



**Management's Discussion & Analysis**

**Stampede Drilling Inc.**

For the three months and year ended December 31, 2020

(Expressed in Canadian Dollars)

**STAMPEDE DRILLING INC.**  
**("Stamper" or the "Corporation")**

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2020**

The following management's discussion and analysis ("MD&A") should be read in conjunction with the December 31, 2020 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual information form ("AIF") for the year ended December 31, 2020. Additional information regarding Stampede, including the AIF, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

All amounts or dollar figures are denominated in thousands of Canadian dollars except for per share amounts, number of drilling rigs, and operating days, or unless otherwise noted.

This MD&A is dated March 24, 2021 and is in respect of the three months and year ended December 31, 2020.

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. See "Forward-Looking Information" in this MD&A for additional details.

**FINANCIAL SUMMARY**

(000's CAD \$ except per share amounts)	Three months ended December 31,			Year ended December 31,			
	2020	2019	% Change	2020	2019	% Change	2018
<b>Continuing operations</b>							
Revenue	2,515	6,705	(62%)	14,394	23,697	(39%)	16,028
Direct operating expenses	1,496	4,589	(67%)	9,529	15,500	(39%)	10,381
Gross margin <sup>(1)</sup>	1,019	2,116	(52%)	4,865	8,197	(41%)	5,647
Net loss from continuing operations	(2,386)	(104)	2,194%	(4,042)	(1,247)	224%	(88)
Basic and diluted loss per share	(0.01)	(0.00)	nm	(0.03)	(0.01)	nm	(0.00)
Adjusted EBITDA <sup>(1)</sup>	479	1,139	(58%)	2,377	4,126	(42%)	3,060
Weighted average common shares outstanding	132,046	132,046	0%	132,046	131,851	0%	130,541
Weighted average diluted common shares outstanding	132,046	132,046	0%	132,046	131,851	0%	130,541
<b>Combined operations <sup>(2)</sup></b>							
Net loss	(1,666)	(154)	982%	(4,042)	(245)	1,550%	(4,124)
Basic and diluted loss per share	(0.01)	(0.00)	nm	(0.03)	(0.00)	nm	(0.03)
Adjusted EBITDA <sup>(1)</sup>	479	1,056	(55%)	2,377	4,589	(48%)	1,776
Capital expenditures	703	2,295	(69%)	3,505	9,580	(63%)	16,599

nm - not meaningful

<sup>(1)</sup> Refer to "Non-GAAP Measures" for further information.

<sup>(2)</sup> Combined operations represents the aggregated results of both continuing and discontinued operations.

(000's CAD \$)	As at December 31,		
	2020	2019 <sup>(1)</sup>	% Change
Current assets	4,197	7,958	(47%)
Total assets	47,784	53,182	(10%)
Total current liabilities	10,008	16,199	(38%)
Total non-current liabilities	5,005	429	1,067%
Shareholders' equity	32,771	36,554	(10%)

<sup>(1)</sup> Includes assets and liabilities classified as held for sale

## DESCRIPTION OF STAMPEDE'S BUSINESS

Stampede (formerly MATRRIX Energy Technologies Inc.) (the "Corporation") was previously engaged in the provision of directional drilling services and technology for the oil and natural gas industry focused in the Western Canadian Sedimentary Basin ("WCSB"). Starting in the second quarter of 2017, to complement the direction drilling operations, the Corporation developed a strategic plan for its expansion into the drilling rig business. Operations for the drilling rig business commenced in the fourth quarter of 2017.

On April 3, 2020, the Corporation announced that it was discontinuing its directional drilling division to focus on the drilling rig business. On May 27, 2020, the Corporation disposed of its directional drilling assets to an independent, third party purchaser.

Effective May 29, 2020, the Corporation obtained shareholder approval to change its name from MATRRIX Energy Technologies Inc. to Stampede Drilling Inc.

In 2020, Stampede operated in the provinces of Alberta, Saskatchewan and the state of Texas.

## 2020 OPERATIONAL OVERVIEW

2020 was a difficult year for the oil and gas industry marked by unprecedented challenges. In late Q1, commodity prices drastically declined due to over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments combined with a decrease in global oil demand due to the COVID-19 pandemic. As a result, producer cash flows were negatively impacted which resulted in cancelled drilling programs across North America, temporarily shutting in of production and cost cutting measures by producers to protect their balance sheets. Commodity pricing started to improve in May 2020, however overall benchmark crude oil prices in 2020 remained 31% lower than the prior year. As a result, in March 2020, the Corporation implemented key cost and discretionary spending plan adjustments. For the year ended December 31, 2020, total administrative expenses were down 35% as compared to the corresponding 2019 period as a result of the following cost cutting measures:

- Elimination of all discretionary spending, non-essential travel, and entertainment.
- 18% to 36% reduction to executive cash compensation.
- Employee salary reductions, modified work schedules, job sharing and layoffs.
- Elimination of all cash compensation for the Board of Directors.

In addition, the Corporation qualified for the Canadian Federal Government's Canadian Emergency Wage Subsidy program ("CEWS") which was used to reduce employee related salary expenses and help minimize reduction in headcount. For the year ended December 31, 2020, the Corporation recorded \$451 against cost of sales and \$460 against salaries and benefit expenses.

On October 31, 2020, the Corporation announced that it had completed the restructuring and amendment of the Debentures to:

- extend the maturity date of the Debentures to October 31, 2023;
- lowered the conversion price of the Debentures from \$0.49 to \$0.21 per Share;
- provide the Corporation with the ability to pay accrued interest in Shares based on the average trading price of the Shares over the previous 30 trading days (subject to the prior approval from the TSX Venture Exchange); and
- update the redemption thresholds in the Debentures, such that the Corporation: (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 Shares is at least 125% of the Conversation Price; and (iii) may redeem the Debentures on and after October 31, 2022 at the Redemption Price.

On November 30, 2020, the Corporation finalized a loan facility with the Business Development Bank of Canada ("BDC") in an amount of \$2,000 (the "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. In connection with the BDC Facility, the Corporation granted to BDC a subordinated security interest in all present and after-acquired property, except for consumer goods, accounts receivable and inventory. The security interest of BDC is subordinate in right of payment to the security interests granted by the Corporation to HSBC Bank Canada in connection with the 2018 Credit Facility.

In conjunction with the BDC Facility, the Corporation amended its 2018 Credit Facility, including adjustments to, and suspension of, certain debt covenant thresholds with HSBC Bank Canada commencing on December 31, 2020 until December 31, 2021, as well as other amendments to reflect the establishment of the BDC Facility.

As at December 31, 2020, the Corporation completed a review of the useful lives and estimated residual values of its property and equipment. Due to uncertainty associated with the Corporation's ability to monetize the assets at values in excess of their net book values, coupled with negative economic effects of the ongoing COVID-19 pandemic, the Corporation identified specific spare parts in which the carrying value is not expected to be fully recoverable. As a result, the Corporation recognized a write-down of property and equipment of \$720 (2019 - nil), which is recognized in the statement of comprehensive loss.

## OUTLOOK

A turnaround in commodity prices that began in Q4 2020 has continued into 2021 due to short-term production cuts by Saudi Arabia and OPEC+, combined with renewed optimism for rising energy demand due to the deployment of COVID-19 vaccines around the world. The favorable increase in commodity pricing has resulted in record drilling utilization for the Corporation throughout Q1 2021. With the addition of 2 new customers in 2021, the Corporation had all 10 of its marketable rigs working during the first quarter.

For the 2<sup>nd</sup> half of 2021, the Corporation remains cautious on forecasted drilling activity as COVID-19 variants and longer-term over supply concerns still create considerable uncertainty with regards to the outlook in commodity prices. However preliminary discussions with the Corporation's customer base indicates a modest increase in capital spending in 2021 vs 2020 due to the current strengthening of commodity prices. Management will continue to focus on maintaining a prudent capital structure and positioning the Corporation to take advantage of growth opportunities. The Corporation's current capital commitments are \$542, in the event market conditions continue to improve, any additional capital spending by the Corporation for the remainder of 2021 will be based on confirmed work with its customers.

## RESULTS OF CONTINUING OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2020

(000's CAD \$ except operating days)	Year ended December 31,		
	2020	2019 <sup>(1)</sup>	% Change
Revenue	14,394	23,697	(39%)
Direct operating expenses	9,529	15,500	(39%)
Gross margin <sup>(2)</sup>	4,865	8,197	(41%)
Gross margin %	34%	35%	(3%)
Net loss from continuing operations	(4,042)	(1,247)	224%
General and administrative expenses	3,101	4,782	(35%)
Adjusted EBITDA <sup>(2)</sup>	2,377	4,126	(42%)
Drilling rig operating days	681	1,143	(40%)
Drilling rig revenue per day	21.1	20.7	2%
Drilling rig utilization	19%	34%	(44%)
CAODC industry average utilization <sup>(3)</sup>	16%	22%	(27%)

nm - not meaningful

<sup>(1)</sup> The comparative period has been restated to reflect discontinued operations as discussed in Note 4 of the 2020 annual consolidated financial statements.

<sup>(2)</sup> Refer to "Non-GAAP measures" for further information.

<sup>(3)</sup> Source: The Canadian Association of Oilwell Drilling Contractors ("CAODC") monthly Contractor Summary

- In 2020, revenue was \$14,394, a decrease of \$9,303 (39%) compared to \$23,697 for the year ended December 31, 2019. The decrease was because of decreased drilling activity related to the continued economic slowdown and the corresponding negative impact on oil and gas commodity pricing which began in March 2020.
- The Corporation's drilling rig operating days of 681 days for 2020 was a 40% decrease over the 1,143 operating days in 2019. Drilling rig utilization for 2020 was 19%, which was above the CAODC industry average utilization rate of 16%. Overall Canadian drilling activity was down as producers drilling programs were drastically reduced or eliminated completely.
- As a result of the decreased 2020 operating days and corresponding revenue, Adjusted EBITDA for the year ended December 31, 2020 was \$2,377, a decrease of \$1,749 (42%) from \$4,126 for the 2019 corresponding period. The 2020 decrease was partially offset by the \$911 of CEWS funding the Corporation qualified for in 2020.
- For the year ended December 31, 2020, gross margin as a percentage of revenue was 34%, a decrease of 3% from the corresponding 2019 period. Gross margin was negatively impacted from fire-up costs in December 2020 for the forecasted Q1 2021 drilling program. These costs were partially offset by a higher revenue per day and a reduction in field labor costs due to the \$451 CEWS funding the Corporation qualified for in 2020 which was recorded against cost of sales for the year ended December 31, 2020.
- General and administrative expenses for the year ended December 31, 2020 were \$3,101 down \$1,681 (35%) from \$4,782 for the comparable period of 2019. The 2020 decrease in general and administrative expenses was because of the Corporation's cost cutting initiatives implemented in March 2020. Cost cutting initiatives included reduced headcount, salary

roll backs, elimination of all discretionary spending and incentives earned during 2020 as part of the Canada Emergency Wage Subsidy from the Government of Canada. The Corporation recorded \$460 against general and administrative expenses, for the year ended December 31, 2020.

- For the year ended December 31, 2020, the Corporation's net loss was \$4,042, an increase of \$2,795 (224%) from a net loss of \$1,247 for the comparable 2019 period. As well as the overall drop in drilling activity, the Corporation identified \$720 in specific assets that were reduced to their salvage value.

## EXPENSES

### General and Administrative Expenses

(000's CAD \$)	Year ended December 31,		
	2020	2019	% Change
Administrative expenses	972	1,757	(45%)
Salaries and benefits	1,516	2,314	(34%)
Share-based payments	214	428	(50%)
Depreciation of right-of-use assets	399	283	41%
Total general and administrative expenses	3,101	4,782	(35%)

nm - not meaningful

Total general and administrative expenses for the year ended December 31, 2020 were \$3,101, a decrease of \$1,681 (35%) from \$4,782 for the comparative 2019 period. The primary reasons for the overall decrease were related to the cost cutting initiatives implemented in March 2020 due to the price collapse of oil and decrease in crude oil demand related to the COVID-19 pandemic.

The following key cost and discretionary spending plan adjustments were implemented in March 2020:

- Reduction of forecasted personnel costs consisting of salary reductions, layoffs and job sharing.
- 18% to 36% reduction to Executive cash compensation.
- 100% reduction to Board of Directors cash compensation.
- Elimination of all non-essential travel, entertainment and other discretionary spending.

In addition, the Corporation qualified for the Canadian Federal Government's wage subsidy program which was used to reduce employee related salary expenses and help minimize reduction in headcount. For the year ended December 31, 2020, the Corporation recorded \$460 against salaries and benefit expenses.

Share-based payments expense for the year ended December 31, 2020 relates to the expense of stock options issued to directors, officers, consultants and employees of the Corporation. Stock option expense fluctuates based on the share price of grants during the year, expiries and forfeitures of options and the effects of vesting. At the date of this MD&A, 5,643 stock options and 132,091 common shares were outstanding. No options were granted in 2020.

Depreciation of right-of-use assets represents the straight-line amortization of the Corporation's leases under IFRS 16, Leases which was adopted January 1, 2019. For the year ended December 31, 2020, depreciation of right-of-use assets expense was \$399, up \$116 (41%) from \$283 for the corresponding 2019 period related to a new lease in Q1 2020 for the Corporation's Nisku location.

### Depreciation of Property and Equipment

(000's CAD \$)	Year ended December 31,		
	2020	2019	% Change
Depreciation of property and equipment	4,439	3,991	11%

Depreciation expense for the year ended December 31, 2020 was \$4,439, an increase of \$448 (11%) from \$3,991 for the year ended December 31, 2019. The primary reason for the increase was the Corporation's larger depreciable asset base due to the increased capital investments made in 2019 and 2020 related to rig recertifications and upgrades.

## Other Items

(000's CAD \$)	Year ended December 31,		
	2020	2019	% Change
Gain on extinguishment of convertible debenture	84	-	nm
Write-down of property and equipment	(720)	-	nm
Gain from disposition of property and equipment	-	8	(100%)
Gain from equipment lost in hole	-	19	(100%)
Finance costs	(687)	(684)	0%
Other income	56	123	(54%)
Foreign exchange loss	(24)	19	(226%)
Transaction costs	(76)	(156)	(51%)
Other items	(1,367)	(671)	104%

As at December 31, 2020, the Corporation completed a review of the useful lives and estimated residual values of its property and equipment. Due to uncertainty associated with the Corporation's ability to monetize the assets at values in excess of their net book values, coupled with negative economic effects of the ongoing COVID-19 pandemic, the Corporation identified specific spare parts in which the carrying value is not expected to be fully recoverable. As a result, the Corporation recognized a write-down of property and equipment of \$720 (2019 - nil), which is recognized in the statement of comprehensive loss.

For the year ended December 31, 2020, finance costs were \$687, a \$3 increase from \$684 as compared to the corresponding 2019 period. Finance costs are primarily comprised of interest on the Corporation's debt which consists of Demand Operating Revolving Loan Facility ("Demand Facility"), convertible debenture and the Business Development Bank of Canada ("BDC") BDC loan ("BDC Facility").

During 2020, the Corporation performed a 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 in fair values between the extinguished and the new instrument resulted in a \$84 difference, which has been recognised as a gain on extinguishment of debentures on the consolidated statement of comprehensive income (loss).

Other income is comprised of rent collections from the Corporation's subleases. For the year ended December 31, 2020, other income was \$56, down \$67 (54%) from \$123 as compared to the corresponding 2019 period. The 2020 decrease is due to an expiry of a sublease.

For the year ended December 31, 2020, transaction costs were \$76, down \$80 (51%), as compared to \$156 in the corresponding 2019 period. Transaction costs for 2020 consisted of legal and corporate filing fees related to the Corporation's convertible debentures amending agreement. Transaction costs for 2019 consisted of non-capitalizable amounts related to US start-up costs. The Corporation will continue to evaluate and monitor the US, Canada and international markets for expansion opportunities.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for each of the last eight quarters:

(000's CAD \$)	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Continuing operations</b>								
Revenue	2,515	714	275	10,890	6,705	5,910	3,319	7,763
Gross margin <sup>(2)</sup>	1,019	184	133	3,529	2,116	1,790	931	3,360
Net income (loss) - continuing operations	(2,386)	(1,633)	(1,878)	1,135	(104)	(705)	(1,649)	1,211
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	0.01	(0.00)	(0.01)	(0.01)	0.01
Adjusted EBITDA <sup>(2)</sup>	479	(269)	(417)	2,584	1,139	682	(122)	2,427
<b>Combined operations</b>								
Revenue	2,515	714	275	10,890	6,705	5,910	3,321	9,598
Gross margin <sup>(2)</sup>	1,019	184	133	3,529	2,116	1,790	898	4,210
Net income (loss)	(2,386)	(1,633)	(1,878)	1,135	(154)	(724)	(1,408)	2,041
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	0.01	(0.00)	(0.01)	(0.01)	0.02
Adjusted EBITDA <sup>(2)</sup>	479	(269)	(417)	2,584	1,056	682	(177)	3,028
Working capital <sup>(3)</sup>	(5,811)	(7,396)	(7,372)	(6,729)	(8,241)	(4,423)	(2,509)	1,304
Total assets	47,784	46,845	47,180	53,665	53,182	51,165	47,433	51,989

<sup>(1)</sup> The comparative period has been restated to reflect discontinued operations as discussed in Note 4.

<sup>(2)</sup> Refer to "Non-GAAP measures" for further information.

<sup>(3)</sup> Working capital in Q1 2019 includes assets held for sale and liabilities related to assets held for sale.

Comparative period information reflects the results of the continuing operations separately from the discontinued operations (see note 4 of the audited consolidated financial statements for the year ended December 31, 2020).

As illustrated above, quarterly performance is affected by seasonal variation; however, with Corporation's historical growth and acquisitions, and fluctuating commodity prices impacting industry activity, variations in quarterly results are attributable to several other factors as well.

In the last several months of 2018, crude oil benchmark price and commodity price differential volatility resulting from a lack of pipeline egress out of the WCSB resulted in a pull back on producer budgets in 2019. Weather-related issues also had an impact on activity levels during 2019, with a prolonged spring break-up and an unusually wet third quarter. Producers were unwilling to incur additional costs due to weather related issues if the oil and gas activity could be delayed until ground conditions improved. The rapid and dramatic decline in crude oil prices at the end of the first quarter of 2020 resulting from oil demand destruction caused by COVID-19 and over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments began to have an additional adverse impact on the Corporation's results in March 2020, and resulted in negative quarter over quarter variances throughout 2020.

### Seasonality

An assessment or comparison of the Corporation's quarterly 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 Western Canada. 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 Stampede. Results are impacted by the gain or loss of key customers and expected customer capital spending. Additions or losses of key customers can fluctuate on a quarterly basis. From a seasonality perspective, the Corporation currently operates all of 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.

#### FOURTH QUARTER RESULTS OF CONTINUING OPERATIONS

(000's CAD \$ except per day amounts)	Three months ended December 31,		
	2020	2019 <sup>(1)</sup>	% Change
Drilling rig revenue	2,515	6,705	(62%)
Direct operating expenses	1,496	4,589	(67%)
Gross margin <sup>(2)</sup>	1,019	2,116	(52%)
Gross margin %	41%	32%	28%
Net loss from continuing operations	(2,386)	(104)	2,194%
General and administrative expenses	653	1,093	(40%)
Adjusted EBITDA <sup>(2)</sup>	479	1,139	(58%)
Drilling rig operating days	114	289	(60%)
Drilling rig revenue per day	22.0	23.2	(5%)
Drilling rig utilization	12%	31%	(60%)
CAODC industry average utilization <sup>(3)</sup>	16%	23%	(30%)

nm - not meaningful

<sup>(1)</sup> The comparative period has been restated to reflect discontinued operations as discussed in Note 4 of the 2020 annual consolidated financial statements.

<sup>(2)</sup> Refer to "Non-GAAP measures" for further information.

<sup>(3)</sup> Source: The Canadian Association of Oilwell Drilling Contractors ("CAODC") monthly Contractor Summary

- As commodity pricing for oil and gas slowly improved during the year from the dramatic lows of March 2020, producers remained cautious on their drilling program spending negatively impacting the Corporation's Q4 2020 operating activity. As a result revenue for the three months ended December 31, 2020, was \$2,515, a decrease of \$4,190 (62%) compared to \$6,705 for the 2019 corresponding period.
- The Corporation's drilling rig operating days of 114 days for Q4 2020 was a 60% decrease over the 289 operating days in Q4 2019. Drilling rig utilization for 2020 was 12%, which was below the CAODC industry average utilization rate of 16%. Overall Canadian drilling activity was down as producers drilling programs were drastically reduced or eliminated completely.
- As a result of the decreased Q4 2020 operating days and corresponding decrease in revenue, Adjusted EBITDA for the three months ended December 31, 2020 was \$479, a decrease of \$660 (58%) from \$1,139 for the 2019 corresponding period.
- For the three months ended December 31, 2020, gross margin as a percentage of revenue was 41%, an increase of 28% from 32% for the corresponding 2019 period. Gross margin was up primarily due to the reduction in field labor costs as a result of the Canadian emergency wage subsidy. The Corporation recorded \$451 against cost of sales for the three month period ended December 31, 2020.
- General and administrative expenses for the three month period ended December 31, 2020 were \$653 down \$440 (40%) from \$1,093 for the comparable period of 2019. The 2020 decrease in general and administrative expenses was because of the Corporation's cost cutting initiatives implemented in March 2020. Cost cutting initiatives included reduced headcount, salary roll backs, elimination of all discretionary spending and the \$130 of CEWS recorded against general and administrative expenses, for the three months ended December 31, 2020.
- For the three months ended December 31, 2020, the Corporation's net loss was \$2,386, an increase of \$2,282 from a net loss of \$104 for the comparable 2019 period. As part of the net loss due, the Corporation recorded a write down in assets of \$720 during Q4 2020.



## RESULTS OF DISCONTINUED OPERATIONS

In 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 consolidated statements of comprehensive income (loss) and the consolidated statements of cash flows for the current and comparative periods.

During the second quarter of 2019, the Corporation disposed of its directional drilling assets to an independent, third-party purchaser. In accordance with the disposal, property and equipment with a net book value of \$912 was sold for gross proceeds of \$1,500 which resulted in recognition of a gain on disposition of \$588, which was classified within discontinued operations.

The following table sets forth operating results from the discontinued operations for the year ended December 31, 2019:

	Year ended December 31, 2019
<b>Revenue</b>	<b>1,837</b>
Cost of sales:	
Direct operating expenses	1,020
Depreciation of property and equipment	-
	<b>1,020</b>
<b>Income from discontinued operations</b>	<b>817</b>
<b>Expenses</b>	
Administrative expenses	187
Salaries, benefits, and severance	167
Share (recovery) based payments	(15)
Depreciation of right of use assets	72
	<b>411</b>
<b>Income (loss) from discontinued operations before finance costs, other income (expenses), other gains (losses) and income taxes</b>	<b>406</b>
Gain from disposition of property and equipment	588
Gain from equipment lost in hole	307
Finance costs	(12)
Other income	64
Non-recurring restricting charges	(351)
<b>Net Income - discontinued operations</b>	<b>1,002</b>
<b>Basic and diluted income per share from discontinued operations</b>	<b>\$0.01</b>

## CAPITAL PROGRAM

In Q4 2020 the Corporation spent \$703 in maintenance capital for Q1 2021 confirmed drilling programs with its customers. As commodity pricing for oil and gas steadily improves, the Corporation remains cautious with regards to forecasted drilling activity for the remainder of 2021. In the event market conditions continue to improve, any additional capital spending by the Corporation for the remainder of 2021 will be based on confirmed work with its customers.

As of the date of this MD&A, the Corporation is committed to \$542 of capital.

## LIQUIDITY AND CAPITAL RESOURCES

The Corporation’s primary liquidity and capital resource needs are to fund ongoing capital expenditures and growth opportunities; to service its debt, including interest payments; and to finance working capital needs. The Corporation’s short-term and long-term

liquidity needs are met through cash flow from operations, the operating loan, and debt and equity financings.

(000's CAD \$)	Year ended December 31,		
	2020	2019	% Change
Cash provided by (used in) combined operations:			
Operating activities	4,889	1,679	191%
Investing activities	(5,315)	(5,610)	(5%)
Financing activities	786	4,142	(81%)

#### Cash Flows from Operating Activities

For the year ended December 31, 2020, cash flows from operating activities was \$4,889 up \$3,210 (191%) from \$1,679 compared to the corresponding 2019 period. The overall increase in in non-cash working capital, depreciation and finance costs, was offset by the increase in net loss from continuing operations.

#### Cash Flows used in Investing Activities

For the year ended December 31, 2020, cash flows used in investing activities was \$5,315, a decrease of cash outflows \$295 (5%) from 5,610 for the corresponding 2019 period. During 2020, the Corporation invested \$3,505 in property and equipment, down \$6,075 (63%) from \$9,850 compared to the corresponding 2019 period. Purchases of property and equipment in 2020 were related to a \$2,000 down payment of a drilling rig in Q3 2020, the remaining \$1,505 was related to recertifications and upgrades.

#### Cash Flows from Financing Activities

For the year ended December 31, 2020, cash flows from financing activities was \$786, down \$3,356 (81%) from \$4,142 compared to the corresponding 2019 period. During 2020, the Corporation repaid \$222 on the operating loan compared to a drawdown of \$4,990 for the corresponding 2019 period. The Corporation also entered a new loan facility with the BDC in the amount of \$2,000. The entire amount of the BDC loan was used to help fund Q1 2021 working capital requirements and reduce the Corporation's Demand Operating Revolving Loan Facility ("Demand Facility").

#### Operating Loan Facility

##### Demand Operating Revolving Loan Facility ("Demand Facility")

On December 20, 2018, the Corporation established the 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 the Bank 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, including the adjustments to, and suspension of the following debt covenants thresholds commencing on December 31, 2020 until December 31, 2021:

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:

Interest Coverage is calculated as the ratio of EBITDA as at such date to interest expense as at such date described below in the Revised Net Funded Debt/EBITDA Covenants and Revised trailing twelve month Interest Coverage Ratio section below.

1. 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 December 31, 2020, permit EBITDA, calculated on a trailing twelve months basis, to be less than \$1,000;
- 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 CAD 650,000.

#### Revised trailing twelve month Interest Coverage Ratio

- as at fiscal quarter end December 31, 2020, permit the Interest Coverage Ratio, calculated on a trailing twelve months basis, to be less than 2.00:1.00;
- 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 December 31, 2020, the operating loan facility is subject to the following financial covenants:

	Covenant	December 31, 2020
Interest Coverage Ratio <sup>(1)</sup>	2.00:1.00 or more	3.63:1.00
Net Funded Debt to EBITDA Ratio <sup>(2)</sup>	Trailing twelve month EBITDA test of \$1,000 or more	\$2,060

As at December 31, 2020, \$8,260 (December 31, 2019 - \$8,482) was drawn on the operating loan 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 December 31, 2020, the Corporation had drawn \$2,000 of the BDC Facility.

## COMMITMENTS

In the normal course of operations, the Corporation enters into various commitments that will have an impact on future operations.

The following table reflects the Corporation's commitments as of December 31, 2020:

(000's CAD \$)	2021	2022	2023	2024	2025
Demand Facility	8,260	-	-	-	-
Convertible debenture repayment	-	-	2,612	-	-
Convertible debenture interest	261	261	218	-	-
BDC Facility	100	400	1,500	-	-
BDC Facility interest	85	78	47	-	-
Lease obligations	338	282	114	114	19
Trade and other payables	1,338	-	-	-	-
Total	10,382	1,021	4,490	114	19

As of the date of this MD&A, the Corporation is committed to \$542 of capital.

## OFF-BALANCE SHEET ARRANGEMENTS

During 2020 and 2019, the Corporation had no off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

At December 31, 2020, the Corporation had \$700 (December 31, 2019 - \$700) owing to related parties for the convertible debentures. During the year, the Corporation paid \$70 for interest on the convertible debentures to related parties (December 31, 2019 - \$70).

## FINANCIAL INSTRUMENTS

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

### Credit Risk

The adoption of 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 decrease 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.

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 a high credit quality financial institution.

For the year ended December 31, 2020, the Corporation had two customers that comprised 26% and 21% of total revenue, compared to four customers that comprised 35%, 14%, 11% and 11% of total revenue for the year ended December 31, 2019. For the accounts receivable balances outstanding at December 31, 2020, the Corporation had two customers that comprised 43% and 19% of the total balance as compared to three customers that comprised 35%, 27% and 12% of the total balance at December 31, 2019.

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

	December 31, 2020	December 31, 2019
Within 30 days	956	3,529
31 to 60 days	985	1,319
61 to 90 days	583	1,744
Over 90 days	48	471
Accrued accounts receivable	337	539
Other receivables	557	54
Allowance for doubtful accounts	(59)	(142)
Accounts receivable	3,407	7,514

As at the date of this MD&A, Stampede has collected 91% of the December 31, 2020 outstanding balance including all amounts over 90 days.

### 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 December 31, 2020, the Corporation had negative working capital of \$5,811 (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.

#### 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 Conversation 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 derecognized, and a new financial liability is recognized. 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.

	Number of convertible debentures	Liability component (\$,000)	Equity component (\$,000)
Balance at January 1, 2019	2,612	2,422	265
Accretion of discount	-	108	-
Balance at December 31, 2019	2,612	2,530	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 December 31, 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'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:

	December 31, 2020	December 31, 2019
Accounts payable	974	4,452
Accrued liabilities	364	494
Total current accounts payable and accrued liabilities	1,338	4,946
Other liabilities	230	-
Total accounts payable and accrued liabilities	1,568	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.

### 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 year ended December 31, 2020, 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 \$78. 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, 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 December 31, 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 December 31, 2020 (December 31, 2019 - \$2,612), based on the purchase price of \$1 per debenture.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by the Corporation are believed to be reasonable under current circumstances, actual results could differ.

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic has adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil.

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 annual 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

#### Property and equipment

The Corporation allocates amounts initially recognized as property and equipment to significant component parts. Significant component parts are depreciated based on estimates of useful lives and residual value. Useful lives and residual values can change as a result of actual usage experience. A change in the useful life or residual value may have an impact on the related depreciation expense. The Corporation reviews the useful lives and estimated residual values of property and equipment at the end of each reporting period.

#### Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. Further, there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### Impairments

The Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. The Corporation performs impairment tests on property and equipment when impairment indicators exist. For goodwill, the Corporation performs an impairment test, at least annually. Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or CGU, which is the higher of its fair value less costs of disposal and its value in use. The determination of recoverable amounts of any given asset is subject to significant estimates regarding such issues as timing and magnitude of cash flows and appropriate discount rates.

Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or the CGU group, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on an earnings multiple approach, available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The Corporation references future cash flows forecasts and appropriate discount rates for the recoverable amount calculations. The forecasts do not include restructuring activities that the Corporation is not yet committed to, or significant future investments that will enhance the performance of the asset or CGU being tested. The recoverable amount is sensitive to cash flow forecasts, the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for cash flow forecasts. These estimates are most relevant to goodwill, property and plant and equipment recognized by the Corporation.

#### Determination of cash generating units ("CGUs")

Significant judgement is involved in determining the smallest group of assets that generate independent cash flows. Management has determined the Corporation currently operates one CGU which is land-based contract drilling. Prior to the sale of directional drilling operations, the Corporation had two identifiable CGU's and thus two segments. Subsequent to the sale, only one CGU and one segment remain, as such, no segmented information is presented. Directional drilling operations have been presented as discontinued operations for the 2019 fiscal year in Note 4 of the Corporation's annual 2020 financial statements.

#### Share-based payments

Share-based payments are subject to fair value estimates using the Black-Scholes model. This model uses significant assumptions such as volatility, interest rates, and expected life.

#### Accounts receivable

The Corporation is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable using expected credit losses on an ongoing basis. Assessing accounts receivable for impairment involves significant judgement and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in the Corporation recognizing an additional allowance against accounts receivable.



### Convertible debentures

The Corporation's debentures are non-derivative financial instruments that create a financial liability for the Corporation and grant an option to the holder of the instrument to convert it into common shares of the Corporation. The issuance of the convertible debentures, and extinguishment of convertible debentures during the year, required management to make estimates to determine the fair value of the liability and equity components. The liability component of the debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. Estimates include the interest rate for debt with similar terms with no conversion feature and includes assumptions about sector risk, entity size, and entity credit quality. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the debentures are reclassified to shareholders' capital on conversion to common shares.

### **NEW IFRS STANDARD ADOPTED**

The following standards were adopted during the period:

#### 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 (loss) as a deduction in reporting the related expense. The presentation approach is applied consistently to all similar grants.

During the year ended December 31, 2020, 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 \$451 and \$460 against cost of sales and salaries and benefits expense, respectively, for the year ended December 31, 2020.

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

The Corporation recorded \$64 against general and administrative expenses for the year ended December 31, 2020.

### **Application of new and revised IFRS**

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

#### Amendments to IFRS 3 (Definition of a Business)

In October 2018, the International Accounting Standards Board ("IASB") issued Definition of a Business (Amendments to IFRS 3). The amendments narrowed and clarified the definition of a business. The amendments include an election to use a concentration test, a simplified assessment that results in treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. One important distinction is that "goodwill" can only be recognized as a result of acquiring a business, but not as a result of an asset acquisition. The Corporation adopted the Amendments prospectively on the effective date of January 1, 2020, and there was no impact to the Corporation's consolidated financial statements as a result of the initial application.

## 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.

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.

### New and revised IFRS that have been issued but are not yet effective:

The following new interpretations and amendments have been issued but applicable for annual periods beginning on or after January 1, 2020. The Corporation is in the process of completing its assessment but does not expect the standard to have a material impact on the consolidated financial statements.

### Amendment to IFRS 7, IFRS 9, and IFRS 16 (Interest Rate Benchmark Reform)

In response to the interest rate benchmark ("IBOR") reform (Phase 2), in August 2020, the IASB issued new guidance effective for annual periods beginning on or after January 1, 2021. The new guidance provides the use of a practical expedient to account for the change in the basis for determining the contractual cash flows as a result of the cessation of the London Interbank Offered Rate ("LIBOR") benchmark. The Corporation is continually monitoring the situation and assessing for any potential impacts from this amendment.

## **RISKS AND UNCERTAINTIES**

A discussion of the Corporation's business and operational risks is set out in the Corporation's most recent AIF under the heading "Risk Factors", a copy of which can be found under the Corporation's profile at [www.sedar.com](http://www.sedar.com). Additionally, see "Financial Instruments" and "Forward-Looking Information" in this MD&A for additional information regarding the risks to which Stampede and its business and operations are subject. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking information discussed in this MD&A.

## **NON-GAAP MEASURES**

This MD&A contains references to (i) Adjusted EBITDA and (ii) Gross margin. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as non-GAAP (Generally Accepted Accounting Principles) measures. The non-GAAP measures used by the Corporation may not be comparable to similar measures used by other companies.

- (i) Adjusted EBITDA is defined as "income (loss) from operations before interest income, interest expense, taxes, transaction costs, depreciation and amortization, share-based compensation expense, gains on disposal of property and equipment, impairment expenses, other income, foreign exchange, non-recurring restructuring charges, finance costs, accretion of debentures and other income/expenses, and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations." Management believes that in addition to net and total net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed, how assets are depreciated, amortized and impaired, the impact of foreign exchange, or how the results are affected by the accounting standards associated with the Corporation's stock-based compensation plan. Investors should be cautioned, however, that Adjusted EBITDA should not be construed as an alternative to net income (loss) and comprehensive income (loss) determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating Adjusted EBITDA may differ from that of other organizations and, accordingly, its Adjusted EBITDA may not be comparable to that of other companies.

(000's CAD \$)	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Net loss from continuing operations	(2,386)	(104)	2,194%	(4,042)	(1,247)	224%
Depreciation	1,922	1,055	82%	4,838	4,274	13%
Write-down of property and equipment	720	-	nm	720	-	nm
Finance costs	143	184	(22%)	687	684	0%
Other income	(4)	(19)	(79%)	(56)	(123)	(54%)
Gain from disposition of property and equipment	-	(8)	(100%)	-	(8)	(100%)
Gain from equipment lost in hole	-	(4)	nm	-	(19)	(100%)
Share-based payments	19	50	(62%)	214	428	(50%)
Transaction costs	41	10	nm	76	156	(51%)
Foreign exchange gain	24	(25)	(196%)	24	(19)	(226%)
Gain on extinguishment of convertible debenture	-	-	nm	(84)	-	nm
Adjusted EBITDA	479	1,139	(58%)	2,377	4,126	(42%)

nm - not meaningful

- (ii) Gross margin is defined as "gross profit from services revenue from continuing operations before stock-based compensation and depreciation". Gross margin is a measure that provides shareholders and potential investors additional information regarding the Corporation's cash generating and operating performance. Management utilizes this measure to assess the Corporation's operating performance. Investors should be cautioned, however, that gross margin should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating gross margin may differ from that of other organizations and, accordingly, its gross margin may not be comparable to that of other companies.

(000's CAD \$)	Three months ended December 31,			Year ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Income (loss) from operations	(89)	1,127	(108%)	426	4,206	(90%)
Depreciation of property and equipment	1,108	989	12%	4,439	3,991	11%
Gross margin	1,019	2,116	(52%)	4,865	8,197	(41%)
Gross margin %	41%	32%	28%	34%	35%	(3%)

nm - not meaningful

#### FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking information"). Forward-looking information relates to future events or the Corporation's future performance. All information other than statements of historical fact is forward-looking information. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "could", "believe", "predict", and "forecast" are intended to identify forward-looking information.

This MD&A contains forward-looking information pertaining to, among other things: the Corporation's expectations regarding the recoverability of carrying value of spare parts; expectations associated with the Corporation's outlook, including among other things, the impacts of production cuts by Saudi Arabia and OPEC+, rising energy demand due to the deployment of COVID-19 vaccines, forecasted drilling activity and capital spending of the Corporation's customers, and the Corporation's capital spending expectations; the forecasted Q1 2021 drilling program; the Corporation's expectations regarding expansion opportunities; the expected effects of seasonality and weather on the Corporation's operations and business; the Corporation's capital expenditure budget for 2021, including expected responses to COVID-19 and commodity pricing; the Corporation's liquidity and capital resource needs, including the belief that the Corporation's principal sources of liquidity, its operating cash flows, operating loan and debt and equity financings will be sufficient to fund its operations and other strategic opportunities as well as expectations regarding the management of its liquidity risk; expected future contractual commitments; the Corporation's treatment and categorization of doubtful accounts and expectations regarding credit loss rates based on its past experiences and expectations in respect of certain receivables; the Corporation's assessment of its customers' creditworthiness; the Corporation's anticipation that it will have 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; the Corporation's belief that it has adequate access to its demand loan facility to provide the necessary liquidity needed to manage fluctuations in the timing of receipt and/or disbursement of operating cash flows; the Corporation's expectations that its financial risk management policies will ensure that all payables are paid within the pre-agreed credit terms; expectations regarding the adoption of new accounting standards and the anticipated effects therefrom; and the belief that Adjusted EBITDA is a useful supplemental financial measure, amongst others.

Forward-looking information is presented in this MD&A for the purpose of assisting investors and others in understanding certain key elements of the Corporation's financial results and business plan, as well as the objectives, strategic priorities and business outlook of the Corporation, and in obtaining a better understanding of the Corporation's anticipated operating environment. Readers are cautioned that such forward-looking information may not be appropriate for other purposes.

Forward-looking information, by its very nature, is subject to inherent risks and uncertainties and is based on many assumptions, both general and specific, which give rise to the possibility that actual results or events could differ materially from the expectations of the Corporation expressed in or implied by such forward-looking information and that the Corporation's business outlook, objectives, plans and strategic priorities may not be achieved. Macro-economic conditions, including public health concerns (including the impact of the COVID-19 pandemic) and other geopolitical risks, the condition of the global economy and, specifically, the condition of the crude oil and natural gas industry including the recent collapse of global crude oil prices, other commodity prices and the recent decrease in global demand for crude oil in 2020, and the ongoing significant volatility in world markets may adversely impact drilling and completions programs, which could materially adversely impact the Corporation. In addition to other factors and assumptions which may be identified in this MD&A, assumptions have been made regarding, among other things: the condition of the global economy, including trade, public health (including the impact of the COVID-19 pandemic) and other geopolitical risks; the stability of the economic and political environment in which the Corporation operates; the effect the stabilization of global crude prices will have on drilling and completion activities in Western Canada; the creditworthiness of the Corporation's customers; the effectiveness of the Corporation's financial risk management policies at ensuring all payables are paid within the pre-agreed credit terms; the ability of the Corporation to retain qualified staff; the ability of the Corporation to obtain financing on acceptable terms; the impact of increasing competition; the ability to protect and maintain the Corporation's intellectual property; currency, exchange and interest rates; the regulatory framework regarding taxes and environmental matters in the jurisdictions in which the Corporation operates; and the ability of the Corporation to successfully implement key cost and discretionary spending plan adjustments. Actual results and future events could differ materially from those expected or estimated in such forward-looking information. As a result, the Corporation cannot guarantee that any forward-looking information will materialize and we caution you against relying on any of this forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information.

Additional information on these and other factors are disclosed under the heading "Risks and Uncertainties" herein, in the Corporation's annual information form dated March 25, 2020, and in other reports filed with the securities regulatory authorities in Canada from time to time and available on SEDAR ([sedar.com](http://sedar.com)).

Statements, including forward-looking information, are made as of the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.