



Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three and nine month periods ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

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

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

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

Stampede Drilling Inc.

Condensed Unaudited Consolidated Statements of Financial Position

<i>(Stated in thousands of Canadian dollars)</i>	Note	September 30, 2021	December 31, 2020
Assets			
Current Assets			
Cash and cash equivalents		630	684
Trade and other receivables	10	6,992	3,407
Prepaid expenses and deposits		83	106
Total Current Assets		7,705	4,197
Non-Current Assets			
Property and equipment	6	42,025	42,448
Right-of-use assets	3	435	678
Goodwill		461	461
Total Non-Current Assets		42,921	43,587
Total Assets		50,626	47,784
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	10	2,767	1,338
Operating loan	7	7,042	8,260
BDC Loan	7	233	100
Lease liabilities	4	224	310
Total Current Liabilities		10,266	10,008
Non-Current Liabilities			
Convertible debentures	7	2,522	2,482
BDC Loan	7	1,767	1,900
Lease liabilities	4	259	393
Other liabilities	10	193	230
Total Non-Current Liabilities		4,741	5,005
Total Liabilities		15,007	15,013
Shareholders' Equity			
Share capital	8	62,219	62,194
Contributed surplus		4,501	4,184
Equity component of convertible debentures	7	46	46
Accumulated other comprehensive income		908	882
Accumulated deficit		(32,055)	(34,535)
Total Equity		35,619	32,771
Total Liabilities and Equity		50,626	47,784

Note 13 Commitments

Note 14 Subsequent Events

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

Condensed Unaudited Consolidated Statements of Comprehensive Income (Loss)

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Note	Three months ended September 30,		Nine months ended September,	
		2021	2020	2021	2020
Revenue		6,482	714	22,983	11,879
Cost of sales:					
Direct operating expenses		4,107	530	14,124	8,033
Depreciation of property and equipment	6	1,012	1,109	3,124	3,331
		5,119	1,639	17,248	11,364
Income (loss) from operations		1,363	(925)	5,735	515
Expenses					
Administrative		408	241	1,014	693
Salaries and benefits		698	212	1,433	1,255
Share based payments	9	52	34	328	195
Depreciation of right-of-use assets	3	80	102	240	305
		1,238	589	3,015	2,448
Income (loss) before finance costs and other income (expense)		125	(1,514)	2,720	(1,933)
Gain on extinguishment of convertible debenture		-	84	-	84
Gain from disposition of property and equipment		59	-	59	-
Gain from equipment lost in hole		203	-	242	-
Finance costs	11	(165)	(166)	(509)	(544)
Other income		-	10	8	52
Foreign exchange gain (loss)		3	(12)	(40)	-
Transaction costs		-	(35)	-	(35)
Net income (loss)		225	(1,633)	2,480	(2,376)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustment		-	(10)	26	(7)
Total comprehensive income (loss)		225	(1,643)	2,506	(2,383)
Basic and diluted income (loss) per share	5	\$0.00	(\$0.01)	\$0.02	(\$0.02)

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

Condensed Unaudited Consolidated Statements of Cash Flows

<i>(Stated in thousands of Canadian dollars)</i>	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
Cash flows from (used in) the following activities:					
Operating activities					
Net income (loss)		225	(1,633)	2,480	(2,376)
Adjustments for:					
Share based payments	9	52	34	328	195
Depreciation	3,6	1,092	1,211	3,364	3,636
Gain on extinguishment of convertible debenture		-	(84)	-	(84)
Gain on disposition of property and equipment		(59)	-	(59)	-
Gain on equipment lost in hole		(203)	-	(242)	-
Finance costs	11	165	166	509	544
Unrealized foreign exchange (loss) gain		3	10	(40)	(13)
Changes in non-cash working capital items	12	(1,180)	1,127	(2,572)	2,409
Net cash flows from (used in) operating activities		95	831	3,768	4,311
Financing activities					
(Repayment) proceeds of operating loan		914	1,671	(1,218)	(10)
Interest payments	11	(82)	(129)	(254)	(433)
Stock options exercised		-	-	14	-
Finance lease principal payments	4	(89)	(110)	(237)	(335)
Net cash flows (used in) from financing activities		743	1,432	(1,695)	(778)
Investing activities					
Additions to property and equipment	6	(1,362)	(2,093)	(2,781)	(2,802)
Proceeds from equipment lost in hole		300	-	381	-
Changes in non-cash working capital balances	12	202	(165)	247	(321)
Net cash flows used in investing activities		(860)	(2,258)	(2,153)	(3,123)
Change in cash and cash equivalents					
		(22)	5	(80)	410
Effect of foreign exchange rate changes on cash		-	(10)	26	(7)
Cash and cash equivalents, beginning of period		652	729	684	321
Cash and cash equivalents, end of the period					
		630	724	630	724
Supplementary cash flow disclosure information:					
Interest paid during the period		82	129	254	237

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

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

	Share Capital		Contributed	Equity	Accumulated		Total
	Shares	Amount	Surplus	Component of Convertible Debenture	Other Comprehensive Income	Deficit	Equity
	(000's)						
Balance as at January 1, 2020	132,046	62,184	3,710	265	888	(30,493)	36,554
Share based payments expense	-	-	195	-	-	-	195
Equity component of new convertible debenture	-	-	-	-	46	-	-
Transfer of equity component of old convertible debenture upon extinguishment	-	-	-	265	(265)	-	-
Comprehensive income (loss) for the period	-	-	-	-	(7)	(2,376)	(2,383)
Balance as at September 30, 2020	132,046	62,184	4,170	46	881	(32,869)	34,412
Balance as at January 1, 2021	132,091	62,194	4,184	46	882	(34,535)	32,771
Share based payments expense	-	-	328	-	-	-	328
Stock options exercised	75	14	-	-	-	-	14
Stock option value of exercised options	-	11	(11)	-	-	-	-
Comprehensive income (loss) for the period	-	-	-	-	26	2,480	2,506
Balance as at September 30, 2021	132,166	62,219	4,501	46	908	(32,055)	35,619

See accompanying notes to these condensed consolidated interim financial statements

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

These condensed consolidated interim financial statements were approved and authorized for issue by the Corporation's Board of Directors on November 3, 2021.

Recent developments and impact on estimation uncertainty

For the period ended September 30, 2021, the Corporation assessed the impact of the uncertainties around the outbreak of the novel strain of the coronavirus ("COVID-19"), specifically identified as the COVID-19 pandemic, on its balance sheet carrying amounts. This review required the use of judgements and estimates and resulted in no material impacts.

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

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

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

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

Recoverable amounts:

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

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 20, Government grants

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

During the nine month period ended September 30, 2021, the Corporation qualified for the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy. This assistance was offered by the Canadian Federal Government for qualifying entities impacted by the consequences of the novel coronavirus COVID-19 pandemic to keep or rehire their employees and to reduce eligible operating expenses such as rent. Government assistance is recognized when there is reasonable assurance that the assistance will be received, and that the Corporation will comply with the relevant conditions. Government assistance related to current expenses is recorded by the Corporation as a reduction of the related expenses that the assistance is intended to compensate.

Canada Emergency Wage Subsidy ("CEWS"):

The Corporation recorded \$417 (2020 - \$0) and \$2,012 (2020 - \$0) against cost of sales, respectively, for the three and nine month periods ended September 30, 2021.

The Corporation recorded \$59 (2020 - \$128) and \$254 (2020 - \$323) against salaries and benefits expense, respectively, for the three and nine month periods ended September 30, 2021.

Canada Emergency Rent Subsidy ("CERS"):

The Corporation recorded \$41 (2020 - \$0) and \$131 (2020 - \$0) against general and administrative expenses, respectively, for the three and nine month periods ended September 30, 2021.

Seasonality

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

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

3. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at January 1, 2021	1,360
Additions	-
Disposal	(3)
Balance at September 30, 2021	1,357
Accumulated depreciation	
Balance at January 1, 2021	682
Depreciation	240
Balance at September 30, 2021	922
Carrying amounts	
Balance at January 1, 2021	678
Balance at September 30, 2021	435

4. LEASE LIABILITIES

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

	Total
Balance at January 1, 2020	670
Additions	425
Interest expense	37
Lease payments	(429)
Balance at December 31, 2020	703
Disposals	(3)
Interest expense	20
Lease payments	(237)
Balance at September 30, 2021	483
Less: current portion	224
Ending balance - non-current portion	259

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

5. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share have been calculated based on the net income (loss) divided by the weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2021 and 2020 based on the following data:

	Three months ended September 30, 2021		Nine months ended September 30, 2021	
	2021	2020	2021	2020
Net income (loss)	225	(1,633)	2,480	(2,376)
Weighted average common shares (,000's)	132,166	132,046	132,166	132,046
Effect of stock options	1,034	-	330	-
Diluted balance, end of period	133,200	132,046	132,496	132,046
Basic income (loss) per common share	\$0.00	(\$0.01)	\$0.02	(\$0.02)
Diluted income (loss) per common share	\$0.00	(\$0.01)	\$0.02	(\$0.02)

6. 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	2,770	11	-	2,781
Disposals and transfers	(310)	-	-	(310)
Balance at September 30, 2021	55,893	918	2	56,813
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	3,010	113	1	3,124
Disposals and transfers	(230)	-	-	(230)
Impairment of assets	-	-	-	-
Write-down of Assets	-	-	-	-
Balance at September 30, 2021	14,251	534	3	14,788
Carrying amounts				
Balance at December 31, 2020	41,962	486	-	42,448
Balance at September 30, 2021	41,642	384	-	42,025

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment in accordance with the accounting policy discussed in the December 31, 2020 annual financial statements. As at September 30, 2021, the Corporation determined there were no impairment indicators in the contract drilling CGU.

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

7. LOANS AND BORROWINGS

Demand Operating Revolving Loan Facility (“Demand Facility”)

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

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

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

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

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

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

Revised Net Funded Debt/EBITDA Covenants

- as at the fiscal quarter end September 30, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, to be not less than negative \$600;
- as at the fiscal quarter end September 30, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, not to be less than \$200; and
- as at the fiscal quarter end December 31, 2021, permit EBITDA, calculated using EBITDA for such fiscal quarter end, not to be less than \$650.

Revised trailing twelve month Interest Coverage Ratio

- as at the fiscal quarter end September 30, 2021, waived;
- as at fiscal quarter end September 31, 2021, permit the Interest Coverage Ratio, calculated using Interest Expense and EBITDA for such fiscal quarter end, not to be less than 1.00:1.00;
- as at fiscal quarter end December 31, 2021, permit the Interest Coverage Ratio, calculated using Interest Expense and EBITDA for such fiscal quarter end, not to be less than 3.00:1.00;

As at September 30, 2021, the Demand Facility is subject to the following financial covenants:

	Covenant	September 30, 2021
Interest Coverage Ratio ⁽¹⁾	Waived	13.98:1.00
Net Funded Debt to EBITDA Ratio ⁽²⁾	Minimum EBITDA of \$200	\$1,182

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

7. LOANS AND BORROWINGS (continued)

Subsequent to September 30, 2021, the debt covenants related to the Demand Facility will revert back to the following original ratios:

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

Please refer to the Corporation's subsequent event note (Note 14) for further information regarding the Demand Facility.

As at September 30, 2021, \$6,128 (December 31, 2020 - \$8,260) was drawn on the Demand Facility and the Corporation was in compliance with all covenants related to its Demand Facility.

Business Development Bank of Canada ("BDC")

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

As at September 30, 2021, the Corporation had drawn \$2,000 of the BDC Facility and the Corporation was in compliance with all covenants related to its BDC loan.

Convertible Debentures

	Number of convertible debentures	Liability component (\$,000)	Equity component (\$,000)
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	-	40	-
Balance at September 30, 2021	2,612	2,522	46

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

8. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of September 30, 2021.

Authorized and Issued Common Shares

	Number	Amount (\$)
Balance as at December 31, 2020	132,091	62,194
Issued shares pursuant to the exercise of stock options	75	14
Stock option value of exercised options	-	11
Balance as at September 30, 2021	132,166	62,219

9. STOCK BASED COMPENSATION

Stock options

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

A summary of the Corporation's outstanding stock options as at September 30, 2021 and December 31, 2020 and the changes for the period then ended, is as follows:

Stock Options (,000's)	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2019	6,447	\$ 0.22
Options exercised	(45)	\$ 0.12
Options expired	(230)	\$ 0.12
Options forfeited	(529)	\$ 0.28
Outstanding at December 31, 2020	5,643	\$ 0.22
Options granted to employees and directors	3,555	\$ 0.21
Options exercised	(75)	\$ 0.18
Options forfeited	(600)	\$ 0.22
Outstanding at September 30, 2021	8,523	\$ 0.22

Total Outstanding

Range of Exercise Prices	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.18 to \$0.185	3,660	\$ 0.18	2.54
\$0.21 to \$0.27	3,763	\$ 0.22	4.12
\$0.30 to \$0.41	1,100	\$ 0.35	1.30
	8,523	\$ 0.22	2.27

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
September 30, 2021 and 2020

9. STOCK BASED COMPENSATION (continued)

Range of Exercise Prices	Exercisable		
	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.18 to \$0.185	2,670	\$ 0.18	2.52
\$0.21 to \$0.27	1,312	\$ 0.23	3.52
\$0.30 to \$0.41	1,000	\$ 0.35	1.19
	4,982	\$ 0.23	2.52

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

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

The Corporation recorded share-based payment expense of \$52 (2020 - \$34) and \$328 (2020 - \$195), respectively, for the three and nine month periods ended September 30, 2021.

10. FINANCIAL INSTRUMENTS

Capital management

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

The Corporation defines capital as share capital, convertible debentures and working capital, which was \$62,180 at September 30, 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

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.

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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10. FINANCIAL INSTRUMENTS (continued)

The loss allowance provision for trade accounts receivable as at September 30, 2021 reconciles to the opening loss allowance provision as follows:

At December 31, 2020	59
Increase in credit loss allowance	49
As at September 30, 2021	108

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

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

For the three month period ended September 30, 2021, the Corporation had four customers that comprised 29%, 15%, 14% and 12% of total revenue, compared to 3 customers that comprised 54%, 19% and 18% of total revenue for the period ended September 30, 2020.

For the nine month period ended September 30, 2021, the Corporation had 3 customers that comprised 23%, 19% and 10% of total revenue, compared to 5 customers that comprised 19%, 12%, 11%, 10% and 10% of total revenue for the period ended September 30, 2020.

For the accounts receivable balances outstanding as at September 30, 2021, the Corporation had three customers that comprised 31%, 17% and 16% of the total balance as compared to two customers that comprised 43% and 19% of the total balance as at December 31, 2020.

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

	September 30, 2021	December 31, 2020
Within 30 days	1,448	956
31 to 60 days	1,563	985
61 to 90 days	2,255	583
Over 90 days	539	48
Accrued accounts receivable	1,128	337
Other receivables	167	557
Allowance for doubtful accounts	(108)	(59)
Accounts receivable	6,992	3,407

As at September 30, 2021, approximately 7.7% of the Corporation's total accounts receivable balance was over 90 days. The Corporation provision for uncollectible accounts is based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and external source data.

Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated working capital requirements. As at September 30, 2021, the Corporation had negative working capital of \$2,561 (December 31, 2020 – negative \$5,811). The Corporation's principal sources of liquidity are operating cash flows and its operating loan. The Corporation monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining a sufficient credit facility to meet financing requirements.

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

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
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10. FINANCIAL INSTRUMENTS (continued)

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

	September 30, 2021	December 31, 2020
Accounts payable	1,737	974
Accrued liabilities	1,030	364
Total current accounts payable and accrued liabilities	2,767	1,338
Other liabilities	193	230
Total accounts payable, accrued liabilities and other liabilities	2,960	1,568

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

Market Risk

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

a) Interest Rate Risk:

The Corporation is exposed to interest rate fluctuations on its operating loan facility which bears interest at floating market rates. For the three month period ended September 30, 2021, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income would have increased/decreased by \$18. For the nine month period ended September 30, 2021, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income would have increased/decreased by \$54. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

b) Foreign Currency Risk:

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

c) Fair Value:

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

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

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

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value. The carrying amount of cash and cash equivalents, trade and other receivables, Demand Facility, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. The fair value of the BDC Facility approximates its carrying amount as the BDC Facility has a floating interest rate. At September 30, 2021, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a Level 3 fair value instrument.

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11. FINANCE COSTS

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest on lease liabilities	7	8	20	29
Interest on operating loan	59	63	185	237
Interest on BDC loan	23	-	69	-
Interest on convertible debentures	65	66	195	196
Accretion on debentures	11	29	40	82
Finance costs	165	166	509	544

12. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the three and nine month periods ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Changes in non-cash working capital items:				
Trade and other receivables	(1,657)	1,239	(3,585)	6,216
Prepaid expenses and deposits	21	(27)	23	(5)
Accounts payable and accrued liabilities	658	(250)	1,237	(4,123)
Total	(978)	962	(2,325)	2,088
Relating to:				
Operating activities	(1,180)	1,127	(2,572)	2,409
Investing activities	202	(165)	247	(321)
Total	(978)	962	(2,325)	2,088

13. COMMITMENTS

The following table reflects the Corporation's commitments as of September 30, 2021:

(000's CAD \$)	2021	2022	2023	2024	2025	2026
Operating loan	7,042	-	-	-	-	-
Convertible debenture repayment	-	-	2,612	-	-	-
Convertible debenture interest	196	261	218	-	-	-
BDC Facility	100	400	1,500	-	-	-
BDC Facility interest	68	78	47	-	-	-
Lease obligations	294	175	114	114	19	-
Trade and other payables	2,960	-	-	-	-	-
Total	10,660	914	4,491	114	19	-

As of September 30, 2021, the Corporation has committed approximately \$829 related to capital expenditures.

14. SUBSEQUENT EVENT

On October 22, 2021 the Corporation announced it entered into an amending agreement (the “Second Amending Letter”) to its December 20, 2018, credit facility agreement (the “Credit Facility Agreement”) with HSBC Bank Canada (“HSBC”) in response to Stampede’s 2021 strong financial results and positive 2022 forecast.

The primary benefit of the Second Amending Letter is the early termination of restrictions on the Company’s capital expenditures. Stampede believes that the Second Amending Letter is a positive reflection of the Company’s current financial position given that covenant relief was no longer required, and HSBC agreed to its early termination with all covenants reverting to the original Credit Facility Agreement, other than the replacement of the Interest Coverage Ratio (as defined in the Credit Facility Agreement) with a Fixed Charge Coverage Ratio (as defined in the Second Amending Letter). The Company expects that the Second Amending Letter could result in additional capital spending in the balance of 2021 and the first quarter of 2022, as a result of Stampede’s positive utilization and financial outlook.