Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three month periods ended March 31, 2022 and 2021

(Expressed in Canadian Dollars)

Stampede Drilling Inc.

Unaudited Condensed Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	March 31, 2022	December 31, 2021
Assets			
Current Assets			
Cash and cash equivalents		601	665
Trade and other receivables	12	7,580	6,773
Prepaid expenses and deposits		177	213
Total Current Assets		8,358	7,651
Non-Current Assets			
Property and equipment	8	51,088	42,289
Investment in equity securities		3,000	-
Right-of-use assets	3	311	354
Goodwill	8	461	461
Total Non-Current Assets		54,860	43,104
Total Assets		63,218	50,755
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	4,648	2,574
Demand facility	9	6,925	6,998
BDC Loan	9	400	400
Lease liabilities	4	129	157
Total Current Liabilities		12,102	10,129
Non-Current Liabilities			
Convertible debentures	9	2,543	2,532
BDC Loan	9	1,400	1,500
Lease liabilities	4	208	234
Other liabilities	12	170	181
Total Non-Current Liabilities		4,321	4,447
Total Liabilities		16,423	14,576
Shareholders' Equity			
Share capital	10	62,220	62,220
Contributed surplus		7,313	4,688
Equity component of convertible debentures	9	46	46
Accumulated other comprehensive income		931	908
Accumulated deficit		(29,361)	(31,683)
		41,149	36,179
Non-controlling interest		5,646	-
Total Equity		46,795	36,179
Total Liabilities and Equity		63,218	50,755

Note 15 Commitments and Contractual Obligations

Note 17 Subsequent Events

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.
Unaudited Condensed Consolidated Statements of Comprehensive Income

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Three months ended March 31, 2022	2021
Revenue	16	14,568	11,861
Cost of sales:			
Direct operating expenses		9,568	7,213
Depreciation of property and equipment	8	1,040	1,070
		10,608	8,283
Income from operations		3,960	3,578
Expenses			
Administrative		564	355
Salaries and benefits		679	376
Share based payments	11	86	185
Depreciation of right-of-use assets	3	43	81
		1,372	997
Income before finance costs and other income (expense)		2,588	2,581
Gain on asset disposals		-	39
Finance costs	13	(185)	(183)
Other income		2	6
Foreign exchange loss		(38)	(35)
Transaction costs		(45)	-
Net income		2,322	2,408
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		23	26
Total comprehensive income		2,345	2,434
Basic and diluted income per share	5	$0.02	$0.02

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Three months ended March 31, 2022	2021
Cash flows from (used in) the following activities:			
Operating activities			
Net income		2,322	2,408
Adjustments for:			
Share based payments	11	86	185
Depreciation	4,8	1,083	1,151
Gain on asset disposals		-	(39)
Finance costs	13	185	183
Unrealized foreign exchange (loss) gain		38	35
Change in other liabilities		(11)	(12)
Changes in non-cash working capital items	14	556	(3,184)
Net cash flows from operating activities		4,259	727
Financing activities			
Interest on BDC loan	13	(22)	(23)
BDC principal payments		(100)	-
Interest on debentures	13	-	-
(Repayment) proceeds of demand facility		(73)	7
Interest on demand facility	13	(84)	(71)
Lease liability payments	4	(58)	(68)
Net cash flows used in financing activities		(337)	(155)
Investing activities			
Additions to property and equipment	8	(1,653)	(793)
Proceeds from the disposition of property and equipment		-	81
Investment in equity securities	7	(3,000)	-
Changes in non-cash working capital balances	14	684	132
Net cash flows used in investing activities		(3,969)	(580)
Change in cash and cash equivalents		(47)	(8)
Effect of foreign exchange rate changes on cash		(17)	(11)
Cash and cash equivalents, beginning of period		665	684
Cash and cash equivalents, end of the period		601	665
Supplementary cash flow disclosure information:			
Interest paid during the period		106	94

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

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

	Share Capital			Equity Component of	Accumulated Other	Non-		
	Shares (000's)	Amount $	Contributed Surplus $	Convertible Debenture $	Comprehensive Income $	Controlling Interest	Deficit $	Total Equity $
Balance as at January 1, 2021	**132,091**	**62,194**	**4,184**	**46**	**882**	**-**	**(34,535)**	**32,771**
Share based payments expense	-	-	185	-	-	-	-	185
Comprehensive income for the period	-	-	-	-	26	-	2,408	2,434
Balance as at March 31, 2021	**132,091**	**62,194**	**4,369**	**46**	**908**	**-**	**(32,127)**	**35,390**
Balance as at January 1, 2022	**132,171**	**62,220**	**4,688**	**46**	**908**	**-**	**(31,683)**	**36,179**
Share based payments expense	-	-	86	-	-	-	-	86
Adjustment to carrying amount of non-controlling interest	-	-	2,539	-	-	5,646	-	8,185
Comprehensive income for the period	-	-	-	-	23	-	2,322	2,345
Balance as at March 31, 2022	**132,171**	**62,220**	**7,313**	**46**	**931**	**5,646**	**(29,361)**	**46,795**

See accompanying notes to these condensed consolidated interim 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 condensed consolidated interim financial statements of the Corporation are comprised of the Corporation, its wholly owned subsidiary Stampede Drilling (US) Inc and its 50% owned subsidiary, 2391764 Alberta Ltd. (Note 6).

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, 2021. 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, 2021, 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 May 12, 2022.

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

Recent developments and impact on estimation uncertainty

For the period ended March 31, 2022, 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 and the Russian invasion of Ukraine, 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, 2021. 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, has increased volatility in determining the recoverable amount of the Corporation's CGU, especially estimating future drilling activity levels and estimating forecast cash flows.

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.

In 2021, the Corporation qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS"). 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. Both the CEWS and CERS subsidy programs ended in late Q4 2021, and therefore the Corporation did not record any government grants for the three months ended March 31, 2022.

Canada Emergency Wage Subsidy ("CEWS"):

The Corporation recorded $0 (2021 - $869) against cost of sales for the three month period ended March 31, 2022.

The Corporation recorded $0 (2021 - $63) against salaries and benefits expense for the three month period ended March 31, 2022.

Canada Emergency Rent Subsidy ("CERS"):

The Corporation recorded $0 (2021 - $36) against general and administrative expenses for the three month period ended March 31, 2022.

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.

Critical accounting estimates and judgements

Other than as outlined below, critical accounting estimates and judgements are consistent with the audited annual financial statements for the year ended December 31, 2021.

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

Consolidation of 50% owned subsidiary

The Corporation has applied judgment in determining that its new subsidiary, 2391764 Alberta Ltd., should be consolidated with a 50% ownership interest (Note 6).

Investment in equity securities

The Corporation applies judgement in determining the fair value of investments in equity securities of two unlisted private companies (level 3), where quoted prices are unavailable and other valuation techniques must be applied (Note 6). In performing its valuation, the Company may consider and assess the financial position of the entities it is invested in, future cash flows and other unobservable information. Future cash flows are subject to significant estimates regarding such issues as timing, magnitude of cash flows and appropriate discount rates.

3. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at January 1, 2022	1,357
Additions	-
Disposal	-
Balance at March 31, 2022	1,357
Accumulated depreciation	
Balance at January 1, 2022	1,003
Depreciation	43
Balance at March 31, 2022	1,046
Carrying amounts	
Balance at January 1, 2022	354
Balance at March 31, 2022	311

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).

Balance at January 1, 2021	703
Disposals	(3)
Interest expense	25
Lease payments	(334)
Balance at January 1, 2022	391
Disposals	-
Interest expense	4
Lease payments	(58)
Balance at March 31, 2022	337
Less: current portion	129
Ending balance - non-current portion	208

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

5. EARNINGS 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 month periods ended March 31, 2022 and 2021 based on the following data:

	Three months ended March 31, 2022	
	2022	2021
Net income	2,322	2,408
Effect of finance cost savings on convertible debentures	56	62
Net income used in diluted income per common share	2,378	2,470
Weighted average common shares (,000's)	132,171	132,091
Effect of stock options	1,950	-
Effect of convertible debentures	12,438	12,438
Diluted balance, end of period	146,559	144,529
Basic and diluted income per common share	$0.02	$0.02

6. NON-CONTROLLING INTEREST

On January 4, 2022, the Corporation created a new subsidiary 2391764 Alberta Ltd., by entering into an agreement with a private Alberta company ("AlbertaCo"). 2391764 Alberta Ltd.'s principal place of business and incorporation is within the province of Alberta, Canada. The Corporation owns 50% and has 66.7% voting rights of the Board of Directors of 2391764 Alberta Ltd. The Corporation has accounted for it's 50% share of 2391764 Alberta Ltd. using the consolidation method. The consolidated financial statements include 100% of the assets and liabilities related to 2391764 Alberta Ltd. and include a 50% non-controlling interest representing the net assets attributable to the non-controlling shareholders. The new subsidiary will be specializing in the engineering, manufacturing and supply of fully integrated under balanced coil drilling rigs and corresponding support equipment for the oil and gas industry.

The Corporation and AlbertaCo made initial contributions of $3,107 comprised of property and equipment and $8,186 respectively for 50% ownership each of 2391764 Alberta Ltd. Non-controlling interest of $5,646 was recognized in addition to an adjustment of $2,539 to contributed surplus related to the difference in contribution values.

The summarized financial information for 2391764 Alberta Ltd., before inter-company eliminations, is provided below.

	March 31, 2022	**December 31, 2021**
Consolidated Statements of Financial Position		
Current assets	-	-
Non-current assets	11,792	-
Current liabilities	-	-
Non-current liabilities	302	-
Net Assets	11,490	-
Attributable to NCI[1]	5,646	-

[1] Differences in amounts attributable to NCI and 50% of net assets due to fair value adjustments recorded on initial contribution.

For the three months ended March 31, 2022, 2391764 Alberta Ltd. did not have earnings or comprehensive income attributed to the subsidiary or corresponding non-controlling interest.

For the three months ended March 31, 2022, 2391764 Alberta Ltd. did not have cash flows attributed to the subsidiary or corresponding non-controlling interest.

No dividends were paid out to the non-controlling interest for the three months ended March 31, 2022.

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

7. INVESTMENT IN EQUITY SECURITIES

On January 4, 2022, the Corporation made a $3,000 total equity investment in two unlisted private Alberta companies, which are controlled by AlbertaCo. The two individual investments of $1,500 in two separate subsidiaries of AlbertaCo, represents a 15% ownership stake in each subsidiary. Both individual investments have been designated by the Corporation to be measured at FVOCI as they are not publicly traded and are fair valued based on unobservable inputs (level 3). AlbertaCo provides technology for it's coil tubing drilling operations.

As at March 31, 2022, the fair value of investment in equity securities is $3,000. No dividends were paid out to the Corporation for the three months ended March 31, 2022.

8. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
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
Additions(1)	9,839	-	-	9,839
Transfer	-	-	-	-
Disposals	-	-	-	-
Balance at March 31, 2022	67,037	918	2	67,957
Accumulated depreciation and impairment				
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
Depreciation for the period	1,003	37	-	1,040
Disposals and transfers	-	-	-	-
Balance at March 31, 2022	16,257	609	3	16,869
Carrying amounts				
Balance at December 31, 2020	41,962	486	-	42,448
Balance at December 31, 2021	41,944	346	-	42,289
Balance at March 31, 2022	50,780	309	-	51,088

(1) Additions of $9,839 include $8,186 in non-cash amounts related to the creation of 2391764 Alberta Ltd. Please refer to note 6 for further details.

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, 2021 annual financial statements. As at March 31, 2022, the Corporation determined there were no impairment indicators 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.

As at March 31, 2022, the Demand Facility was subject to the following financial covenants:

	Covenant	March 31, 2022	December 31, 2021
Fixed Charge Coverage Ratio (1)	2.50:1.00 or more	9.52:1.00	11.14:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	0.88:1.00	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 March 31, 2022, $6,925 (December 31, 2020 - $6,998) 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 4.85% 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 March 31, 2022, the Corporation had drawn $1,800 of the BDC Facility and the Corporation was in compliance with all covenants related to its BDC Loan.

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

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 January 1, 2021	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
Balance at January 1, 2022	2,612	2,532	46
Accretion of discount	-	11	-
Liability revaluation adjustment	-	-	-
Equity revaluation adjustment	-	-	-
Balance at March 31, 2022	2,612	2,543	46

10. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of March 31, 2022.

Authorized and Issued Common Shares

	Number	Amount ($)
Balance as at March 31, 2022	132,171	62,220

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

11. STOCK BASED COMPENSATION

Stock options

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

A summary of the Corporation's outstanding stock options as at March 31, 2022 and December 31, 2021 and the changes for the period then ended, is as follows:

Stock Options (,000's)	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2020	5,643	$ 0.21
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
Options granted to employees and directors	100	$ 0.21
Outstanding at March 31, 2022	8,917	$ 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	2.04
$0.20 to $0.27	4,163	$ 0.22	3.61
$0.30 to $0.41	1,100	$ 0.35	0.80
	8,917	$ 0.22	2.65

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.18 to $0.185	2,670	$ 0.18	2.02
$0.21 to $0.27	2,208	$ 0.22	3.28
$0.30 to $0.41	1,000	$ 0.35	0.69
	5,878	$ 0.22	2.27

	2022	2021
Risk-free interest rate range	0.97%	0.97% - 1.40%
Expected term	5.00	5.00
Annualized volatility	138%	137% - 138%
Dividend rate	-	-
Forfeiture rate	10%	10%
Average fair value per option granted	$0.18	$0.21

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

The Corporation recorded share-based payment expense of $86 (2021 - $185) for the three month period ended March 31, 2022.

12. FINANCIAL INSTRUMENTS

Capital management

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as share capital, convertible debentures and working capital, which was $61,065 at March 31, 2022 (December 31, 2021 – $62,320).

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

Credit risk

IFRS 9 requires an entity to estimate its expected credit loss for all trade accounts receivable even when they are not past due based on the expectation that certain receivables will be uncollectible. Based on the Corporation's assessment, an increase in the allowance for doubtful accounts was recorded, using the lifetime expected credit loss model. The expected credit loss rates are based on actual credit loss experience since inception.

The loss allowance provision for trade accounts receivable as at March 31, 2022 reconciles to the opening loss allowance provision as follows:

At January 31, 2022	125
Increase in credit loss allowance	28
As at March 31, 2022	153

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 March 31, 2022, the Corporation had five customers that comprised 14%, 14%, 12%, 10% and 10% of total revenue, compared to four customers that comprised 35%, 16%, 15% and 10% of total revenue for the period ended March 31, 2021.

For the accounts receivable balances outstanding as at March 31, 2022, the Corporation had five customers that comprised 20%, 15%, 13%, 10% and 10% of the total balance as compared to four customers that comprised 30%, 12%, 11% and 10% of the total balance as at December 31, 2021.

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

	March 31, 2022	December 31, 2021
Within 30 days	4,962	3,628
31 to 60 days	1,710	1,549
61 to 90 days	146	577
Over 90 days	467	-
Accrued accounts receivable	448	926
Other receivables	-	218
Allowance for doubtful accounts	(153)	(125)
Accounts receivable	7,580	6,773

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

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 March 31, 2022, the Corporation had negative working capital of $3,744 (December 31, 2021 – negative $2,478). The Corporation's principal sources of liquidity are operating cash flows and its operating loan. The Corporation monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining a sufficient credit facility to meet financing requirements.

As previously announced, on April 19th, 2022, the Corporation entered into a new $25,000 credit facility with HSBC Bank Canada (the "Credit Facility") increasing the Corporations liquidity. Please refer to note 17 - Subsequent Events for further detail regarding the new Credit Facility.

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

	March 31, 2022	December 31, 2021
Accounts payable	3,729	1,729
Accrued liabilities	919	845
Total current accounts payable and accrued liabilities	4,648	2,574
Other liabilities	170	181
Total accounts payable, accrued liabilities and other liabilities	4,818	2,755

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 March 31, 2022, if the prime interest rate increased/decreased by 1%, with all other variables held constant, the Corporation's net income would have increased/decreased by $24. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

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

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

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

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

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

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 March 31, 2022, 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. The fair value of the investment in equity securities are based on unobservable inputs and are considered a Level 3 fair value instrument.

As at March 31, 2022 and 2021, the fair value of the debentures and investment in equity securities approximates their carrying value.

13. FINANCE COSTS

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

	Three months ended March 31,	
	2022	2021
Interest on lease liabilities	4	7
Interest on Demand Facility	84	71
Interest on BDC Loan	22	23
Interest on convertible debentures	64	64
Accretion on debentures	11	18
Finance costs	185	183

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the three month periods ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
Changes in non-cash working capital items:		
Trade and other receivables	(807)	(4,929)
Prepaid expenses and deposits	37	(2)
Accounts payable and accrued liabilities	2,010	1,879
Total	1,240	(3,052)
Relating to:		
Operating activities	556	(3,184)
Investing activities	684	132
Total	1,240	(3,052)

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

15. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table reflects the Corporation's commitments and contractual obligations as of March 31, 2022:

(000's CAD $)	2022	2023	2024	2025	2026
Demand Facility	6,925	-	-	-	-
Convertible debenture repayment	-	2,612	-	-	-
Convertible debenture interest	261	218	-	-	
BDC Loan	400	1,400	-	-	-
BDC Loan interest	78	47	-	-	-
Lease obligations	175	114	114	19	
Accounts payable and accrued liabilities	4,648	-	-	-	-
Other liabilities	-	170	-	-	-
Total	12,487	4,561	114	19	-

As of March 31, 2022, the Corporation has committed approximately $1,600 related to capital expenditures.

16. REVENUE RECOGNITION

	Three months ended March 31,	
	2022	2021
Contract drilling rig services	7,008	5,887
Contract drilling rig lease revenue	7,560	5,974
Total revenue	14,568	11,861

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. 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.

17. SUBSEQUENT EVENTS

On April 19, 2022, the Corporation announced the completion of the acquisition, from a third party, of three telescopic double drilling rigs, two top drives and ancillary equipment (collectively, the "Rigs"). The purchase price was approximately $5,000, paid in cash. Stampede anticipates an additional $3,000 of incremental capital expenditures during the second quarter of 2022 for recertifications and to upgrade the three Rigs to be consistent with its fleet of modern drilling rigs. Stampede has committed the three Rigs to customers coming out of spring breakup.

Additionally, the Corporation entered into a new $25,000 credit facility with HSBC Bank Canada (the "Credit Facility") as part of the acquisition. Under the Credit Facility, which has an initial term of three years. Stampede will have an available limit of $18,000 under a revolving facility and $7,000 under a term loan (the "Term Loan Facility"). The proceeds of the Term Loan Facility were used to finance the acquisition of the Rigs, with the balance anticipated to be used for capital expenditures for its fleet and to repay amounts outstanding under Stampede's current revolving credit facility.

The principal amount outstanding under the Term Loan Facility shall be repaid based on a notional amortization rate of 10% per annum. The Credit Facility bears interest and financial covenants consistent with the Corporation's current credit facility and provides for customary positive and negative covenants, including limitations on debt, acquisitions, dispositions, distributions and capital expenditures.