



Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three and nine month periods ended September 30, 2020 and 2019

(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 (Unaudited)

<i>(Stated in thousands of Canadian dollars)</i>		Note	September 30, 2020	December 31, 2019
			\$	\$
Assets				
Current Assets				
Cash and cash equivalents			724	321
Trade and other receivables	12		1,298	7,514
Prepaid expenses and deposits			128	123
Total Current Assets			2,150	7,958
Non-Current Assets				
Property and equipment	8		43,582	44,111
Right-of-use assets	5		652	652
Goodwill			461	461
Total Non-Current Assets			44,695	45,224
Total Assets			46,845	53,182
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	12		810	4,946
Operating loan	9		8,472	8,482
Convertible debentures	12		-	2,530
Lease liabilities - current portion			264	241
Total Current Liabilities			9,546	16,199
Non-Current Liabilities				
Convertible debentures	12		2,482	-
Lease liabilities - non-current portion	6		405	429
Total Non-Current Liabilities			2,887	429
Total Liabilities			12,433	16,628
Shareholders' Equity				
Share capital			62,184	62,184
Contributed surplus			4,170	3,710
Equity component of convertible debentures	12		46	265
Accumulated other comprehensive income			881	888
Accumulated deficit			(32,869)	(30,493)
Total Equity			34,412	36,554
Total Liabilities and Equity			46,845	53,182

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue		714	5,910	11,879	16,992
Cost of sales:					
Direct operating expenses		530	4,120	8,033	10,911
Depreciation of property and equipment	8	1,109	1,059	3,331	3,002
		1,639	5,179	11,364	13,913
Income (loss) from operations		(925)	731	515	3,079
Expenses					
Administrative		241	447	693	1,264
Salaries and benefits		212	661	1,255	1,758
Share based payments	11	34	104	195	378
Depreciation of right-of-use assets	5	102	72	305	289
		589	1,284	2,448	3,689
Net income (loss) from continuing operations before finance costs and other income (expense)		(1,514)	(553)	(1,933)	(610)
Gain on Extinguishment of Convertible Debenture	12	84	-	84	-
Gain from equipment lost in hole		-	-	-	15
Finance costs	13	(166)	(173)	(544)	(500)
Other income		10	9	52	104
Foreign exchange gain (loss)		(12)	12	-	(6)
Transaction costs		(35)	-	(35)	(146)
Net income (loss) from continuing operations		(1,633)	(705)	(2,376)	(1,143)
Net income (loss) from discontinued operations	4	-	(19)	-	1,052
Net income (loss)		(1,633)	(724)	(2,376)	(91)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustment		(10)	-	(7)	-
Total comprehensive income (loss) from continuing operations		(1,643)	(705)	(2,383)	(1,143)
Total comprehensive income from discontinued operations		-	(19)	-	1,052
Total comprehensive income (loss)		(1,643)	(724)	(2,383)	(91)
Basic and diluted income (loss) per share from continuing operations	7	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(Stated in thousands of Canadian dollars)</i>	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Cash flows from (used in) the following activities:					
Operating activities					
Net income from continuing operations		(1,633)	(705)	(2,376)	(1,143)
Adjustments for:					
Share based payments		34	104	195	378
Depreciation	5,8	1,211	1,131	3,636	3,291
Gain on Extinguishment of Convertible Debenture		(84)	-	(84)	-
Gain on equipment lost in hole		-	-	-	(15)
Finance costs	13	137	26	462	79
Accretion of debentures	13	29	-	82	-
Unrealized foreign exchange (loss) gain		10	-	(13)	-
Changes in non-cash working capital items	14	1,127	(2,070)	2,409	(795)
Net operating cash flow - continuing operations		831	(1,514)	4,311	1,795
Net operating cash flow - discontinued operations		-	(18)	-	(443)
Net cash flows from (used in) operating activities		831	(1,532)	4,311	1,352
Financing activities					
Interest on debentures	13	(66)	-	(196)	-
(Repayment) proceeds of operating loan		1,671	2,684	(10)	2,980
Interest on operating loan	13	(63)	-	(237)	-
Stock options exercised		-	27	-	65
Finance lease principle payments	6	(110)	(68)	(335)	(267)
Net financing cash flows - continuing operations		1,432	2,643	(778)	2,778
Net financing cash flows - discontinued operations	4	-	-	-	-
Net cash flows (used in) from financing activities		1,432	2,643	(778)	2,778
Investing activities					
Additions to property and equipment	8	(2,093)	(3,060)	(2,802)	(7,285)
Proceeds from short term investments - restricted cash		-	-	-	100
Proceeds from equipment lost in hole		-	-	-	194
Changes in non-cash working capital balances	14	(165)	2,000	(321)	1,310
Net investing cash flows - continuing operations		(2,258)	(1,060)	(3,123)	(5,680)
Net investing cash flows - discontinued operations		-	-	-	1,817
Net cash flows used in investing activities		(2,258)	(1,060)	(3,123)	(3,863)
Change in cash and cash equivalents		5	51	410	267
Effect of foreign exchange rate changes on cash		(10)	1	(7)	2
Cash and cash equivalents, beginning of period		729	332	321	115
Cash and cash equivalents, end of the period		724	384	724	384
Supplementary cash flow disclosure information:					
Interest paid during the period		63	147	237	421

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

Condensed Consolidated Statements of Changes in Equity (Unaudited)
(Stated in thousands of Canadian dollars)

	Share Capital Shares (000's)	Amount \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Equity \$
Balance as at January 1, 2019	131,615	62,054	3,357	265	893	(30,248)	36,321
Share based payments expense	-	-	363	-	-	-	363
Stock options exercised	406	65	-	-	-	-	65
Stock option value of exercised options	-	56	(56)	-	-	-	-
Comprehensive income for the period	-	-	-	-	-	(91)	(91)
Balance as at September 30, 2019	132,021	62,175	3,664	265	893	(30,339)	36,658
Balance as at January 1, 2020	132,046	62,184	3,710	265	888	(30,493)	36,554
Share based payments expense	-	-	195	-	-	-	195
Equity Component of New Convertible Debenture	-	-	-	46	-	-	46
Transfer of equity component of old convertible debenture upon extinguishment	-	-	265	(265)	-	-	-
Comprehensive income (loss) for the period	-	-	-	-	(7)	(2,376)	(2,383)
Balance as at September 30, 2020	132,046	62,184	4,170	46	881	(32,869)	34,412

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)
September 30, 2020 and 2019****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 – 6th Ave SW 22nd 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**(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, 2019. 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 Note 3, 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 November 5, 2020.

Recent developments and impact on estimation uncertainty

Reduced global oil demand driven by the novel coronavirus ("COVID-19") health pandemic and the associated economic downturn continues to pressure crude and liquid prices which has created considerable uncertainty to the short-term outlook on oil and gas commodity pricing. The Corporation anticipates an increase in drilling activity for the upcoming winter months. However, the forecasted activity will still remain below prior year levels as producers continue to protect their balance sheet in these uncertain times.

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 the Corporation in the preparation of its financial results.

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, 2019. 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:

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2020 and 2019****2. BASIS OF PREPARATION (continued)***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. The severe drop in commodity prices, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Standards adopted during the period:**

The following standards were adopted during the period and the Corporation determined they had no material impact on the financial statements:

IAS 1, Presentation of Financial Statements

IAS 1 has amended the definition of material to "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The previous definition of material from IAS 1 was "omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 amended the definition of material to reflect the changes outlined above under IAS 1.

IFRS 3, Business Combinations

The definition of a business has been amended in IFRS 3 to be "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities." The previous definition under IFRS 3 was "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants."

IAS 20, Government grants

During the three and nine months ended September 30, 2020, the Corporation received the Canada Emergency Wage Subsidy ("CEWS"), assistance offered by the Canadian Federal Government for qualifying entities impacted by the

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

consequences of the novel coronavirus ("COVID-19") pandemic to keep or rehire their employees. 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. For the three and nine month period ended September 30, 2020, the Corporation recorded \$128 and \$323 respectively against salary and benefits expense.

IFRS 9, Financial Instruments

During the third quarter, the Corporation amended the terms of its convertible debentures and accounted for the amendments as an extinguishment (note 12).

Such an amendment, when completed, is considered by the Corporation to be either a debt modification or an extinguishment. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with a gain or loss to the carrying amount of the liability being recorded in profit or loss immediately.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**4. DISCONTINUED OPERATIONS AND DISPOSAL**

On April 3, 2019, the Corporation announced the discontinuation of its directional drilling division. As part of this process, the Corporation presented the results of the directional drilling operations using the guidance under “IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations”, as discontinued operations on the condensed consolidated statements of comprehensive income (loss) and the condensed consolidated statements of cash flows for the comparative periods.

During the second quarter of 2019, the Corporation disposed of its directional drilling assets to an independent, third-party purchaser.

The following sets forth the operating results and cashflows from discontinued operations for the three and nine month comparative period ended September 30, 2019:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Revenue	-	1,837
Cost of sales:		
Direct operating expenses	-	963
Depreciation of property and equipment	-	-
	-	963
Income from operations	-	874
Expenses		
Administrative expenses	(19)	107
Salaries, benefits, and severance	-	644
Share based payments	-	(15)
	(19)	736
Net income (loss) before interest and other income	19	138
Gain from disposition of property and equipment	-	576
Gain from equipment lost in hole	-	307
Non-recurring restructuring charges	-	-
Foreign exchange gain (loss)	-	31
Net Income - discontinued operations	19	1,052
Basic income (loss) per share from discontinued operations	\$0.00	\$0.01
Diluted income (loss) per share from discontinued operations	\$0.00	\$0.00

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**4. DISCONTINUED OPERATIONS AND DISPOSAL (continued)**

	Three months ended September 30, 2019	Nine months ended September 30, 2019
<i>(Stated in thousands of Canadian dollars)</i>		\$
Cash flows from (used in) the following activities:		
Operating activities		
Net income (loss) from discontinuing operations	(19)	1,052
Adjustments for:		
Share based payments	-	(15)
Gain on disposition of property and equipment	-	(576)
Gain on equipment lost in hole	-	(307)
Changes in non-cash working capital items	1	(597)
Net operating cash flow - discontinued operations	(18)	(443)
Investing activities		
Additions to property and equipment	-	-
Proceeds from disposition of property and equipment	-	317
Proceeds from disposition of property and equipment held for sale	-	-
Changes in non-cash working capital items	-	1,500
Net investing cash flows - discontinued operations	-	1,817
Change in cash and cash equivalents	(18)	1,374

5. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at December 31, 2019	935
Additions	305
Disposal	-
Balance at September 30, 2020	1,240
Accumulated depreciation	
Balance at December 31, 2019	283
Depreciation	305
Balance at September 30, 2020	588
Carrying amounts	
Balance at December 31, 2019	652
Balance at September 30, 2020	652

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**6. 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).

	September 30, 2020
Balance at December 31, 2019	670
Additions	305
Interest expense	29
Lease payments	(335)
Balance at September 30, 2020	669
Less: current portion	264
Ending balance - non-current portion	405

7. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share have been calculated based on the net income (loss) divided by the weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2020 and 2019 based on the following data:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income (loss) from continuing operations	(1,633)	(705)	(2,376)	(1,143)
Net income (loss)	(1,633)	(724)	(2,376)	1,052
Weighted average common shares (,000's)	132,046	131,752	132,046	131,699
Diluted balance, end of period	132,046	131,751	132,046	131,699
Basic and diluted income (loss) per common share	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2020 and 2019****8. PROPERTY AND EQUIPMENT**

	Rigs and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
Balance at December 31, 2019	49,937	907	2	50,846
Additions	2,801	-	-	2,801
Balance at September 30, 2020	52,738	907	2	53,647
Accumulated depreciation and impairment				
Balance at December 31, 2019	6,464	270	1	6,735
Depreciation for the period	3,215	114	1	3,331
Balance at September 30, 2020	9,679	384	2	10,066
Carrying amounts				
Balance at December 31, 2019	43,473	637	1	44,111
Balance at September 30, 2020	43,059	523	-	43,582

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, 2019 audited financial statements. As at September 30, 2020, the Corporation's assets net book value exceeded its market capitalization, and the Corporation's decrease in forecasted cashflows due to the expected activity declines associated with record declines in global oil prices were indicators of impairment.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill by definition has no useful life and therefore is not amortized but is tested for impairment at the end of each year unless there are indicators of impairment. The Corporation assesses impairment at the CGU level. As at September 30, 2020, the total amount of goodwill has been allocated to the contract drilling rig CGU.

The recoverable amount for the contract drilling rig CGU (including goodwill) was based on a value in use calculation by estimating the future cash flows that would be generated from the continuing operations and utilizing the following key assumptions:

- A pre-tax discount rate of approximately 16.8%, at September 30, 2020, which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.
- A terminal value was used assuming no annual growth rate for cash flows through the remainder of the CGU's life.
- 5% decrease in the forecasted cash flows would decrease the recoverable amount of the CGU by \$2,346 and would not create an impairment.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**8. PROPERTY AND EQUIPMENT (continued)**

- 1% increase change in the pre-tax discount rate would decrease the recoverable amount of the CGU by \$2,997 and would not create an impairment.

For the period ended September 30, 2020, the Corporation determined there was no impairment 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.

9. LOANS AND BORROWINGS

On December 20, 2018, the Corporation established a new demand operating revolving loan facility with a Canadian chartered bank 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 the Bank or another third party.

The operating loan 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.

The operating loan facility is subject to the following financial covenants (compared to actual calculation at period end):

	Covenant	September 30, 2020
Interest Coverage Ratio ⁽¹⁾	3.00:1.00 or more	4.69:1.00
Net Funded Debt to EBITDA Ratio ⁽²⁾	3.00:1.00 or less	2.81:1.00

EBITDA is calculated as net income (loss) 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. EBITDA shall be calculated on a trailing twelve-month basis:

- (1) Interest Coverage is calculated as the ratio of EBITDA as at such date to interest expense for the 12 months ending 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.

As at September 30, 2020, \$8,472 (December 31, 2019 - \$8,482) was drawn on the operating loan facility and the Corporation was in compliance with all covenants related to its operating loan facility.

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2020 and 2019

10. 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 September 30, 2020.

Authorized and Issued Common Shares

	Number	Amount (\$)
Balance as at December 31, 2019	132,046	62,184
Balance as at September 30, 2020	132,046	62,184

Contributed surplus

Contributed surplus is comprised of stock-based compensation expense, stock option exercises and transfer of the equity portion of the old convertible debentures upon amendment of the convertible debenture terms, which was accounted for as an extinguishment (note 12).

Accumulated other comprehensive income

Accumulated other comprehensive income is the cumulative translation account that comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

11. 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.

The options are exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors. The options granted up to September 30, 2017 for directors, officers, employees, and consultants have a vesting period of one third a year from the date of grant, another one third two years from the date of grant and the remaining third vesting three years from the date of grant. Once vested, the options can be exercised and have an expiration date a year from the vesting date. The options granted subsequent to December 3, 2017 carry a five-year term and are subject to vesting one quarter on each of the first, second, third and fourth anniversaries of the date of the grant or carry a five-year term and are subject to vesting as to one quarter on the day of the grant and one quarter on each of the first, second and third anniversaries of the date of the grant.

A summary of the Corporation's outstanding stock options as at September 30, 2020 and December 31, 2019 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 forfeited	(294)	\$ 0.32
Outstanding at September 30, 2020	6,153	\$ 0.22

For the three month period September 30, 2020, the Corporation recorded share-based payment expense of \$34 (2019 - \$104). For the nine month period ended September 30, 2020, the Corporation recorded share-based payment expense of \$195 (2019 - \$378).

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**12. 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 \$57,316 at September 30, 2020 (December 31, 2019 – \$56,738).

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 September 30, 2020 reconciles to the opening loss allowance provision as follows:

	September 30, 2020
At December 31, 2019	142
Decrease in credit loss allowance	(106)
As at September 30, 2020	36

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 September 30, 2020, the Corporation had one customer that comprised 54% of total revenue, compared to five customers that comprised 26%, 20%, 14%, 14% and 10% of total revenue for the period ended September 30, 2019.

For the nine month period ended September 30, 2020, the Corporation had 5 customers that comprised 19%, 12%, 11%, 10% and 10% of total revenue, compared to three customers that comprised 35%, 17% and 12% of total revenue for the period ended September 30, 2019. For the accounts receivable balances outstanding at September 30, 2020, the Corporation had four customers that comprised 46%, 26%, 11% and 11% of the total balance as compared to four customers that comprised 18%, 12%, 12% and 10% of the total balance at September 30, 2019.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**12. FINANCIAL INSTRUMENTS (continued)**

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

	September 30, 2020	December 31, 2019
Within 30 days	443	3,529
31 to 60 days	290	1,319
61 to 90 days	-	1,744
Over 90 days	601	471
Accrued accounts receivable	-	539
Other receivables	-	54
Allowance for doubtful accounts	(36)	(142)
Accounts receivable	1,298	7,514

As at September 30, 2020, approximately 46% 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 externally sourced 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 September 30, 2020, the Corporation had negative working capital of \$7,396 (December 31, 2019 – negative \$8,241). 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. As at September 30, 2020, \$8,472 was drawn on the Corporation's total operating loan facility of \$15,000.

Convertible debentures

On September 14, 2020 the Corporation received final approval from the TSX Venture Exchange to restructure the terms of its 10.00% convertible unsecured debentures which were issued October 31, 2017.

The following are the terms of the amending agreement that were entered into with all holders of Debentures effective as of October 31, 2020:

- the term of the Debentures will be extended by three years, such that the Debentures will mature in October 2023;
- the conversion price of the Debentures will be lowered from \$0.49 to \$0.21 per common share of Stampede, subject to adjustment in accordance with the terms and conditions of the Debentures;
- Stampede will be able to pay accrued interest in Common Shares based on the average trading price of the Common Shares over the previous 30 trading days (subject to the prior approval from the TSX Venture Exchange); and
- the redemption thresholds in the Debentures will be updated, such that Stampede: (i) may not redeem the Debentures prior to October 31, 2021; (ii) may redeem the Debentures on and after October 31, 2021 and prior to October 31, 2022 at the Redemption Price (as defined in the Debentures), provided the current market price of the Common Shares is at least 125% of the Conversion Price; and (iii) may redeem the Debentures on and after October 31, 2022 at the Redemption Price.

The Corporation performed quantitative analysis of the debenture amending agreement, and determined the present value of the new cash flows under the amending agreement was greater than 10% different from the present value of the remaining cashflows of the original liability using the original effective interest rate. Under IFRS 9, when the difference is 10% or greater, the existing liability is de-recognised, and a new financial liability is recognised. The difference between the existing and new instrument was booked as a \$84 gain on extinguishment of debenture on the consolidated statement of comprehensive income.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**12. FINANCIAL INSTRUMENTS (continued)**

	Number of convertible debentures	Liability component (\$,000)	Equity component (\$,000)
Balance at December 31, 2018	2,612	2,422	265
Accretion of discount	-	26	-
Balance at September 30, 2019	2,612	2,448	265
Balance at December 31, 2019	2,612	2,530	265
Accretion of discount	-	82	-
Liability revaluation adjustment	-	(130)	-
Equity revaluation adjustment	-	-	(219)
Balance at September 30, 2020	2,612	2,482	46

The Corporation has the option to redeem the principal amount of convertible debentures in cash, or alternatively through the issuance of shares, based upon a share price of 95% of the then current market price. Per the debenture agreement, redemption of the convertible debentures by share issuance is not less than 40 days, and not more than 60 days in advance of the redemption date. The Corporation is currently assessing its options to request holders to extend the maturity date of the debentures or convert the debenture to equity on the maturity date.

The Corporation's principal sources of liquidity are operating cash flows and its operating loan. The Corporation manages its liquidity risk through the active management of cash and debt and by maintaining appropriate access to credit. The Corporation ensures that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities and undrawn capacity on the Corporation's demand operating loan facility, to provide the necessary capital for development activities and repayment of obligations as they become due. Also, the Corporation has the ability to adjust its capital structure by issuing new equity or debt, disposing of assets and making adjustments to its operating expenditures and capital expenditure program to the extent the capital expenditures are not committed. To manage capital and operating spending, budgets are prepared, monitored regularly and updated as required. The Corporation believes it has adequate access to its demand loan facility to provide liquidity to manage fluctuations in the timing of the receipt and/or disbursement of operating cash flows.

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

	September 30, 2020	December 31, 2019
Accounts payable	422	4,452
Accrued liabilities	388	494
	810	4,946

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.

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2020 and 2019

12. FINANCIAL INSTRUMENTS (continued)

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 September 30, 2020, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income (loss) would have increased/decreased by \$86. For the nine month period ended September 30, 2020, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income (loss) would have increased/decreased by \$68. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

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, operating line, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. At September 30, 2020, 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.

As the debentures have not traded, the fair value of the debentures is \$2,482 as at September 30, 2020 (December 31, 2019 - \$2,612), based on the purchase price of \$1 per debenture.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**13. FINANCE COSTS**

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest on lease liabilities	8	11	29	46
Interest on operating loan	63	70	237	179
Interest on convertible debentures	66	66	196	196
Accretion on debentures	29	26	82	79
Finance costs	166	173	544	500

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the three and nine month periods ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Changes in non-cash working capital items:				
Trade and other receivables	1,239	(1,731)	6,216	(907)
Prepaid expenses and deposits	(27)	(21)	(5)	45
Accounts payable and accrued liabilities	(250)	1,682	(4,123)	1,378
Total	962	(70)	2,088	516
Relating to:				
Operating activities	1,127	(2,070)	2,409	(795)
Investing activities	(165)	2,000	(321)	1,311
Total	962	(70)	2,088	516

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**
September 30, 2020 and 2019**15. COMMITMENTS**

The following table reflects the Corporation's commitments as of September 30, 2020:

(000's CAD \$)	2020	2021	2022	2023	2024	2025
Operating loan	8,472	-	-	-	-	-
Convertible debenture repayment	-	-	-	2,612	-	-
Convertible debenture interest	65	261	261	218	-	-
Lease obligations	104	270	114	114	114	19
Trade and other payables	810	-	-	-	-	-
Total	9,451	531	375	2,944	114	19

The recent development of the macro-economic factors of the COVID-19 virus, instability created by OPEC+'s inability to maintain the global oil supply and the resulting impact to commodity prices, have created an adverse effect on the energy industry.

As a result of the current global events and corresponding negative impact on crude oil pricing, the Corporation has reduced its 2020 remaining capital spending forecast to \$0 and has eliminated all nonessential repairs and maintenance of its entire fleet of rigs. In the event market conditions improve, the Corporation will reassess its 2020 capital budget based on forecasted and confirmed work with its customers.