STEP energy services

TSX STEP

Second Quarter

Management Discussion and Analysis

As at and for the three and six months ended June 30, 2025

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 August 6, 2025 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 six months ended June 30, 2025 (the “Quarterly Financial Statements”) and the audited consolidated financial statements as at and for the year ended December 31, 2024 (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, 2024 dated March 11, 2025 (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 our U.S. 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		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Consolidated revenue	$ 228,003	$ 231,375	$ 535,744	$ 551,521
Net income	$ 5,853	$ 10,469	$ 30,004	$ 51,826
Per share-basic	$ 0.08	$ 0.15	$ 0.42	$ 0.72
Per share-diluted	$ 0.08	$ 0.14	$ 0.41	$ 0.70
Adjusted EBITDA (1)	$ 34,769	$ 41,692	$ 93,729	$ 112,827
Adjusted EBITDA % (1)	15%	18%	17%	20%
Free Cash Flow (1)	$ 17,327	$ 20,460	$ 49,499	$ 73,943
Per share-basic (1)	$ 0.24	$ 0.29	$ 0.69	$ 1.03
Per share-diluted (1)	$ 0.24	$ 0.28	$ 0.67	$ 1.00

(1) Adjusted EBITDA, Free Cash Flow, Free Cash Flow per share-basic and Free Cash Flow per share-diluted 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.

($000s except shares)	June 30, 2025	December 31 2024
Cash and cash equivalents	$ 3,230	$ 4,362
Working capital (including cash and cash equivalents) (2)	$ 76,992	$ 35,355
Total assets	$ 613,516	$ 580,635
Total long-term financial liabilities (2)	$ 69,713	$ 83,394
Net Debt (2)	$ 43,912	$ 52,668
Shares outstanding	72,873,113	72,037,391

(2) 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.

OPERATIONAL REVIEW

($000s except days, proppant, pumped, horsepower and units)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Fracturing services				
Fracturing operating days (1)(2)	312	377	799	944
Proppant pumped (tonnes) (3)	533,000	638,000	1,319,000	1,470,000
Fracturing crews	6	8	6	8
Dual fuel horsepower (“HP”), end of period	369,550	349,800	369,550	349,800
Total HP, end of period	478,400	490,000	478,400	490,000
Coiled tubing services				
Coiled tubing operating days (1)	1,227	1,368	2,611	2,720
Active coiled tubing units, end of period	21	23	21	23
Total coiled tubing units, end of period	35	35	35	35

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

(2) Includes operational results from terminated operations of the U.S. fracturing cash generating unit (“CGU”) of nil and 54 days for the three and six months ended June 30, 2025 (72 and 189 days for three and six months ended June 30, 2024).

(3) Includes proppant pumped (tonnes) from terminated operations of the U.S. fracturing cash generating unit (“CGU”) of nil and 155,330 for the three and six months ended June 30, 2025 (137,000 and 409,000 for three and six months ended June 30, 2024).

SECOND QUARTER 2025 HIGHLIGHTS

- Consolidated revenue for the three months ended June 30, 2025 of $228.0 million, was in line with revenue of $231.4 million for the three months ended June 30, 2024 and down 26% from $307.7 million for the three months ended March 31, 2025, which is typically the busiest quarter for the Company and the industry.
- Net income for the three months ended June 30, 2025 was $5.9 million ($0.08 per diluted share) compared to $10.5 million ($0.14 per diluted share) in the same period of 2024 and $24.2 million ($0.33 per diluted share) for the three months ended March 31, 2025. Included in net income for three months ended June 30, 2025 was share based compensation expense of $1.7 million, compared to $1.3 million during the three months ended March 31, 2025 and $2.1 million during the three months ended June 30, 2024.
- For the three months ended June 30, 2025, Adjusted EBITDA was $34.8 million (15% of revenue) compared to $41.7 million (18% of revenue) in Q2 2024 and $59.0 million (19% of revenue) in Q1 2025.
- Free Cash Flow for the three months ended June 30, 2025 was $17.3 million compared to $20.5 million in Q2 2024 and $32.2 million in Q1 2025.
- During the second quarter of 2025, STEP repurchased and cancelled 166,100 shares at an average price of $3.90 per share under its Normal Course Issuer Bid ("NCIB").
- STEP continues to strengthen its balance sheet while investing into the long-term sustainability of the business:
  - The Company had Net Debt of $43.9 million at June 30, 2025, compared to $52.7 million at December 31, 2024 and $84.7 million at March 31, 2025.
  - The Company invested $13.5 million for the three months ended June 30, 2025 into sustaining and optimization capital budget expenditures, ensuring that the fleet maintains a high level of operational readiness while also selectively investing into technology to further STEP's strategy of displacing diesel with natural gas.
- Working Capital as at June 30, 2025 of $77.0 million was $41.6 million higher than the $35.4 million at December 31, 2024 and $26.5 million lower than the $103.5 million as at March 31, 2025. Working capital fluctuations are typical and are influenced by activity levels and timing of client receipts.

SECOND QUARTER 2025 OVERVIEW

Commodity prices were volatile throughout the second quarter of 2025, with both oil and natural gas prices down approximately 10% quarter over quarter. The decline in gas prices is partially attributable to the shoulder season, when the reduced demand from winter heating has yet to be replaced by power demand for summer cooling. In addition to the ongoing turmoil created by the U.S. tariffs, oil prices were also impacted by the supply announcements from the Organization of the Petroleum Exporting Countries ("OPEC") and allied non-OPEC nations ("OPEC+") and the eruption of open hostilities between Israel and Iran. Oil prices traded in a wide range from $57 to $75 (USD) per barrel, with the benchmark West Texas Intermediate ("WTI") crude price averaging $63.72 (USD) per barrel in Q2 2025, down from $71.42 (USD) per barrel in Q1 2025. Henry Hub averaged $3.52 (USD) per million cubic feet ("Mcf") in Q2 2025, down from $3.87 (USD) per Mcf in Q1 2025, while AECO-C Daily averaged $1.75 (CAD) per Mcf in Q2 2025, down from $2.12 (CAD) per Mcf in Q1 2025. Natural gas prices typically benefit from the winter heating season, with colder weather driving higher demand.

Oilfield service levels are primarily reflected in drilling rig counts publicly reported by Baker Hughes and estimates made by Primary Vision for fracturing crews in the U.S. Land based drilling rigs in the U.S. averaged 556 rigs in the second quarter, down from 572 rigs in the first quarter. Canadian rig counts were down due to spring break up, averaging 127 during the second quarter, compared to 214 in the first quarter, which is typically the busiest drilling season in Canada. U.S. fracturing fleets declined in the second quarter to an average of 192, down from 202 in the first quarter of 2025.

STEP's consolidated revenue in the second quarter was $228.0 million, down from $307.7 million in the first quarter of 2025 and in line with the $231.4 million recorded in the same period from the prior year despite the termination of the U.S. fracturing business. Despite the spring break up conditions, the fracturing service line had good utilization through the quarter, with 312 operating days across six crews, pumping 533 thousand tons of sand. Coiled tubing services were also well utilized, operating 1,227 days across 21 units.

Adjusted EBITDA of $34.8 million (15% Adjusted EBITDA %) was down from the $59.0 million (19% Adjusted EBITDA %) in the first quarter of 2025 and down from $41.7 million (18% Adjusted EBITDA %) in the same period last year. The Company's margins continue to be impacted by the cumulative effect of several years of high inflation which increase the cost profile, oversupply of fracturing capacity in the market causing pricing pressure, and increased sand volumes which are generally at lower margins.

Net income was $5.9 million in Q2 2025 ($0.08 diluted income per share), lower than the $24.2 million in Q1 2025 ($0.33 diluted income per share) and the $10.5 million net income in Q2 2024 ($0.14 diluted income per share). Net income included $1.7 million in share-based compensation expense (Q1 2025 - $1.3 million, Q2 2024 - $2.1 million expense) and $1.7 million in finance costs (Q1 2025 - $2.0 million, Q2 2024 - $2.8 million).

Free Cash Flow was $17.3 million in Q2 2025 ($0.24 diluted Free Cash Flow per share), sequentially lower than the $32.2 million ($0.43 diluted Free Cash Flow per share) in Q1 2025 and lower than the $20.5 million ($0.28 diluted Free Cash Flow per share) in Q2 2024. While working capital decreased by $26.5 million from the first quarter of 2025 to land at $77.0 million at the end of the second quarter, this was still significantly higher than the $35.4 million at the end of the fourth quarter of 2024. While the build in working capital is typical for the first half of the year, which follows a slower Q4 that realizes a sizable working capital recovery, the increase in the current year was inflated by the inclusion of $11.4 million in assets held for sale reclassified from property and equipment related to the terminated U.S. fracturing operations. Net Debt decreased to $43.9 million from $52.7 million at the close of 2024. The decrease in Net Debt and improvement in Adjusted EBITDA resulted in a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.42:1.00, well under the limit of 3.00:1 in the Company's Credit Facilities (as defined in Capital Management – Debt below). The Company continued its Normal Course Issuer Bid in the second quarter and acquired 166,100 shares at a weighted average price of $3.90 per share in the quarter.

Late in the first quarter of 2025, management committed to a plan to terminate the Company's U.S. fracturing operations. Active operations were terminated and equipment has been marshalled to STEP's yards for sale or transfer to Canada. Certain costs associated with legacy fracturing operations and decommissioning were incurred in the second quarter, resulting in Adjusted EBITDA from terminated operations of negative $2.9 million, which is not included in the Q2 reported Adjusted EBITDA of $34.8 million. These costs are expected to reduce to more modest levels for the balance of the year.

MARKET OUTLOOK

The initial uncertainty stemming from the decisions made by the U.S. administration has lessened as markets discover that the tactical nature of these decisions means that they are likely to change through the course of negotiations. Similarly, the geopolitical tensions created by the conflict in the Middle East have also eased as the primary actors have backed away from deeper confrontation. Commodity prices continue to look for direction, drifting sideways until a clear catalyst for growth or recession becomes apparent.

North American gas prices are shifting from the shoulder season in Q2 to the more pronounced summer power demand season, although high storage levels will limit upside to price until the anticipated draw from new LNG offtake facilities begins to be felt in the markets. Canada's first shipment of liquified natural gas ("LNG") departed the LNG Canada facility on June 30, 2025, marking the successful start of operations for Canada's first large scale LNG export facility. The multiyear outlook for natural gas continues to show promise, with approximately 10 billion cubic feet ("BCF") per day of demand from additional LNG facilities in Canada and the U.S. expected by 2030, in addition to the demand for more power generation.

Oil prices have retreated from the second quarter spikes back to the mid $60s (USD) per barrel. Demand has remained relatively resilient, absorbing the additional OPEC+ supply that has been added to the market this year. Global crude oil and related product inventory levels are near the bottom of their five-year range, providing some buffer in the event that demand from the summer driving season isn't enough to consume supply. Oil demand is expected to grow modestly, but catalysts for increased oil production in North America are limited, given the global market dynamics.

STEP's revenue is largely driven by natural gas and natural gas liquids ("NGLs"), which should shield STEP's schedule from the worst of the commodity price volatility. However, if the volatility continues and commodity prices weaken it is likely that clients could defer work into later quarters or trim their core capital programs. STEP maintains close contact with its clients and will adjust its operations if activity slows.

The third quarter fracturing schedule is expected to see a modest uptick in activity, although more client supplied sand, along with shifting client schedules and competitive pressures will likely result in flat to down sequential revenue. Margins on work with client supplied sand are typically higher relative to margins on work with STEP supplied sand, given the high volumes of sand pumped by many STEP clients. Offsetting this higher margin work is inflation on input costs, driven in many instances by the escalating tariff actions taken by governments around the world. The remission of tariffs on proppant imported from the U.S. provides some relief, but the ongoing tariffs on many products entering the U.S. and Canada are resulting in cost inflation that can be difficult to pass through to clients. STEP's trial of the NGx, Canada's first 100% natural gas powered fracturing pump is expected to see steady utilization as clients respond positively to the increased diesel displacement that this pump offers.

Coiled tubing activity is expected to stay relatively steady across all regions, with a slight increase in activity relative to the second quarter. Increased market penetration with STEP's Coil+ split string technology is expected to offset the lower industry demand associated with a slowing rig count. Similar to fracturing, tariffs continue to impact the industry, particularly on the cost of coiled tubing strings, which is tariffed when it enters the U.S. as raw steel and then again when it enters Canada and is tariffed by the Canadian government. STEP has submitted a request for remission of the Canadian tariffs and is optimistic that it will be successful given the recent reversal of tariffs on proppant entering Canada.

Expectations for the fourth quarter remain modest. This quarter is typically characterized by slower activity as clients exhaust their annual capital budgets, resulting in margin compression for service providers as increased competition and lower fixed cost leverage weigh on results. The slower than expected ramp in demand coming from newly commissioned LNG facilities in Canada and the U.S. is limiting drawdown of natural gas inventories and is not expected to create sufficient market incentive for producers to add to their capital budgets for the year. Further clarity on this is likely to be forthcoming late in the third quarter or early in the fourth quarter.

Views on 2026 are beginning to clarify, with activity in the first quarter expected to be in line with the first quarter of 2025. Activity levels through the year will likely be affected by the ramp in production at LNG Canada, which will process approximately 2 BCF per day when fully operational.

On balance, pricing is largely in line with what was expected in 2025. Increased oilfield service capacity and limited producer growth has put downward pressure on margins relative to 2024. Cost control remains a focus for STEP as it navigates the current economic uncertainty.

Free Cash Flow will be committed towards additional fleet investments required for sustaining and optimization needs, as well as additional debt repayment. The increase in STEP's share price and the cautious outlook meant that the NCIB was used only sparingly in the second quarter. The Company will retain the flexibility to engage opportunistically on the NCIB if conditions change.

CAPITAL EXPENDITURES

($000's)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Capital program additions				
Sustaining capital	**$ 6,262**	$ 9,590	**$ 14,175**	$ 20,711
Optimization capital	**7,215**	16,844	**15,469**	36,258
Total capital program additions	**13,477**	26,434	**29,644**	56,969
Right-of-use asset additions	**910**	2,572	**1,698**	7,708
Total capital expenditures	**$ 14,387**	$ 29,006	**$ 31,342**	$ 64,677

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 June 30, 2025 were $14.4 million, a decrease from $29.0 million for the three months ended June 30, 2024. STEP manages its capital spending to align with market trends while continuing to focus capital towards the Company's natural gas strategy. This capital was used to enhance STEP's internal sand delivery and storage services, and the electrification of other ancillary equipment. STEP has been pleased with the trial of the NGx natural gas-powered hydraulic fracturing pump. This pump is the first of its kind in Canada and is driving increased diesel substitution and displacing two conventional dual fuel pumps. STEP is expanding the trial with the acquisition of four additional pumps, with delivery expected in Q1 2026. Funding of the purchase will be through a reallocation of previously approved capital within the 2025 capital budget and a $2.0 million increase to the Company's 2025 capital budget. This increase will bring the total 2025 capital budget to $80.9 million. There will also be an additional $4.6 million of capital required that will be included in the 2026 capital budget.

The decline in capital expenditures compared to the prior year is a result of significant expenditures made in the prior year to upgrade the fracturing fleet. Management calibrates the capital budget against current and expected operating conditions and will adjust the budget as market conditions dictate.

FINANCIAL REVIEW

($000's except per share amounts)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Fracturing	**$ 153,480**	$ 147,742	**$ 377,579**	$ 384,084
Coiled tubing	**74,523**	83,633	**158,165**	167,437
Total revenue	**228,003**	231,375	**535,744**	551,521
Operating expenses	**187,431**	180,936	**426,785**	411,045
Depreciation and amortization	**20,169**	26,125	**40,788**	46,623
Total operating expenses	**207,600**	207,061	**467,573**	457,668
Gross profit	**20,403**	24,314	**68,171**	93,853
Selling, general and administrative	**10,418**	10,831	**22,204**	22,175
Depreciation and amortization	**122**	154	**259**	314
Total selling, general and administrative	**10,540**	10,985	**22,463**	22,489
Results from operating activities	**9,863**	13,329	**45,708**	71,364
Finance costs	**1,732**	2,771	**3,710**	5,680
Foreign exchange (gain) loss	**(2,310)**	(300)	**(1,908)**	2,017
Unrealized loss (gain) on derivatives	**685**	(684)	**659**	(2,667)
Gain on disposal of property and equipment	**(468)**	(2,806)	**(1,202)**	(3,164)
Amortization of intangible assets	**77**	10	**215**	20
Income before income tax	**10,147**	14,338	**44,234**	69,478
Income tax expense	**4,294**	3,869	**14,230**	17,652
Net income	**5,853**	10,469	**30,004**	51,826
Net Income per share – basic	**$ 0.08**	$ 0.15	**$ 0.42**	$ 0.72
Net Income per share – diluted	**$ 0.08**	$ 0.14	**$ 0.41**	$ 0.70
Adjusted EBITDA [1]	**$ 34,769**	$ 41,692	**$ 93,729**	$ 112,827
Adjusted EBITDA % [1]	**15%**	18%	**17%**	20%

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

Revenue

For the three and six months ended June 30, 2025, revenue decreased 1% to $228.0 million and 3% to $535.7 million compared to $231.4 million and $551.5 million for the three and six months ended June 30, 2024.

Alignment with large scale operators continues to provide a strong baseline of utilization for fracturing and coiled tubing operations in both the quarter and for the year to date. STEP operated six fracturing crews during the quarter, down from eight for the same period of the prior year. Fracturing operating days for the quarter were down 17% and have decreased by 15%

for the year to date. The reduction in fracturing crews and operating days is all associated with the termination of U.S. fracturing operations during 2025. Despite the declines in operating days and active fleets, fracturing revenue was up 4% for the quarter and only declined by 2% for the year to date reflecting the increased proppant pumped for the Canadian Frac CGU as a result of higher pumping intensity.

STEP deactivated one coiled tubing spread during the quarter bringing the total active spreads back down to 21 which is down two spreads from the prior year. Coiled tubing operating days for the quarter were down 10% and have decreased by 4% for the year to date. New technology offerings and strategic client alignment in all operating basins have allowed the Company to maintain utilization levels per active spread despite the decrease in activity in the market as whole.

Operating expenses

Operating expenses includes employee costs, direct operating expenses such as repairs, transportation and facility costs, material and inventory costs, depreciation of equipment and share-based compensation for operational employees. The following table provides a summary of operating expenses:

($000's)		Three months ended				Six months ended		
		June 30, 2025		June 30, 2024		**June 30, 2025**		June 30, 2024
Employee costs	$	**54,543**	$	60,224	$	**118,525**	$	128,051
Share-based compensation		**326**		306		**780**		758
Operating expenses		**53,115**		56,133		**117,415**		122,153
Material and inventory costs		**79,447**		64,273		**190,065**		160,083
Operating expenses		**187,431**		180,936		**426,785**		411,045
Depreciation and amortization		**20,169**		26,125		**40,788**		46,623
Total operating expenses	$	**207,600**	$	207,061	$	**467,573**	$	457,668

Employee costs and general operating expenses decreased slightly compared to the prior year for both the quarter and year to date as the wind down of U.S. fracturing operations was partially offset by inflationary impacts.

Material and inventory costs increased significantly compared to the prior year for both the quarter and year to date as changes in sand mix, increases in STEP supplied sand and currency fluctuations increased the cost of materials.

Selling, general and administrative expenses

The following table provides a summary of selling, general and administrative expenses:

($000's)		Three months ended				Six months ended		
		June 30, 2025		June 30, 2024		**June 30, 2025**		June 30, 2024
Employee costs	$	**6,592**	$	6,172	$	**14,517**	$	13,892
Share-based compensation		**1,352**		1,752		**2,187**		2,140
Allowance for doubtful accounts expense		**(166)**		(134)		**240**		387
General and organizational expenses		**2,640**		3,041		**5,260**		5,756
Selling, general and administrative expenses		**10,418**		10,831		**22,204**		22,175
Depreciation and amortization		**122**		154		**259**		314
Total selling, general and administrative expenses	$	**10,540**	$	10,985	$	**22,463**	$	22,489

Selling, general and administrative expenses were in line with the prior year for both the quarter and year to date. Share-based compensation expense was slightly lower in the second quarter of 2025 compared to the same period of 2024 as the share price was lower, however this was largely offset by higher employee costs. For the year to date, the higher employee costs in 2025 compared to the prior year have been largely offset by reduced general expenses.

Terminated Operations

Results from consolidated operations include the results from the terminated operations presented below. In the first quarter of 2025, the U.S. fracturing CGU was subject to changes in business conditions that materially impacted its expected economic performance. As a result, STEP decided to exit this market and terminated all further work related to these operations. The results of the terminated operations are as follows:

($000's)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Revenues	$ **-**	$ 22,868	$ **13,650**	$ 60,839
Operating expenses	**2,925**	21,664	**16,053**	49,538
Selling, general and administrative	**12**	1,231	**1,604**	2,930
Depreciation and amortization	**2,351**	11,966	**5,842**	18,528
Share based compensation (recovery) expense	**(88)**	55	**(258)**	154
Other recoveries	**(224)**	(1,641)	**(582)**	(1,590)
Expenses	$ **4,976**	$ 33,275	$ **22,659**	$ 69,560
Loss from terminated U.S. fracturing operations	**(4,976)**	(10,407)	**(9,009)**	(8,721)
Income tax recoveries from terminated U.S. fracturing operations	**-**	(1,568)	**-**	(1,100)
Net loss from terminated U.S fracturing operations, net of taxes	$ **(4,976)**	$ (8,839)	$ **(9,009)**	$ (7,621)

($000's)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
U.S. Fracturing services terminated operations				
Fracturing operating days [(1)]	**-**	72	**54**	189
Proppant pumped (tonnes)	**-**	137,000	**155,330**	409,000
Fracturing crews	**-**	2	**-**	2

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

Depreciation and amortization

For the three and six months ended June 30, 2025, depreciation and amortization expense decreased to $20.4 million and $41.3 million respectively, from $26.3 million and $47.0 million in the same periods of 2024. The decrease was largely due to a decrease in property and equipment balance due to the reclass of certain U.S. fracturing assets to assets held for sale at the end of first quarter of 2025.

Finance costs

Finance costs were $1.7 million and $3.7 million for the three and six months ended June 30, 2025 compared to $2.8 million and $5.7 million in the same periods of 2024. The effective borrowing rate for loans and borrowings was 5.65% and 5.79% for the three and six months ended June 30, 2025 respectively, compared to 7.32% and 7.30% for the same periods in 2024. Finance costs were lower compared to the same periods in 2024 as lower average interest rates and lower debt levels decreased finance costs in 2025.

Foreign exchange gains and losses

STEP recorded a gain of $2.3 million and a gain of $1.9 million related to foreign exchange for the three and six months ended June 30, 2025 compared to a gain of $0.3 million and a loss of $2.0 million in the corresponding periods of 2024. 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 $0.7 million for both the three and six months ended June 30, 2025, compared to gains of $0.7 million and $2.7 million in the corresponding periods of 2024. 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 months ended June 30, 2025, relates to fair value changes on the cross-currency swap ("CCS") derivatives and fair value changes on the 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 $0.5 million and $1.2 million for the three and six months ended June 30, 2025, respectively, compared to gains of $2.8 million and $3.2 million in the same periods of 2024. Gains and losses relate primarily to the disposal of light duty vehicles upon expiry of lease terms and from disposal of non-core assets.

Share-based compensation

For the three and six months ended June 30, 2024, STEP recorded share-based compensation expense of $1.7 million and $3.0 million, respectively, compared to $2.1 million and $2.9 million in the same periods of 2024. 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.

Income taxes

STEP recorded a total income tax expense of $4.3 million and $14.2 million for the three and six months ended June 30, 2025. This compares to a total income tax expense of $3.9 million and $17.7 million for the comparable periods of 2024. Income tax for the year-to-date 2025 has decreased compared to the same period in 2024 due to decreased income for the first half of 2025 compared to the same period in 2024.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Net cash provided by (used in)				
Operating activities	**$ 60,764**	$ 68,263	**$ 45,094**	$ 78,505
Investing activities	**(17,215)**	(29,485)	**(28,285)**	(53,241)
Financing activities	**(42,115)**	(43,179)	**(17,732)**	(24,073)
Impact of foreign exchange on cash and cash equivalents	**(220)**	(71)	**(209)**	(21)
(Decrease) increase in cash and cash equivalents	**$ 1,214**	$ (4,472)	**$ (1,132)**	$ 1,170
Opening cash and cash equivalents balance	**2,016**	7,427	**4,362**	1,785
Ending cash and cash equivalents balance	**$ 3,230**	$ 2,955	**$ 3,230**	$ 2,955

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled $60.8 million and $45.1 million for the three and six months ended June 30, 2025, compared to $68.3 million and $78.5 million provided in the comparable periods of 2024. Net cash provided by operating activities decreased for the three and six months ended June 30, 2025 compared to the same period in 2024. The decline in net income for both the quarter and year to date was the primary driver behind the drop in cash provided by operating activities as changes in non-cash working capital were consistent with the prior year.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled $17.2 million and $28.3 million for the three and six months ended June 30, 2025, compared to $29.5 million and $53.2 million used for the three and six months ended June 30, 2024. The decrease was a result of lower capital spending as the upgrades to the existing asset base in prior years has reduced the need for sustaining capital in the current year.

NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES

Net cash used in financing activities totaled $42.1 million and $17.7 million for the three and six months ended June 30, 2025 compared to $43.2 million and $24.1 million for the comparable periods of 2024. Financing activities primarily relate to the draws (repayments) of loans and borrowings, the repayment of obligations under finance leases and repurchases of shares under the NCIB. For the three months ended June 30, 2025 there were repayments of loans and borrowings of $38.9 million, compared to repayments of $36.5 million for the three months ended June 30, 2024. During Q2 2025 $0.7 million was spent on repurchasing shares under the NCIB, which includes the 2% share buyback tax, compared to $3.7 million in the prior year.

WORKING CAPITAL AND CASH REQUIREMENTS

As at June 30, 2025, STEP had positive Working Capital of $77.0 million, compared to 35.4 million as at December 31, 2024. Trade and other receivables increased from $82.8 million at December 31, 2024 to $147.4 million at June 30, 2025, primarily due to an increase in revenue during Q2 2025 compared to Q4 2024. Trade and other payables increased to $118.1 million at Q2 2025 from $86.2 million at Q4 2024, largely in line with the higher activity in Q2 2025 relative to Q4 2024. At June 30, 2025, 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 June 30, 2025, 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 to support its ongoing operations.

CONTRACTUAL OBLIGATIONS, COMMITMENTS, AND PROVISIONS

($000s)	2025	2026	2027	2028	2029	Thereafter	Total
Trade and other payables	$ 118,074	$ -	$ -	$ -	$ -	$ -	$ **118,074**
Operating commitments [1,2]	613	1,221	1,158	47	9	-	**3,048**
Short-term and low value lease obligations [2]	138	42	-	-	-	-	**180**
Lease obligations [2,3]	6,181	8,515	4,123	1,481	1,289	6,123	**27,712**
Loans and borrowings [4]	1,360	2,699	48,629	-	-	-	**52,688**
Capital expenditure commitments [5]	17,279	-	-	-	-	-	**17,279**
Total commitments	$ 143,645	$ 12,477	$ 53,910	$ 1,528	$ 1,298	$ 6,123	$ **218,981**

(1) 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.
(2) Includes U.S. obligations at the June 30, 2025 exchange rate of 1 USD = 1.361 CAD.
(3) Balance includes interest portion of lease obligations.
(4) Loans and borrowing balances are based on the credit facility in place at June 30, 2025. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at June 30, 2025. Both are variable in nature.
(5) 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)	June 30, 2025	December 31, 2024
Shareholders' equity	$ **390,700**	$ 370,526
Lease obligations	**23,058**	27,747
Loans and borrowings	**46,308**	56,721
Total capital	$ **460,066**	$ 454,994

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 August 6, 2025 there were 72,873,685 common shares in the capital of STEP ("Common Shares") issued and outstanding.

Normal Course Issuer Bid

On January 6, 2025, the Company announced the renewal of the NCIB commencing on January 9, 2025 and expiring on January 8, 2026 or at such an earlier date if the Company has completed the maximum allowable purchases under the bid. Under the NCIB, the Company may repurchase up to 3,601,082 common shares, representing five percent of its issued and outstanding common shares as at December 26, 2024. The Company is permitted to purchase and cancel up to 38,697 common shares in any one day under this bid, subject to the block purchase exemption.

As at June 30, 2025, 783,200 shares had been repurchased and cancelled to date under the NCIB program at a weighted average price of $4.32.

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

As at June 30, 2025, 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. The maturity date of the Credit Facilities is September 27, 2027. 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 June 30, 2025 the Company had an interest coverage ratio of 14.56:1.00.

2. A Funded Debt to Adjusted Bank EBITDA ratio. This refers to total outstanding interest-bearing debt including lease obligations and letters of credit less cash and cash equivalents held with approved financial institutions to Adjusted Bank EBITDA. Adjusted Bank EBITDA means the Net Income (Loss) on a consolidated basis plus or minus: interest expense, the provision for income taxes, depreciation, amortization, deferred income tax expense or recovery, gains or losses on the sale of assets, allowance for doubtful account provisions, non-cash impairment charges, unrealized foreign exchange gains or losses and marking to market hedging instruments, discretionary management bonuses, severance and share based compensation, and any non-typical and non-recurring transactions. Lease expense for current and future finance leases, which would have been accounted for as an operating lease at December 31, 2018, is deducted from net income (loss) when calculating Adjusted Bank EBITDA. The ratio is calculated quarterly on the last day of each fiscal quarter on a four-quarter rolling basis. The Company is required to have Funded Debt to Adjusted Bank EBITDA ratio of not more than 3.00:1.00. At June 30 2025, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.42:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at June 30, 2025.

Interest is payable monthly, at the lead syndicate bank's lending rate plus 100 basis points to 325 basis points depending on certain financial ratios of the Company and the applicable type of loan. The effective borrowing rate for loans and borrowings for the three and six months ended June 30, 2025 was 5.65% and 5.79% respectively (June 30, 2024 – 7.32% and 7.30% respectively). The total amount of Credit Facilities outstanding on June 30, 2025 is as follows:

($000's) As at	June 30, 2025	December 31, 2024
Revolving loan facility	$ 39,467	$ 52,051
Canadian and U.S. operating lines	7,143	5,032
Deferred financing costs	(302)	(362)
Total loans and borrowings	$ 46,308	$ 56,721

The following table displays the movements in loans and borrowings during the six months ended June 30, 2025:

		(000's)
Balance at January 1, 2025	$	56,721
Repayment of loans and borrowings		(9,298)
Accretion of deferred financing costs		59
Effect of exchange rate changes		(1,174)
Balance at June 30, 2025	**$**	**46,308**

The Company has entered into Cross Currency Swap ("CCS") derivatives to manage foreign exchange exposure on U.S. denominated debt, fixing the exchange rate on the principal repayments and interest payments. On June 26, 2025, the Company entered into a 30-day CCS of $40 million (CAD) for $29 million (USD). The derivative contract was revalued to its fair value of a $0.5 million liability on June 30, 2025. 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 any appropriate provisions based on such assessments.

SELECTED QUARTERLY INFORMATION

STEP's quarterly financial performance is affected by a number of factors including the seasonality [(2)] of the business, 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)	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Revenue								
Canadian Operations	**188,785**	252,931	110,011	210,655	160,986	241,069	112,205	157,656
United States Operations	**39,218**	54,810	37,443	45,336	70,389	79,077	82,842	97,579
	228,003	307,741	147,454	255,991	231,375	320,146	195,047	255,235
Net income (loss) attributable to shareholders	**5,853**	24,151	(44,604)	(5,460)	10,469	41, 357	(5,244)	20,734
Adjusted EBITDA [(1)]	**34,769**	58,960	7,564	49,369	41,692	71,135	14,551	45,793
Capital expenditures [(3)]	**14,387**	16,955	21,033	21,262	29,006	35,671	43,307	27,634
Per Common Share								
Net income (loss) – basic	**0.08**	0.34	(0.62)	(0.08)	0.15	0.58	(0.07)	0.29
Net income (loss) – diluted	**0.08**	0.33	(0.62)	(0.08)	0.14	0.55	(0.07)	0.28
Exit active fracturing spreads	**6**	7	7	7	8	8	8	8
Exit active coiled tubing units	**21**	22	21	22	23	22	21	21
Total coiled tubing units	**35**	35	35	35	35	35	35	35

[(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.
[(2)] 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 less affected by seasonality.
[(3)] Capital expenditures include amounts added in respect of finance right-of-use assets.

SECOND QUARTER – 2025

Volatile market conditions were a factor in STEP's operating results for the second quarter. The Company was able to hold revenues similar to what was achieved in the same quarter of the prior year due to its continued focus on relationships with large-scale blue-chip customers. While revenue and activity remained relatively strong, margin compression continued as a result of consistent cost inflation and an oversupply of equipment that prevents the Company from increasing rates. STEP operated six fracturing fleets, and shut down one coiled tubing fleet during the quarter, returning the active fleet count back to 21.

FIRST QUARTER – 2025

Revenue for the first quarter was the second highest in STEP's history as increased fracturing intensity continued to drive higher proppant levels. Strong client alignment in all major basins continues to be a key driver for the strength in operations for both fracturing and coiled tubing. STEP continued to operate seven fracturing fleets during the quarter though one active fleet was shut down before the end of the quarter. Coiled tubing was able to redeploy an additional unit bringing the active fleet count back to 22. Overall profitability improved over recent quarters but inflation continues to negatively impact results.

FOURTH QUARTER – 2024

Activity in the fourth quarter declined as budget exhaustion was prevalent within STEP's client base. Revenue was relatively consistent with the prior year reflecting the positive impact of STEP's client alignment. Fracturing intensity continues to be a driving factor in fracturing operations despite the decline in operating days in the quarter. Coiled tubing operations declined slightly compared to the prior year and scaled back to 21 active coiled tubing units in the fourth quarter as market conditions remained challenging.

THIRD QUARTER – 2024

Revenue for the quarter was strong, lower only than the first quarter of the 2024 and 2023. Increased fracturing intensity combined with strong client alignment to support the 7th fleet have been key success factors for these operations in 2024. Coiled tubing operations remained relatively strong, however, activity was not sufficient to keep the 23rd unit in the field.

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 were able to achieve strong utilization during the quarter despite what has traditionally been a softer period due to spring break-up. The 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 fracturing operations as proppant volumes for the first half of 2024 were almost equal to the full year of 2023.

FIRST QUARTER – 2024

Strong client alignment was a significant factor in the exceptional operating results during the first quarter. STEP deployed 8 fracturing fleets and 22 coiled tubing units during the quarter with high utilization. Fracturing operations set Company records for the quarter both in operating days and volume of proppant pumped. Weather conditions played a factor in coiled tubing activity however total operating days were still one of the highest quarters to date.

FOURTH QUARTER – 2023

Activity in Q4 2023 declined as instability in commodity prices combined with budget exhaustion resulted in an industry wide slowdown. 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 fracturing and coiled tubing operations showed an increase in revenues as compared to the prior quarter as well as the comparable period in 2022. Fracturing pricing generally remained strong driving increased profitability.

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:

($000's)	June 30, 2025		December 31, 2024	
	Asset	Liabilities	Asset	Liabilities
Foreign cross currency swaps	$ -	$ 532	$ 53	$ -
Contract embedded derivatives	-	278	-	204

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 second quarter of 2025 or 2024.

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:

($000's) As at	June 30, 2025	December 31, 2024
Current (0 to 30 days from invoice date)	$ 107,106	$ 57,386
31 - 60 days	33,877	21,670
61 - 90 days	1,888	2,192
91+ days	1,007	1,448
Receivables from trade clients	143,878	82,696
Allowance for doubtful accounts	(982)	(832)
Other amounts	4,518	905
Total trade and other receivables	$ 147,414	$ 82,769

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

Included in other receivables is $4.5 million to be received by a foreign jurisdiction related to an ongoing tax dispute with the Company. The dispute has been resolved, and the disputed tax amount paid is expected to be received in Q3 2025.

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 and currency risk.

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% change in the bankers' prime rate would result in a $0.1 million and $0.2 million increase or decrease in interest expense for the three and six months ended June 30, 2025 respectively (June 30, 2024 - $0.2 million and $0.4 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. As at June 30, 2025 the Company was not materially exposed to foreign exchange risk.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at June 30, 2025 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, unrealized (gain) loss on derivatives, foreign exchange (gain) loss, impairment losses and Adjusted EBITDA from terminated operations[1]. "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.

[1] STEP has expanded the definition of Adjusted EBITDA to exclude the Adjusted EBITDA from terminated operations in order to provide clarity on the Company's normal course business activities to users of these documents. As a reminder, in Q1 2025, the U.S. fracturing CGU was subject to changes in business conditions that materially impacted its expected future economic performance. As a result, STEP began an orderly process to terminate operations of this CGU following completion of the work scope in Q1 2025. The Company expects to transfer the U.S. fracturing CGU's recently refurbished Tier 4 dual fuel equipment to Canada and will dispose of the remaining equipment over the next several quarters. As not all the equipment is being disposed of, the accounting presentation does not meet the test for the IFRS standard for discontinued operations.

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		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net income	$ 5,853	$ 10,469	$ 30,004	$ 51,826
Add (deduct):				
Depreciation and amortization	20,368	26,289	41,262	46,957
Gain on disposal of equipment	(468)	(2,806)	(1,202)	(3,164)
Finance costs	1,732	2,771	3,710	5,680
Income tax expense	4,294	3,869	14,230	17,652
Share-based compensation – Cash settled	305	1,164	640	869
Share-based compensation – Equity settled	1,373	893	2,327	2,028
Foreign exchange (gain) loss	(2,310)	(300)	(1,908)	2,017
Unrealized loss on derivatives	685	(684)	659	(2,667)
Adjusted EBITDA from terminated operations[(1)]	2,937	27	4,007	(8,371)
Adjusted EBITDA	$ 34,769	$ 41,692	$ 93,729	$ 112,827
Adjusted EBITDA %	15%	18%	17%	20%

[(1)] Adjusted EBITDA from terminated operations is calculated in the same manner as the calculation of Adjusted EBITDA but does not include non-applicable items, such as unrealized (gain) loss on derivatives nor foreign exchange losses (gain) amounts. The calculation of Adjusted EBITDA from terminated operations is as follows:

($000s except percentages)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Net loss from terminated U.S. fracturing operations, net of taxes	$ (4,976)	$ (8,839)	$ (9,009)	$ (7,621)
Add (deduct):				
Depreciation and amortization	2,351	11,966	5,842	18,528
Gain on disposal of equipment	(289)	(1,792)	(675)	(1,883)
Finance costs	65	151	93	293
Income tax recovery	-	(1,568)	-	(1,100)
Share-based compensation – equity settled	(88)	55	(258)	154
Adjusted EBITDA from terminated operations	$ (2,937)	$ (27)	$ (4,007)	$ 8,371

“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.

"Free Cash Flow per share-basic" is a financial measure not presented in accordance with IFRS and is equal to Free Cash Flow divided by the weighted average number of shares outstanding – basic. Management uses Free Cash Flow per share-basic 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 on a normalized per basic share basis. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow per share-basic to the IFRS financial measure of net cash provided by operating activities.

"Free Cash Flow per share-diluted" is a financial measure not presented in accordance with IFRS and is equal to Free Cash Flow divided by the weighted average number of shares outstanding – diluted. Management uses Free Cash Flow per share-basic 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 on a normalized per diluted share basis. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow per share-basic to the IFRS financial measure of net cash provided by operating activities.

($000s)	Three months ended		Six months ended	
	June 30, 2025	June 30, 2024	**June 30, 2025**	June 30, 2024
Net cash provided by operating activities	**$ 60,764**	$ 68,263	**$ 45,094**	$ 78,505
Add (deduct):				
Changes in non-cash working capital from operating activities	**(34,686)**	(35,262)	**23,568**	21,474
Sustaining capital	**(6,262)**	(9,590)	**(14,175)**	(20,711)
Lease payments (net of sublease receipts)	**(2,489)**	(2,951)	**(4,988)**	(5,325)
Free Cash Flow	**$ 17,327**	$ 20,460	**$ 49,499**	$ 73,943
Weighted average number of shares outstanding - basic	**72,311,173**	71,506,780	**72,151,573**	71,666,553
Free Cash Flow per share-basic	**0.24**	0.29	**0.69**	1.03
Weighted average number of shares outstanding - diluted	**73,591,573**	73,886,783	**73,562,543**	74,072,367
Free Cash Flow per share-diluted	**0.24**	0.28	**0.67**	1.00

"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).

($000s)	**June 30, 2025**	December 31, 2024
Current assets	**$ 212,613**	$ 145,107
Current liabilities	**(135,621)**	(109,752)
Working Capital (including cash and cash equivalents)	**$ 76,992**	$ 35,355

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

($000s)	**June 30, 2025**	December 31, 2024
Long-term loans	**$ 46,308**	$ 56,721
Long-term leases	**14,470**	18,021
Other long-term liabilities	**8,935**	8,652
Total long-term financial liabilities	**$ 69,713**	$ 83,394

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

($000s)	June 30, 2025	December 31, 2024
Loans and borrowings	$ 46,308	$ 56,721
Add back: Deferred financing costs	302	362
Less: Cash and cash equivalents	(3,230)	(4,362)
Less: CCS Derivatives liability (asset)	532	(53)
Net Debt	$ 43,912	$ 52,668

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 April 1 to June 30, 2025, which have materially affected or are reasonably likely to materially affect the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This MD&A is based on the 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 market uncertainty due to changing tariffs and other trade barriers 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: 2025 and 2026 industry conditions and outlook, including commodity pricing and demand for oil and gas; the effect of LNG facilities on export capacity, natural gas storage, and industry activity levels; anticipated utilization and activity levels, revenue, pricing, and schedule; capabilities of the NGx, including fuel savings, and the Company's intent to invest in the technology; the oil and gas industry's ability to withstand volatility; the Company's ability to transfer assets where economic returns are most favorable; the Company's ability to test and evaluate next generation technologies; 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 and fracturing technologies; the effect of tariffs and other trade barriers, inflation and cost increases on the Company and its margins; 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 and adjust the Company's budget in light of market conditions; 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.

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; 2025 and 2026 activity levels; the effect of tariffs, trade barriers, and related market concerns; levels of oil and gas production and LNG demand and 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; actual performance and availability of the NGx; 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 expected receipt of tax amounts previously paid by the Company; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could 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.