



**Unaudited Condensed Consolidated Interim Financial Statements of**

**Stampede Drilling Inc.**

For the three month period ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

**Notice of No Auditor Review of Unaudited Condensed Consolidated Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Stampede Drilling Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Stampede Drilling Inc.**

## Condensed Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)		Note	March 31, 2021	December 31, 2020
			\$	\$
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents			667	684
Trade and other receivables	10		8,336	3,407
Prepaid expenses and deposits			108	106
<b>Total Current Assets</b>			<b>9,111</b>	<b>4,197</b>
<b>Non-Current Assets</b>				
Property and equipment	6		42,129	42,448
Right-of-use assets	3		597	678
Goodwill			461	461
<b>Total Non-Current Assets</b>			<b>43,187</b>	<b>43,587</b>
<b>Total Assets</b>			<b>52,298</b>	<b>47,784</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	11		3,281	1,338
Operating loan	7		8,267	8,260
BDC Loan	7		200	100
Lease liabilities	4		304	310
<b>Total Current Liabilities</b>			<b>12,052</b>	<b>10,008</b>
<b>Non-Current Liabilities</b>				
Convertible debentures	7		2,500	2,482
BDC Loan	7		1,800	1,900
Lease liabilities	4		338	393
Other liabilities	10		218	230
<b>Total Non-Current Liabilities</b>			<b>4,856</b>	<b>5,005</b>
<b>Total Liabilities</b>			<b>16,908</b>	<b>15,013</b>
<b>Shareholders' Equity</b>				
Share capital	8		62,194	62,194
Contributed surplus			4,369	4,184
Equity component of convertible debentures	7		46	46
Accumulated other comprehensive income			908	882
Accumulated deficit			(32,127)	(34,535)
<b>Total Equity</b>			<b>35,390</b>	<b>32,771</b>
<b>Total Liabilities and Equity</b>			<b>52,298</b>	<b>47,784</b>

Note 13 Commitments

See accompanying notes to these condensed consolidated interim financial statements

**Stampede Drilling Inc.**

## Condensed Consolidated Statements of Comprehensive Income

		Three months ended March 31,	
<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>		Note	
		2021	2020
		\$	\$
<b>Revenue</b>		11,861	10,890
Cost of sales:			
Direct operating expenses		7,213	7,361
Depreciation of property and equipment	6	1,070	1,090
		8,283	8,451
<b>Income from operations</b>		3,578	2,439
<b>Expenses</b>			
Administrative		355	302
Salaries and benefits		376	643
Share based payments	9	185	95
Depreciation of right-of-use assets	3	81	102
		997	1,142
<b>Net income before finance costs and other income (expense)</b>		2,581	1,297
Gain from equipment lost in hole		39	-
Finance costs	11	(183)	(221)
Other income		6	24
Foreign exchange gain (loss)		(35)	35
<b>Net income</b>		2,408	1,135
<b>Other comprehensive income</b>			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		26	2
<b>Total comprehensive income</b>		2,434	1,137
<b>Basic and diluted income per share</b>	5	\$0.02	\$0.01

See accompanying notes to these condensed consolidated interim financial statements

**Stampede Drilling Inc.**
**Condensed Consolidated Statements of Cash Flows**

		Three months ended March 31,	
<i>(Stated in thousands of Canadian dollars)</i>		2021	2020
		\$	\$
<b>Cash flows from (used in) the following activities:</b>			
<b>Operating activities</b>			
Net income		2,408	1,135
Adjustments for:			
Share based payments		185	95
Depreciation	3,6	1,151	1,192
Gain on equipment lost in hole		(39)	-
Finance costs	11	183	221
Unrealized foreign exchange (loss) gain		(35)	-
Changes in non-cash working capital items	12	(3,161)	535
<b>Net cash flows from (used in) operating activities</b>		<b>692</b>	<b>3,178</b>
<b>Financing activities</b>			
(Repayment) proceeds of operating loan		7	(274)
Interest payments	11	(94)	(120)
Finance lease principal payments	4	(68)	(110)
<b>Net cash flows (used in) from financing activities</b>		<b>(155)</b>	<b>(504)</b>
<b>Investing activities</b>			
Additions to property and equipment	6	(793)	(705)
Proceeds from equipment lost in hole		81	-
Changes in non-cash working capital balances	12	132	(1,652)
<b>Net cash flows (used in) from investing activities</b>		<b>(580)</b>	<b>(2,357)</b>
<b>Change in cash and cash equivalents</b>		<b>(43)</b>	<b>317</b>
Effect of foreign exchange rate changes on cash		26	2
<b>Cash and cash equivalents, beginning of period</b>		<b>684</b>	<b>321</b>
<b>Cash and cash equivalents, end of the period</b>		<b>667</b>	<b>640</b>
<b>Supplementary cash flow disclosure information:</b>			
Interest paid during the period		94	120

*See accompanying notes to these condensed consolidated interim financial statements*

**Stampede Drilling Inc.**

**Condensed Consolidated Statements of Changes in Equity**

*(Stated in thousands of Canadian dollars)*

	Share Capital Shares (000's)	Amount \$	Contributed Surplus \$	Equity Component of Convertible Debtenture \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Equity \$
<b>Balance as at January 1, 2020</b>	<b>132,046</b>	<b>62,184</b>	<b>3,710</b>	<b>265</b>	<b>888</b>	<b>(30,493)</b>	<b>36,554</b>
Share based payments expense	-	-	95	-	-	-	95
Comprehensive income for the period	-	-	-	-	2	1,135	1,137
<b>Balance as at March 31, 2020</b>	<b>132,046</b>	<b>62,184</b>	<b>3,805</b>	<b>265</b>	<b>890</b>	<b>(29,358)</b>	<b>37,786</b>
<b>Balance as at January 1, 2021</b>	<b>132,091</b>	<b>62,194</b>	<b>4,184</b>	<b>46</b>	<b>882</b>	<b>(34,535)</b>	<b>32,771</b>
Share based payments expense	-	-	185	-	-	-	185
Comprehensive income for the period	-	-	-	-	26	2,408	2,434
<b>Balance as at March 31, 2021</b>	<b>132,091</b>	<b>62,194</b>	<b>4,369</b>	<b>46</b>	<b>908</b>	<b>(32,127)</b>	<b>35,390</b>

*See accompanying notes to these condensed consolidated interim financial statements*

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**1. REPORTING ENTITY**

Stampede Drilling Inc. (the "Corporation") was incorporated pursuant to the provisions of the Canada Business Corporations Act on January 7, 2011 and maintains its head office at Bow Valley Square IV, 250 – 6<sup>th</sup> Ave SW 22<sup>nd</sup> Floor, Calgary, AB, T2P 3H7. The Corporation is a publicly traded company listed on the TSX Venture Exchange ("the Exchange") under the symbol "SDI". The Corporation offers oilfield services to the oil and natural gas industry in the Western Canadian Sedimentary Basin ("WCSB").

Effective May 29, 2019, the Corporation obtained shareholder approval to change its name from MATRRIX Energy Technologies Inc. to Stampede Drilling Inc.

The condensed consolidated interim financial statements of the Corporation are comprised of the Corporation and its wholly owned subsidiary Stampede Drilling (US) Inc.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of compliance**

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the audited annual financial statements for the year ended December 31, 2020. Unless otherwise noted, the Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in the audited annual financial statements for the year ended December 31, 2020, and are presented in Canadian dollars, which is the Corporation's functional and reporting currency. The Corporation's US subsidiary uses US dollars as its functional currency.

These condensed consolidated interim financial statements were approved and authorized for issue by the Corporation's Board of Directors on May 12, 2021.

Recent developments and impact on estimation uncertainty

For the period ended March 31, 2021, the Corporation assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus ("COVID-19"), specifically identified as the COVID-19 pandemic, on its balance sheet carrying amounts. This review required the use of judgements and estimates and resulted in no material impacts.

The full extent of the impact of COVID-19 on the Corporation's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by management in the preparation of its financial results.

The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the consolidated financial statements, particularly related to recoverable amounts.

In addition, the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels could result in a change in assumptions used in determining the recoverable amount and could affect the carrying value of the related assets. The timing in which global energy markets transition from carbon-based sources to alternative energy is highly uncertain.

Changes to assumptions could result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**STAMPEDE DRILLING INC.****(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2021 and 2020****2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

A full list of the key sources of estimation uncertainty can be found in the Corporation's annual consolidated financial statements for the year ended December 31, 2020. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the condensed consolidated interim financial statements, particularly related to the following key source of estimation uncertainty:

*Recoverable amounts:*

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Commodity price uncertainty, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating future drilling activity levels and estimating forecast cash flows.

IAS 20, Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received, and the Corporation will meet the attached conditions. When the grant relates to an expense item, the Corporation recognizes it as income over the period necessary to match the grant with the costs that it is intended to compensate. The Corporation presents such grants in the consolidated statements of comprehensive income as a deduction in reporting the related expense. The presentation approach is applied consistently to all similar grants.

During the three month period ended March 31, 2021, the Corporation qualified for the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy. This assistance was offered by the Canadian Federal Government for qualifying entities impacted by the consequences of the novel coronavirus ("COVID-19") pandemic to keep or rehire their employees and to reduce eligible operating expenses such as rent. Government assistance is recognized when there is reasonable assurance that the assistance will be received, and that the Corporation will comply with the relevant conditions. Government assistance related to current expenses is recorded by the Corporation as a reduction of the related expenses that the assistance is intended to compensate.

*Canada Emergency Wage Subsidy ("CEWS"):*

The Corporation recorded \$869 and \$63 against cost of sales and salaries and benefits expense, respectively, for the three month period ended March 31, 2021.

*Canada Emergency Rent Subsidy ("CERS"):*

The Corporation recorded \$36 against general and administrative expenses for the three month period ended March 31, 2021.

Seasonality

An assessment or comparison of the Corporation's results, at any given time, requires consideration of crude oil and natural gas commodity prices and the seasonal nature of the oil and gas industry in North America. Commodity prices ultimately drive the level of exploration and development activities carried out by the Corporation's customers and associated demand for the oilfield services provided by the Corporation. Results are impacted by the gain or loss of key customers. As contracts are short-term in nature, gains or losses of key customers can fluctuate. From a seasonality perspective, the Corporation operates all its drilling rigs in Western Canada; therefore, operations are impacted by weather and seasonal factors. The winter season, which incorporates the first quarter, is generally a higher activity period as oil and gas companies take advantage of frozen ground conditions to move heavy equipment and operate in regions which might otherwise be inaccessible due to ground conditions during warmer periods. The second quarter normally encompasses a slow period in Canada referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs and other heavy equipment. The third and fourth quarters in western Canada are usually representative of average activity levels.

**STAMPEDE DRILLING INC.**  
(In thousands of Canadian dollars except for per share amounts)

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**3. RIGHT-OF-USE ASSETS**

	Total
<b>Cost</b>	
Balance at December 31, 2020	1,360
Additions	-
Disposal	-
Balance at March 31, 2021	1,360
<b>Accumulated depreciation</b>	
Balance at December 31, 2020	682
Depreciation	81
Disposal	-
Balance at March 31, 2021	763
<b>Carrying amounts</b>	
Balance at December 31, 2020	678
Balance at March 31, 2021	597

**4. LEASE LIABILITIES**

The Corporation incurs lease payments related to corporate and field offices, entered into in coordination with specific business requirements which includes the assessment of the appropriate duration of the related leased assets. The Corporation has recognized lease liabilities measured at the present value of the remaining lease payments, except for leases of low-value assets which have been charged to direct operating and administrative expenses in the condensed consolidated statements of comprehensive income (loss).

	Total
Balance at January 1, 2020	670
Additions	425
Interest expense	37
Lease payments	(429)
Balance at December 31, 2020	703
Additions	-
Interest expense	7
Lease payments	(68)
Balance at March 31, 2021	642
Less: current portion	304
Ending balance - non-current portion	338



**STAMPEDE DRILLING INC.**  
(In thousands of Canadian dollars except for per share amounts)

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**5. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated based on the net income divided by the weighted average number of common shares outstanding for the three month period ended March 31, 2021 and 2020 based on the following data:

	Three months ended March 31,	
	2021	2020
Net income	2,408	1,135
Weighted average common shares (,000's)	132,091	132,046
Effect of convertible debentures	12,438	13,482
Diluted balance, end of period	144,529	145,528
Basic and diluted income per common share	\$0.02	\$0.01

**6. PROPERTY AND EQUIPMENT**

	Rigs and related equipment	Machinery and other equipment	Office furniture and equipment	Total
<b>Cost</b>				
Balance at December 31, 2019	49,937	907	2	50,846
Additions	3,505	-	-	3,505
Disposals and transfers	(9)	-	-	(9)
Balance at December 31, 2020	53,433	907	2	54,342
Additions	793	-	-	793
Disposals and transfers	(42)	-	-	(42)
Balance at March 31, 2021	54,184	907	2	55,093
<b>Accumulated depreciation and impairment</b>				
Balance at December 31, 2019	6,464	270	1	6,735
Depreciation for the period	4,287	151	1	4,439
Write-down of Assets	720	-	-	720
Balance at December 31, 2020	11,471	421	2	11,894
Depreciation for the period	1,032	38	-	1,070
Balance at March 31, 2021	12,503	459	2	12,964
<b>Carrying amounts</b>				
Balance at December 31, 2020	41,962	486	-	42,448
Balance at March 31, 2021	41,681	448	-	42,129

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment in accordance with the accounting policy discussed in the December 31, 2020 annual financial statements. As at March 31, 2021, the Corporation determined there were no impairment indicators in the contract drilling CGU. There is a risk impairment charges may be recorded in future periods due to the uncertainty and risk associated with the current macroeconomic environment.

**STAMPEDE DRILLING INC.****(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2021 and 2020****7. LOANS AND BORROWINGS****Demand Operating Revolving Loan Facility ("Demand Facility")**

The Corporation's Demand Facility with HSBC Bank of Canada ("HSBC") which provides for a total credit capacity of up to, but not exceeding, a maximum of \$15,000 comprised of the following margin requirements:

- (i) 75% of Acceptable Receivables from Non-Investment Grade Customers; plus
- (ii) 85% of Acceptable Receivables from Investment Grade Customers and Major Customers; plus
- (iii) 50% of the net orderly liquidation value of capital assets and equipment; less
- (iv) Potential Prior Ranking Claims; less Accounts Receivables of the Corporation that have been sold or factored, whether to HSBC or another third party.

The Demand Facility bears interest at the lender's prime rate plus 85 basis points and is secured by a general first ranking security agreement on all assets, property, and undertakings of the Corporation.

On November 30, 2020, the Corporation amended the Demand Facility, which included the following amended covenant thresholds:

EBITDA per the Demand Facility is calculated as net income plus interest expense, income taxes, depreciation and amortization, other non-cash charges, transaction costs not to exceed \$1,500, cash dividends, and losses attributable to minority equity investments, less non-cash gains, and income attributable to minority equity investments:

1. Interest Coverage is calculated as the ratio of EBITDA as at such date to interest expense as at such date.
2. Net Funded Debt to EBITDA is calculated as total interest-bearing indebtedness on a consolidated basis excluding cash and cash equivalents held by the bank and loans which have been subordinated and postponed in favour of the bank to EBITDA.

**Revised Net Funded Debt/EBITDA Covenants**

- as at the fiscal quarter end March 31, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, to be less than \$200;
- as at the fiscal quarter end June 30, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, to be less than negative \$600;
- as at the fiscal quarter end September 30, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, to be less than \$200; and
- as at the fiscal quarter end December 31, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, to be less than \$650.

**Revised trailing twelve month Interest Coverage Ratio**

- as at fiscal quarter ends March 31, 2021 and September 30, 2021, permit the Interest Coverage Ratio, calculated using Interest Expense and EBITDA for the applicable fiscal quarter end, to be less than 1.00:1.00;
- 2Q21, waived;
- as at fiscal quarter end December 31, 2021, permit the Interest Coverage Ratio, calculated using Interest Expense and EBITDA for such fiscal quarter end, to be less than 3.00:1.00;

As at March 31, 2021, the Demand Facility is subject to the following financial covenants:

	Covenant	March 31, 2021
Interest Coverage Ratio <sup>(1)</sup>	1.00:1.00 or more	24:11:1.00
Net Funded Debt to EBITDA Ratio <sup>(2)</sup>	EBITDA test of \$200 or more	\$3,829

**STAMPEDE DRILLING INC.**  
(In thousands of Canadian dollars except for per share amounts)

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**7. LOANS AND BORROWINGS (continued)**

Subsequent to December 31, 2021 the debt covenants related to the Demand Facility will revert back to the following original ratios:

	Covenant
Interest Coverage Ratio <sup>(1)</sup>	3.00:1.00 or more
Net Funded Debt to EBITDA Ratio <sup>(2)</sup>	3.00:1.00 or less

As at March 31, 2021, \$8,267 (December 31, 2020 - \$8,260) was drawn on the Demand Facility and the Corporation was in compliance with all covenants related to its Demand Facility.

**Business Development Bank of Canada ("BDC")**

In conjunction with the amending credit agreement on November 30, 2020, the Corporation entered into a loan facility in an amount of up to \$2,000 with the BDC ("BDC Facility"). The BDC Facility has an interest rate equal to BDC's floating base rate, currently at 4.55% and a maturity date of September 1, 2023. The Corporation granted BDC a security interest in all present and after-acquired property, except consumer goods, accounts receivable and inventory. BDC, HSBC and the Corporation have also entered into a priority agreement, whereby the BDC security interest is postponed and subordinated to the security interests held by HSBC in the personal property of the Corporation in connection with the BDC Facility.

As at March 31, 2021, the Corporation had drawn \$2,000 of the BDC Facility.

**Convertible Debentures**

	Number of convertible debentures	Liability component (\$,000)	Equity component (\$,000)
Balance at December 31, 2020	2,612	2,530	265
Accretion of discount	-	82	-
Liability revaluation adjustment	-	(130)	-
Equity revaluation adjustment	-	-	(219)
Balance at December 31, 2020	2,612	2,482	46
Balance at December 31, 2020	2,612	2,482	46
Accretion of discount	-	18	-
Balance at March 31, 2021	2,612	2,500	46

**8. SHARE CAPITAL**

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of March 31, 2021.

Authorized and Issued Common Shares

	Number	Amount (\$)
Balance as at December 31, 2020 and March 31, 2021	132,091	62,194

**STAMPEDE DRILLING INC.****(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2021 and 2020****9. STOCK BASED COMPENSATION**Stock options

The Corporation has adopted an incentive stock option plan, which provides that the Board of Directors of the Corporation from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares.

A summary of the Corporation's outstanding stock options as at March 31, 2021 and December 31, 2020 and the changes for the period then ended, is as follows:

Stock Options (,000's)	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2019	6,447	\$ 0.22
Options exercised	(45)	\$ 0.12
Options expired	(230)	\$ 0.12
Options forfeited	(529)	\$ 0.28
Outstanding at December 31, 2020	5,643	\$ 0.22
Options granted to employees and directors	3,555	\$ 0.21
Outstanding at March 31, 2021	9,198	\$ 0.22

**Total Outstanding**

Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.18 to \$0.185	3,760	\$ 0.18	3.04
\$0.21 to \$0.27	4,338	\$ 0.22	4.56
\$0.30 to \$0.41	1,100	\$ 0.35	1.80
	9,198	\$ 0.22	2.78

**Exercisable**

Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.18 to \$0.185	1,830	\$ 0.18	3.02
\$0.21 to \$0.27	1,259	\$ 0.22	4.20
\$0.30 to \$0.41	938	\$ 0.35	1.62
	4,027	\$ 0.23	3.07

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**9. STOCK BASED COMPENSATION (continued)**

The following assumptions were used for the Black-Scholes valuation of stock options:

	2021
Risk-free interest rate range	0.97%
Expected term	5.00
Annualized volatility	138.13%
Dividend rate	-
Forfeiture rate	10%
Average fair value per option granted	\$0.21

For the three month period March 31, 2021, the Corporation recorded share-based payment expense of \$185 (2020 - \$95).

**10. FINANCIAL INSTRUMENTS**

Capital management

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation's management to sustain future development of the business.

The Corporation defines capital as share capital, convertible debentures and working capital, which was \$61,845 at March 31, 2021 (December 31, 2020 – \$58,957).

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

Credit risk

IFRS 9 requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Corporation's assessment, an increase in the allowance for doubtful accounts was recorded, using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience since inception.

The loss allowance provision for trade accounts receivable as at March 31, 2021 reconciles to the opening loss allowance provision as follows:

At December 31, 2020	59
Increase in credit loss allowance	87
As at March 31, 2021	146

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Corporation is normally exposed to credit risk through its accounts receivable balances. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing services and on an ongoing basis, as well as monitoring the amount and age of balances outstanding. The Corporation views credit risks on its accounts receivable as normal for the industry.

Substantially all of the Corporation's cash and cash equivalents are held by high credit quality financial institutions.

For the three month period ended March 31, 2021, the Corporation had four customers that comprised 35%, 16%, 15% and 10% of total revenue, compared to five customers that comprised 18%, 13%, 12%, 11% and 11% of total revenue for the period ended March 31, 2020.

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**10. FINANCIAL INSTRUMENTS (continued)**

For the accounts receivable balances outstanding at March 31, 2021, the Corporation had two customers that comprised 42% and 27% of the total balance as compared two customers that comprised 43% and 19% of the total balance at December 31, 2020.

The Corporation's trade and other receivables aging is as follows:

	March 31, 2021	December 31, 2020
Within 30 days	2,956	956
31 to 60 days	4,046	985
61 to 90 days	600	583
Over 90 days	294	48
Accrued accounts receivable	419	337
Other receivables	167	557
Allowance for doubtful accounts	(146)	(59)
Accounts receivable	8,336	3,407

As at March 31, 2021, approximately 3.5% of the Corporation's total accounts receivable balance was over 90 days. The Corporation provision for uncollectible accounts are based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and external source data.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated working capital requirements. As at March 31, 2021, the Corporation had negative working capital of \$2,941 (December 31, 2020 – negative \$5,811) The Corporation's principal sources of liquidity are operating cash flows and its operating loan. The Corporation monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining a sufficient credit facility to meet financing requirements.

The Corporation's trade and accrued payables were as follows:

	March 31, 2021	December 31, 2020
Accounts payable	2,485	974
Accrued liabilities	796	364
Total current accounts payable and accrued liabilities	3,281	1,338
Other liabilities	218	230
Total accounts payable, accrued liabilities and other liabilities	3,499	1,568

Depending on the credit terms of the trade payable, interest will be charged after a predetermined number of days from the date of the invoice. The Corporation has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest Rate Risk:

The Corporation is exposed to interest rate fluctuations on its operating loan facility which bears interest at floating market rates. For the three month period ended March 31, 2021, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income would have increased/decreased by \$21. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

**STAMPEDE DRILLING INC.****(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2021 and 2020****10. FINANCIAL INSTRUMENTS (continued)****b) Foreign Currency Risk:**

The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar-denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable.

**c) Fair Value:**

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observable nature of inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value. The carrying amount of cash and cash equivalents, trade and other receivables, Demand Facility, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The fair value of the BDC Facility approximates its carrying amount as the BDC Facility has a floating interest rate. At March 31, 2021, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a Level 3 fair value instrument.

**11. FINANCE COSTS**

Finance costs recognized in the consolidated statements of comprehensive income are comprised of the following:

	Year ended March 31,	
	2021	2020
Interest on lease liabilities	7	11
Interest on operating loan	71	120
Interest on BDC loan	23	-
Interest on convertible debentures	64	64
Accretion on debentures	18	26
Finance costs	183	221

**STAMPEDE DRILLING INC.**  
(In thousands of Canadian dollars except for per share amounts)

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**March 31, 2021 and 2020**

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

The following is a summary of net change in non-cash working capital items for the three month period ended March 31, 2021 and 2020:

	Year ended March 31,	
	2021	2020
Changes in non-cash working capital items:		
Trade and other receivables	(4,929)	(342)
Prepaid expenses and deposits	(2)	(4)
Accounts payable and accrued liabilities	1,902	(771)
Total	(3,029)	(1,117)
Relating to:		
Operating activities	(3,161)	535
Investing activities	132	(1,652)
Total	(3,029)	(1,117)

**13. COMMITMENTS**

The following table reflects the Corporation's commitments as of March 31, 2021:

(000's CAD \$)	2021	2022	2023	2024	2025	2026
Operating loan	8,267	-	-	-	-	-
Convertible debenture repayment	-	-	2,612	-	-	-
Convertible debenture interest	196	261	218	-	-	-
BDC Facility	100	400	1,500	-	-	-
BDC Facility interest	68	78	47	-	-	-
Lease obligations	294	175	114	114	19	-
Trade and other payables	3,499	-	-	-	-	-
Total	12,424	914	4,491	114	19	-

As of March 31, 2021, the Corporation has committed \$826 related to capital expenditures.