



**Management's Discussion & Analysis**

**Stampede Drilling Inc.**

For the three and nine months ended September 30, 2020

(Expressed in Canadian Dollars)

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

**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020**

The following management's discussion and analysis ("MD&A") should be read in conjunction with the December 31, 2019 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, 2019. Additional information regarding Stamper, 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 November 5, 2020 and is in respect of the three and nine months period ended September 30, 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 September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
<b>Continuing operations</b>						
Revenue	714	5,910	(88%)	11,879	16,992	(30%)
Direct operating expenses	530	4,120	(87%)	8,033	10,911	(26%)
Gross margin <sup>(1)</sup>	184	1,790	(90%)	3,846	6,081	(37%)
Net income (loss) from continuing operations	(1,633)	(705)	132%	(2,376)	(1,143)	108%
Basic and diluted per share	(0.01)	(0.01)	0%	(0.02)	(0.01)	(100%)
Adjusted EBITDA <sup>(1)</sup>	(269)	682	(139%)	1,898	3,059	(38%)
Weighted average common shares outstanding	132,046	131,752	0%	132,046	131,786	0%
Weighted average diluted common shares outstanding	132,046	131,751	0%	132,046	131,786	0%
<b>Combined operations <sup>(2)</sup></b>						
Net income	(1,633)	(724)	126%	(2,376)	(91)	2,511%
Basic and diluted per share	(0.01)	(0.01)	0%	(0.02)	(0.01)	(100%)
Adjusted EBITDA <sup>(1)</sup>	(269)	682	(139%)	1,898	3,533	(46%)
Capital expenditures	2,802	3,060	(8%)	2,802	7,285	(62%)

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.

As at September 30,

(000's CAD \$)	2020	2019 <sup>(1)</sup>	% Change
Current assets	2,150	7,006	(69%)
Total assets	46,845	51,165	(8%)
Total current liabilities	9,546	11,429	(16%)
Total non-current liabilities	2,887	3,078	(6%)
Shareholders' equity	34,412	36,658	(6%)

<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, 2019, the Corporation announced that it was discontinuing its directional drilling division to focus on the drilling rig business. On May 27, 2019, the Corporation disposed of its directional drilling assets to an independent, third party purchaser.

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

During the first nine months of 2020, Stampede generated revenue in the provinces of Alberta, Saskatchewan, Manitoba, and the state of Texas.

#### THIRD QUARTER 2020 OPERATIONAL OVERVIEW

During the three months ended September 30, 2020, the Corporation recorded an Adjusted EBITDA loss from continuing operations of \$269, down \$951 (132%) from Adjusted EBITDA of \$682 from the prior year comparative period. Reduced global oil demand driven by the novel coronavirus ("COVID-19") health pandemic and the associated economic downturn continued to pressure crude and liquid prices which negatively impacted the Corporations customers 2020 drilling programs.

In March 2020, the Corporation implemented key cost and discretionary spending plan adjustments. For the three month period ended September 30, 2020. Administrative expenses were down 46% as compared to the corresponding 2019 period. The decrease was achieved by the elimination of all discretionary spending, non-essential travel, and entertainment.

For the three months ended September 2020, salary and benefit expenses were down 68% as compared to the corresponding 2019 period. The decrease in employee expenses was related to the following:

- 18% to 36% reduction to executive cash compensation,
- Employee salary reductions, modified work schedules, job sharing and temporary layoffs
- Elimination of cash compensation for the Board of Directors

(000's CAD \$)	Three months ended September 30,		
	2020	2019	% Change
Administrative expenses	241	447	(46%)
Salaries and benefits	212	661	(68%)
Share-based payments	34	104	(67%)
Depreciation	102	72	42%
Total G&A	589	1,284	(54%)

nm - not meaningful

In addition, the Corporation qualified for the Canadian Federal Government's wage subsidy program during Q2 2020 which was used to reduce employee related salary expenses and help minimize reduction in headcount. For the three and nine month period ended September 30, 2020, the Corporation recorded \$128 and \$323 respectively against salary and benefits expense.

## OUTLOOK

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 Corporation will continue to actively monitor and manage risks through periods of lower commodity pricing and industry activity. As at September 30, 2020, the Corporation was in compliance of all covenants related to the operating line facility.

## RESULTS OF CONTINUING OPERATIONS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

(000's CAD \$ except operating days)	Nine months ended September 30,		
	2020	2019 <sup>(1)</sup>	% Change
Revenue	11,879	16,992	(30%)
Direct operating expenses	8,033	10,911	(26%)
Gross margin <sup>(2)</sup>	3,846	6,081	(37%)
Gross margin %	32%	36%	(11%)
Net income from continuing operations	(2,376)	(1,143)	108%
General and administrative expenses	2,448	3,689	(34%)
Adjusted EBITDA <sup>(2)</sup>	1,898	3,059	(38%)
Adjusted EBITDA as a % of revenue	16%	18%	(11%)
Drilling rig operating days	567	854	(34%)
Drilling rig revenue per day	20.9	19.9	5%
Drilling rig utilization	21%	36%	(42%)
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.

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

- Revenue for the nine months ended September 30, 2020 was \$11,879, down \$5,113 (30%) compared to \$16,992 for the corresponding 2019 period. The decrease was as a result of decreased drilling activity related due to the continued economic slowdown and the corresponding negative impact on oil and gas commodity pricing.
- The Corporation had a total of 567 operating days in the first nine months of 2020, a decrease of 287 operating days (34%) from the 854 operating days in the corresponding 2019 period. The drilling rig utilization for the first nine months of 2020 was 21%, as compared to the first nine months CAODC industry average utilization rate of 20% for 2020 due to the Corporations strong first quarter 2020 utilization rate of 58%.
- As a result of the decreased 2020 operating days and corresponding revenue, Adjusted EBITDA for the nine months ended September 30, 2020 was \$1,898, down \$1,161 from the 2019 corresponding period.
- Gross margin for the nine months ended September 30, 2020 was 32%, down 11% from 36% as compared to the corresponding 2019 period. The 2020 gross margin were negatively impacted by fixed costs in Q2 and Q3 2020 with minimal operating activity.
- For the nine months ended September 30, 2020, general and administrative expenses were \$2,448 down \$1,241 (34%) from \$3,689 as compared to the corresponding 2019 period. The 2020 decrease in general and administrative expenses was as a result of the Corporations cost cutting initiatives implemented in March 2020. Cost cutting initiatives included reduced headcount, salary roll backs and elimination of all discretionary spending.
- For the nine month period ended September 30, 2020, the net loss from continuing operations was \$2,376 up \$1,233 (108%) from \$1,143 as compared to the corresponding 2019 period. Net income from continuing operations were negatively impacted due to the minimal drilling activity since the end of Q1 2020. The loss from continuing operations was partially offset by the Corporation's cost cutting initiatives.

**EXPENSES****General and Administrative Expenses**

(000's CAD \$)	Nine months ended September 30,		
	2020	2019	% Change
Administrative expenses	693	1,264	(45%)
Salaries and benefits	1,255	1,758	(29%)
Share-based payments	195	378	(48%)
Depreciation of right-of-use assets	305	289	6%
Total general and administrative expenses	2,448	3,689	(34%)

nm - not meaningful

Total general and administrative expenses for the nine month period ended September 30, 2020 were \$2,448, a decrease of \$1,241 (34%) from \$3,689 for the comparative 2019 period. The primary reasons for the overall decrease was 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.

Share-based payments expense for the nine month period ended September 30, 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, no options had been granted in 2020.

At the date of this MD&A, 6,153 stock options and 132,046 common shares were outstanding.

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 nine month period ended September 30, 2020, depreciation of right-of-use assets expense was \$305, up \$16 (6%) from \$289 for the corresponding 2019 period related to a new lease in Q1 2020.

**Depreciation of Property and Equipment**

(000's CAD \$)	Nine months ended September 30,		
	2020	2019	% Change
Depreciation of property and equipment	3,331	3,002	11%

Depreciation expense for the nine month period ended September 30, 2020 was \$3,331, an increase of \$329 (11%) from \$3,002 as compared to the corresponding 2019 period. The primary reason for the increase was the Corporation's larger depreciable asset base due to the increased capital investments made in 2020 and late 2019.

## Other Items

(000's CAD \$)	Nine months ended September 30,		
	2020	2019	% Change
Gain on Extinguishment of Convertible Debenture	84	-	nm
Gain from equipment lost in hole	-	15	(100%)
Finance costs	(544)	(500)	9%
Other income	52	104	(50%)
Foreign exchange loss	-	(6)	(100%)
Transaction costs	(35)	(146)	(76%)
Other items	(443)	(533)	(17%)

nm - not meaningful

For the nine month period ended September 30, 2020, finance costs were \$544, a \$44 (9%) increase from \$500 as compared to the corresponding 2019 period. The increase was due to higher 2020 debt levels associated with the Corporation's line of credit.

Other income is comprised of rent collections from the Corporation's subleases. For the nine month period ended September 30, 2020, other income was \$52, down \$52 (50%) from \$104 as compared to the corresponding 2019 period. The 2020 decrease is due to an expiry of a sublease.

For the nine month period ended September 30, 2020, transaction costs were \$35, down \$111 (76%), as compared to \$146 in the corresponding 2019 period. Transaction costs for 2020 consisted of legal and corporate filing fees related to the Corporations 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 market 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				2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4(1)	Q3(1)
<b>Continuing operations</b>									
Revenue	714	275	10,890	6,705	5,910	3,319	7,763	6,025	3,068
Gross margin <sup>(2)</sup>	184	133	3,529	2,116	1,790	931	3,360	2,454	869
Net income (loss) - continuing operations	(1,633)	(1,878)	1,135	(104)	(705)	(1,649)	1,211	520	(623)
Basic per share	(0.01)	(0.01)	0.01	(0.00)	(0.01)	(0.01)	0.01	0.00	(0.00)
Diluted per share			0.01						
Adjusted EBITDA <sup>(2)</sup>	(269)	(417)	2,584	1,139	682	(122)	2,427	1,422	150
<b>Combined operations</b>									
Revenue	11,879	275	10,890	6,705	5,910	3,321	9,598	6,566	4,785
Gross margin <sup>(2)</sup>	3,846	133	3,529	2,116	1,790	898	4,210	2,471	1,247
Net income (loss)	(2,376)	(1,878)	1,135	(154)	(724)	(1,408)	2,041	(1,995)	(904)
Basic per share	(0.01)	(0.01)	0.01	(0.00)	(0.01)	(0.01)	0.02	(0.02)	(0.01)
Diluted per share		(0.01)	0.01						
Adjusted EBITDA <sup>(2)</sup>	(269)	(417)	2,584	1,056	682	(177)	3,028	1,085	158
Working capital <sup>(3)</sup>	(7,396)	(7,372)	(6,729)	(8,241)	(4,423)	(2,509)	1,304	(2,056)	4,611
Total assets	46,845	47,180	53,665	53,182	51,165	47,433	51,989	46,435	43,096

<sup>(1)</sup> The comparative period has been restated to reflect discontinued operations as discussed in Note 5.

<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.

## 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 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 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.

### THIRD QUARTER RESULTS OF CONTINUING OPERATIONS

(000's CAD \$ except per day amounts)	Three months ended September 30,		
	2020	2019 <sup>(1)</sup>	% Change
Drilling rig revenue	714	5,910	(88%)
Direct operating expenses	530	4,120	(87%)
Gross margin <sup>(2)</sup>	184	1,790	(90%)
Gross margin %	26%	30%	(13%)
Net income (loss) from continuing operations	(1,633)	(705)	132%
General and administrative expenses	589	1,284	(54%)
Adjusted EBITDA <sup>(2)</sup>	(269)	682	(139%)
Adjusted EBITDA as a % of revenue	(38%)	12%	(417%)
Drilling rig operating days	36	295	(88%)
Drilling rig revenue per day	20.0	20.0	(0%)
Drilling rig utilization	4%	32%	(88%)
CAODC industry average utilization <sup>(3)</sup>	9%	23%	(61%)

nm - not meaningful

<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.

- Revenue for the three months ended September 30, 2020 was \$714, down \$5,196 (88%) compared to \$5,910 for the corresponding 2019 period. The decrease was as a result of decreased drilling activity related due to the continued economic slowdown and the corresponding negative impact on oil and gas commodity pricing.
- The Corporation had a total of 36 operating days for the three months ended September 30, 2020, a decrease of 259 operating days (88%) from the 295 operating days in the corresponding 2019 period. The drilling rig utilization for the three months ended September 30, 2020 was 4%, as compared to the CAODC industry average utilization rate of 9%. Low utilization for the Corporation and the industry was a result of customers reducing or cancelling 2020 drilling programs due to commodity price uncertainty.
- As a result of the decreased Q3 2020 operating days and corresponding revenue, Adjusted EBITDA loss for the three months ended September 30, 2020 was \$269, down \$951 (139%) from Adjusted EBITDA of \$682 for the corresponding 2019 period.
- Gross margin for the three months ended September 30, 2020 was 26%, down 13% from 30% as compared to the corresponding 2019 period. The 2020 gross margin was negatively impacted by September rig start up costs for anticipated Q4 2020 work combined with minimal operating activity

during Q3 2020.

- For the three months ended September 30, 2020, general and administrative expenses were \$589 down \$695 (54%) from \$1,284 as compared to the corresponding 2019 period. The decrease in general and administrative expenses was as a result of the Corporations cost cutting initiatives implemented in March 2020. Cost cutting initiatives included reduced headcount, salary roll backs and elimination of all discretionary spending.
- For the three month period ended September 30, 2020, the net loss from continuing operations was \$1,633 up \$928 (132%) from a net operating loss of \$705 as compared to the corresponding 2019 period. Net income from continuing operations were negatively impacted due to the continued decrease in drilling activity since the end of Q1 2020. The loss from continuing operations was partially off set by the Corporations cost cutting initiatives.

## RESULTS OF DISCONTINUED OPERATIONS

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 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 periods ended September 30, 2019:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
<b>Revenue</b>	-	1,837
Cost of sales:		
Direct operating expenses	-	963
Depreciation of property and equipment	-	-
	-	963
<b>Income from operations</b>	-	874
<b>Expenses</b>		
Administrative expenses	(19)	107
Salaries, benefits, and severance	-	644
Share based payments	-	(15)
	(19)	736
<b>Net income (loss) before interest and other income</b>	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
<b>Net Income - discontinued operations</b>	19	1,052
<b>Basic income (loss) per share from discontinued operations</b>	\$0.00	\$0.01
<b>Diluted income (loss) per share from discontinued operations</b>	\$0.00	\$0.00

## CAPITAL PROGRAM

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.

## 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 \$)	Nine months ended September 30,		
	2020	2019	% Change
Cash provided by (used in) combined operations:			
Operating activities	4,311	1,352	219%
Investing activities	(3,123)	(3,863)	(19%)
Financing activities	(778)	2,778	(128%)
Increase (decrease) in cash and cash equivalents	410	267	54%

### Cash Flows from Operating Activities

For the nine months ended September 30, 2020, cash flows from continuing operations was \$4,311, up \$2,959 (219%) from \$1,352 compared to the corresponding 2019 period. The overall increase in depreciation, finance costs and changes in non-cash working capital, was offset by the increase in net loss from continuing operations.

### Cash Flows from Investing Activities

For the nine month period ended September 30, 2020, cash flows used in investing activities was \$3,123, down \$740 (19%) from \$3,863 compared to the corresponding 2019 period. For the nine months ended September 30, 2020, the Corporation invested \$2,802 in property and equipment, down \$4,483 (62%) from \$7,285 compared to the corresponding 2019 period. Purchases of property and equipment in 2020 were related to a \$2,000 payment of a drilling rig in Q3 2020, the remaining \$802 was related to recertifications and upgrades to multiple rigs.

### Cash Flows from Financing Activities

For the nine month period ended September 30, 2020, cash flows used in financing activities was \$778, down \$3,556 (128%) from \$2,778 compared to the corresponding 2019 period. For the nine months ended September 30, 2020, the Corporation repaid \$10 on the operating loan compared to a drawdown of \$2,980 for the corresponding 2019 period. The Corporation's 2020 repayment of debt was offset by the \$2,802 capital purchases during the nine months ended September 30, 2020. The 2019 loan proceeds for the nine month period ended September 30, 2019 of \$2,980 were primarily related to the \$7,285 capital expenditures for the corresponding period.

### Operating Loan Facility

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 <sup>(1)</sup>	3.00:1.00 or more	4.69:1.00
Net Funded Debt to EBITDA Ratio <sup>(2)</sup>	3.00:1.00 or less	2.81:1.00

EBITDA 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. 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.

## 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 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

## OFF-BALANCE SHEET ARRANGEMENTS

During the first nine months of 2020 and the corresponding period in 2019, the Corporation had no off-balance sheet arrangements.

## 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, Financial Instruments, 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 for each operating division.

Credit risk arises from the potential that one or more counterparties fails 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 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.

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 the date of this MD&A, Stampede has collected 29% of the September 30, 2020 outstanding trade and other receivables balance and 38% of the over 90 day balance.

### 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 derecognised, 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.

	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'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.

## Market Risk

### 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 would have increased/decreased by \$0. 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 would have increased/decreased by \$24. 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 are a current liability, the fair value of the debentures is estimated to be \$2,482 at September 30, 2020 (December 31, 2019 - \$2,612), which approximates the cash settlement amount due on maturity.

## **NEW IFRS STANDARD ADOPTED**

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 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 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.

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.

#### **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 comprehensive 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 September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Net loss from continuing operations	(1,633)	(705)	132%	(2,376)	(1,143)	108%
Depreciation	1,211	1,131	7%	3,636	3,291	10%
Finance costs	166	173	(4%)	544	500	9%
Other income	(10)	(9)	11%	(52)	(104)	(50%)
Gain from equipment lost in hole	-	-	nm	-	(15)	(100%)
Share-based payments	34	104	(67%)	195	378	(48%)
Transaction costs	35	-	nm	35	146	(76%)
Foreign exchange gain	12	(12)	(200%)	-	6	(100%)
Gain on Extinguishment of Convertible Debenture	(84)	-	nm	(84)	-	nm
Adjusted EBITDA	(269)	682	(139%)	1,898	3,059	(38%)

nm - not meaningful

- (i) 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) and comprehensive 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 September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Income from operations	(925)	731	(227%)	515	3,079	(83%)
Depreciation of property and equipment	1,109	1,059	5%	3,331	3,002	11%
Gross margin	184	1,790	(90%)	3,846	6,081	(37%)
Gross margin %	26%	30%	(13%)	32%	36%	(11%)

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 "plan", "continue", "estimate", "expect", "intend", "might", "may", "will", "should", "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 expectation that the upcoming winter months will see an increase in drilling activity, which activity will remain at below historic levels; the Corporation's expectations regarding the impact on macro-economic factors of the COVID-19 virus, of instability created by OPEC's inability to maintain the global oil supply and the resulting impact of both on commodity prices; the effect of measures implemented by the Corporation to protect its field and office employees while ensuring business continuity; the Corporation's capital expenditure budget for 2020 and expected responses to COVID-19 and commodity pricing; the Corporation's ability to withstand the impact the current commodity price cycle will have on its forecasted activity levels for the remainder of 2020 and into 2021; the belief that the Corporation's principal sources of liquidity, its operating cash flows and operating loan, will be sufficient to fund 2020 operations and other strategic opportunities as well as manage its liquidity risk; 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; 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; and the expected effects of seasonality and weather on the Corporation's operations and business, 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 collapse of global crude oil prices, other commodity prices and the 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 success of the measures implemented by the Corporation to protect its field and office employees and the ability to ensure business continuity at the same time; 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).

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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this MD&A.

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