\$ 1,482	\$ 1,486	\$ 1,482	\$ 1,486

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled \$36.6 million and \$114.5 million for the three and nine months ended September 30, 2024, compared to \$50.7 million and \$131.9 million provided in the comparable periods of 2023. Net cash provided by operating activities decreased for the three months ended September 30, 2024 compared to the same period in 2023 as weaker operating results decreased the cash flow generated. Net cash provided by operating activities decreased for the nine months ended September 30, 2024 compared to the same period in 2023 as stronger operating results were offset by increases in non-cash working capital.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled \$18.4 million and \$71.7 million for the three and nine months ended September 30, 2024, compared to \$22.5 million and \$73.6 million used for the three and nine months ended September 30, 2023. STEP continued to upgrade its existing asset base but had lower sustaining capital spending due to declines in U.S. activity which resulted in fairly consistent capital spending year over year.

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

Net cash used in financing activities totaled \$19.0 million and \$43.0 million for the three and nine months ended September 30, 2024 compared to \$32.4 million and \$59.7 million for the comparable periods of 2023. Financing activities primarily relate to the draws (repayments) of loans and borrowings and the repayment of obligations under finance leases. For the three months ended September 30, 2024 there were repayments of loans and borrowings of \$16.5 million, compared to repayments of \$30.2 million for the three months ended September 30, 2023.

WORKING CAPITAL AND CASH REQUIREMENTS

As at September 30, 2024, STEP had positive Working Capital of \$60.6 million, compared to \$42.1 million as at December 31, 2023. Trade and other receivables increased from \$96.2 million at December 31, 2023 to \$156.7 million at September 30, 2024, primarily due to an increase in revenue during Q3 2024 compared to Q4 2023. Trade and other payables increased to \$127.7 million at Q3 2024 from to \$91.8 million at Q4 2023, largely in line with the higher activity in Q3 2024 relative to Q4 2023. At September 30, 2024, the Company's working capital and available Credit Facilities (as defined in *Capital Management – Debt* below) exceed the level required to manage timing differences between cash collections and cash payments. Availability of the Credit Facilities is dependent on compliance with certain covenants. As at September 30, 2024, the Company was in compliance with all terms of its Credit Facilities. Based on currently available information, the Company anticipates maintaining compliance with the covenants during the next twelve months and the Company will have sufficient liquidity during the next year and beyond, to support its ongoing operations.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

(\$000s)	2024	2025	2026	2027	2028	Thereafter	Total
Trade and other payables	\$ 127,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,741
Operating commitments ^(5,6)	292	1,116	1,038	986	-	-	3,432
Short-term and low value lease obligations ⁽⁶⁾	53	55	-	-	-	-	108
Lease obligations ^(6,7)	2,980	10,256	7,795	3,348	1,223	7,259	32,861
Loans and borrowings ⁽⁸⁾	1,115	4,424	4,424	65,181	-	-	75,144
Capital expenditure commitments ⁽⁹⁾	21,040	-	-	-	-	-	21,040
Total commitments	\$ 155,221	\$ 15,851	\$ 13,257	\$ 69,515	\$ 1,223	\$ 7,259	\$ 260,326

⁽⁵⁾ The Company leases certain office and operating facilities that contain an operating expense commitment. The lease terms range from one to five years with an option to renew upon expiry.

⁽⁶⁾ Includes U.S. obligations at the September 30, 2024 exchange rate of 1 USD = 1.35 CAD.

⁽⁷⁾ Balance includes interest portion of lease obligations.

⁽⁸⁾ Loans and borrowing balances are based on the credit facility in place at September 30, 2024. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at September 30, 2024. Both are variable in nature.

⁽⁹⁾ A capital expenditure commitment is defined as a purchase agreement between the Company and the supplier as it relates to the Company's capital program.

CAPITAL MANAGEMENT

(\$000s)	September 30, 2024	December 31, 2023
Shareholders' equity	\$ 402,455	\$ 355,548
Lease obligations	27,216	27,484
Loans and borrowings	61,481	86,149
Total capital	\$ 491,152	\$ 469,181

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

Equity

As at November 13, 2024 there were 71,839,621 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Normal Course Issuer Bid

On December 14, 2023 the Company announced the approval from the Toronto Stock Exchange ("TSX") to proceed with a normal course issuer bid ("NCIB") for its common shares.

Under the NCIB, the Company may repurchase up to 3,611,653 common shares, representing five percent of its issued and outstanding common shares as at December 6, 2023. The NCIB commenced on December 19, 2023 and has an expiry date of December 18, 2024 or such earlier date if the Company has completed the maximum allowable purchases under the bid. The Company is permitted to purchase and cancel up to 22,557 common shares in any one day under this bid, subject to the block purchase exemption.

Since inception of the NCIB program, 1,921,734 shares had been repurchased and cancelled at a weighted average price of \$4.16 per share. Of these shares 1,873,134 were repurchased and cancelled in 2024 at a weighted average price of \$4.17 per share. There were no share repurchases for the three months ended September 30, 2024.

All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange. The NCIB can be cancelled at the discretion of the Company at any time.

Debt

On September 27, 2024, the Company entered into a Fourth Amended and Restated Credit Agreement to, among other things, extend the maturity date of its Credit Facilities (as defined below) to September 27, 2027 and reduce the capacity of the revolving loan facility from \$215.0 million to \$200.0 million. Additional information about the Fourth Amended and Restated Credit Agreement is available on STEP's profile on SEDAR+ (www.sedarplus.ca).

As at September 30, 2024, the Company's credit facilities with a syndicate of lenders were comprised of a Canadian \$200.0 million revolving loan facility, a Canadian \$15.0 million operating facility and a U.S. \$15.0 million operating facility (the "Credit Facilities"). The Credit Facilities include a general security agreement, providing a security interest over all present and after acquired personal property of the Company and all its subsidiaries including mortgages on certain properties. As amended September 27, 2024, the Credit Facilities include certain financial and non-financial covenants, including:

1. An Interest Coverage Ratio. This refers to the ratio of Adjusted Bank EBITDA to interest expense for the preceding twelve months. Interest expense includes interest charges, capitalized interest, interest on lease obligations, fees payable in respect of letters of credit and letters of guarantee, and discounts incurred and fees payable in respect of bankers' acceptance and LIBOR advances. Interest on lease obligations for current and future leases, which would have been accounted for as an operating lease on December 31, 2018 is not included in interest expense for purposes of calculating financial covenants. The Company is required to have an interest coverage ratio of greater than 3.00:1.00. At September 30, 2024 the Company had an interest coverage ratio of 15.70:1.00.
2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At September 30, 2024, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.43:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at September 30, 2024.

Interest is payable monthly, at the lead syndicate bank's prime lending rate plus 100 basis points to 225 basis points depending on certain financial ratios of the Company. The effective borrowing rate for loans and borrowings for the three and nine months ended September 30, 2024 was 6.87% and 7.15% respectively (September 30, 2023 – 7.06% and 6.78% respectively). The total amount of Credit Facilities outstanding on September 30, 2024 is as follows:

As at	September 30, 2024	December 31, 2023
Revolving loan facility	\$ 59,667	\$ 76,187
Canadian and U.S. operating lines	2,205	11,599
Deferred financing costs	(391)	(1,637)
Total loans and borrowings	\$ 61,481	\$ 86,149

The following table displays the movements in loans and borrowings during the nine months ended September 30, 2024:

		(000's)
Balance at January 1, 2024	\$	86,149
Repayment of loans and borrowings		(27,288)
Accretion of deferred financing costs		801
Deferred financing costs paid		(650)
Loss on modification of credit facilities		1,095
Effect of exchange rate changes		1,374
Balance at September 30, 2024	\$	61,481

The Company has entered into CCS derivatives to manage foreign exchange exposure on U.S. denominated debt, fixing the exchange rate on the principal repayments and interest payments. On September 18, 2024, the Company entered into a 30-day CCS of (CAD)\$60.0 million for (USD)\$44.1 million. The derivative contract was revalued to its fair value of a \$0.3 million liability on September 30, 2024. The CCS liability is recorded at fair value in current portion of other liabilities on the condensed consolidated interim statements of financial position.

LITIGATION

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

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by a number of factors including the seasonality⁽¹⁰⁾ of the business in Canada, assets deployed, asset utilization, pricing, changes in STEP's clients' capital programs, foreign exchange rates, product costs, and other significant events impacting operations. See the *Risk Factors and Risk Management* section below.

Quarterly Results Summary								
(\$000's, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2024	2024	2024	2023	2023	2023	2023	2022
Revenue								
Canadian Operations	210,655	160,986	241,069	112,205	157,656	135,917	174,435	114,826
United States Operations	45,336	70,389	79,077	82,842	97,579	96,156	88,933	136,568
	255,991	231,375	320,146	195,047	255,235	232,073	263,368	251,394
Net income (loss) attributable to shareholders								
	(5,460)	10,469	41,357	(5,244)	20,734	15,273	19,656	16,692
Adjusted EBITDA ⁽¹⁾								
Canadian Operations	49,414	36,662	72,127	15,017	41,235	33,390	44,776	23,561
United States Operations	(1,380)	9,411	12,826	7,204	15,356	18,332	4,816	28,627
Corporate	(4,234)	(4,408)	(5,420)	(3,785)	(4,205)	(4,318)	(4,240)	(3,572)
	43,800	41,665	79,533	18,436	52,386	47,404	45,352	48,616
Capital expenditures ⁽¹¹⁾								
Canadian Operations	14,893	14,744	17,873	28,463	12,198	9,173	13,178	23,059
United States Operations ⁽¹²⁾	6,369	14,262	17,798	14,844	15,436	13,604	13,470	13,626
	21,262	29,006	35,671	43,307	27,634	22,777	26,648	36,685
Per Common Share								
Net income (loss) – basic	(0.08)	0.15	0.58	(0.07)	0.29	0.21	0.27	0.24
Net income (loss) – diluted	(0.08)	0.14	0.55	(0.07)	0.28	0.21	0.26	0.23
Adjusted EBITDA ⁽¹⁾ – basic	0.61	0.58	1.11	0.26	0.73	0.66	0.63	0.70
Adjusted EBITDA ⁽¹⁾ – diluted	0.61	0.56	1.06	0.24	0.70	0.64	0.60	0.67
Canada								
Exit active fracturing spreads	6	6	6	6	5	5	5	5
Exit active coiled tubing units	10	10	10	9	9	9	9	8
Total coiled tubing units	16	16	16	16	16	16	16	16
United States								
Exit active fracturing spreads	1	2	2	2	3	3	3	3
Exit active coiled tubing units	12	13	12	12	12	12	12	11
Total coiled tubing units	19	19	19	19	19	19	19	19

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

⁽³⁾ Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles

⁽¹⁰⁾ STEP's business is seasonal with the periods of greatest activity in Canada being in the second, third and fourth quarters. The U.S. is generally not affected by seasonality.

⁽¹¹⁾ Capital expenditures include amounts added in respect of finance right-of-use assets.

⁽¹²⁾ On September 1, 2022 the Company acquired the coiled tubing assets as part of the transaction with ProPetro Holding Corp. The Company acquired the coiled tubing assets, inventory and prepaids for total consideration of \$3.64 million in cash and \$16.85 million in shares.

THIRD QUARTER – 2024

STEP's Canadian results continued to show resiliency while the U.S. results were heavily impacted by an oversupplied market and client consolidation. Canadian revenue for the quarter was the second-best quarter on record, lower only than the first quarter of the current year. Increased fracturing intensity combined with strong client alignment to support the 6th fleet have been key success factors for these operations in 2024. U.S. coiled tubing operations remained relatively strong, however, activity was not sufficient to keep the 13th unit in the field. U.S. fracturing operations continued to struggle in the current operating environment and as a result achieved only 11 operating days in the quarter.

SECOND QUARTER – 2024

STEP's results for the second quarter of 2024 continued to show the benefit of alignment with clients that have large multi-well pads as both operating lines in Canada and the U.S. coiled tubing operations were able to achieve strong utilization during the quarter despite what has traditionally been a softer period due to spring break-up. The U.S. coiled tubing operations also reactivated an additional unit during the period to support the strong demand for our services. Increased utilization and higher fracturing intensity continue to be a factor in the growth of the Canadian fracturing operations as proppant volumes for the first half of 2024 were almost equal to the full year of 2023. The U.S. fracturing market continues to be impacted by client consolidation and oversupply of assets in that market, leading to lower activity sequentially and year over year.

FIRST QUARTER – 2024

Strong client alignment in both geographic regions was a significant factor in the exceptional operating results during the first quarter. The Canadian operations were able to deploy six fracturing fleets and ten coiled tubing units during the quarter with high utilization, while the U.S. operations deployed two fracturing fleets and twelve coiled tubing units. The U.S. continued its strong coiled tubing operations and secured fracturing work with dedicated clients to start 2024 which significantly improved the overall profitability of this region despite operating one less fracturing fleet. The Canadian fracturing operations set Company records for the quarter both in operating days and volume of proppant pumped.

FOURTH QUARTER – 2023

Activity in Q4 2023 declined for both geographic regions as instability in commodity prices combined with budget exhaustion resulted in an industry wide slowdown. Canadian operations were further impacted by the deferral of work into the first quarter of 2024 as well as changes in work scope that reduced the quantity of proppant pumped on a sequential basis. Client drilling delays and continued M&A activity resulted in the loss of \$17.0 - \$19.0 million in revenue for the fracturing service line and budget exhaustion limited coiled tubing activity during the quarter. EBITDA was further impacted by higher operating expenses associated with the preparation of equipment for the highly utilized upcoming quarter and certain one-time items.

THIRD QUARTER – 2023

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

SECOND QUARTER – 2023

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

FIRST QUARTER – 2023

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

FOURTH QUARTER – 2022

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

FINANCIAL INSTRUMENTS

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

FAIR VALUES

Cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings are initially recognized at fair value and subsequently measured at amortized cost. The carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair value due to the relatively short periods to maturity of the instruments. Loans and borrowings utilize floating rates and therefore fair market value approximates carrying value. The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

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

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

	September 30, 2024		December 31, 2023	
	Asset	Liabilities	Asset	Liabilities
Foreign cross currency swaps	\$ -	\$ 335	\$ -	\$ 1,843
Contract embedded derivatives	-	531	-	888

The Company entered into foreign CCS derivative contracts to manage risk associated with foreign exchange movements on its estimated future net cash inflows denominated in U.S. dollars. These risk management derivatives are a component of the Company's overall risk management program and are captured under other liabilities and trade and other receivables on the condensed consolidated interim statements of financial position. These CCS derivatives are measured at fair value using the Level 2 input of foreign exchange forward pricing.

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

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

There were no transfers between levels in the fair value hierarchy in either the third quarter of 2024 or 2023.

CREDIT RISK

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

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

As at	September 30, 2024	December 31, 2023
Current (0 to 30 days from invoice date)	\$ 113,982	\$ 52,920
31 - 60 days	30,943	35,305
61 - 90 days	8,051	7,409
91+ days	1,314	1,495
Receivables from trade clients	154,290	97,129
Allowance for doubtful accounts	(1,352)	(1,266)
Other amounts	3,770	293
Total trade and other receivables	\$ 156,708	\$ 96,156

MARKET RISK

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

INTEREST RATE RISK

The Company is exposed to interest rate risk on its floating rate bank indebtedness. Based on the average outstanding consolidated debt, a 1.0% change in the bankers' prime rate would result in a \$0.2 million and \$0.5 million increase or decrease in interest expense for the three and nine months ended September 30, 2024 respectively (September, 30 2023 - \$0.2 million and \$0.7 million respectively).

FOREIGN CURRENCY RISK

As the Company operates in both Canada and the U.S., fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar can have an impact on the operating results and the future cash flows of the Company's financial assets and liabilities. The Canadian segment is exposed to foreign exchange risk on U.S. dollar denominated purchases made in the normal course of business and debt held in U.S. dollars. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in U.S. dollars and exchange rates on an ongoing basis. Exposure to foreign exchange rate changes is further mitigated using CCS derivatives. As at September 30, 2024 the Company was not materially exposed to foreign exchange risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at September 30, 2024 other than those previously noted within this MD&A.

NON-IFRS MEASURES AND RATIOS

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

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

(\$000s except percentages)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net income (loss)	\$ (5,460)	\$ 20,734	\$ 46,366	\$ 55,663
Add (deduct):				
Depreciation and amortization	26,022	20,743	72,979	62,614
Gain on disposal of equipment	(1,218)	(417)	(4,382)	(1,064)
Finance costs	4,336	2,850	10,016	8,557
Income tax expense	5,676	6,936	23,328	18,318
Share-based compensation – Cash settled	(360)	2,709	510	(3,713)
Share-based compensation – Equity settled	1,330	1,336	3,358	4,020
Foreign exchange (gain) loss	(63)	1,278	1,954	2,036
Unrealized loss on derivatives	802	(3,783)	(1,865)	(1,289)
Impairment of property and equipment	12,735	-	12,735	-
Adjusted EBITDA	\$ 43,800	\$ 52,386	\$ 164,999	\$ 145,142
Adjusted EBITDA %	17%	21%	20%	19%

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

(\$000s)	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net cash provided by operating activities	\$ 35,956	\$ 50,736	\$ 114,461	\$ 131,876
Add (deduct):				
Changes in non-cash working capital from operating activities	2,063	(2,607)	23,537	(8,319)
Sustaining capital	(7,187)	(8,518)	(27,898)	(30,139)
Lease payments (net of sublease receipts)	(2,428)	(2,490)	(7,753)	(6,149)
Free Cash Flow	\$ 28,404	\$ 37,121	\$ 102,347	\$ 87,269

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

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

(\$000s)	September 30, 2024	December 31, 2023
Current assets	\$ 215,683	\$ 154,715
Current liabilities	(155,040)	(112,611)
Working Capital (including cash and cash equivalents)	\$ 60,643	\$ 42,104

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

(\$000s)	September 30, 2024	December 31, 2023
Long-term loans	\$ 61,481	\$ 86,149
Long-term leases	18,039	18,731
Other long-term liabilities	10,016	14,090
Total long-term financial liabilities	\$ 89,536	\$ 118,970

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

(\$000s)	September 30, 2024	December 31, 2023
Loans and borrowings	\$ 61,481	\$ 86,149
Add back: Deferred financing costs	391	1,637
Less: Cash and cash equivalents	(1,482)	(1,785)
Less: CCS Derivatives liability	335	1,843
Net Debt	\$ 60,725	\$ 87,844

ACCOUNTING POLICIES AND ESTIMATES

RELATED PARTIES

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

There have been no changes in the Company’s existing ICFR that occurred during the period July 1 to September 30, 2024, which have materially affected or are reasonably likely to materially affect the Company’s ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out in the AIF and Annual MD&A are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the Annual MD&A, both of which are available on www.sedarplus.ca, and the disclosure provided in the MD&A under the headings "Market Outlook". In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services. Other than as supplemented in this MD&A, the Company's risk factors, and management thereof has not changed substantially from those disclosed in the AIF and Annual MD&A.

FORWARD-LOOKING INFORMATION & STATEMENTS

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

In particular, but without limitation, this MD&A contains forward-looking statements pertaining to: 2024 and 2025 industry conditions and outlook, including commodity pricing and demand for oil and gas; the effect of new LNG facilities on export capacity and industry activity levels; anticipated Q4 2024 and 2025 utilization and activity levels, revenue, pricing, adjusted EBITDA and net profit related to the Company's services; the Company's tier 4 dual fuel conversions and anticipated substitution rates in the Company's dual fuel fleets; the Company's expectation that its U.S. fracturing service line will have only intermittent utilization; the Company's ability to transfer assets where economic returns are most favourable; the Company's intent to invest in dual fuel capability, and target of having natural gas capabilities in 90% of its fracturing fleets by 2025; the Company's ability to test and evaluate next generation technologies; the potential for an equipment oversupply position to result in intermittent utilization and reduced margins; the effect large clients and their programs may have on the Company's activity levels; the Company's intention to invest in the development of next generation coiled tubing technologies; the effect of inflation and related cost increases; the Company's view that the NCIB is an effective means to provide value to shareholders; the impact of weather and break up on the Company's operations; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's plans regarding equipment; the Company's ability to manage its capital structure; expected debt repayment and Funded Debt to Adjusted Bank EBITDA ratios; expected income tax and derivative liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures; the Company's ability to retain its existing clients; the monitoring of impairment, amount and age of balances owing, and the Company's financial assets and liabilities denominated in U.S. dollars, and exchange rates; the Company's expected compliance with covenants under its Credit Facilities and its ability to satisfy its financial commitments thereunder; statements relating to the anticipated benefits of the Arrangement; the ability to complete the Arrangement contemplated by the Agreement and the timing thereof, including the parties' ability to satisfy the conditions to consummation of the Arrangement; the receipt of the approval of holders of Shares; anticipated timing of mailing of the Circular and holding of the STEP Meeting; court approvals, and other customary closing conditions of the Arrangement.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: the effect of macroeconomic factors, including global energy

security concerns and levels of oil and gas inventories; market concerns regarding economic recession; levels of oil and gas production and LNG export capacity on the market for the Company's services; that the Company will continue to conduct its operations in a manner consistent with past operations; the Company will continue as a going concern; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; predictability of 2025 activity levels; the suspension of programs that rotate professionals in from across the country; predictable effect of seasonal weather and break up on the Company's operations; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; Client demand for dual fuel fleets and emissions reduction technologies; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove correct. In addition, the risks and uncertainties related to the Arrangement contemplated by the Agreement include, but are not limited to: the possibility that the Arrangement will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all; failure to obtain or satisfy, in a timely manner or otherwise, required Shareholder and court approvals and other conditions to the closing of the Arrangement; the risk that competing offers or acquisition proposals will be made; the negative impact that the failure to complete the Arrangement for any reason could have on the price of the Shares or on the business of STEP; the failure of ARC to satisfy the closing conditions thereunder in a timely manner or at all; ARC's failure to pay the cash consideration at closing of the Arrangement; the absence of a reverse break fee in favour of STEP; the business of STEP may experience significant disruptions, including loss of clients or employees due to Arrangement related uncertainty, industry conditions or other factors; risks relating to employee retention; the risk of regulatory changes that may materially impact the business or the operations of STEP; the risk that legal proceedings may be instituted against STEP; risks related to the diversion of management's attention from STEP's ongoing business operations while the Arrangement is pending.

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

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

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