

STEP ENERGY SERVICES LTD. ANNOUNCES COMMENCEMENT OF DELIVERY AND FILING OF CIRCULAR FOR SPECIAL MEETING OF SHAREHOLDERS TO APPROVE ARRANGEMENT

- *Shareholders will receive \$5.00 per share in cash, a substantial 40.4% premium to the trading price of Shares on November 1, 2024, being the last trading day prior to the execution of the Arrangement Agreement*
- *Shareholders are encouraged to vote well in advance of the proxy deadline of December 17, 2024 at 10:00 a.m. (Mountain time)*
- *Shareholders who have questions or need assistance in voting should contact Laurel Hill Advisory Group by telephone at 1-877-452-7184 (North American Toll Free) or 1-416- 304-0211 (Outside North America), or by email at assistance@laurelhill.com*

Calgary, Alberta – November 15, 2024 – STEP Energy Services Ltd. ("**STEP**" or the "**Company**") is pleased to announce the commencement of delivery of its management information circular (the "**Circular**") and related documents for the special meeting of STEP shareholders (the "**Meeting**") in connection with the previously announced plan of arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) involving the Company and 2659160 Alberta Ltd. (the "**Purchaser**"), a newly-formed entity that is wholly-owned by the limited partnerships comprising ARC Energy Fund 8, as more particularly described in the Circular.

For each share of STEP ("**Share**"), holders thereof ("**Shareholders**"), other than those Shares owned, controlled or directed, directly or indirectly, by ARC Energy Fund 6, the Purchaser, ARC Energy Fund 8 and other persons controlled or managed, directly or indirectly, by ARC Financial Corp. (collectively, the "**ARC Funds**"), will receive \$5.00 in cash (the "**Consideration**").

The materials can also be found under the Company's profile on SEDAR+ (www.sedarplus.ca) as well as on STEP's website at www.stepenergyservices.com. Capitalized terms used but not defined herein release shall have the respective meanings given to them in the Circular.

The Consideration represents a substantial premium across multiple periods, including approximately:

- (a) **40.4%** to the closing price of the Shares of \$3.56 on the TSX on November 1, 2024, being the last trading day prior to the execution of the Arrangement Agreement;
- (b) **43.3%** to the 10-day volume-weighted average price of the Shares of \$3.49 on the TSX as of the end of trading on November 1, 2024; and
- (c) **35.5%** to the 30-day volume-weighted average price of the Shares of \$3.69 on the TSX as of the end of trading on November 1, 2024.

REASONS TO SUPPORT THE ARRANGEMENT

A special committee of STEP's board of directors (the "**Board**"), comprised of independent directors of the Board (the "**Special Committee**") unanimously recommended that the Board approve the Arrangement and the Arrangement Agreement and that the Board recommend to Shareholders (other than the ARC Funds) (the "**Minority Shareholders**") that they vote **FOR** the resolution approving the Arrangement (the "**Arrangement Resolution**"). The Board (with one director who is a managing director

of ARC Financial Corp. ("**ARC**") abstaining) unanimously recommends that Minority Shareholders vote **FOR** the Arrangement, for the reasons below, among other reasons discussed more fully under the heading "*The Arrangement – Reasons for the Recommendation*" in the Circular.

Consideration is an Attractive Premium to Market. The Consideration offered to Minority Shareholders under the Arrangement represents a premium of approximately: (a) 40.4% to the closing price of the Shares of \$3.56 on the TSX on November 1, 2024 (being the last trading day prior to the execution of the Arrangement Agreement); (b) 43.3% to the 10-day volume-weighted average price of the Shares of \$3.49 on the TSX as of the end of trading on November 1, 2024; and (c) 35.5% to the 30-day volume-weighted average price of the Shares of \$3.69 on the TSX as of the end of trading on November 1, 2024.

Certainty of Value and Liquidity. The Consideration to be received by the Minority Shareholders under the terms of the Arrangement is all cash, which provides the Minority Shareholders with certainty of value and an immediate opportunity to dispose of all of their Shares at a significant premium within a relatively illiquid market otherwise available to Minority Shareholders.

Value Supported by the Formal Valuation and Fairness Opinion. On November 1, 2024, Ernst & Young LLP ("**EY**") orally delivered to the Special Committee the substance of the Formal Valuation prepared in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, concluding that, as of October 31, 2024, and based upon and subject to the assumptions, limitations and qualifications set forth in the Formal Valuation dated November 1, 2024, the fair market value of the Shares was in the range of \$4.40 to \$5.30 per Share, which places the Consideration well above the midpoint in the range. In addition, on November 1, 2024, EY also orally delivered to the Special Committee the substance of the Fairness Opinion that, as of November 1, 2024, and subject to the assumptions, limitations and qualifications set forth in the Fairness Opinion, the Consideration to be received by the Minority Shareholders pursuant to the Arrangement Agreement is fair, from a financial point of view, to the Minority Shareholders. The written Formal Valuation and written Fairness Opinion were delivered by EY on November 3, 2024 and are reproduced in the Circular.

Compelling Value Relative to Limited Alternatives. The Special Committee, with the assistance of its financial and legal advisors, and based upon their collective knowledge of the business, operations, financial conditions, earnings and prospects of STEP, their collective knowledge of the current and prospective environment in which STEP operates, as well as the current shareholdings of the ARC Funds, assessed the relative benefits and risks of the limited alternatives to the Arrangement (including the status quo). In that regard, the ARC Funds directly or indirectly own or exercise control or direction over approximately 56.02% of the Shares. As ARC has indicated that it does not intend to sell the ARC Funds' controlling stake in STEP, there are limited strategic alternatives available to STEP, with the principal alternative to the Arrangement being maintaining the status quo and executing STEP's current business plan with the ARC Funds maintaining their controlling stake. In light of the available alternatives, the Arrangement is more favourable to the Minority Shareholders than any other strategic alternative reasonably available to STEP and is also more favourable than the status quo with the ARC Funds maintaining their controlling stake. In making that determination, the Special Committee also evaluated the Arrangement in the context of current industry and economic conditions and trends, in addition to Management and the Special Committee's expectations of the future of the industry.

ARC's Intention. The Special Committee considered the fact that ARC has advised the Special Committee on multiple occasions during the process that it is not interested in any alternative transaction, including the sale of the ARC Funds' controlling stake in STEP or the sale of any of STEP's material assets. After

considerable negotiations and discussions with ARC over an extended period of time resulting in several offers by ARC to increase the Consideration to be paid to Minority Shareholders and counteroffers by the Special Committee, the Special Committee concluded that the Consideration was the highest price that it could obtain from the Purchaser and ARC Energy Fund 8.

Possibility of Superior, Third Party Offers for STEP. Notwithstanding ARC's stated intentions that it will not consider alternatives to the Proposed Transaction, nothing in the definitive agreements for the Proposed Transaction would prevent a third party from making an Acquisition Proposal to acquire all of the outstanding shares of STEP at a price that ARC might support. However, the success of any third-party offer for a change of control transaction or other fundamental transaction requires the support of ARC and it is uncertain on what basis, including price, ARC would support such a transaction.

Arm's Length Negotiations. The Arrangement Agreement is the result of robust arm's-length negotiations between the Special Committee, with input from and consultation with its independent financial and legal advisors, on the one hand, and ARC and its financial and legal advisors, on the other hand.

Limited Conditions to Closing. The Purchaser's obligation to complete the Arrangement is subject to a limited number of conditions that the Special Committee believes are reasonable and customary in the circumstances, and the completion of the Arrangement is not subject to a due diligence or financing condition.




No Regulatory Approvals Required. No Regulatory Approvals are required for the completion of the Arrangement.

Special Committee Oversight. The Special Committee, which is comprised entirely of independent directors and was advised by experienced and qualified independent financial and legal advisors, oversaw, reviewed and considered, and directly participated in the negotiation of, the Arrangement Agreement.

Support of Independent Directors and Management. Each director and officer of STEP, including all of the independent directors of the Board, holding or controlling, in the aggregate, approximately 1.30% of the outstanding Shares, have entered into lock-up agreements to vote their Shares in favour of the Arrangement, subject to certain customary exceptions.

VOTING IS OPEN NOW; YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN

The Meeting will be held virtually on December 19, 2024 at 10:00 a.m. (Mountain Time) at <https://virtual-meetings.tsxtrust.com/en/1729> (Password: step2024). Shareholders are encouraged to vote well in advance of the meeting, in accordance with the instructions accompanying the form of proxy or voting instruction form mailed to shareholders together with the Circular. Further details and voting instructions can be found in the Circular under the section entitled "*Information Concerning The Meeting and Voting – Voting Before the Meeting*".

Voting Methods			
			
Registered Shareholders <i>Shares held in own name and represented by a physical certificate or DRS statement and have a 12-digit control number.</i>	Vote online at www.voteproxyonline.com	N/A	Return the completed Form of Proxy or Voting Instruction Form in the enclosed postage paid envelope.
Non-Registered Shareholders <i>Shares held with a broker, bank or other intermediary and have a 16-digit control number.</i>	Vote online at http://www.proxyvote.com	Canada: 1-800-474-7493 (EN) or 1-800-474-7501 (FR) USA: 1-800-454-8683	

The close of business on November 14, 2024 is the record date for the determination of Shareholders who will be entitled to receive notice of and vote at the Meeting and at any adjournment or postponement of the Meeting.

The deadline for Shareholders to return their completed proxies or voting instruction forms is Tuesday, December 17, 2024 at 10:00 a.m. (Mountain time). Note that Shareholders who hold their Shares with a broker, bank or other intermediary may be required to return their voting instruction form in advance of December 17, 2024 at 10:00 a.m. (Mountain time) to be included in the vote.

SHAREHOLDER QUESTIONS AND VOTING ASSISTANCE

Shareholders who have questions or need assistance in voting should contact Laurel Hill Advisory Group by telephone at 1-877-452-7184 (North American Toll Free) or 1-416- 304-0211 (Outside North America), or by email at assistance@laurelhill.com.

RECEIPT OF INTERIM COURT ORDER

The Company is also announcing that on November 14, 2024, it was granted an interim order (the "**Interim Order**") by the Court of King's Bench of Alberta. The Interim Order authorizes STEP to proceed with various matters, including the holding of the Meeting to consider the vote on the Arrangement Resolution.

As a result of the Canada Post postal strike, in accordance with the terms of the Interim Order, the Company Shareholders will be able to access the meeting materials under the Company's profile on SEDAR+ (<http://sedarplus.ca>) as well as on STEP's website at <https://www.stepenergyservices.com>, and the Company will provide the same to Shareholders by electronic mail or by courier upon request made by a Shareholder to Laurel Hill Advisory Group by telephone at 1-877-452-7184 (North American Toll Free) or 1-416- 304-0211 (Outside North America), or by email at assistance@laurelhill.com.

ABOUT STEP

STEP Energy Services Ltd. is an oilfield service company founded in 2011 that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing solutions. The Company's combination of modern, fit-for-purpose fracturing and coiled tubing equipment has differentiated STEP in plays where wells are deeper, have longer laterals, and higher pressure. For more information about STEP, visit:

<https://www.stepenergyservices.com/>

Initially operating only in Canada as a specialized, deep-capacity coiled tubing company, STEP expanded into the U.S. in 2015 and began offering fracturing services to its Canadian clients. Currently, STEP's Canadian completion and stimulation services are focused in the Western Canadian Sedimentary Basin (WCSB). In the U.S., our fracturing services are concentrated in the Permian basin, and our coiled tubing services extend to the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado, and the Bakken in North Dakota. STEP's consistent track record of safety, efficiency, and execution drives repeat business from our blue-chip exploration and production clients.

For further information, please contact:

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Shareholders:

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Forward-Looking Statements:

This news release contains "forward-looking information" or "forward-looking statements" within the meaning of applicable securities laws (collectively, "forward-looking statements"). In some cases, forward-looking statements are identifiable by the terminology used, such as "may," "expect," "believe," "plan," "anticipate," "intend," "could," "estimate," "continue," or similar expressions or the negative of such expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances are considered forward-looking statements. Forward-looking statements in this news release, include, among other things, references, expressed or implied, to: statements and implications about the reasons for, and the anticipated benefits of, the Arrangement for the Company and the Minority Shareholders; the timing of various steps to be completed in connection with the Arrangement, including mailing of the Circular, the anticipated date for the holding of the Meeting and the completion of the Arrangement; the receipt and timing of necessary Shareholder approvals, the Final Order and the Effective Date; the timing and effects of the Arrangement; the solicitation of proxies by the Company; the ability of the Parties to satisfy the other conditions to the completion of the Arrangement; and other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts.

Forward-looking statements are subject to known and unknown risks and uncertainties and other factors, some beyond the control of STEP, which could cause actual events, results, expectations, achievements or performance to differ materially. The risks and uncertainties related to the Arrangement contemplated by the Circular include, but are not limited to: the possibility that the Arrangement will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, the necessary Shareholder and court approvals and other conditions to the completion of the Arrangement or for other reasons; failure to realize the expected benefits of the Arrangement; the failure to complete the Arrangement, which could negatively impact the price of the Shares or otherwise affect the business of the Company; the dedication of significant resources to pursuing the Arrangement and the restrictions imposed on the Company while the Arrangement is pending; the uncertainty surrounding the Arrangement could adversely affect the Company's retention of customers, business partners and key employees; the occurrence of a material adverse effect leading to the termination of the Arrangement Agreement; the payment of a fee by the Company to the Purchaser if the Arrangement Agreement is terminated in certain circumstances; general economic conditions; and other risks and uncertainties. The foregoing list of risks and uncertainties is not exhaustive.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. No forward-looking statement is a guarantee of future results. Accordingly, you should not place undue reliance on forward-looking statements, which speak only as of the date made. The forward-looking statements contained in this news release represents the Company's expectations as of the date of this news release (or as the date they are otherwise stated to be made) and are subject to change after such date. However, the Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada. All of the forward-looking information contained in this news release is expressly qualified by the foregoing cautionary statements.