Audited Consolidated Financial Statements of

Stampede Drilling Inc.

As at and for the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Stampede Drilling Inc. (the "Corporation") and all other financial and operating information contained in the report are the responsibility of management. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes to the consolidated financial statements and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Management is also responsible for establishing and maintaining adequate internal controls over the Corporation's financial reporting. The Corporation's internal control system has been designed and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently and well maintained to provide relevant, timely and reliable information to management.

External auditors, appointed by the shareholders, have independently examined the consolidated financial statements. They have performed such tests they deem necessary to enable them to express an opinion on these consolidated financial statements.

The Audit Committee of the Board of Directors has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Signed "Lyle Whitmarsh"

President and Chief Executive Officer
March 24, 2022

Signed "Jeff Schab"

Chief Financial Officer
March 24, 2022

Independent auditor's report

To the Shareholders of Stampede Drilling Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stampede Drilling Inc. and its subsidiary (together, the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Courtney Kolla.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 24, 2022

Stampede Drilling Inc.

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	December 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash and cash equivalents		665	684
Trade and other receivables	13	6,773	3,407
Prepaid expenses and deposits		213	106
Total Current Assets		7,651	4,197
Non-Current Assets			
Property and equipment	7	42,289	42,448
Right-of-use assets	4	354	678
Goodwill	8	461	461
Total Non-Current Assets		43,104	43,587
Total Assets		50,755	47,784
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	13	2,574	1,338
Demand facility	9	6,998	8,260
BDC loan	9	400	100
Lease liabilities	5	157	310
Total Current Liabilities		10,129	10,008
Non-Current Liabilities			
Convertible debentures	10	2,532	2,482
BDC loan	9	1,500	1,900
Lease liabilities	5	234	393
Other liabilities	13	181	230
Total Non-Current Liabilities		4,447	5,005
Total Liabilities		14,576	15,013
Shareholders' Equity			
Share capital	11	62,220	62,194
Contributed surplus		4,688	4,184
Equity component of convertible debentures	10	46	46
Accumulated other comprehensive income		908	882
Accumulated deficit		(31,683)	(34,535)
Total Equity		36,179	32,771
Total Liabilities and Equity		50,755	47,784

Note 19 Commitments and contractual obligations

Note 20 Subsequent events

Signed "Thane Russell"
Director

Signed "Murray Hinz"
Director

See accompanying notes to these consolidated financial statements.

Stampede Drilling Inc.

Consolidated Statements of Comprehensive Income (Loss)

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Twelve months ended December 31, 2021	2020
Revenue		32,163	14,394
Cost of sales:			
Direct operating expenses	17	20,135	9,529
Depreciation of property and equipment	7	4,165	4,439
		24,300	13,968
Income from operations		7,863	426
Expenses			
Administrative		1,492	972
Salaries and benefits		2,175	1,516
Share based payments	12	515	214
Depreciation of right-of-use assets	4	321	399
		4,503	3,101
Income (loss) before finance costs and other income (expense)		3,360	(2,675)
Gain on extinguishment of convertible debenture		-	84
Write-down of property and equipment		-	(720)
Gain on asset disposals		301	-
Finance costs	14	(670)	(687)
Other income		101	56
Foreign exchange gain (loss)		(30)	(24)
Transaction costs		(210)	(76)
Net income (loss) from operations before taxes		2,852	(4,042)
Current tax expense	18	-	-
Deferred tax expense (recovery)	18	-	-
Total income tax		-	-
Net income (loss)		2,852	(4,042)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		26	(6)
Total comprehensive income (loss)		2,878	(4,048)
Basic income (loss) per share	6	$0.02	($0.03)
Diluted income (loss) per share	6	$0.02	($0.03)

See accompanying notes to these consolidated financial statements

Stampede Drilling Inc.

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Share Capital Shares (000's)	Share Capital Amount $	Contributed Surplus $	Equity Component of Convertible Debenture $	Accumulated Other Comprehensive Income $	Deficit $	Total Equity $
Balance as at January 1, 2020	**132,046**	**62,184**	**3,710**	**265**	**888**	**(30,493)**	**36,554**
Share based payments expense	-	-	214	-	-	-	214
Stock options exercised	45	5	-	-	-	-	5
Stock option value of exercised options		5	(5)		-	-	-
Equity component of new convertible debenture	-	-	-	46	-	-	46
Transfer of equity component of old convertible debenture upon extinguishment	-	-	265	(265)	-	-	-
Comprehensive income (loss) for the year	-	-	-	-	(6)	(4,042)	(4,048)
Balance as at December 31, 2020	**132,091**	**62,194**	**4,184**	**46**	**882**	**(34,535)**	**32,771**
Balance as at January 1, 2021	**132,091**	**62,194**	**4,184**	**46**	**882**	**(34,535)**	**32,771**
Share based payments expense	-	-	515	-	-	-	515
Stock options exercised	80	15	-	-	-	-	15
Stock option value of exercised options	-	11	(11)	-	-	-	-
Comprehensive income for the year	-	-	-	-	26	2,852	2,878
Balance as at December 31, 2021	**132,171**	**62,220**	**4,688**	**46**	**908**	**(31,683)**	**36,179**

Stampede Drilling Inc.

Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Twelve months ended December 31 2021	2020
Cash flows from (used in) the following activities:			
Operating activities			
Net income (loss)		2,852	(4,042)
Adjustments for:			
Share based payments	12	515	214
Depreciation	4,7	4,486	4,838
Gain on extinguishment of convertible debenture		-	(84)
Write-down of property and equipment		-	720
Gain on asset disposals		(301)	-
Finance costs	14	670	687
Unrealized foreign exchange (loss) gain		30	(24)
Change in other liabilities		(49)	-
Changes in non-cash working capital items	15	(2,110)	2,580
Net cash flows from operating activities		6,093	4,889
Financing activities			
Proceeds from BDC loan		-	2,000
Interest on BDC loan	14	(92)	-
BDC loan principal payments		(100)	-
Interest on debentures	14	(261)	(261)
(Repayment) proceeds of demand facility		(1,262)	(222)
Interest on demand facility	14	(242)	(307)
Stock options exercised	11	15	5
Lease liability payments	5	(334)	(429)
Net cash flows (used in) from financing activities		(2,276)	786
Investing activities			
Additions to property and equipment	7	(4,086)	(3,505)
Proceeds from the disposition of property and equipment		381	-
Changes in non-cash working capital balances	15	(127)	(1,810)
Net cash flows used in investing activities		(3,832)	(5,315)
Change in cash and cash equivalents		(15)	360
Effect of foreign exchange rate changes on cash		(4)	3
Cash and cash equivalents, beginning of period		684	321
Cash and cash equivalents, end of the period		665	684
Supplementary cash flow disclosure information:			
Interest paid during the period		595	568

See accompanying notes to these consolidated financial statements

1. REPORTING ENTITY

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3, and are presented in Canadian dollars, which is the Corporation's functional and reporting currency. The Corporation's US subsidiary uses US dollars as its functional currency.

These consolidated financial statements were approved and authorized for issue by the Corporation's Board of Directors on March 24, 2022.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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

(b) 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.

The COVID-19 pandemic and current market conditions have increased the complexity of estimates and assumptions used to prepare the annual consolidated financial statements, particularly related to asset 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 property and equipment and goodwill 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.

2. BASIS OF PREPARATION (continued)

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.

Impairments

The Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market capitalization of the Corporation; (ii) changes in operating forecasts, including revenues, utilization rates and operating costs; and (iii) changes in interest rates, are evaluated by management in determining whether there are any indicators of impairment. 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 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.

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.

2. BASIS OF PREPARATION (continued)

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of deposits held in a bank and highly liquid investments having original terms to maturity of 90 days or less.

(b) Financial instruments

The Corporation does not have any hedging arrangements. The impairment model under IFRS 9 requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

Classification

Financial Instruments are classified upon initial recognition into one of the following categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive loss ("FVTOCI"), or amortized cost.

The Corporation determines the classification of financial assets at initial recognition. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Corporation's own credit risk will be recognized in other comprehensive loss.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Share-based payment transactions

The Corporation has an employee stock option plan that provides all option holders the right to purchase common shares for the options exercised. The Corporation follows the fair value method for accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized for the stock options on the date of grant and amortized over the option's vesting period. Share-based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Corporation.

(f) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method by adjusting the income or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding based on the assumption that any proceeds obtained on exercise of stock options and warrants would be used to purchase common shares at the average market price during the period.

(g) Basis of consolidation

<u>Business combinations and goodwill</u>

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation measures goodwill as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the net recognized fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

The acquired assets and assumed liabilities are recognized at fair value on the date the Corporation effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property and equipment are based on assumptions estimating the fair value of these items.

Foreign currency translation

The financial statements for the Corporation's subsidiaries are prepared using each functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income (loss). Foreign currency transactions are translated in the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of comprehensive income (loss).

Consolidation

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated. For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interest" in the equity section of the consolidated balance sheet. Profit and loss for the period that is attributable to non-controlling interests is typically calculated based on the ownership of the minority shareholders in the subsidiary.

(h) Property and equipment

Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

(In thousands of Canadian dollars except for per share amounts)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is calculated based on the cost of an asset less its residual value.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

	Expected Life	Salvage Value	Basis of depreciation
Rigs and related equipment	3 - 15 years	10% - 20%	straight-line
Directional drilling and related equipment	1 - 10 years	nil - 10%	straight-line
Machinery and other equipment	5 - 7 years	10% - 20%	straight-line
Vehicles	5 years	20%	straight-line
Office furniture and equipment	3 years	nil	straight-line

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Revenue recognition

The Corporation’s revenue policy is that revenue is recognized when there is persuasive evidence of an arrangement, that it is probable that the economic benefits associated with a service provided will flow to the entity, the amount of revenue can be measured reliably, collection is reasonably assured and the costs incurred and costs to complete the transaction can be measured reliably.

In compliance with IFRS 15, the Corporation recognizes revenue when a performance obligation is satisfied by transferring promised goods or services to a customer and the amount recorded is measured at the fair value of the consideration received.

The Corporation’s standard drilling rig contract includes performance obligations to provide drilling services and rig equipment, which are satisfied over time. Once determined, the transaction price will be allocated to each performance obligation based on stand-alone selling prices. The Corporation recognizes revenue daily, based on agreed-upon rates in each contract and on the daily activity of the rig. As such, there will be no unfulfilled performance obligations.

The Corporation's services are generally sold based upon contracts that include fixed or determinable prices based upon daily, hourly or job rates.

The Corporation’s contracts contain both a lease and a service element. IFRS 15 requires revenue from both the service and lease elements related to customer contracts to be presented separately. Revenue from subleases is presented as other income in the consolidated statements of comprehensive income (loss). A portion of the Corporation’s revenue is lease revenue and not within the scope of IFRS 15, as such portions of revenue received represents the customers’ ability to direct the use of an asset belonging to the Corporation.

	Year ended December 31,	
	2021	2020
Contract drilling rig services	16,068	6,397
Contract drilling rig lease revenue	16,095	7,997
Total revenue	32,163	14,394

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairments

Financial assets

A financial asset not carried at fair value through income or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. In assessing collective impairment, the Corporation uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or loss.

Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

(k) Finance income and finance costs

Finance income comprises interest from funds invested. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income or loss using the effective interest method.

(l) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' operating results are reviewed regularly by key management personnel to make

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to key management personnel include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Corporation's head office), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(m) Lease assets and obligations

Lease assets

The Corporation has lease agreements for items including office space and office equipment which qualify as leased assets under IFRS 16.

At inception, the Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases under which the Corporation is a lessee are recognized as a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, initial direct costs incurred, estimated costs to restore the underlying asset, and any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Lease obligations

The lease liability includes the net present value of fixed payments, variable lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for terminating the lease, unless there is reasonable certainty that the Corporation will not terminate the lease early. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not available. The lease payments are allocated between the liability and finance costs which are charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option.

Payments made related to the lease obligations are allocated between finance costs and the reduction of the outstanding lease obligations.

Finance costs are allocated to each period during the lease term using the effective interest rate method. Lease modifications, where the scope changes in exchange for additional or reduced corresponding consideration, are accounted for as a separate lease. For a lease modification that is not a separate lease or where the change in consideration is not correlated with a change in the scope of the lease, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, with a corresponding adjustment to the right of use asset. The lease term includes the non-cancellable period of the lease agreement and periods covered by any option to renew, where it is reasonably certain that the option will be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases that have terms of less than one year or leases on which the underlying asset is of low value are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor, the Corporation assesses at inception whether a lease is a finance or operating lease. Where the Corporation transfers substantially all of the risk and rewards incidental to ownership of the underlying asset, the lease is classified as a finance lease and the Corporation recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of the aggregate of lease payments receivable. If substantially all the risks and rewards of ownership of the asset are not transferred, the lease is classified as an operating lease and the Corporation recognizes the lease payments received on a straight-line basis over the lease term as other income.

(n) 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.

For the years ended December 31, 2021 and 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”):

For the year ended December 31, 2021, the Corporation recorded $263 (2020: $460) as a reduction of salaries and benefits expense. For the year ended December 31, 2021, the Corporation recorded $2,056 (2020: $451) as a reduction of cost of sales.

Canada Emergency Rent Subsidy (“CERS”):

For the year ended December 31, 2021, the Corporation recorded $114 (2020: $64) as a reduction of general and administrative expenses.

(In thousands of Canadian dollars except for per share amounts)

4. RIGHT-OF-USE ASSETS

As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. Right-of-use assets are depreciated over the shorter of the assets useful life and the lease term on a straight line basis.

	Total
Cost	
Balance at December 31, 2020	1,360
Additions	-
Disposal	(3)
Balance at December 31, 2021	1,357
Accumulated depreciation	
Balance at December 31, 2020	682
Depreciation	321
Balance at December 31, 2021	1,003
Carrying amounts	
Balance at December 31, 2020	678
Balance at December 31, 2021	354

5. LEASE LIABILITIES

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

	Total
Balance at January 1, 2020	670
Additions	425
Interest expense	37
Lease payments	(429)
Balance at December 31, 2020	703
Disposals	(3)
Interest expense	25
Lease payments	(334)
Balance at December 31, 2021	391
Less: current portion	157
Ending balance - non-current portion	234

Amounts for leases short term in nature and low dollar value for December 31, 2021 are $15 (December 31, 2020 - $0).

(In thousands of Canadian dollars except for per share amounts)

6. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share have been calculated based on the net income (loss) divided by the weighted average number of common shares outstanding for the years ended December 31, 2021 and 2020 based on the following data:

	Twelve months ended December 31, 2021	
	2021	2020
Net income (loss)	2,852	(4,042)
Weighted average common shares (,000's)	132,171	132,046
Effect of stock options	364	-
Effect of convertible debentures	12,437	-
Diluted balance, end of period	144,972	132,046
Basic income (loss) per common share	$0.02	($0.03)
Diluted income (loss) per common share	$0.02	($0.03)

7. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
Balance at December 31, 2019	49,937	907	2	50,846
Additions	3,505	-	-	3,505
Disposals and transfers	(9)	-	-	(9)
Balance at December 31, 2020	53,433	907	2	54,342
Additions	4,075	11	-	4,086
Disposals	(310)	-	-	(310)
Balance at December 31, 2021	57,198	918	2	58,118
Accumulated depreciation and impairment				
Balance at December 31, 2019	6,464	270	1	6,735
Depreciation for the period	4,287	151	1	4,439
Write-down of assets	720	-	-	720
Balance at December 31, 2020	11,471	421	2	11,894
Depreciation for the period	4,013	151	1	4,165
Disposals and transfers	(230)	-		(230)
Balance at December 31, 2021	15,254	572	3	15,829
Carrying amounts				
Balance at December 31, 2019	43,473	637	1	44,111
Balance at December 31, 2020	41,962	486	-	42,448
Balance at December 31, 2021	41,944	346	-	42,289

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment in accordance with the accounting policy discussed in note 2(b). As at December 31, 2021, the Corporation determined there were no impairment indicators in the contract drilling CGU.

For the year ended December 31, 2020, 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, which is recognized in the statement of comprehensive loss.

(In thousands of Canadian dollars except for per share amounts)

7. PROPERTY AND EQUIPMENT (continued)

Included in property and equipment at December 31, 2021 are assets under construction of $3,335 (December 31, 2020 - $2,660) which will not depreciate until placed into service.

As at December 31, 2021, the Corporation's assets net book value exceeded its market capitalization, and the Corporation's decrease in forecasted cashflows due to the expected activity declines associated with record declines in global oil prices were indicators of impairment.

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

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Refer to Note 8 for details on the Corporation's impairment test as at December 31, 2020, including key assumptions and sensitivities.

8. GOODWILL

	2021	2020
Balance – beginning and end of period	461	461

Goodwill by definition has no useful life and therefore is not amortized but is tested for impairment at the end of each year. At December 31, 2021 and 2020, the Corporation performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in its single CGU (including goodwill) as the recoverable amount for this CGU was higher than its respective carrying amount.

- The recoverable amount for the contract drilling rig CGU (including goodwill) was based on a value in use calculation by estimating the future cash flows that would be generated from the continuing operations and utilizing the following key assumptions:
- A pre-tax discount rate of approximately 16.8%, at December 31, 2021, which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.
- Five year forecasted cash flows, taking into consideration industry conditions, actual 2021 operating results and past experience. Cash flow projections for 2022 to 2026, based on a 6% (2020: 6%) growth rate having assumed a gradual recovery in activity levels for oil field related services in the WCSB. The primary source of the cash flow information was the Corporation's budget, developed based on benchmark commodity prices and industry supply-demand fundamentals. There is a risk that impairment charges may be required in future periods due to the volatility and uncertainty of the economy and commodity price environment.
- A terminal value was used assuming no annual growth rate for cash flows through the remainder of the CGU's life.
- 5% decrease in the forecasted cash flows would decrease the recoverable amount of the CGU by $3,035 (2020: $2,598) and would not create an impairment.
- 1% increase in the pre-tax discount rate would decrease the recoverable amount of the CGU by $3,208 (2020: $3,188) and would not create an impairment.

For the year ended December 31, 2021, the Corporation determined there was no impairment in the contract drilling CGU.

(In thousands of Canadian dollars except for per share amounts)

9. LOANS AND BORROWINGS

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 debt covenants thresholds commencing on December 31, 2020.. On October 4, 2021, due to improved financial conditions, the Corporation, reverted to the original Demand Facility and the following covenants:

As at December 31, 2021, the Demand Facility was subject to the following financial covenants:

	Covenant	December 31, 2021
Fixed Charge Coverage Ratio (1)	2.50:1.00 or more	11.14:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	0.88:1.00

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. Fixed Charge Coverage Ratio is the ratio of (a) EBITDA less cash taxes, including those related to any discretionary management bonus, as at such date to (b) Interest Expense plus the total of all payments of principal on debt, capital leases and obligations under the Credit Facilities including, in each case, payments under leases and off-balance Sheet arrangements and with respect to the BDC Loan.
2. Net Funded Debt to EBITDA ratio 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 December 31, 2021, $6,998 (December 31, 2020 - $8,260) was drawn on the Demand Facility and the Corporation was in compliance with all covenants.

Business Development Bank of Canada ("BDC Loan").

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 Loan. The BDC Loan 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.

(In thousands of Canadian dollars except for per share amounts)

9. LOANS AND BORROWINGS (continued)

As at December 31, 2021, the BDC Loan was subject to the following financial covenants:

	Covenant	December 31, 2021
Fixed Charge Coverage Ratio (3)	1.25:1.00 or more	8.20:1.00

As defined in the BDC Loan agreement, EBITDA is calculated as net earnings before income taxes, deferred taxes, interest expenses, depreciation, amortization, gains/losses on disposal of assets, other non-cash adjustments presented in the statement of cash flow and all extraordinary items presented.

3. Fixed Charge Coverage Ratio is the ratio of (a) EBITDA for such period less (i) current income taxes during such period taken from the annual financial statements, (ii) Unfunded Capital Expenditures incurred during the applicable period, (iii) distributions paid during such period; by (b) the sum of (i) Current portion of term debt and (ii) the Interest Expenses for such period.

As at December 31, 2021, the Corporation had drawn $1,900 of the BDC Loan and the Corporation was in compliance with all covenants.

10. CONVERTIBLE DEBENTURES

	Number of convertible debentures	Liability component	Equity component
Balance at January 1, 2020	2,612	2,530	265
Accretion of discount	-	82	-
Liability revaluation adjustment	-	(130)	-
Equity revaluation adjustment	-	-	(219)
Balance at December 31, 2020	2,612	2,482	46
Balance at December 31, 2020	2,612	2,482	46
Accretion of discount	-	50	-
Liability revaluation adjustment	-	-	-
Equity revaluation adjustment	-	-	-
Balance at December 31, 2021	2,612	2,532	46

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;
- the Corporation 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 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 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.

(In thousands of Canadian dollars except for per share amounts)

10. CONVERTIBLE DEBENTURES (continued)

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 can not occur less than 40 days, and not more than 60 days in advance of the redemption date.

11. SHARE CAPITAL

Authorized

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

Authorized and Issued Common Shares

	Number	Amount ($)
Balance as at December 31, 2019	132,046	62,184
Issued shares pursuant to the exercise of stock options	45	5
Stock option value of exercised options	-	5
Balance as at December 31, 2020	132,091	62,194
Issued shares pursuant to the exercise of stock options	80	15
Stock option value of exercised options	-	11
Balance as at December 31, 2021	132,171	62,220

Contributed surplus

Contributed surplus is comprised solely of stock-based compensation expense and stock option exercises.

Accumulated other comprehensive income (loss)

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

(In thousands of Canadian dollars except for per share amounts)

12. STOCK BASED COMPENSATION

Stock options

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

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

Stock Options (,000's)	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2019	6,447	$ 0.22
Options exercised	(45)	$ 0.12
Options expired	(230)	$ 0.12
Options forfeited	(529)	$ 0.28
Outstanding at December 31, 2020	5,643	$ 0.22
Options granted to employees and directors	3,855	$ 0.21
Options exercised	(81)	$ 0.18
Options forfeited	(600)	$ 0.22
Outstanding at December 31, 2021	8,817	$ 0.22

	Total Outstanding		
Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.18 to $0.185	3,654	$ 0.18	2.29
$0.20 to $0.27	4,063	$ 0.22	3.94
$0.30 to $0.41	1,100	$ 0.35	1.05
	8,817	$ 0.22	2.90

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.18 to $0.185	2,664	$ 0.18	2.27
$0.21 to $0.27	1,387	$ 0.23	3.16
$0.30 to $0.41	1,000	$ 0.35	0.94
	5,057	$ 0.23	2.25

Share-based payments

For the year ended December 31, 2021, the Corporation recorded share-based payment expense of $515 (2020 - $214). The Corporation granted 3,855 (2020 -nil) options during 2021.

(In thousands of Canadian dollars except for per share amounts)

12. STOCK BASED COMPENSATION (continued)

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

	2021
Risk-free interest rate range	0.97% - 1.40%
Expected term	5.00
Annualized volatility	136% - 138%
Dividend rate	-
Forfeiture rate	10%
Average fair value per option granted	$0.21

No options were granted in 2020

13. FINANCIAL INSTRUMENTS

Capital management

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as share capital, liability and equity components of the convertible debentures and working capital, which was $62,320 at December 31, 2021 (December 31, 2020 – $58,911).

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 increase in the allowance for doubtful accounts was recorded, using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience since inception.

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

At December 31, 2020	59
Increase in credit loss allowance	66
As at December 31, 2021	125

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

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

For the year ended December 31, 2021, the Corporation had three customers that comprised 23%, 13% and 11% of total revenue, compared to two customers that comprised 26%, and 21% of total revenue for the year ended December 31, 2020. For the accounts receivable balances outstanding at December 31, 2021, the Corporation had four customers that comprised 30%, 12%, 11% and 10% of the total balance as compared to two customers that comprised 43% and 19% of the total balance at December 31, 2020.

(In thousands of Canadian dollars except for per share amounts)

13. FINANCIAL INSTRUMENTS (continued)

	December 31, 2021	December 31, 2020
Within 30 days	3,628	956
31 to 60 days	1,549	985
61 to 90 days	577	583
Over 90 days	-	48
Accrued accounts receivable	926	337
Other receivables	218	557
Allowance for doubtful accounts	(125)	(59)
Accounts receivable	6,773	3,407

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, 2021, the Corporation had negative working capital of $2,478 (December 31, 2020 – negative $5,811). The Corporation's principal sources of liquidity are operating cash flows and its Demand Facility. 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. Please refer to note 18 - Commitments and Contractual Obligations for further detail regarding liquidity of financial instruments.

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

	December 31, 2021	December 31, 2020
Accounts payable	1,729	974
Accrued liabilities	845	364
Total current accounts payable and accrued liabilities	2,574	1,338
Other liabilities	181	230
Total accounts payable, accrued liabilities and other liabilities	2,755	1,568

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

Market Risk

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

a) Interest Rate Risk

The Corporation is exposed to interest rate fluctuations on its Demand Facility which bears interest at floating market rates. For the year ended December 31, 2021, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income (loss) would have increased/decreased by $70. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

(In thousands of Canadian dollars except for per share amounts)

13. FINANCIAL INSTRUMENTS (continued)

b) Foreign Currency Risk

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

c) Fair Value

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

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

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

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value.

The carrying amount of cash and cash equivalents, trade and other receivables, Demand Facility, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The fair value of the BDC Facility approximates it 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 at December 31, 2021 and 2020 the fair value of the debentures approximates their carrying value.

14. FINANCE COSTS

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

	Twelve months ended December 31,	
	2021	2020
Interest on lease liabilities	25	37
Interest on Demand facility	242	307
Interest on BDC loan	92	-
Interest on convertible debentures	261	261
Accretion on debentures	50	82
Finance costs	670	687

(In thousands of Canadian dollars except for per share amounts)

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Twelve months ended December 31,	
	2021	2020
Changes in non-cash working capital items:		
Trade and other receivables	(3,366)	4,107
Prepaid expenses and deposits	(107)	17
Accounts payable and accrued liabilities	1,236	(3,354)
Total	(2,237)	770
Relating to:		
Operating activities	(2,110)	2,580
Investing activities	(127)	(1,810)
Total	(2,237)	770

16. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

The key management personnel of the Corporation are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The key management compensation is as follows:

	Year ended December 31,	
	2021	2020
Short-term employee benefits	1,023	614
Share based payments	203	259
Total key executive management personnel compensation	1,226	873

As at December 31, 2021, the Corporation has $700 (December 31, 2020 - $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, 2020 - $70).

17. EXPENSES BY NATURE

	Twelve months ended December 31,	
	2021	**2020**
Direct operating expenses		
Field wages and benefits	16,537	7,018
Canada emergency wage subsidy	(2,056)	(460)
Repairs and maintenance	4,640	2,232
External services	1,014	739
Total direct operating expenses	20,135	9,529

(In thousands of Canadian dollars except for per share amounts)

18. INCOME TAXES

The income tax expense for the year can be reconciled to the accounting profit as follows:

	For the year ended December 31, 2021	2020
Net income (loss) from operations before tax	2,852	(4,042)
Canadian statutory rate	25%	25%
Expected income tax	713	(1,024)
Effect on taxes resulting from:		
Non taxable / deductible items	145	72
Statutory and other rate differences	(103)	(121)
Transaction costs	53	-
Prior period adjustments	3	(19)
Unrecognized deferred tax asset and other	(811)	1,092
Total income tax (recovery)	-	-

The components of the net deferred income tax liability are as follows:

	Recognized in the Statement of Comprehensive income(loss)	Recognized through statement of financial position
Deferred tax assets		
Non-capital losses		
Balance at December 31, 2020	3,614	-
Additions	917	-
Balance at December 31, 2021	4,531	
Other		
Balance at December 31, 2020	270	-
Additions	(146)	-
Balance at December 31, 2021	124	
Deferred tax liabilities		
Property and equipment		
Balance at December 31, 2020	(3,883)	-
Additions	(772)	-
Balance at December 31, 2021	(4,655)	

The components of unrecognized deferred tax assets are as follows:

	For the year ended December 31, 2021	2020
Non-capital losses	8,146	8,961
Other	32	32
Unrecognized deferred tax asset	8,178	8,993

The Canadian non-capital losses of approximately $47,200 (2020: $47,500) expire between 2030 and 2041. The US non-capital losses of approximately $3,900 (2020: $3,900) expire between 2031 and 2041.

(In thousands of Canadian dollars except for per share amounts)

19. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table reflects the Corporation's commitments and contractual obligations as of December 31, 2021:

(000's CAD $)	2022	2023	2024	2025	2026
Demand facility	6,998	-	-	-	-
Convertible debenture repayment	-	2,612	-	-	-
Convertible debenture interest	261	218	-	-	-
BDC loan	400	1,500	-	-	-
BDC loan interest	85	77	-	-	-
Lease liabilities	175	114	114	19	-
Other liabilities	181	-	-	-	-
Trade and other payables	2,755	-	-	-	-
Total	10,855	4,521	114	19	-

As of December 31, 2021, the Corporation has committed $665 related to capital expenditures.

20. SUBSEQUENT EVENTS

On January 4, 2022, the Corporation entered into an agreement with a well-established private Alberta based company ("AlbertaCo") specializing in the engineering, manufacturing and supply of fully integrated under balanced coil drilling rigs ("UBC Drilling Rigs") and corresponding support equipment for the oil and gas industry worldwide. The business will be carried on through a new subsidiary ("UBC Drillco") to be managed and operated by the Corporation. The Corporation made a total contribution of $4.5 million to UBC Drillco, consisting of $3 million of previous cash contributions and ancillary drilling equipment valued at $1.5 million for a 50% ownership. In addition, the Corporation has acquired a minority interest in AlbertaCo for an aggregate investment of $3 million in cash. AlbertaCo will continue to own the technology in respect of the UBC Drilling Rigs and related systems which will be licensed to UBC Drillco. UBC Drillco has completed the fabrication of one UBC Drilling Rig.