Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three and nine month periods ended September 30, 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	September 30, 2023	December 31, 2022
Assets			
Current Assets			
Cash		2,763	703
Trade and other receivables	12	17,090	13,908
Prepaid expenses and deposits		266	315
Total Current Assets		20,119	14,926
Non-Current Assets			
Property and equipment	8	91,830	87,047
Investment in equity securities	7	4,000	4,000
Right-of-use assets	3	1,446	1,846
Goodwill		461	461
Total Non-Current Assets		97,737	93,354
Total Assets		117,856	108,280
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	8,553	7,652
Demand Facility	9, 15	-	6,794
BDC Loan	9	-	1,500
Term Loan	9, 15	1,870	931
Convertible debentures	9	-	2,380
Lease liabilities	4, 15	415	433
Other liabilities	12, 15	63	63
Total Current Liabilities		10,901	19,753
Non-Current Liabilities			
Term Loan	9, 15	17,741	8,575
Lease liabilities	4, 15	1,093	1,403
Other liabilities	12, 15	37	72
Total Non-Current Liabilities		18,871	10,050
Total Liabilities		29,772	29,803
Shareholders' Equity			
Share capital	10	88,166	87,194
Contributed surplus		9,567	8,135
Equity component of convertible debentures		-	43
Accumulated other comprehensive income		913	932
Accumulated deficit		(16,208)	(23,473)
Total Shareholders' Equity		82,438	72,831
Non-controlling interest	6	5,646	5,646
Total Equity		88,084	78,477
Total Liabilities and Equity		117,856	108,280

Note 15 Commitments and Contractual Obligations
Note 17 Subsequent Events

See accompanying notes to these consolidated 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, September 30 2023	Three months ended, September 30 2022	Nine months ended, September 30 2023	Nine months ended, September 30 2022
Revenue	16	25,520	20,722	64,462	43,642
Cost of sales:					
Direct operating expenses		17,069	13,932	43,934	29,497
Depreciation of property and equipment	8	1,715	1,108	4,858	3,172
		18,784	15,040	48,792	32,669
Income from operations		6,736	5,682	15,670	10,973
Expenses					
Administrative		846	696	2,385	1,885
Salaries and benefits		1,404	1,111	3,950	2,692
Share based payments	11	355	29	918	144
Depreciation of right-of-use assets	3	106	61	321	153
		2,711	1,897	7,574	4,874
Income before finance costs and other income (expense)		4,025	3,785	8,096	6,099
Gain (loss) on asset disposals	8	80	(3)	646	(3)
Finance costs	13	(569)	(387)	(1,471)	(796)
Other income		12	2	15	9
Foreign exchange gain		11	37	8	13
Transaction costs		-	(569)	(29)	(595)
Net income		3,559	2,865	7,265	4,727
Other comprehensive income (loss)					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustment		(3)	(2)	(19)	25
Total comprehensive income		3,556	2,863	7,246	4,752
Basic income per share	5	$0.02	$0.02	$0.03	$0.03
Diluted income per share	5	$0.02	$0.02	$0.03	$0.03

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	Share Capital Amount	Contributed Surplus	Equity Component of Convertible Debenture	Accumulated Other Comprehensive Income	Non-Controlling Interest	Deficit	Total Equity
		(000's)	$	$	$	$	$	$	$
Balance as at January 1, 2022		**132,171**	**62,220**	**4,688**	**46**	**908**	**-**	**(31,683)**	**36,179**
Share based payments expense	11	-	-	144	-	-	-	-	144
Adjustment to carrying amount of non-controlling interest		-	-	2,540	-	-	5,646	-	8,186
Stock options exercised		558	117	-	-	-	-	-	117
Stock option value of exercised options		-	113	(113)	-	-	-	-	-
Issuance of common shares		83,202	26,625	-	-	-	-	-	26,625
Share issuance costs		-	(2,100)	-	-	-	-	-	(2,100)
Convertible debenture conversion		476	100	-	(1)	-	-	-	99
Comprehensive income for the period		-	-	-	-	25	-	4,727	4,752
Balance as at September 30, 2022		**216,407**	**87,075**	**7,259**	**45**	**933**	**5,646**	**(26,956)**	**74,002**
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	-	-	918	-	-	-	-	918
Stock options exercised	10	166	32	-	-	-	-	-	32
Stock option value of exercised options	10	-	27	(27)	-	-	-	-	-
Shares repurchased under NCIB	10	(3,838)	(1,505)	541					(964)
Share issuance costs	13	-	(5)	-	-	-	-	-	(5)
Convertible debenture conversion	9,10	11,490	2,423	-	(43)	-	-	-	2,380
Comprehensive income for the period		-	-	-	-	(19)	-	7,265	7,246
Balance as at September 30, 2023		**224,751**	**88,166**	**9,567**	**-**	**913**	**5,646**	**(16,208)**	**88,084**

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, September 30 2023	2022	Nine months ended, September 30 2023	2022
Cash flows from (used in) the following activities:					
Operating activities					
Net income		3,559	2,865	7,265	4,727
Adjustments for:					
Share based payments	11	355	29	918	144
Depreciation	3,8	1,821	1,169	5,179	3,325
(Gain) loss on asset disposals	8	(80)	3	(646)	3
Finance costs	13	569	387	1,471	796
Unrealized foreign exchange (gain)		(11)	(37)	(8)	(13)
Change in other liabilities		(10)	(12)	(35)	(37)
Funds from operating activities		6,203	4,404	14,144	8,945
Changes in non-cash working capital items	14	804	(4,068)	(749)	(4,176)
Net cash flows from operating activities		7,007	336	13,395	4,769
Financing activities					
Proceeds from issuance of common shares		-	26,625	-	26,625
Share issuance costs	10	(5)	(2,100)	(5)	(2,100)
Interest paid on BDC Loan	13	-	(27)	(91)	(71)
BDC Loan principal payments	9	-	(100)	(1,500)	(300)
Interest paid on convertible debentures	13	-	-	(19)	(130)
Proceeds of Term Loan, net of issuance costs	9	19,611	3,161	19,611	10,036
Term Loan principal payments	9	(9,167)	(117)	(9,667)	(233)
Interest paid on Term Loan	13	(210)	(130)	(568)	(184)
Net borrowing on Demand Facility	9	(10,054)	(1,038)	(6,794)	274
Interest paid on Demand Facility	13	(212)	(126)	(565)	(276)
Stock options exercised	10	-	103	32	117
Shares repurchased under NCIB	10	(964)	-	(964)	-
Lease liability payments	4	(121)	(66)	(373)	(192)
Net cash flows (used in) from financing activities		(1,122)	26,185	(903)	33,566
Investing activities					
Additions to property and equipment	8	(2,681)	(24,933)	(9,637)	(36,602)
Proceeds from the disposition of property and equipment	8	94	63	699	63
Investment in equity securities	7	-	(1,000)	-	(4,000)
Changes in non-cash working capital balances	14	(1,205)	(594)	(1,483)	2,231
Net cash flows used in investing activities		(3,792)	(26,464)	(10,421)	(38,308)
Change in cash		2,093	57	2,071	27
Effect of foreign exchange rate changes on cash		6	(3)	(11)	(12)
Cash, beginning of period		664	626	703	665
Cash, end of the period		2,763	680	2,763	680
Supplementary cash flow disclosure information:					
Interest paid during the period		422	153	1,243	477

See accompanying notes to these condensed consolidated interim financial statement

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 November 9, 2023.

<u>Recent developments and impact on estimation uncertainty</u>

For the period ended September 30, 2023, the Corporation assessed the impact of the Russian invasion of Ukraine as well as the Israeli Palestine conflict, 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:

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.

Significant accounting policies

Other than as outlined below, significant accounting policies are consistent with the audited annual financial statements for the year ended December 31, 2022.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. When purchased, common shares are reduced by the average carrying value with the excess of the purchase price recognized to the Corporation’s contributed surplus. Common shares are cancelled subsequent to being purchased.

IFRS 9, Financial Instruments

During the third quarter, the Corporation amended the terms of its Demand Facility and Term Loan and accounted for the amendments as an extinguishment (note 9).

Such an amendment, when completed, is considered by the Corporation to be either a debt modification or an extinguishment. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with a gain or loss to the carrying amount of the liability being recorded in profit or loss immediately.

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

3. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at December 31, 2022	3,112
Additions	-
Disposal	(97)
Balance at September 30, 2023	3,015
Accumulated depreciation	
Balance at December 31, 2022	1,266
Depreciation	321
Disposal	(18)
Balance at September 30, 2023	1,569
Carrying amounts	
Balance at December 31, 2022	1,846
Balance at September 30, 2023	1,446

4. LEASE LIABILITIES

The Corporation incurs lease payments related to corporate and field offices, entered 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	67
Lease payments	(373)
Disposal	(22)
Balance at September 30, 2023	1,508
Less: current portion	415
Ending balance - non-current portion	1,093

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

5. INCOME 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 and nine month periods ended September 30, 2023 and 2022 based on the following data:

	Three months ended, September 30		Nine months ended, September 30	
	2023	2022	2023	2022
Net income	3,559	2,865	7,265	4,727
Effect of finance cost savings on convertible debentures	-	56	14	169
Net income used in diluted income per common share	3,559	2,921	7,279	4,896
Weighted average common shares	227,561	168,187	226,984	144,313
Effect of stock options	1,370	2,946	1,561	2,956
Effect of convertible debentures	-	11,962	1,208	11,962
Diluted balance, end of period	228,931	183,095	229,753	159,231
Basic income per common share	$0.02	$0.02	$0.03	$0.03
Diluted income per common share	$0.02	$0.02	$0.03	$0.03

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 its 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 and $8,186 respectively (comprised of property and equipment) 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.

	September 30, 2023	December 31, 2022
Consolidated Statements of Financial Position		
Current assets	13	28
Non-current assets	12,127	12,083
Current liabilities	-	61
Non-current liabilities	717	560
Net Assets	11,423	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 and nine months ended September 30, 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 and nine months ended September 30, 2023.

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

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 investment represents a 19% current ownership stake in each subsidiary.

As at September 30, 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 and nine months ended September 30, 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	9,654	40	9,694
Disposals	(871)	-	(871)
Balance at September 30, 2023	115,138	960	116,098
Accumulated depreciation and impairment			
Balance at December 31, 2022	19,517	711	20,228
Depreciation for the period	4,794	64	4,858
Disposals	(818)	-	(818)
Balance at September 30, 2023	23,493	775	24,268
Carrying amounts			
Balance at December 31, 2022	86,838	209	87,047
Balance at September 30, 2023	91,645	185	91,830

Included in property and equipment as at September 30, 2023 are assets under construction of $11,757 (December 31, 2022 - $9,626) which will not depreciate until the assets are placed into service. Additions of $9,654 to Rigs and related equipment include $57 in non-cash amounts relating to lease buyouts.

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 September 30, 2023, the Corporation determined there were no impairment indicators in the contract drilling CGU.

9. LOANS AND BORROWINGS

Demand Operating Revolving Loan Facility ("Demand Facility")

On September 21, 2023, the Corporation entered into a new credit agreement, which has an initial term of three years, Stampede will have an available limit of $15,000 under a revolving credit facility and $15,000 under an additional revolving credit facility 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

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

(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 September 30, 2023, the Demand Facility was subject to the following financial covenants:

	Covenant	September 30, 2023	December 31, 2022
Fixed Charge Coverage Ratio (1)	1.50:1.00 or more	4.80:1.00	4.25:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	0.86:1.00	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 September 30, 2023, the Demand Facility had a zero balance (December 31, 2022 - $6,794) and the Corporation was in compliance with all covenants.

Term Loan ("Term Loan")
In conjunction with amending the Demand Facility on September 21, 2023, the Corporation entered into a loan facility in an amount of up to $20,000. The Term Loan has an interest rate equal to the lender's prime rate plus the applicable margin rate, and monthly principal repayments of $167.

The Term Loan matures on September 21, 2026, 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, which the Corporation was in compliance with as at September 30, 2023.

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.

During the second quarter of 2023 the Corporation terminated the BDC Loan remaining by paying off the remaining principal balance and cumulative three months interest on May 30, 2023 before the loan end date on September 1, 2023.

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

	September 30, 2023	December 31, 2022
BDC Loan	-	1,500
Term Loan	20,000	9,667
Less: unamortized debt issuance costs	(389)	(161)
Long term debt	19,611	11,006
Long term debt due within one year	1,870	2,431
Long term debt due beyond one year	17,741	8,575

Convertible Debentures

During the three and nine months ended September 30, 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 September 30, 2023	-	-	-

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 September 30, 2023.

Authorized and Issued Common Shares

	Number	Amount ($)
Balance at December 31, 2022	216,933	87,194
Issuance costs	-	(5)
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	-	27
Shares repurchased under NCIB	(3,838)	(1,505)
Balance at September 30, 2023	224,751	88,166

Normal Course Issuer Bid (“NCIB”)

On May 30, 2023, the Corporation announced that it had received TSX Venture Exchange (TSXV) approval to commence a normal course issuer bid to purchase for cancellation a maximum of 21,872 of its common shares representing 10% of the Corporation’s public float through the facilities of the TSXV and/or alternative trading platforms, commencing on June 1, 2023 and expiring on the earlier of May 31, 2024 and the date on which Stampede has acquired the maximum number of common shares allowable under the normal course issuer bid.

All common shares repurchased under the NCIB are returned to treasury for cancellation. As at September 30, 2023, the Corporation had repurchased and cancelled 3,838 common shares at a weighted average price per share of $0.25 pursuant to its NCIB.

(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 September 30, 2023 and December 31, 2022 and the changes for the nine month period ended September 30, 2023, are 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 granted to employees and directors	2,120	0.32
Options exercised	(166)	0.19
Options expired	(100)	0.33
Options forfeited	(1,006)	0.31
Outstanding at September 30, 2023	17,058	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	0.54
$0.20 to $0.27	3,333	0.21	2.39
$0.30 to $0.41	10,365	0.32	4.10
	17,058	0.27	3.06

	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	0.54
$0.21 to $0.27	2,474	0.21	2.32
$0.30 to $0.41	2,704	0.32	3.96
	8,513	0.23	2.14

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

	2023	2022
Risk-free interest rate range	3.29% - 3.87%	3.46%
Expected term	5.00	5.00
Annualized volatility	130%	119.37%
Dividend rate	-	-
Forfeiture rate	15%	15%
Average fair value per option granted	$0.32	$0.27

For the three month period ended September 30, 2023, the Corporation recorded share-based payment expense of $355 (2022 - $29). For the nine month period ended September 30, 2023, the Corporation recorded share-based payment expense of $918 (2022 - $144).

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 $97,384 as at September 30, 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 September 30, 2023 reconciles to the opening loss allowance provision as follows:

	Amount ($)
At December 31, 2022	268
Increase in credit loss allowance	57
As at September 30, 2023	325

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 the Corporation's cash is held by high credit quality financial institutions.

For the three month period ended September 30, 2023, the Corporation had two customers that comprised 13%, and 11% of total revenue, compared to four customers that comprised 11%, 11%, 10% and 10% of total revenue for the period ended September 30, 2022.

For the nine month period ended September 30, 2023, the Corporation had two customers that comprised 12%, and 11% of total revenue, compared to four customers that comprised 14%, 11%, 10% and 10% of total revenue for the period ended September 30, 2022.

For the accounts receivable balances outstanding as at September 30, 2023, the Corporation had three customers that comprised 17%, 13%, and 12% 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:

	September 30, 2023	December 31, 2022
Within 30 days	8,060	7,096
31 to 60 days	5,577	4,798
61 to 90 days	934	653
Over 90 days	1,040	248
Accrued accounts receivable	1,804	1,381
Allowance for doubtful accounts	(325)	(268)
Accounts receivable	17,090	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 September 30, 2023, the Corporation had working capital of $9,218 (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.

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

	September 30, 2023	December 31, 2022
Accounts payable	4,404	5,519
Accrued liabilities	4,149	2,133
Total accounts payable and accrued liabilities	8,553	7,652
Other current liabilities	63	63
Total current accounts payable and accrued liabilities and other liabilities	8,616	7,715
Other liabilities	37	72
Total accounts payable, accrued liabilities and other liabilities	8,653	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 and Term Loan which bears interest at floating market rates. For the three months period ended September 30, 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 $48. For the nine months period ended September 30, 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 $142. 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

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

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, 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 Term Loan approximates its carrying amount as the Term Loan has a floating interest rate. At September 30, 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 September 30, 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 income and comprehensive income are comprised of the following:

	Three months ended, September 30		Nine months ended, September 30	
	2023	2022	2023	2022
Interest on lease liabilities	21	10	67	20
Interest on Demand Facility	212	126	565	276
Interest on BDC Loan	-	27	91	71
Interest on Term Loan	210	130	568	184
Interest on convertible debentures	-	63	19	193
Amortization of deferred financing costs	126	20	161	20
Accretion on debentures	-	11	-	32
Finance costs	569	387	1,471	796

(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 and nine months ended September 30, 2023 and 2022:

	Three months ended, September 30		Nine months ended, September 30	
	2023	2022	2023	2022
Changes in non-cash working capital items:				
Trade and other receivables	(2,102)	(6,508)	(3,182)	(8,301)
Prepaid expenses and deposits	84	(19)	49	19
Accounts payable and accrued liabilities	1,617	1,865	901	6,337
Total	(401)	(4,662)	(2,232)	(1,945)
Relating to:				
Operating activities	804	(4,068)	(749)	(4,176)
Investing activities	(1,205)	(594)	(1,483)	2,231
Total	(401)	(4,662)	(2,232)	(1,945)

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 September 30, 2023:

(000's CAD $)	**2023**	**2024**	**2025**	**2026**	**2027**
Demand Facility	-	-	-	-	-
Term Loan	500	2,000	2,000	15,500	-
Term Loan interest(1)	419	1,570	1,401	940	-
Lease liabilities	121	485	391	379	291
Accounts payable and accrued liabilities	8,553	-	-	-	-
Other liabilities	27	45	11	11	6
Total	9,620	4,100	3,803	16,830	297

(1) Payments were estimated based on applicable interest rate at September 30, 2023

As of September 30, 2023, the Corporation has committed approximately $809 related to capital expenditures.

16. REVENUE RECOGNITION

	Three months ended, September 30		Nine months ended, September 30	
	2023	2022	2023	2022
Contract drilling rig services	13,079	10,573	20,162	21,799
Contract drilling rig lease revenue	12,441	10,149	44,300	21,843
Total revenue	25,520	20,722	64,462	43,642

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.

17. SUBSEQUENT EVENT

For the period from October 1, 2023 to November 8, 2023, the Corporation repurchased and canceled 5,267 common shares at a weighted average price per share of $0.26 pursuant to its NCIB.