Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three month periods ended March 31, 2023 and 2022

(Expressed in Canadian Dollars)

Stampede Drilling Inc.

Unaudited Condensed Consolidated Interim Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	March 31, 2023	December 31, 2022
Assets			
Current Assets			
Cash		653	703
Trade and other receivables	12	18,327	13,908
Prepaid expenses and deposits		261	315
Total Current Assets		19,241	14,926
Non-Current Assets			
Property and equipment	8	87,773	87,047
Investment in equity securities	7	4,000	4,000
Right-of-use assets	3	1,736	1,846
Goodwill		461	461
Total Non-Current Assets		93,970	93,354
Total Assets		113,211	108,280
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	7,270	7,652
Demand Facility	9	8,562	6,794
BDC Loan	9	1,400	1,500
Term Loan	9	931	931
Convertible debentures	9	-	2,380
Lease liabilities	4	430	433
Other liabilities	12	63	63
Total Current Liabilities		18,656	19,753
Non-Current Liabilities			
Term Loan	9	8,343	8,575
Lease liabilities	4	1,299	1,403
Other liabilities	12	61	72
Total Non-Current Liabilities		9,703	10,050
Total Liabilities		28,359	29,803
Shareholders' Equity			
Share capital	10	89,675	87,194
Contributed surplus		8,325	8,135
Equity component of convertible debentures	9	-	43
Accumulated other comprehensive income		914	932
Accumulated deficit		(19,708)	(23,473)
Total Shareholders' Equity		79,206	72,831
Non-controlling interest	6	5,646	5,646
Total Equity		84,852	78,477
Total Liabilities and Equity		113,211	108,280

Note 15 Commitments and Contractual Obligations

See accompanying notes to these condensed consolidated interim financial statements.

Stampede Drilling Inc.

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Three months ended March 31, 2023	2022
Revenue	16	25,697	14,568
Cost of sales:			
Direct operating expenses		17,383	9,568
Depreciation of property and equipment	8	1,515	1,040
		18,898	10,608
Income from operations		6,799	3,960
Expenses			
Administrative		881	564
Salaries and benefits		1,443	679
Share based payments	11	216	86
Depreciation of right-of-use assets	3	110	43
		2,650	1,372
Income before finance costs and other income (expense)		4,149	2,588
Gain on asset disposals	8	48	-
Finance costs	13	(429)	(185)
Other income		-	2
Foreign exchange gain (loss)		10	(38)
Transaction costs		(13)	(45)
Net income		3,765	2,322
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		(18)	23
Total comprehensive income		3,747	2,345
Basic income per share	5	$0.02	$0.02
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 Interim Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Three months ended March 31, 2023	2022
Cash flows from (used in) the following activities:			
Operating activities			
Net income		3,765	2,322
Adjustments for:			
Share based payments	11	216	86
Depreciation	3,8	1,625	1,083
Gain on asset disposals		(48)	-
Finance costs	13	429	185
Unrealized foreign exchange (gain) loss		(10)	38
Change in other liabilities		(11)	(11)
Funds from operating activities		5,966	3,703
Changes in non-cash working capital items	14	(3,171)	556
Net cash flows from operating activities		2,795	4,259
Financing activities			
Interest paid on BDC Loan	13	(32)	(22)
BDC Loan principal payments	9	(100)	(100)
Interest paid on convertible debentures	13	(19)	-
Term Loan principal payments	9	(250)	-
Interest paid on Term Loan	13	(181)	-
Borrowing (Repayment) of Demand Facility	9	1,768	(73)
Interest paid on Demand Facility	13	(155)	(84)
Stock options exercised	11	32	-
Lease liability payments	4	(131)	(58)
Net cash flows from (used in) financing activities		932	(337)
Investing activities			
Additions to property and equipment	8	(2,241)	(1,653)
Proceeds from the disposition of property and equipment	8	48	-
Investment in equity securities	7	-	(3,000)
Changes in non-cash working capital balances	14	(1,576)	684
Net cash flows used in investing activities		(3,769)	(3,969)
Change in cash		(42)	(47)
Effect of foreign exchange rate changes on cash		(8)	(17)
Cash and cash equivalents, beginning of period		703	665
Cash and cash equivalents, end of the period		653	601
Supplementary cash flow disclosure information:			
Interest paid during the period		387	106

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.
Unaudited Condensed Consolidated Interim Statements of Changes in Equity
(Stated in thousands of Canadian dollars)

	Note	Share Capital Shares (000's)	Amount $	Contributed Surplus $	Equity Component of Convertible Debenture $	Accumulated Other Comprehensive Income $	Non-Controlling Interest $	Deficit $	Total Equity $
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**
Balance as at January 1, 2023		**216,933**	**87,194**	**8,135**	**43**	**932**	**5,646**	**(23,473)**	**78,477**
Share based payments expense	11	-	-	216	-	-	-	-	216
Stock options exercised	10	166	32	-	-	-	-	-	32
Stock option value of exercised options	10	-	26	(26)	-	-	-	-	-
Convertible debenture conversion	9,10	11,490	2,423	-	(43)	-	-	-	2,380
Comprehensive income for the period		-	-	-	-	(18)	-	3,765	3,747
Balance as at March 31, 2023		**228,589**	**89,675**	**8,325**	**-**	**914**	**5,646**	**(19,708)**	**84,852**

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 Western Canadian Place (South Tower), Suite 2600, 700 – 9th Ave SW, Calgary, Alberta, T2P 3V4. 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) and the 19% held in equity investments in two unlisted private Alberta companies.

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, 2022. 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, 2022, 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 11, 2023.

Recent developments and impact on estimation uncertainty

For the period ended March 31, 2023, the Corporation assessed the impact of the Russian invasion of Ukraine, and the current commodity price volatility on its balance sheet carrying amounts. This review required the use of judgements and estimates that 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, 2022. 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:

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

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.

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 Western Canada. Commodity prices ultimately drive the level of exploration and development activities carried out by the Corporation's customers and associated demand for the oilfield services provided by 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.

3. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at December 31, 2022	3,112
Additions	-
Balance at March 31, 2023	3,112
Accumulated depreciation	
Balance at December 31, 2022	1,266
Depreciation	110
Balance at March 31, 2023	1,376
Carrying amounts	
Balance at December 31, 2022	1,846
Balance at March 31, 2023	1,736

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

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 income.

	Total
Balance at December 31, 2022	1,836
Additions	-
Interest expense	24
Lease payments	(131)
Balance at March 31, 2023	1,729
Less: current portion	430
Ending balance - non-current portion	1,299

5. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated based on the net income divided by the weighted average number of common shares outstanding for the three month periods ended March 31, 2023 and 2022 based on the following data:

	Three months ended March 31,	
	2023	2022
Net income	3,765	2,322
Effect of finance cost savings on convertible debentures	14	56
Net income used in diluted income per common share	3,779	2,378
Weighted average common shares	224,771	132,171
Effect of stock options	2,188	1,950
Effect of convertible debentures	3,665	12,438
Diluted balance, end of period	230,624	146,559
Basic income per common share	$0.02	$0.02
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 subsidiary specializes 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 by the Corporation in addition to an adjustment of $2,540 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.

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

	March 31, 2023	December 31, 2022
Consolidated Statements of Financial Position		
Current assets	18	28
Non-current assets	12,133	12,083
Current liabilities	-	61
Non-current liabilities	661	560
Net Assets	11,490	11,490
Attributable to NCI(1)	5,646	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 ended March 31, 2023, 2391764 Alberta Ltd. did not have earnings (loss) or comprehensive income (loss) or operating 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, 2023.

7. INVESTMENT IN EQUITY SECURITIES

On January 4, 2022, the Corporation paid $3,000 in cash consideration for an equity investment in two unlisted private Alberta companies, which are controlled by an Alberta private company ("AlbertaCo."). The two individual investments of $1,500 were made in two separate subsidiaries of AlbertaCo. represented a 15% ownership stake in each subsidiary. On September 20, 2022 the Corporation made an additional investment of $1,000. The combination of the $4,000 investments represents a 19% current ownership stake in each subsidiary.

As at March 31, 2023, the estimated fair value of investment in equity securities is $4,000. No dividends were declared or paid out to the Corporation for the three months ended March 31, 2023.

8. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Machinery and other equipment	Total
Cost			
Balance at December 31, 2022	106,355	920	107,275
Addition	2,201	40	2,241
Disposals	(390)	-	(390)
Balance at March 31, 2023	108,166	960	109,126
Accumulated depreciation and impairment			
Balance at December 31, 2022	19,517	711	20,228
Depreciation for the period	1,494	21	1,515
Disposals	(390)	-	(390)
Balance at March 31, 2023	20,621	732	21,353
Carrying amounts			
Balance at December 31, 2022	86,838	209	87,047
Balance at March 31, 2023	87,545	228	87,773

Included in property and equipment at three months ended March 31, 2023 are assets under construction of $8,590 (December 31, 2022 - $9,626) which will not depreciate until the assets are placed into service.

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, 2022 annual financial statements. As at March 31, 2023, 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 August 23, 2022, the Corporation amended 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 $22,500 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) The lesser of (a) 50% of net book value of the capital assets of the Credit Parties, subject to the limitations, and (b) 50% of the net orderly liquidation value of the capital assets and equipment for the Credit Parties located in Canada and the United States of America; less
(iv) Potential Prior Ranking Claims: less
(v) 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 the applicable margin. The applicable margin is based on a pricing grid based on the Corporation's Net Funded Debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") and ranges from 0.50% to 1.75% for prime rate loans and 1.50% to 2.75% for banker acceptance advances, and is secured by a general first ranking security agreement on all assets, property, and undertakings of the Corporation.

As at March 31, 2023, the Demand Facility was subject to the following financial covenants:

	Covenant	March 31, 2023	December 31, 2022
Fixed Charge Coverage Ratio (1)	1.50:1.00 or more	4.70:1.00	4.25:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	1.06:1.00	1.12:1.00

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 Demand Facility.
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, 2023, $8,562 (December 31, 2022 - $6,794) was drawn on the Demand Facility and the Corporation was in compliance with all covenants.

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

Term Loan ("Term Loan")

In conjunction with amending the Demand Facility on August 23, 2022, the Corporation entered into a loan facility in an amount of up to $10,000 with HSBC. The Term Loan has an interest rate equal to the lender's prime rate plus the applicable margin rate, and monthly principal repayments of $83.

The Term Loan matures on April 19, 2025, and bears interest at the lender's prime rate plus the applicable margin. The applicable margin is based on a pricing grid based on the Corporation's Net Funded Debt to EBITDA and ranges from 0.50% to 1.75% for prime rate loans and 1.50% to 2.75% for banker acceptance advances, and is secured by a general first ranking security agreement on all assets, property, and undertakings of the Corporation. The Term Loan is subject to the same covenants as described for the Demand Facility above.

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 with the Business Development Bank of Canada ("BDC") 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 8.80% 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 Loan. The BDC Loan is subject to maintaining a fixed charge coverage ratio of greater than 1.25:1.00.

As at March 31, 2023, the Corporation had drawn $1,400 of the BDC Loan and the Corporation was in compliance with all covenants related to its BDC Loan. All amounts are due within 12 months, and have therefore been classified as a current liability.

As at March 31, 2023, the balance of the BDC Loan and Term Loan is as follows and the Corporation was in compliance with all covenants.

	March 31, 2023	December 31, 2022
BDC Loan	1,400	1,500
Term Loan	9,417	9,667
Less: unamortized debt issuance costs	(143)	(161)
Long term debt	10,674	11,006
Long term debt due within one year	2,331	2,431
Long term debt due beyond one year	8,343	8,575

Convertible Debentures

During the three months ended March 31, 2023, the remaining convertible debentures were converted to common shares of the Corporation at a conversion price of $0.21. A total of 2,412 convertible debentures were exchanged for 11,490 common shares of the Corporation.

	Number of convertible debentures	Liability component	Equity component
Balance at December 31, 2022	2,412	2,380	43
Conversion of convertible debentures	(2,412)	(2,380)	(43)
Balance at March 31, 2023	-	-	-

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

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, 2023.

Authorized and Issued Common Shares

	Number	Amount ($)
Balance at December 31, 2022	216,933	87,194
Issued shares pursuant to convertible debenture conversion	11,490	2,423
Issued shares pursuant to the exercise of stock options	166	32
Stock option value of exercised options	-	26
Balance at March 31, 2023	228,589	89,675

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, 2023 and December 31, 2022 and the changes for the period then ended, is as follows:

Stock Options	Outstanding	Weighted Average Exercise Price	
Outstanding at December 31, 2021	8,817	$	0.22
Options granted to employees and directors	9,165	$	0.32
Options exercised	(608)	$	0.22
Options expired	(750)	$	0.35
Options forfeited	(414)	$	0.27
Outstanding at December 31, 2022	16,210	$	0.27
Options exercised	(166)	$	0.19
Options forfeited	(806)	$	0.31
Outstanding at March 31, 2023	15,238	$	0.27

	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	3,360	$	0.18	1.04
$0.20 to $0.27	3,333	$	0.21	2.90
$0.30 to $0.41	8,545	$	0.32	4.42
	15,238	$	0.27	3.34

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

		Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life (Years)
Employees and directors				
$0.18 to $0.185	3,335	$	0.18	1.04
$0.21 to $0.27	2,399	$	0.21	2.87
$0.30 to $0.41	2,286	$	0.32	4.17
	8,021	$	0.23	2.48

For the three month period ended March 31, 2023, the Corporation recorded share-based payment expense of $216 (2022 - $86).

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 $90,260 as at March 31, 2023 (December 31, 2022 - $84,790).

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

Credit risk

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

The loss allowance provision for trade accounts receivable as at March 31, 2023 reconciles to the opening loss allowance provision as follows:

At December 31, 2022	268
Increase in credit loss allowance	89
As at March 31, 2023	357

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 are held by high credit quality financial institutions.

For the three month period ended March 31, 2023, the Corporation had two customers that comprised 13%, and 10% of total revenue, compared to five customers that comprised 14%, 14%, 12%, 10% and 10% of total revenue for the period ended March 31, 2022.

For the accounts receivable balances outstanding as at March 31, 2023, the Corporation had three customers that comprised 12%, 12%, and 10% of the total balance as compared to three customers that comprised 18%, 14%, and 12% of the total balance as at December 31, 2022.

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

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

	March 31, 2023	December 31, 2022
Within 30 days	7,834	7,096
31 to 60 days	7,147	4,798
61 to 90 days	1,919	653
Over 90 days	461	248
Accrued accounts receivable	1,323	1,381
Allowance for doubtful accounts	(357)	(268)
Accounts receivable	18,327	13,908

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, 2023, the Corporation had working capital of $585 (December 31, 2022 - negative $4,827). 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.

On August 23rd, 2022, the Corporation amended the Demand Facility increasing the available facility to $22,500.

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

	March 31, 2023	December 31, 2022
Accounts payable	5,239	5,519
Accrued liabilities	2,031	2,133
Total accounts payable and accrued liabilities	7,270	7,652
Other current liabilities	63	63
Total current accounts payable and accrued liabilities and other liabilities	7,333	7,715
Other liabilities	61	72
Total accounts payable, accrued liabilities and other liabilities	7,394	7,787

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 Demand Facility, Term Loan and BDC Loan which bears interest at floating market rates. For the three month period ended March 31, 2023, 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 $52. 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.

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

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, 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 Loan approximates its carrying amount as the BDC Loan has a floating interest rate. The fair value of the Term Loan approximates its carrying amount as the Term Loan has a floating interest rate. At March 31, 2023, the Corporation valued its cash using Level 1 inputs. The Corporation does not have any Level 2 instruments. 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, 2023 and December 31, 2022, the fair value of the investment in equity securities approximates the 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,	
	2023	2022
Interest on lease liabilities	24	4
Interest on Demand Facility	155	84
Interest on BDC Loan	32	22
Interest on Term Loan	181	-
Interest on convertible debentures	19	64
Amortization of deferred financing costs	18	-
Accretion on debentures	-	11
Finance costs	429	185

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	2022
Changes in non-cash working capital items:		
Trade and other receivables	(4,419)	(807)
Prepaid expenses and deposits	54	37
Accounts payable and accrued liabilities	(382)	2,010
Total	(4,747)	1,240
Relating to:		
Operating activities	(3,171)	556
Investing activities	(1,576)	684
Total	(4,747)	1,240

The conversion of 2,412 convertible debentures into 11,490 common shares is a non-cash financing activity. Refer to Note 9.

15. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table reflects the Corporation's commitments and contractual obligations as of March 31, 2023:

(000's CAD $)	2023	2024	2025	2026	2027
Demand Facility	8,562	-	-	-	-
BDC Loan	1,400	-	-	-	-
BDC Loan interest(1)	58	-	-	-	-
Term Loan	750	1,000	7,667	-	-
Term Loan interest(1)	525	632	194	-	-
Lease liabilities	389	485	391	379	291
Accounts payable and accrued liabilities	7,270	-	-	-	-
Other liabilities	63	45	11	5	-
Total	19,017	2,162	8,263	384	291

(1) Payments were estimated based on applicable interest rate at March 31, 2023

As of March 31, 2023, the Corporation has committed approximately $1,300 related to capital expenditures.

16. REVENUE RECOGNITION

	Three months ended March 31, 2023	2022
Contract drilling rig services	13,249	7,008
Contract drilling rig lease revenue	12,448	7,560
Total revenue	25,697	14,568

The Corporation's contracts contain both a lease and a service element. IFRS 15, Revenue from Contracts with Customers (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 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.