Management's Discussion & Analysis

Stampede Drilling Inc.

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

(Expressed in Canadian Dollars)

STAMPEDE DRILLING INC.

(“Stampede” or the “Corporation”)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

The following management’s discussion and analysis (“MD&A”) should be read in conjunction with the December 31, 2022 audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), December 31, 2022 annual MD&A and the annual information form (“AIF”) each for the year ended December 31, 2022, as well as the condensed unaudited consolidated interim financial statements and notes for the three month period ended March 31, 2023 and 2022. Additional information regarding Stampede, including the AIF, is available on SEDAR at www.sedar.com.

All amounts or dollar figures are denominated in thousands of Canadian dollars except for number of drilling rigs, and operating days, or unless otherwise noted.

This MD&A is dated May 11, 2023 and is in respect of the three month period ended March 31, 2023.

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. See “Forward-Looking Information” in this MD&A for additional details.

FINANCIAL SUMMARY

	Three months ended March 31,		
(000’s CAD $ except per share amounts)	**2023**	**2022**	**% Change**
Revenue	25,697	14,568	76%
Direct operating expenses	17,383	9,568	82%
Gross margin (1)	8,314	5,000	66%
Net income	3,765	2,322	62%
Basic and diluted income per share	0.02	0.02	-
Adjusted EBITDA (1)	5,990	3,757	59%
Funds from operating activities	5,966	3,703	61%
Free cash flow(1)	4,247	3,451	23%
Weighted average common shares outstanding	224,771	132,171	70%
Weighted average diluted common shares outstanding	230,624	146,559	57%
Capital expenditures	2,241	1,653	36%
Number of marketed rigs	19	10	90%
Drilling rig utilization(2)	60%	71%	(15%)
CAOEC industry average utilization(3)	45%	38%	18%

(1) Refer to "Non-GAAP and Other Measures" for further information.
(2) Drilling rig utilization is calculated based on operating days (spud to rig release)
(3) Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary. The CAOEC industry average is based on Operating Days divided by total available drilling days.

	As at March 31,		
(000’s CAD $)	**2023**	**2022**	**% Change**
Current assets	19,241	8,358	130%
Total assets	113,211	63,218	79%
Total current liabilities	18,656	12,102	54%
Total non-current liabilities	9,703	4,321	125%
Total equity	84,852	46,795	81%

DESCRIPTION OF STAMPEDE'S BUSINESS

Stampede is an energy services company that provides premier contract drilling services in Western Canada. Stampede operates a fleet of 18 telescopic double drilling rigs and 1 high spec triple drilling rig suited for most formations within the Western Canadian Sedimentary Basin ("WCSB"). The Corporation's head office is located in Calgary, Alberta with operations based out of Nisku, Alberta and Estevan, Saskatchewan. The Corporation's common shares trade on the TSX Venture Exchange under the symbol "SDI".

FIRST QUARTER 2023 OPERATIONAL HIGHLIGHTS

For the three months ended March 31, 2023, the Corporation recorded its highest ever quarterly revenue, adjusted EBITDA(1), and net income.

- Revenue for the three month period ended March 31, 2023 was $25,697, up $11,129 (76%) compared to $14,658 for the corresponding 2022 period.
- Adjusted EBITDA(1) for the three month period ended March 31, 2023 was $5,990, up $2,233 (59%) compared to $3,757 for the corresponding 2022 period.
- Net Income for the three month period ended March 31, 2023 was $3,765, up $1,443 (62%) compared to $2,322 for the corresponding 2022 period.

The Corporation's results were driven by higher operating days and higher revenue per day partially offset by higher operating expenses and general and administrative expenses. Total operating days in the quarter were 918, up 275 (43%) from the 643 operating days in the corresponding period of 2022. The increase in operating days was the result of an increase in the number of marketed rigs in the first quarter of 2023 compared to the first quarter of 2022.

Total revenue per day of $28.0 was up $5.3 (23%) from the revenue per day of $22.7 in the corresponding period of 2022. Revenue per day increased as a result of improved customer demand and higher prices.

OUTLOOK

Throughout the first quarter of 2023, Stampede's customers have continued to strengthen their balance sheets and remain disciplined on spending while growing production within their operating cash flows. While macroeconomic factors such as the war in Ukraine, worldwide inflationary pressures, possible near-term recession and overall demand globally will continue to create ongoing uncertainty for energy markets, Stampede anticipates the current commodity price environment will continue to drive producer cash flows and increased drilling activity in Western Canada throughout 2023.

The Corporation is on pace with another strong start to the year with 17 out of its 19 rig fleet operational and fully crewed in the first quarter of 2023. Access to qualified field labour will continue to be an industry wide challenge in 2023, however management has proven their ability to crew underutilized assets since Stampede's inception. The Corporation will continue to assess additional acquisition opportunities as they arise, as well as making focused capital expenditures to further enhance customer desirability of its current fleet in 2023 while maintaining a strong balance sheet and debt facility.

(1) Refer to "Non-GAAP Measures" for further information.

RESULTS FROM OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

	Three months ended March 31,		
(000's CAD $ except per day amounts)	**2023**	**2022**	**% Change**
Revenue	25,697	14,568	76%
Direct operating expenses	17,383	9,568	82%
Gross margin[(1)]	8,314	5,000	66%
Gross margin %[(1)]	32%	34%	(6%)
Net income	3,765	2,322	62%
General and administrative expenses	2,650	1,372	93%
Adjusted EBITDA[(1)]	5,990	3,757	59%
Drilling rig operating days[(2)]	918	643	43%
Drilling rig revenue per day[(3)]	28.0	22.7	23%
Drilling rig utilization[(4)]	60%	71%	(15%)
CAOEC industry average utilization[(5)]	45%	38%	18%

(1) Refer to "Non-GAAP and Other Financial Measures" for further information.
(2) Defined as contract drilling days, between spud to rig release
(3) Drilling rig revenue per day is calculated by revenue divided by drilling rig operating days
(4) Drilling rig utilization is calculated based on operating days (spud to rig release)
(5) Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary. The CAOEC industry average is based on Operating Days divided by total available drilling days.

- **Revenue of $25,697** – an increase of $11,129 (76%) compared to $14,568 for the corresponding 2022 period. The increase was primarily related to the addition of 9 drilling rigs to the Corporation's fleet throughout 2022, combined with increased revenue per day.
- **Operating days of 918** – an increase of 275 operating days (43%) from the 643 operating days in the corresponding 2022 period. Operating days increased as a result of higher demand along with the increase in rig count compared to the prior period. Drilling rig utilization for the three month period ended March 31, 2023 was 60%, which was a 15% decrease from the corresponding 2022 period and 33% higher than the CAOEC industry average utilization rate of 45% for the first quarter of 2023.
- **Gross margin percentage of 32%** – a decrease of 6% from 34% as compared to the corresponding 2022 period. The gross margin decrease was primarily related to higher rig operating expenses due to inflationary pressures partially offset by the increase in revenue per day.
- **Adjusted EBITDA of $5,990** – an increase of $2,233 (59%) from $3,757 from the corresponding 2022 period. The increase is primarily related to higher revenue due to increased revenue per day and partially offset by higher operating expenses and general and administrative expenses.
- **Net income of $3,765** – an increase of $1,443 (62%) from $2,322 from the corresponding 2022 period. The increase is primarily related to increased operating days and revenue per day and partially offset by higher operating expenses, general and administrative expenses, and finance costs.
- **General and administrative expenses of $2,650** – an increase of $1,278 (93%) from $1,372 compared to the corresponding 2022 period. The increase is primarily related to increased headcount and administration expenses due to the increased activity levels.

EXPENSES

General and Administrative Expenses

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Administrative expenses	881	564	56%
Salaries and benefits	1,443	679	113%
Share-based payments	216	86	151%
Depreciation of right-of-use assets	110	43	156%
Total general and administrative expenses	2,650	1,372	93%

- **Administrative expenses of $881** – an increase of $317 (56%) from $564 for the corresponding 2022 period. The increase primarily related to an increase in overall operating activity levels.
- **Salaries and benefits of $1,443** – an increase of $764 (113%) from $679 as compared to the corresponding 2022 period. The increase is primarily related to increased headcount and compensation expenses due to the increased 2023 activity levels.
- **Shared-based payments expense of $216** – an increase of $130 (151%) from $86 as compared to the corresponding period of 2022. The majority of the increase relates to the issuance of 9,165 stock options in the fourth quarter of 2022. Stock option expense fluctuates based on the grant date stock option valuation, expiries and forfeitures of options and the effects of vesting.
- **Depreciation of right-of-use assets of $110** – an increase of $67 (156%) from $43 for the corresponding 2022 period. The increase is related to a new lease entered into during the third quarter of 2022.

Depreciation of Property and Equipment

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Depreciation of property and equipment	1,515	1,040	46%

- **Depreciation of property and equipment of $1,515** – an increase of $475 (46%) from $1,040 as compared to the corresponding 2022 period. The increase is primarily due to a higher depreciable asset base as a result of the asset acquisitions that occurred during 2022.

Other Income (Expenses)

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Gain on asset disposals	48	-	nm
Finance costs	(429)	(185)	132%
Other income	-	2	(100%)
Foreign exchange gain (loss)	10	(38)	(126%)
Transaction costs	(13)	(45)	(71%)
Total other income (expenses)	(384)	(266)	44%

nm – not material

- **Gain on asset disposals of $48** – an increase of $48 compared to $0 recorded in the corresponding period of 2022. The gain was related to the sale of underutilized and fully depreciated assets. The timing of asset disposals can fluctuate significantly from period to period.
- **Finance costs of $429** – an increase of $244 (132%) from $185 in the corresponding 2022 period. The increase in finance costs was related to a higher average borrowing base and increased prime interest rates on the Corporation's prime rate debts.
- **Transaction costs of $13** – a decrease of $32 (71%) from $45 in the corresponding period of 2022. Transaction costs are primarily non-capitalizable costs related to acquisitions and acquisition opportunities throughout the period.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Corporation's quarterly results for each of the last eight quarters:

	2023	2022				2021		
(000's CAD $)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	25,697	23,238	20,722	8,351	14,568	9,180	6,482	4,640
Net income (loss)	3,765	3,483	2,865	(461)	2,322	372	225	(153)
Basic and diluted net income (loss) per share	0.02	0.02	0.02	(0.00)	0.01	0.00	0.00	(0.00)
Total assets	113,211	108,280	106,205	73,248	63,218	50,755	50,626	48,780

As illustrated above, quarterly performance is affected by seasonal variation; however, with the Corporation's historical growth and asset acquisitions, and fluctuating commodity prices impacting industry activity, variations in quarterly results are attributable to several other factors as well.

As commodity prices began to recover from the historical lows in 2020, oil and gas producers increased capital spending and corresponding drilling activity in Western Canada throughout 2021 as commodity prices continued to rise and COVID-19 restrictions began to ease. As a result of improved customer demand and the additional rigs acquired during the second and third quarter of 2022 resulting in a total rig count of 19, the Corporation achieved quarterly net income results that exceeded historical results in the fourth quarter of 2022 and first quarter of 2023.

Seasonality

An assessment or comparison of the Corporation's quarterly results, at any given time, requires consideration of crude oil and natural gas commodity prices and the seasonal nature of the oil and gas industry in 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 Stampede. Results are impacted by the gain or loss of key customers and expected customer capital spending. Additions or losses of key customers can fluctuate on a quarterly basis. From a seasonality perspective, the Corporation currently operates all of its drilling rigs in Western Canada, therefore, operations are impacted by weather and seasonal factors. The winter season, which incorporates the first quarter, is generally a higher activity period as oil and gas companies take advantage of frozen ground conditions to move heavy equipment and operate in regions which might otherwise be inaccessible due to ground conditions during warmer periods. The second quarter normally encompasses a slow period in Canada referred to as spring break-up. During this period, melting conditions result in temporary municipal road bans that effectively prohibit the movement of drilling rigs and other heavy equipment. The third and fourth quarters in Western Canada are usually representative of average activity levels.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary liquidity and capital resource needs are to fund ongoing capital expenditures and growth opportunities; to service its debt, including interest payments; and to finance working capital needs. The Corporation's short-term and long-term liquidity needs are met through cash flow from operations, the Demand Facility, the Term Loan, the BDC Loan (each as defined below) and debt and equity financings.

	Three months ended March 31,		
(000's CAD $)	2023	2022	% Change
Cash provided by (used in):			
Operating activities	2,795	4,259	(34%)
Investing activities	(3,769)	(3,969)	(5%)
Financing activities	932	(337)	377%
Decrease in cash	(42)	(47)	(11%)

Cash Flows from Operating Activities

(000's CAD $)	Three months ended March 31, 2023	2022	% Change
Funds from operating activities	5,966	3,703	61%
Changes in non-cash working capital balances	(3,171)	556	(670%)
Cash flows from operating activities	2,795	4,259	(34%)

For the three month period ended March 31, 2023, funds from operating activities were $5,966, up $2,263 (61%) from $3,703 in the corresponding 2022 period. The increase in funds from operating activities was primarily a result of higher net income in the first quarter of 2023 compared to the corresponding period of 2022.

For the three month period ended March 31, 2023, cash flows from operating activities were $2,795, down $1,464 (34%) from $4,259 in the corresponding 2022 period. The overall decrease was a result of the decrease in changes in non-cash working capital, and partially offset by increase in funds from operating activities.

As at March 31, 2023, the Corporation had total net working capital (excluding debt) of $11,478 compared to $6,778 as at December 31, 2022. Refer to the "Non-GAAP and Other Financial Measures" section in this MD&A for how this measure is calculated.

Cash Flows used in Investing Activities

(000's CAD $)	Three months ended March 31, 2023	2022	% Change
Capital expenditures:			
Growth capital[1]	1,085	1,523	(29%)
Maintenance and sustaining capital[1]	1,156	130	789%
Total capital expenditures	2,241	1,653	36%
Proceeds from the disposition of property and equipment	(48)	-	nm
Investment in equity securities	-	3,000	nm
Changes in non-cash working capital balances	1,576	(684)	nm
Cash flows used in investing activities	3,769	3,969	(5%)

nm - not meaningful
(1) Refer to "Non-GAAP and Other Financial Measures" for details on total capital expenditures

For the three month period ended March 31, 2023, cash flows used in investing activities were $3,769, down $200 (5%) from $3,969 in the corresponding 2022 period.

For the three month period ended March 31, 2023, the Corporation invested $1,085 in growth capital, compared to $1,523 in the corresponding period of 2022. Growth capital related to equipment upgrades to improve the operating efficiency and marketability of the drilling rigs.

For the three month period ended March 31, 2023, the Corporation invested $1,156 in maintenance and sustaining capital, compared to $130 in the corresponding period of 2022. Maintenance and sustaining capital for the period consisted of the purchase of replacement drill pipe and other drilling rig capital.

Cash Flows from (used in) Financing Activities

For the three month period ended March 31, 2023, cash flows from financing activities were $932 up $1,269 (377%) from $337 used in the corresponding 2022 period. For the three month period ended March 31, 2023 the Corporation had net borrowings on the Demand Facility of $1,768 compared to a repayment of $73 in the corresponding period of 2022.

Demand Facility

On August 23, 2022, the Corporation amended the Demand Facility with 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) 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 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 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, 2023, $8,562 (December 31, 2022 - $6,794) was drawn on the Demand Facility and the Corporation was in compliance with all covenants.

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 lenders prime rate plus the applicable margin rate.

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.

As at March 31, 2023, a total of $9,417 was outstanding on the Term Loan and $143 in unamortized debt issuance costs. The amount of the Term Loan excluding unamortized debt issuance costs due within one year is $1,000 and $8,417 is due beyond one year. As at March 31, 2023, the Corporation was in compliance with all covenants.

Business Development Bank of Canada ("BDC") Loan

In conjunction with amending the credit agreement on November 30, 2020, the Corporation entered into a loan facility in an amount of up to $2,000 with the Business Development Bank of Canada (the "BDC Loan"). The BDC Loan has an interest rate equal to BDC's floating base rate, which at March 31, 2023 was 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 December 31, 2022.

Long term debt of the Corporation, excluding the Demand Facility and convertible debentures which are classified as current liabilities is as follows:

	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 Debenture

During the three months ended March 31, 2023, all of the remaining convertible debentures (the " Debentures") were converted into common shares of the Corporation ("Common Shares"). The aggregate principal balance of the Debentures was converted for Common Shares at a conversion price of $0.21 per Common Share. The aggregated accrued but unpaid interest on the Debentures was settled, as elected by each Debenture holder, in cash or Common Shares issued at $0.30 per Common Share.

	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	-	-	-

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 the date of this MD&A, the Corporation has committed approximately $700 related to capital expenditures.

OUTSTANDING SHARE DATA

At the date of this MD&A, 15,125 stock options and 228,589 common shares of the Corporation were outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

During the first three months of 2023 and the corresponding period in 2022, the Corporation had no off-balance sheet arrangements.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are consistent with the audited annual financial statements for the year ended December 31, 2022.

FINANCIAL INSTRUMENTS

Credit Risk

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

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 industry expected credit default rate.

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

As 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 and cash equivalents 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.

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 excluding debt of $11,478 compared to $6,778 at December 31, 2022 (please refer to "Non-GAAP and other Financial Measures" section for further information). 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.

Additionally, the Corporation entered into the Credit Facility agreement with HSBC. Under the Credit Facility, which has an initial term of three years, the Corporation has an available limit of $22,500 under the Demand Facility and $10,000 under the Term Loan. The proceeds of the Term Loan were used to finance the Asset Acquisition and related equipment upgrades that occurred in 2022.

The Corporation's accounts payable, 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, 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.

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 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 and cash equivalents 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 2022, the fair value of the investment in equity securities approximates the carrying value.

RISKS AND UNCERTAINTIES

A discussion of the Corporation's business and operational risks is set out in the Corporation's most recent AIF under the heading "Risk Factors", a copy of which can be found under the Corporation's profile at www.sedar.com. Additionally, see "Financial Instruments" and "Forward-Looking Information" in this MD&A for additional information regarding the risks to which Stampede and its business and operations are subject. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking information discussed in this MD&A.

For the period ended March 31, 2023, the Corporation assessed the impact of the uncertainties around 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.

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.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A contains references to (i) adjusted EBITDA, (ii) Gross margin (iii) Gross margin percentage (iv) Working capital (excluding debt), and (v) free cash flow. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as non-GAAP (Generally Accepted Accounting Principles) measures. The non-GAAP measures used by the Corporation may not be comparable to similar measures used by other companies.

(i) **Adjusted EBITDA** - is defined as "income from operations before interest income, interest expense, taxes, transaction costs, depreciation and amortization, share-based compensation expense, gains on asset disposals, impairment expenses, other income, foreign exchange, non-recurring restructuring charges, finance costs, accretion of debentures and other income/expenses, foreign exchange gain and any other items that the Corporation considers appropriate to adjust given the irregular nature and relevance to comparable operations." Management believes that in addition to net income, adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation's principal business activities prior to consideration of how these activities are financed, how assets are depreciated, amortized and impaired, the impact of foreign exchange, or how the results are affected by the accounting standards associated with the Corporation's stock-based compensation plan. Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to net income and comprehensive income determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Net income	3,765	2,322	62%
Depreciation	1,625	1,083	50%
Finance costs	429	185	132%
Other income	-	(2)	nm
Gain on asset disposal	(48)	-	nm
Share-based payments	216	86	151%
Transaction costs	13	45	(71%)
Foreign exchange (gain) loss	(10)	38	126%
Adjusted EBITDA	5,990	3,757	59%

nm - not meaningful

(ii) **Gross margin** - is defined as "Income from operations before depreciation of property and equipment". Gross margin is a measure that provides shareholders and potential investors additional information regarding the Corporation's cash generating and operating performance. Management utilizes this measure to assess the Corporation's operating performance. Investors should be cautioned, however, that gross margin should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of the Corporation's performance. The Corporation's method of calculating gross margin may differ from that of other organizations and, accordingly, its gross margin may not be comparable to that of other companies.

(iii) **Gross margin percentage** - is calculated as gross margin divided by revenue. The Corporation believes gross margin as a percentage of revenue is an important measure to determine how the Corporation is managing its revenues and corresponding cost of sales. The Corporation's method of calculating gross margin percentage may differ from that of other organizations and, accordingly, its gross margin may not be comparable to that of other companies.

The following table reconciles the Corporation's income from operations, being the most directly comparable financial measure disclosed in the Corporation's interim financial statements, to gross margin:

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Income from operations	6,799	3,960	72%
Depreciation of property and equipment	1,515	1,040	46%
Gross margin	8,314	5,000	66%
Gross margin %	32%	34%	(6%)

(iv) **Working capital (excluding debt)** - is calculated based on total current assets less total current liabilities excluding current debt. The Corporation monitors working capital and 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. The Corporation's method of calculating working capital (excluding debt) may differ from that of other organizations and, accordingly, its gross margin may not be comparable to that of other companies.

Working Capital (excluding debt)	**March 31, 2023**	**December 31, 2022**
Total current assets:	19,241	14,926
Total current liabilities	(18,656)	(19,753)
Add back current portion of debt		
Demand Facility	8,562	6,794
Convertible debentures	-	2,380
BDC Loan	1,400	1,500
Term Loan	931	931
Working capital (excluding debt)	11,478	6,778

(v) **Free cash flow** - is calculated based on funds flow from operating activities less maintenance and sustaining capital, and interest and principal debt repayments. The Corporation uses this measure to assess the discretionary cash that management has to invest in growth capital, asset acquisitions, or return capital to shareholders. The Corporation's method of calculating free cash flow may differ from that of other organizations and, accordingly, its free cash flow may not be comparable to that of other companies. The following table reconciles the Corporation's funds from operating activities to free cash flow.

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Free cash flow			
Funds from operating activities	5,966	3,703	61%
Maintenance and sustaining capital	(1,156)	(130)	789%
BDC principal payments	(100)	(100)	0%
Interest on BDC loan	(32)	(22)	45%
Term Loan principal payments	(250)	-	nm
Interest on Term Loan	(181)	-	nm
Total free cash flow	4,247	3,451	23%

nm - not meaningful

SUPPLEMENTARY FINANCIAL MEASURES

The Corporation uses supplementary financial measures that are not defined terms under IFRS to provide useful supplemental financial information to investors.

(i) **Capital Expenditures** – management of the Corporation uses a breakdown of capital expenditures to assess the capital invested related to capital expenditures at a more detailed level. Capital expenditures have been split into three categories, asset acquisition, growth capital, and maintenance and sustaining capital. Asset acquisitions are the purchase of complete drilling rigs and related equipment from a third party. Growth capital are expenditures incurred for the purposes of upgrading existing equipment to improve operating efficiency and marketability of the asset. Maintenance and sustaining capital are expenditures related to maintaining the current operational efficiency of the asset. The following table shows the split of the three different types of capital expenditures. The Corporation's method of calculating capital expenditures may differ from that of other organizations and, accordingly, its capital expenditures may not be comparable to that of other companies. The following table reconciles the Corporation's total capital expenditures.

	Three months ended March 31,		
(000's CAD $)	**2023**	**2022**	**% Change**
Capital expenditures:			
Growth capital	1,085	1,523	(29%)
Maintenance and sustaining capital	1,156	130	789%
Total capital expenditures	2,241	1,653	36%

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking information"). Forward-looking information relates to future events or the Corporation's future performance. All information other than statements of historical fact is forward-looking information. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "could", "should", "believe", "predict", and "forecast" are intended to identify forward-looking information.

This MD&A contains forward-looking information pertaining to, among other things: the Corporation's performance; expectations associated with the Corporation's outlook, including among other things, anticipated commodity pricing and the volatility thereof, expectations about producer cash flows and resulting industry activities, market conditions and corresponding rig utilization; plans, strategies and expectations regarding the Corporation's balance sheet and financial resiliency; the crewing and contracting of the Corporation's rigs; the assessment of additional acquisition opportunities by the Corporation; anticipated industry wide inflationary costs and supply chain constraints and the resulting impact on the profitability of the Corporation; the Corporation's liquidity and capital resource needs; the expected effects of seasonality and weather on the Corporation's operations and business; expectations regarding the management of the Corporation's liquidity risk; expected future contractual commitments; the Corporation's treatment and categorization of doubtful accounts and expectations regarding credit loss rates based on its past experiences and expectations in respect of certain receivables; expectations relating to credit risk; the Corporation's assessment of its customers' creditworthiness; and the Corporation's expectations relating to market risk.

Forward-looking information is based on certain assumptions that Stampede has made in respect thereof as at the date of this MD&A regarding, among other things: the Corporation's ability to attract and retain sufficient qualified field labourers to fully crew and contract its rigs; that the current commodity price environment will have a positive effect on producer cash flows, resulting in increased drilling activity in Western Canada; the success of the measures implemented by the Corporation to ensure the safe, efficient and reliable operations at each of its drilling sites; the creditworthiness of the Corporation's customers and counterparties; the effectiveness of the Corporation's financial risk management policies at ensuring all payables are paid within the pre-agreed credit terms; that the Corporation has adequate access to its Credit Facility to provide the necessary liquidity needed to manage fluctuations in the timing of receipt and/or disbursement of operating cash flows; the belief that adjusted EBITDA, gross margin and gross margin percentage are useful supplemental financial measures; the ability of the Corporation to retain qualified staff; the ability of the Corporation to maintain key customers; the ability of the Corporation to obtain financing on acceptable terms; the belief that the Corporation's principal sources of liquidity will be sufficient to service its debt and fund its operations and other strategic opportunities; the ability of the Corporation to obtain financing on acceptable terms; the ability to protect and maintain the Corporation's intellectual property; the Corporation's ability to maintain financial resiliency in light of current macroeconomic conditions; and the regulatory framework regarding taxes and environmental matters in the jurisdictions in which the Corporation operates.

Forward-looking information is presented in this MD&A for the purpose of assisting investors and others in understanding certain key elements of the Corporation's financial results and business plan, as well as the objectives, strategic priorities and business outlook of the Corporation, and in obtaining a better understanding of the Corporation's anticipated operating environment. Readers are cautioned that such forward-looking information may not be appropriate for other purposes.

While Stampede believes the expectations and material factors and assumptions reflected in the forward-looking information is reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct. Forward-looking information is not a guarantee of future performance and actual results or events could differ materially from the expectations of the Corporation expressed in or implied by such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information is subject to a number of known and unknown risks and uncertainties including, but not limited to: the condition of the global economy, including trade, inflation, the ongoing conflict in Ukraine and other geopolitical risks; the condition of the crude oil and natural gas industry and related commodity prices; other commodity prices and the potential impact on the Corporation and the industry in which the Corporation operates, including levels of exploration and development activities; the impact of increasing competition; fluctuations in operating results; the ongoing significant volatility in world markets and the resulting impact on drilling and completions programs; fluctuations in worldwide demand for energy and the global advancement of alternative sources of energy and the impact thereof on the demand for the Corporation's services; foreign currency exchange rates; interest rates; labour and material shortages; cyber security risks; natural catastrophes; and certain other risks and uncertainties detailed under the heading "Risks and Uncertainties" herein and in the Corporation's annual management's discussion and analysis and annual information form, each dated March 16, 2023 for the year ended December 31, 2022, and from time to time in Stampede's public disclosure documents available at www.sedar.com.

This list of risk factors should not be construed as exhaustive. Readers are cautioned that events or circumstances could cause actual results to differ materially from those predicted, forecasted, or projected. Statements, including forward-looking information, are made as of the date of this MD&A and the Corporation does not undertake any obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

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