STEP energy services

TSX STEP

Third Quarter

Management Discussion and Analysis

As at and for the three and nine months ended September 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 November 5, 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 nine months ended September 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		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Consolidated revenue	$ 227,237	$ 255,991	$ 762,981	$ 807,512
Net income (loss)	$ 6,782	$ (5,460)	$ 36,786	$ 46,366
Per share-basic	$ 0.09	$ (0.08)	$ 0.51	$ 0.65
Per share-diluted	$ 0.09	$ (0.08)	$ 0.50	$ 0.62
Adjusted EBITDA (1)	$ 45,166	$ 49,369	$ 138,895	$ 162,196
Adjusted EBITDA % (1)	20%	19%	18%	20%
Free Cash Flow (1)	$ 23,290	$ 28,404	$ 72,789	$ 102,347
Per share-basic (1)	$ 0.32	$ 0.40	$ 1.01	$ 1.43
Per share-diluted (1)	$ 0.31	$ 0.40	$ 0.98	$ 1.38

(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)	September 30, 2025	December 31 2024
Cash and cash equivalents	$ 2,511	$ 4,362
Working capital (including cash and cash equivalents) (1)	$ 77,897	$ 35,355
Total assets	$ 599,981	$ 580,635
Total long-term financial liabilities (1)	$ 64,224	$ 83,394
Net Debt (1)	$ 36,302	$ 52,668
Shares outstanding	72,876,902	72,037,391

(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.

OPERATIONAL REVIEW

($000s except days, proppant, pumped, horsepower and units)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Fracturing services				
Fracturing operating days (1)(2)	345	360	1,144	1,304
Proppant pumped (tonnes) (3)	524,000	594,000	1,844,700	2,064,000
Fracturing crews	6	7	6	7
Dual fuel horsepower (“HP”), end of period	369,550	367,050	369,550	367,050
Total HP, end of period	478,400	490,000	478,400	490,000
Coiled tubing services				
Coiled tubing operating days (1)	1,260	1,340	3,871	4,060
Active coiled tubing units, end of period	21	22	21	22
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 nine months ended September 30, 2025 (11 and 200 days for three and nine months ended September 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 nine months ended September 30, 2025 (21,000 and 430,000 for three and nine months ended September 30, 2024).

THIRD QUARTER 2025 HIGHLIGHTS

- Consolidated revenue for the three months ended September 30, 2025 of $227.2 million, was down from revenue of $256.0 million for the three months ended September 30, 2024 and in line with revenue from $228.0 million for the three months ended June 30, 2025.
- Net income for the three months ended September 30, 2025 was $6.8 million ($0.09 diluted income per share) compared to net loss of $5.5 million ($0.08 diluted loss per share) in the same period of 2024 and net income of $5.9 million ($0.08 diluted income per share) for the three months ended June 30, 2025. Included in net income for three months ended September 30, 2025 was:
  - share based compensation expense of $3.7 million, compared to $1.7 million during the three months ended June 30, 2025 and $1.0 million during the three months ended September 30, 2024;
  - net loss from terminated U.S. fracturing operations of $10.1 million, compared to $5.0 million during the three months ended June 30, 2025, and $26.9 million during the three months ended September 30, 2024, and;
  - impairment expense of $4.6 million on assets held for sale and inventory write down of $3.0 million in operating expenses for terminated operations. This compares to an impairment expense of $12.7 million during the three months ended September 30, 2024. There was no impairment recorded during the three months ended June 30, 2025.
- For the three months ended September 30, 2025, Adjusted EBITDA was $45.2 million (20% of revenue) compared to $49.4 million (19% of revenue) in Q3 2024 and $34.8 million (15% of revenue) in Q2 2025.
- Free Cash Flow for the three months ended September 30, 2025 was $23.3 million compared to $28.4 million in Q3 2024 and $17.3 million in Q2 2025.
- During the third quarter of 2025, STEP did not repurchase any shares. For the year to date, STEP repurchased 783,200 shares at an average price of $4.32 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 $36.3 million at September 30, 2025, compared to $52.7 million at December 31, 2024 and $43.9 million at June 30, 2025.
  - The Company invested $19.0 million for the three months ended September 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 September 30, 2025, of $77.9 million was $42.5 million higher than the $35.4 million as at December 31, 2024, and $0.9 million higher than the $77.0 million as at June 30, 2025. Working capital fluctuations are typical and are influenced by activity levels and timing of client receipts.
- On September 25, 2025, the Company announced the receipt of a non-binding offer (the "Offer") from ARC Financial Corp. ("ARC") to acquire, through one or more funds managed by ARC, 100% of the issued and outstanding common shares in the capital of STEP not currently managed or owned, directly or indirectly, by ARC for a purchase price of $5.50 in cash per share. Funds managed by ARC currently own, directly or indirectly, or exercise control or direction over 55.22% of the issued and outstanding common shares of STEP. STEP also received from ARC copies of signed voting support agreements relating to the Offer among the limited partnerships comprising ARC Energy Fund 8 (a private equity fund advised by ARC Financial Corp.), 2659160 Alberta Ltd., and (i) MMCAP International Inc. SPC, (ii) XIB Arbitrage Master Fund and XIB International Aster Fund, by their advisor XIB Asset Management Inc., and (iii) Groundlayer Capital Inc.. Subsequent to the quarter end, STEP announced on October 17, 2025 that it entered into a definitive arrangement agreement with 2659160 Alberta Ltd. and the limited partnerships comprising ARC Energy Fund 8, following the unanimous approval of STEP's board of directors of the arrangement agreement. Upon the successful completion of this transaction 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.

THIRD QUARTER 2025 OVERVIEW

Commodity prices were volatile throughout the third quarter of 2025, with oil prices trading in a wide range and natural gas prices declining quarter over quarter. The decline in natural gas prices is due to slower than anticipated LNG uptake, muted industrial demand, and seasonal facility and pipeline maintenance. Oil prices were impacted by a combination of supply increases by members of the Organization of the Petroleum Exporting Countries ("OPEC") and 10 non-OPEC allies such as

Russia (collectively "OPEC+"), rising global inventories, and ongoing geopolitical tensions, including hostilities in the Middle East and new sanctions on Russian energy exports. Oil prices traded in a wide range from $57 to $75 (USD) per barrel, with the benchmark West Texas Intermediate ("WTI") crude price averaging $64.97 (USD) per barrel in Q3 2025, up from $63.68 (USD) per barrel in Q2 2025. Henry Hub averaged $3.07 (USD) per MMBtu in Q3 2025, down from $3.51 (USD) per MMBtu in Q2 2025, while AECO-C Daily averaged approximately $0.61 (CAD) per Mcf in Q3 2025, down from $1.75 (CAD) per Mcf in Q2 2025.

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 525 rigs in the third quarter, down from 556 rigs in the second quarter. Canadian rig counts were up due to seasonal recovery, averaging 176 during the third quarter, compared to 127 in the spring break up affected second quarter. U.S. fracturing fleets declined in the third quarter to an average of 170, down from 192 in the second quarter of 2025.

STEP's consolidated revenue in the third quarter was $227.2 million, in line with the $228.0 million in the second quarter of 2025 and down from with the $256.0 million recorded in the same period from the prior year. The fracturing service line had strong utilization through the quarter, with 345 operating days across six crews, pumping 524 thousand tons of sand. Coiled tubing services were also well utilized, operating 1,260 days across 21 units.

Adjusted EBITDA of $45.2 million (20% Adjusted EBITDA) was up from the $34.8 million (15% Adjusted EBITDA) in the second quarter of 2025 and down from $49.4 million (19% Adjusted EBITDA) in the same period last year.

Net income was $6.8 million in Q3 2025 ($0.09 diluted income per share), higher than the $5.9 million in Q2 2025 ($0.08 diluted income per share) and the $5.5 million net loss in Q3 2024 ($0.08 diluted loss per share). Net income included $3.7 million in share-based compensation expense (Q2 2025 - $1.7 million, Q3 2024 - $1.0 million) and $1.7 million in finance costs (Q2 2025 - $1.7 million, Q3 2024 - $4.3 million). Included in net income were $10.1 million of expenses related to STEP's terminated operations, including impairment expense of $4.6 million (Q2 2025 – nil, Q3 2024 - $12.7 million) and $3.0 million in operating expense related to inventory write down.

Free Cash Flow was $23.3 million in Q3 2025 ($0.31 diluted Free Cash Flow per share), sequentially higher than the $17.3 million ($0.24 diluted Free Cash Flow per share) in Q2 2025 and lower than the $28.4 million ($0.40 diluted Free Cash Flow per share) in Q3 2024. Working capital increased by $0.9 million from the second quarter of 2025, ending the quarter at $77.9 million, which is significantly higher than the $35.4 million at the end of the fourth quarter of 2024. The build in working capital is typical with the majority of the increase in the current year due to an increase in activity, resulting in higher accounts receivable, partially offset by an increase in current liabilities. Net Debt decreased to $36.3 million from $52.7 million at the close of 2024. Net Debt is now at its lowest level since Q1 of 2018 and is down over $270 million from the peak in 2018. The decrease in Net Debt combined with the slight decrease in Adjusted EBITDA from Q3 2024 resulted in a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.35:1.00, well under the limit of 3:1 in the Company's Credit Facilities (as defined in *Capital Management – Debt* below).

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 third quarter, resulting in Adjusted EBITDA from terminated operations of negative $3.6 million, which is not included in the Q3 reported Adjusted EBITDA of $45.2 million. The depressed state of the U.S. fracturing market has also reduced the value of the assets held for sale, necessitating further impairment of the remaining assets.

SIGNIFICANT EVENT

On September 25, 2025, STEP announced the receipt of a non-binding offer from ARC proposing to acquire all issued and outstanding common shares of STEP not already owned or controlled by ARC, for cash consideration of $5.50 per share. Funds managed by ARC currently own, directly or indirectly, or exercise control or direction over 55.22% of the issued and outstanding common shares of STEP. ARC subsequently entered into voting support agreements with minority shareholders representing approximately 32.11% of total shares and 71.71% of the minority shares, bringing the total ownership and support to 87.33%.

In response to the offer, STEP's board of directors formed a special committee of independent directors (the "Special Committee") consisting of Mr. Edward LaFehr (Chair), Mr. James Harbilas and Ms. Rachel Moore to review and consider the Offer, with Mr. Michael Kelly acting as an advisor. The Special Committee engaged Peters & Co. Limited as its financial advisor and Burnet, Duckworth & Palmer LLP as its legal advisor. Stikeman Elliott LLP is acting as legal advisor to STEP.

Following a comprehensive review, the Special Committee unanimously determined that the proposed transaction is in the best interests of the Company and recommended that the board approve the execution of a definitive arrangement agreement (the "Arrangement"). On October 17, 2025, STEP announced that it had entered into the Arrangement with ARC, which was unanimously approved by the board.

The Arrangement remains subject to the approval by the holders of Shares (the "Shareholders"), including the approval of holders of the Minority Shares, court approval and customary closing conditions. Further details regarding the Arrangement are provided in the management information circular (the "Circular"), which was sent to Shareholders on November 3, 2025, in connection with the special meeting of Shareholders (the "STEP Meeting") to be held virtually on December 12, 2025.

Closing of the Arrangement is expected to occur on or about December 16, 2025, 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. 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.

MARKET OUTLOOK

The fourth quarter is expected to start strong, with high utilization anticipated for the first half of the quarter before slowing as clients wind down their annual capital programs. The seasonal holiday slowdown may start a bit earlier given the pressure on commodity prices, but STEP expects that this impact will be relatively muted based on client commentary.

Fracturing job mix is expected to remain consistent with the prior quarter, with high intensity operations focused on the Montney and Duvernay. Coiled tubing activity will see lighter utilization in the quarter as because of the slowdown in fracturing activity in Canada and the U.S. STEP's Canadian, coiled tubing services will be impacted by the various public labour actions taking place in British Columbia, which are delaying issuance of the permits STEP requires to transport its specialized coiled tubing equipment.

STEP will focus on cost control in the quarter, while also preparing for a highly utilized first quarter in 2026. The Company experienced high utilization across much of 2025, so the equipment and field professionals will benefit from the slowdown. The fracturing schedule in Q1 2026 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 expected to be similarly booked for the first quarter of 2026. Pricing for contracted fracturing work remains under pressure in response to lower commodity prices and surplus service capacity in the basin, which will likely result in margin compression relative to the same period in 2025. Coiled tubing prices have stabilized and are expected to increase in 2026 in response to the considerable cost inflation experienced in 2025.

The long-term outlook for oilfield services is very constructive. North America is expected to considerably expand its LNG export capacity through the coming decade, with Canada finally expected to participate in the growth that has driven the U.S. natural gas market with the expected addition of up to 4.5 BCF/day of capacity, complementing Canada's first LNG project, LNG Canada, which has capacity of 2.1 BCF/day. The demand from LNG, plus the rapid demand growth coming from the power generation sector, is expected to support natural gas prices at more sustainable levels. Long term oil demand is expected to grow, although there are some near term headwinds expected in late 2025 and into 2026.

CAPITAL EXPENDITURES

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Capital program additions				
Sustaining capital	**$ 7,073**	$ 7,187	**$ 21,248**	$ 27,898
Optimization capital	**11,877**	10,469	**27,346**	46,727
Total capital program additions	**18,950**	17,656	**48,594**	74,625
Right-of-use asset additions	**2,026**	3,606	**3,724**	11,314
Total capital expenditures	**$ 20,976**	$ 21,262	**$ 52,318**	$ 85,939

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, 2025 were $21.0 million, a slight decrease from $21.3 million for the three months ended September 30, 2024. STEP manages its capital spending to align with market trends while continuing to focus capital towards the Company's natural gas strategy.

In the third quarter STEP committed to purchasing four additional NGx fracturing pumps, which are expected to be delivered in Q1 2026. STEP also delivered its first suite of electrified backside equipment in the third quarter. These pumps and ancillary equipment are a key part of STEP's strategy to displace diesel with natural gas across the fracturing service line. STEP is expecting to take delivery of its first ultra deep coiled tubing reel trailer in Q4 2025. This reel trailer is capable of carrying 35,000 feet of 2 5/8" coiled tubing, enabling STEP to continue to service the extended reach 3 and 4 mile laterals that are becoming increasingly common.

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 September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Fracturing	$ 148,464	$ 175,888	$ 526,043	$ 559,972
Coiled tubing	78,773	80,103	236,938	247,540
Total revenue	227,237	255,991	762,981	807,512
Operating expenses	177,569	203,628	604,354	614,673
Depreciation and amortization	17,003	25,866	57,791	72,489
Total operating expenses	194,572	229,494	662,145	687,162
Gross profit	32,665	26,497	100,836	120,350
Selling, general and administrative	11,853	9,533	34,057	31,708
Depreciation and amortization	120	146	379	460
Total selling, general and administrative	11,973	9,679	34,436	32,168
Results from operating activities	20,692	16,818	66,400	88,182
Finance costs	1,688	4,336	5,398	10,016
Foreign exchange loss (gain)	1,287	(63)	(621)	1,954
Unrealized (gain) loss on derivatives	(1,159)	802	(500)	(1,865)
Gain on disposal of property and equipment	(211)	(1,218)	(1,413)	(4,382)
Impairment of assets	4,588	12,735	4,588	12,735
Amortization of intangible assets	77	10	292	30
Income before income tax	14,422	216	58,656	69,694
Income tax expense	7,640	5,676	21,870	23,328
Net income (loss)	6,782	(5,460)	36,786	46,366
Net Income (loss) per share – basic	$ 0.09	$ (0.08)	$ 0.51	$ 0.65
Net Income (loss) per share – diluted	$ 0.09	$ (0.08)	$ 0.50	$ 0.62
Adjusted EBITDA [1]	$ 45,166	$ 49,369	$ 138,895	$ 162,196
Adjusted EBITDA % [1]	20%	19%	18%	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 nine months ended September 30, 2025, revenue decreased 11% to $227.2 million and 6% to $763.0 million compared to $256.0 million and $807.5 million for the three and nine months ended September 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 seven for the same period of the prior year. Fracturing operating days for the quarter were down 4% and have decreased by 12% for the year to date. The reduction in fracturing crews and operating days is associated with the termination of U.S. fracturing operations during 2025. Fracturing revenue was down 16% for the quarter but only declined by 6% for the year to date which correlated with the decreased proppant pumped both in Canadian fracturing and as a result of the termination of the U.S fracturing operation in 2025.

Coiled tubing operating days for the quarter were down 6% and have decreased by 5% 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 units 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:

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Employee costs	**$ 51,381**	$ 55,524	**$ 169,906**	$ 183,575
Share-based compensation	**475**	588	**1,255**	1,346
Operating expenses	**49,933**	54,154	**167,348**	176,307
Material and inventory costs	**75,780**	93,362	**265,845**	253,445
Operating expenses	**177,569**	203,628	**604,354**	614,673
Depreciation and amortization	**17,003**	25,866	**57,791**	72,489
Total operating expenses	**$ 194,572**	$ 229,494	**$ 662,145**	$ 687,162

Employee costs and general operating expenses decreased compared to the prior year for both the quarter and year to date primarily due to the wind down of U.S. fracturing operations.

Material and inventory costs for the year to date increased significantly compared to the prior year as changes in sand mix, increases in STEP supplied sand and currency fluctuations increased the cost of materials. Material inventory costs for the quarter to date decreased compared to the prior year quarter primarily because of a decrease in STEP supplied proppant in Canadian operations.

Selling, general and administrative expenses

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

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Employee costs	**$ 6,077**	$ 6,003	**$ 20,594**	$ 19,895
Share-based compensation	**3,230**	382	**5,417**	2,522
Allowance for doubtful accounts expense (recovery)	**108**	(60)	**348**	327
General expenses	**2,438**	3,208	**7,698**	8,964
Selling, general and administrative expenses	**11,853**	9,533	**34,057**	31,708
Depreciation and amortization	**120**	146	**379**	460
Total selling, general and administrative expenses	**$ 11,973**	$ 9,679	**$ 34,436**	$ 32,168

Selling, general and administrative expenses increased from the prior year for both the quarter and year to date. Share-based compensation expense was significantly higher in the third quarter of 2025 compared to the same period of 2024 driven by a higher share price in Q3 2025 compared to the Q3 2024. For both the quarter and 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. Significant expenses in the third quarter related primarily to the disposal of surplus inventory and further impairment of the Tier 2 diesel and dual fuel powered fracturing equipment classified as assets held for sale. The results of the terminated operations are as follows:

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Revenues	**$ -**	$ 2,908	**$ 13,650**	$ 63,747
Operating expenses	**3,638**	7,414	**19,691**	56,951
Selling, general and administrative	**8**	1,063	**1,612**	3,993
Depreciation and amortization	**1,661**	10,427	**7,503**	28,955
Share based compensation expense (recovery)	**16**	114	**(242)**	268
Impairment of property and equipment	**4,588**	12,735	**4,588**	12,735
Other expense (recoveries)	**222**	(389)	**(360)**	(1,978)
Expenses	**$ 10,133**	$ 31,364	**$ 32,792**	$ 100,924
Loss from terminated U.S. fracturing operations	**(10,133)**	(28,456)	**(19,142)**	(37,177)
Income tax recoveries from terminated U.S. fracturing operations	**-**	(1,584)	**-**	(2,684)
Net loss from terminated U.S fracturing operations, net of taxes	**$ (10,133)**	$ (26,872)	**$ (19,142)**	$ (34,493)

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
U.S. Fracturing services terminated operations				
Fracturing operating days (1)	**-**	11	**54**	200
Proppant pumped (tonnes)	**-**	21,000	**155,330**	430,000
Fracturing crews	**-**	1	**-**	1

(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 nine months ended September 30, 2025, depreciation and amortization expense decreased to $17.2 million and $58.5 million respectively, from $26.0 million and $73.0 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 $5.4 million for the three and nine months ended September 30, 2025 compared to $4.3 million and $10.0 million in the same periods of 2024. The effective borrowing rate for loans and borrowings was 5.43% and 5.67% for the three and nine months ended September 30, 2025 respectively, compared to 6.87% and 7.15% 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 loss of $1.3 million and a gain of $0.6 million related to foreign exchange for the three and nine months ended September 30, 2025 compared to a gain of $0.1 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 gain on derivatives of $1.2 million and $0.5 million for the three and nine months ended September 30, 2025, compared to a loss of $0.8 million and a gain of $1.9 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 September 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 $0.2 million and $1.4 million for the three and nine months ended September 30, 2025, respectively, compared to gains of $1.2 million and $4.4 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 nine months ended September 30, 2025, STEP recorded share-based compensation expense of $3.7 million and $6.7 million, respectively, compared to $1.0 million and $3.9 million in the same periods of 2024. The fluctuations in these expenses are the 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 total income tax expense of $7.6 million and $21.9 million for the three and nine months ended September 30, 2025. This compares to total income tax expense of $5.7 million and $23.4 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 year to date in 2025 compared to the same period in 2024.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Net cash provided by (used in)				
Operating activities	**$ 23,499**	$ 35,956	**$ 68,593**	$ 114,461
Investing activities	**(13,557)**	(18,433)	**(41,842)**	(71,674)
Financing activities	**(10,656)**	(18,963)	**(28,388)**	(43,036)
Impact of foreign exchange on cash and cash equivalents	**(5)**	(33)	**(214)**	(54)
(Decrease) in cash and cash equivalents	**$ (719)**	$ (1,473)	**$ (1,851)**	$ (303)
Opening cash and cash equivalents balance	**3,230**	2,955	**4,362**	1,785
Ending cash and cash equivalents balance	**$ 2,511**	$ 1,482	**$ 2,511**	$ 1,482

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities totaled $23.5 million and $68.6 million for the three and nine months ended September 30, 2025, compared to $36.0 million and $114.5 million provided in the comparable periods of 2024. The reduction in cash generated from operating activities in Q3 2025 versus Q3 2024 is mainly due to higher taxes paid, reflecting increased operating income, and a decrease in operating non-cash working capital.

NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities totaled $13.6 million and $41.8 million for the three and nine months ended September 30, 2025, compared to $18.4 million and $71.7 million used for the three and nine months ended September 30, 2024. Lower capital spending for the year to date has resulted in lower cash used in investing activities as the upgrades to the existing asset base in prior years 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 $10.7 million and $28.4 million for the three and nine months ended September 30, 2025 compared to $19.0 million and $43.0 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 September 30, 2025 there were repayments of loans and borrowings of $8.3 million, compared to repayments of $16.5 million for the three months ended September 30, 2024. During Q3 2025, no shares were repurchased under the NCIB.

WORKING CAPITAL AND CASH REQUIREMENTS

As at September 30, 2025, STEP had positive Working Capital of $77.9 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 $134.6 million at September 30, 2025, primarily due to an increase in revenue during Q3 2025 compared to Q4 2024. Trade and other payables increased to $100.8 million at Q3 2025 from $86.2 million at Q4 2024, largely in line with the higher activity in Q3 2025 relative to Q4 2024. At September 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 September 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	$ 100,795	$ -	$ -	$ -	$ -	$ -	$ **100,795**
Operating commitments [1,2]	357	1,441	1,394	117	9	-	**3,318**
Short-term and low value lease obligations [2]	87	123	-	-	-	-	**210**
Lease obligations [2,3]	2,662	9,311	5,216	2,310	1,497	6,261	**27,257**
Loans and borrowings [4]	560	2,220	40,823	-	-	-	**43,603**
Capital expenditure commitments [5]	17,950	-	-	-	-	-	**17,950**
Total commitments	$ 122,411	$ 13,095	$ 47,433	$ 2,427	$ 1,506	$ 6,261	$ **193,133**

[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 September 30, 2025 exchange rate of 1 USD = 1.392 CAD.
[3] Balance includes interest portion of lease obligations.
[4] Loans and borrowing balances are based on the credit facility in place at September 30, 2025. Included are the estimated interest and principal repayments, based on current amounts outstanding and current interest rates at September 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)	September 30, 2025	December 31, 2024
Shareholders' equity	$ **402,117**	$ 370,526
Lease obligations	**22,671**	27,747
Loans and borrowings	**38,891**	56,721
Total capital	$ **463,679**	$ 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 November 5, 2025 there were 72,886,651 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 September 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. No repurchases were made in the three months period ended September 30, 2025.

Debt

As at September 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 September 30, 2025 the Company had an interest coverage ratio of 21.49:1.00.

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 2025, the Company had a Funded Debt to Adjusted Bank EBITDA ratio of 0.35:1.00.

The Company complied with all financial and non-financial covenants under its Credit Facilities as at September 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 nine months ended September 30, 2025 was 5.43% and 5.67% respectively (September 30, 2024 – 6.87% and 7.15% respectively). The total amount of Credit Facilities outstanding on September 30, 2025 is as follows:

($000's) As at		**September 30, 2025**		December 31, 2024
Revolving loan facility	$	**30,347**	$	52,051
Canadian and U.S. operating lines		**8,815**		5,032
Deferred financing costs		**(271)**		(362)
Total loans and borrowings	$	**38,891**	$	56,721

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

		(000's)
Balance at January 1, 2025	$	56,721
Repayment of loans and borrowings		(17,632)
Accretion of deferred financing costs		91
Effect of exchange rate changes		(289)
Balance at September 30, 2025	**$**	**38,891**

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 19, 2025, the Company entered into a 30-day CCS of (CAD)$30.0 million for (USD) $21.8 million. The derivative contract was revalued to its fair value of a $0.3 million asset on September 30, 2025. The CCS asset is recorded at fair value in trade and other receivables 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)	**Q3 2025**	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Revenue								
Canadian Operations	**184,339**	188,785	252,931	110,011	210,655	160,986	241,069	112,205
United States Operations	**42,898**	39,218	54,810	37,443	45,336	70,389	79,077	82,842
	227,237	228,003	307,741	147,454	255,991	231,375	320,146	195,047
Net income (loss) attributable to shareholders	**6,782**	5,853	24,151	(44,604)	(5,460)	10,469	41, 357	(5,244)
Adjusted EBITDA (1)	**45,166**	34,769	58,960	7,564	49,369	41,692	71,135	14,551
Capital expenditures (3)	**20,976**	14,387	16,955	21,033	21,262	29,006	35,671	43,307
Per Common Share								
Net income (loss) – basic	**0.09**	0.08	0.34	(0.62)	(0.08)	0.15	0.58	(0.07)
Net income (loss) – diluted	**0.09**	0.08	0.33	(0.62)	(0.08)	0.14	0.55	(0.07)
Exit active fracturing fleets	**6**	6	7	7	7	8	8	8
Exit active coiled tubing units	**21**	21	22	21	22	23	22	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 Canadian business is seasonal in nature with the periods of greatest activity being in the first and third quarters. The U.S. is generally less affected by seasonality.
(3) Capital expenditures include amounts added in respect of finance right-of-use assets.

THIRD QUARTER – 2025

Markets remained volatile during the third quarter and continue to impact STEP's operating results. While the Company was able to hold revenue to similar levels as the prior quarter, revenue fell significantly compared to the same period in the prior year. This was primarily due to a decline in revenue from fracturing operations due in part to a shift in client mix that reduced the amount of STEP supplied proppant. The sequential improvement in EBITDA is a result of the improved margins associated with less STEP supplied proppant coupled with the additional margins achieved through increased adoption of STEP supplied technology such as COIL+™ split string operations. STEP maintained its active fleets during the quarter, continuing to operate six fracturing fleets and 21 coiled tubing units.

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 unit during the quarter, bringing the active unit 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 units 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.

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)	September 30, 2025		December 31, 2024	
	Asset	Liabilities	Asset	Liabilities
Foreign cross currency swaps	$ 349	$ -	$ 53	$ -
Contract embedded derivatives	-	-	-	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 third 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		September 30, 2025		December 31, 2024
Current (0 to 30 days from invoice date)	$	**97,111**	$	57,386
31 - 60 days		**30,752**		21,670
61 - 90 days		**4,297**		2,192
91+ days		**2,907**		1,448
Receivables from trade clients		**135,067**		82,696
Allowance for doubtful accounts		**(1,092)**		(832)
Other amounts		**603**		905
Total trade and other receivables	$	**134,578**	$	82,769

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

MARKET RISK

Market risk is the risk that the fair value of future cash flows of financial assets or liabilities will fluctuate due to movements in market rates. Market risk is comprised of interest rate risk 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 $0.3 million increase or decrease in interest expense for the three and nine months ended September 30, 2025 respectively (September 30, 2024 - $0.2 million and $0.5 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 September 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 September 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 used an expanded definition of Adjusted EBITDA since its Q1 2025 MD&A that excludes 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 (loss):

($000s except percentages)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Net income (loss)	**$ 6,782**	$ (5,460)	**$ 36,786**	$ 46,366
Add (deduct):				
Depreciation and amortization	**17,200**	26,022	**58,462**	72,979
Gain on disposal of equipment	**(211)**	(1,218)	**(1,413)**	(4,382)
Finance costs	**1,688**	4,336	**5,398**	10,016
Income tax expense	**7,640**	5,676	**21,870**	23,328
Share-based compensation – Cash settled	**2,482**	(360)	**3,122**	510
Share-based compensation – Equity settled	**1,223**	1,330	**3,550**	3,358
Foreign exchange loss (gain)	**1,287**	(63)	**(621)**	1,954
Unrealized (gain) loss on derivatives	**(1,159)**	802	**(500)**	(1,865)
Impairment of assets	**4,588**	12,735	**4,588**	12,735
Adjusted EBITDA from terminated operations[1]	**3,646**	5,569	**7,653**	(2,803)
Adjusted EBITDA	**$ 45,166**	$ 49,369	**$ 138,895**	$ 162,196
Adjusted EBITDA %	**20%**	19%	**18%**	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:

($000s except percentages)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Net loss from terminated U.S. fracturing operations, net of taxes	**$ (10,133)**	$ (26,872)	**$ (19,142)**	$ (34,493)
Add (deduct):				
Depreciation and amortization	**1,661**	10,427	**7,503**	28,955
Gain (loss) on disposal of equipment	**141**	(699)	**(534)**	(2,582)
Finance costs	**81**	310	**174**	604
Income tax recovery	**-**	(1,584)	**-**	(2,684)
Share based compensation - equity settled	**16**	114	**(242)**	268
Impairment of assets	**4,588**	12,735	**4,588**	12,735
Adjusted EBITDA from terminated operations	**$ (3,646)**	$ (5,569)	**$ (7,653)**	$ 2,803

"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.

($000s)	Three months ended		Nine months ended	
	September 30, 2025	September 30, 2024	**September 30, 2025**	September 30, 2024
Net cash provided by operating activities	**$ 23,499**	$ 35,956	**$ 68,593**	$ 114,461
Add (deduct):				
Changes in non-cash working capital from operating activities	**9,194**	2,063	**32,762**	23,537
Sustaining capital	**(7,073)**	(7,187)	**(21,248)**	(27,898)
Lease payments (net of sublease receipts)	**(2,330)**	(2,428)	**(7,318)**	(7,753)
Free Cash Flow	**$ 23,290**	$ 28,404	**$ 72,789**	$ 102,347
Weighted average number of shares outstanding - basic	**72,873,617**	71,686,538	**72,394,899**	71,673,098
Free Cash Flow per share-basic	**0.32**	0.40	**1.01**	1.43
Weighted average number of shares outstanding - diluted	**74,627,563**	71,686,538	**74,045,720**	74,228,638
Free Cash Flow per share-diluted	**0.31**	0.40	**0.98**	1.38

"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, 2025	December 31, 2024
Current assets	$ 193,535	$ 145,107
Current liabilities	(115,638)	(109,752)
Working Capital (including cash and cash equivalents)	$ 77,897	$ 35,355

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

($000s)	September 30, 2025	December 31, 2024
Long-term loans	$ 38,891	$ 56,721
Long-term leases	14,206	18,021
Other long-term liabilities	11,127	8,652
Total long-term financial liabilities	$ 64,224	$ 83,394

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

($000s)	September 30, 2025	December 31, 2024
Loans and borrowings	$ 38,891	$ 56,721
Add back: Deferred financing costs	271	362
Less: Cash and cash equivalents	(2,511)	(4,362)
Less: CCS Derivatives liability (asset)	(349)	(53)
Net Debt	$ 36,302	$ 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 July 1 to September 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, industry activity levels, and natural gas prices; anticipated utilization and activity levels, revenue, pricing, and schedule; the impact of public sector union labour disputes on the permitting process for oilfield services; delivery timing and capabilities of NGx pumps, including fuel savings, and the Company's intent to invest in the technology; delivery timing and capacity of the Company's ultra-deep coiled tubing reel trailer; the Company's focus on cost control; 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.