Consolidated Financial Statements of

Stampede Drilling Inc.

As at and for the Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of Stampede Drilling Inc. (the "Corporation") and all other financial and operating information contained in the report are the responsibility of management. The consolidated financial statements have been prepared in accordance with the accounting policies detailed in the notes to the consolidated financial statements and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Management is also responsible for establishing and maintaining adequate internal controls over the Corporation's financial reporting. The Corporation's internal control system has been designed and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently and well maintained to provide relevant, timely and reliable information to management.

External auditors, appointed by the shareholders, have independently examined the consolidated financial statements. They have performed such tests they deem necessary to enable them to express an opinion on these consolidated financial statements.

The Audit Committee of the Board of Directors has discussed the consolidated financial statements, including the notes thereto, with management and the external auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

Signed "Lyle Whitmarsh"

President, Chief Executive Officer
and Chairman of the Board
March 14, 2024

Signed "Jeff Schab"

Chief Financial Officer
March 14, 2024

Independent auditor's report

To the Shareholders of Stampede Drilling Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stampede Drilling Inc. and its subsidiaries (together, the Corporation) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property and equipment for the land-based contract drilling cash generating unit *Refer to note 2 – Basis of preparation, note 3 – Material accounting policies, note 9 – Property and equipment and note 10 – Goodwill to the consolidated financial statements.* The Corporation operates one cash generating unit (CGU) which is the land-based contract drilling CGU. As at December 31, 2023, the Corporation had $94.8 million of property and equipment. Management assesses at each reporting date whether there is an indication that an asset or CGU may be impaired. If any such indication exists, then the asset's or CGU's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs of disposal or value in use. Management estimated the recoverable amount of the land-based contract drilling CGU based on a fair value less costs of disposal method using a discounted cash flow model. Estimating the recoverable amount requires management to apply judgment in determining key assumptions including revenue growth and discount rates used in the discounted cash flow model. The carrying amount of the Corporation's net assets was greater than its market capitalization as at December 31, 2023, and as a result, management performed an impairment test for the land-based contract drilling CGU. No impairment was recognized as the recoverable amount	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount for the land-based contract drilling CGU, which included the following: – Tested the appropriateness of the fair value less costs of disposal method, and the mathematical accuracy of the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – Evaluated the reasonableness of the revenue growth rate by comparing it to management's strategic plans approved by the Board of Directors, available third party published data, and current and past performance of the Corporation. – Evaluated the reasonableness of the discount rate based on available data of comparable companies.

exceeded the carrying value of the land-based contract drilling CGU.

We considered this a key audit matter due to (i) the significance of the property and equipment balance and (ii) the judgment by management in determining the recoverable amount of the land-based contract drilling CGU, including the use of key assumptions related to the revenue growth and discount rates. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing audit procedures and evaluating audit evidence relating to revenue growth and discount rates used by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Courtney Kolla.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 14, 2024

Stampede Drilling Inc.

Consolidated Statements of Financial Position

(Stated in thousands of Canadian dollars)	Note	December 31, 2023	December 31, 2022
Assets			
Current Assets			
Cash		3,517	703
Trade and other receivables	15	14,134	13,908
Prepaid expenses and deposits		287	315
Total Current Assets		17,938	14,926
Non-Current Assets			
Property and equipment	9	94,829	87,047
Investment in equity securities	8	4,000	4,000
Right-of-use assets	4	1,340	1,846
Goodwill	10	461	461
Total Non-Current Assets		100,630	93,354
Total Assets		118,568	108,280
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	15	9,105	7,652
Demand Facility	11	-	6,794
BDC Loan	11	-	1,500
Term Loan	11	2,370	931
Convertible debentures	12	-	2,380
Lease liabilities	5	421	433
Other liabilities	15	60	63
Total Current Liabilities		11,956	19,753
Non-Current Liabilities			
Term Loan	11	17,274	8,575
Lease liabilities	5	985	1,403
Other liabilities	15	27	72
Total Non-Current Liabilities		18,286	10,050
Total Liabilities		30,242	29,803
Shareholders' Equity			
Share capital	13	83,128	87,194
Contributed surplus		11,604	8,135
Equity component of convertible debentures	12	-	43
Accumulated other comprehensive income		917	932
Accumulated deficit		(12,926)	(23,473)
Total Shareholders' Equity		82,723	72,831
Non-Controlling interest	7	5,603	5,646
Total Equity		88,326	78,477
Total Liabilities and Equity		118,568	108,280

Note 21 Commitments and Contractual Obligations

Note 23 Subsequent Events

Signed "Thane Russell"	*Signed "Murray Hinz"*
Director	Director

See accompanying notes to these consolidated financial statements.

Stampede Drilling Inc.
Consolidated Statements of Comprehensive Income

(Stated in thousands of Canadian dollars, except per share amounts)	Note	Year ended, December 31 2023	2022
Revenue	22	85,956	66,879
Cost of sales:			
Direct operating expenses	19	56,825	44,564
Depreciation of property and equipment	9	6,649	4,484
		63,474	49,048
Income from operations		22,482	17,831
Expenses			
Administrative		3,291	2,881
Salaries and benefits		5,361	4,129
Share based payments	14	1,009	1,029
Depreciation of right-of-use assets	4	427	263
		10,088	8,302
Income before finance costs and other income (expense)		12,394	9,529
Gain on asset disposals	9	91	530
Finance costs	16	(1,974)	(1,246)
Other income		31	9
Foreign exchange gain		(7)	(3)
Transaction costs		(31)	(609)
Income from operations before taxes		10,504	8,210
Current tax expense	20	-	-
Deferred tax expense	20	-	-
Total income tax		-	-
Net income		10,504	8,210
Net income (loss) attributable to:			
Shareholders		10,547	8,210
Non-controlling interests	7	(43)	-
		10,504	8,210
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		(15)	24
Total comprehensive income		10,489	8,234
Total comprehensive income (expense) attributable to:			
Shareholders		10,532	8,234
Non-controlling interests	7	(43)	-
		10,489	8,234
Basic income per share	6	$0.05	$0.05
Diluted income per share	6	$0.05	$0.05

See *accompanying notes to these consolidated financial statements*

Stampede Drilling Inc.

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian dollars)

	Note	Share Capital		Contributed Surplus	Equity Component of Convertible Debenture	Accumulated Other Comprehensive Income	Non-Controlling Interest	Deficit	Total Equity
		Shares (000's)	Amount $	$	$	$	$	$	$
Balance as at January 1, 2022		**132,171**	**62,220**	**4,688**	**46**	**908**	**-**	**(31,683)**	**36,179**
Share based payments expense	14	-	-	1,029	-	-	-	-	1,029
Adjustment to carrying amount of non-controlling interest	7	-	-	2,540	-	-	5,646	-	8,186
Stock options exercised	13	608	127	-	-	-	-	-	127
Stock option value of exercised options	13	-	122	(122)	-	-	-	-	-
Issuance of common shares	13	83,202	26,625	-	-	-	-	-	26,625
Share issuance costs	13	-	(2,100)	-	-	-	-	-	(2,100)
Convertible debenture conversion	13	952	200	-	(3)	-	-	-	197
Comprehensive income for the period		-	-	-	-	24	-	8,210	8,234
Balance as at December 31, 2022		**216,933**	**87,194**	**8,135**	**43**	**932**	**5,646**	**(23,473)**	**78,477**
Balance as at January 1, 2023		**216,933**	**87,194**	**8,135**	**43**	**932**	**5,646**	**(23,473)**	**78,477**
Share based payments expense	14	-	-	1,009	-	-	-	-	1,009
Stock options exercised	13, 14	166	32	-	-	-	-	-	32
Stock option value of exercised options	13	-	27	(27)	-	-	-	-	-
Shares repurchased under NCIB	13	(16,585)	(6,530)	2,487					(4,043)
Share issuance costs	13	-	(18)	-	-	-	-	-	(18)
Convertible debenture conversion	12, 13	11,490	2,423	-	(43)	-	-	-	2,380
Comprehensive income (loss) for the period		-	-	-	-	(15)	(43)	10,547	10,489
Balance as at December 31, 2023		**212,004**	**83,128**	**11,604**	**-**	**917**	**5,603**	**(12,926)**	**88,326**

See accompanying notes to these consolidated financial statements

Stampede Drilling Inc.
Consolidated Statements of Cash Flows

(Stated in thousands of Canadian dollars)	Note	Year ended, December 31 2023	2022
Cash flows from (used in) the following activities:			
Operating activities			
Net income		10,504	8,210
Adjustments for:			
Share based payments	14	1,009	1,029
Depreciation	4, 9	7,076	4,747
Gain on asset disposals	9	(91)	(530)
Finance costs	16	1,974	1,246
Unrealized foreign exchange loss		7	3
Change in other liabilities		(48)	(46)
Funds from operating activities		20,431	14,659
Changes in non-cash working capital items	17	251	(4,504)
Net cash flows from operating activities		20,682	10,155
Financing activities			
Proceeds from issuance of common shares	13	-	26,625
Share issuance costs	13	(18)	(2,100)
Interest paid on BDC Loan	16	(91)	(101)
BDC Loan principal payments	11	(1,500)	(400)
Interest paid on convertible debentures	16	(19)	(257)
Proceeds of Term Loan, net of issuance costs	11	19,644	10,036
Term Loan principal payments	11	(9,699)	(567)
Interest paid on Term Loan	16	(994)	(353)
Net borrowing on Demand Facility	11	(6,794)	(204)
Interest paid on Demand Facility	16	(588)	(412)
Stock options exercised	13	32	127
Shares repurchased under NCIB	13	(4,043)	-
Lease liability payments	5	(494)	(317)
Net cash flows (used in) from financing activities		(4,564)	32,077
Investing activities			
Additions to property and equipment	9	(14,455)	(41,122)
Proceeds from the disposition of property and equipment	9	172	596
Investment in equity securities	8	-	(4,000)
Changes in non-cash working capital balances	17	1,004	2,345
Net cash flows used in investing activities		(13,279)	(42,181)
Change in cash		2,839	51
Effect of foreign exchange rate changes on cash		(25)	(13)
Cash, beginning of period		703	665
Cash, end of the period		3,517	703
Supplementary cash flow disclosure information:			
Interest paid during the period		1,692	1,123

See accompanying notes to these consolidated 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 consolidated financial statements of the Corporation are comprised of the Corporation, its wholly owned subsidiary Stampede Drilling (US) Inc., 50% owned subsidiary 2391764 Alberta Ltd. (Note 8) and the 18% ownership held in equity investments in two unlisted private Alberta companies.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

These consolidated financial statements have been prepared on the historical cost basis, except as disclosed in the material accounting policies, 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 consolidated financial statements were approved and authorized for issue by the Corporation’s Board of Directors on March 14, 2024.

Recent developments and impact on estimation uncertainty

For the year ended December 31, 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.

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.

(b) Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses. Judgments and estimates are continually evaluated and are based on historical experience and expectations of future events. While judgments and estimates used by the Corporation are believed to be reasonable under current circumstances, actual results could differ.
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 useful lives of the Corporation's property and equipment and recoverable amount of property and equipment and investments 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.

The current market conditions have increased the complexity of estimates and assumptions used to prepare the consolidated financial statements, particularly related to the following key sources of estimation uncertainty:

Property and equipment

The Corporation allocates amounts initially recognized as property and equipment to significant component parts. Significant component parts are depreciated based on estimates of useful lives and residual value. Useful lives and residual values can change as a result of actual usage experience. A change in the useful life or residual value may have an impact on the related depreciation expense. The Corporation reviews the useful lives and estimated residual values of property and equipment at the end of each reporting period.

Impairments

Management assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGU") may be impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) a significant decline in the market capitalization of the Corporation; (ii) changes in operating forecasts, including revenues, utilization rates and operating costs; and (iii) changes in market interest rates, are evaluated by management in determining whether there are any indicators of impairment. Management performs impairment tests on property and equipment when impairment indicators exist. For goodwill, Management performs an impairment test, at least annually.

Impairment tests require the estimation of recoverable amounts, which are the higher of fair value less costs of disposal or value in use and are based on a discounted cash flow model. The determination of recoverable amounts is subject to key assumptions including revenue growth and discount rates. These estimates are most relevant to goodwill and property and equipment recognized by the Corporation.

Determination of CGUs

Significant judgement is involved in determining the smallest group of assets that generate independent cash flows. Management has determined the Corporation currently operates one CGU which is land-based contract drilling.

Recoverable amounts

Determining the recoverable amount of a 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.

Leases

Lease liabilities are subject to fair value estimates using the present value of future cash flow of the lease. The present value calculation uses assumptions based on the Corporation's incremental borrowing rate when the rate implicit in the lease is not readily available, whether any optional lease buyouts will be exercised, and whether leases will be extended.

Share-based payments

Share-based payments are subject to fair value estimates using the Black-Scholes model. This model uses key assumptions such as volatility, interest rates, and expected life.

Accounts receivable

The Corporation is subject to credit risk on accounts receivable balances and assesses the recoverability of accounts receivable using expected credit losses on an ongoing basis. Assessing accounts receivable for impairment involves significant judgement and uncertainty, including estimates of future events. Changes in circumstances underlying these estimates may result in the Corporation recognizing an additional allowance against accounts receivable.

Convertible debentures

The Corporation's debentures are non-derivative financial instruments that create a financial liability for the Corporation and grant an option to the holder of the instrument to convert it into common shares of the Corporation. The issuance of the convertible debentures, and extinguishment of convertible debentures, required management to make estimates to determine the fair value of the liability and equity components. The liability component of the debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. Estimates include the interest rate for debt with similar terms with no conversion feature and includes assumptions about sector risk, entity size, and entity credit quality. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the debentures are reclassified to shareholders' capital on conversion to common shares.

Consolidation of 50% owned subsidiary

The Corporation has applied judgment in determining that its subsidiary, 2391764 Alberta Ltd., should be consolidated with a 50% ownership interest (Note 7).

Investment in equity securities

The Corporation applies judgement in determining the fair value measurement of investments in equity securities of two unlisted private companies (level 3), where quoted prices are unavailable and other valuation techniques must be applied (Note 8). In performing its valuation, the Company may consider and assess the financial position of the entities it is invested in, future cash flows, recent financing raises, qualitative factors, and other unobservable information. Future cash flows are subject to significant estimates regarding such issues as timing, magnitude of cash flows and appropriate discount rates.

3. MATERIAL ACCOUNTING POLICIES

(a) Cash

Cash is comprised of deposits held in banks and highly liquid investments having original terms to maturity of 90 days or less.

(b) Financial instruments

Amendments or Modifications

The accounting treatment of a modification to a financial instrument depends on whether the modified terms are substantially different than the previous terms. Terms of an amended 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 instrument. 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 instrument with a gain or loss to

the carrying amount of the liability being recorded in profit or loss immediately. Any deferred financing fees on the extinguished instrument are recognized in profit or loss.

Classification

Financial Instruments are classified upon initial recognition into one of the following categories: fair value through profit and loss (“FVTPL”), fair value through other comprehensive income (“FVTOCI”), or amortized cost.

The Corporation determines the classification of financial assets at initial recognition. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Corporation has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive income in the period in which they arise. Where management has opted to recognize as a financial liability at FVTPL, any changes associated with the Corporation’s own credit risk will be recognized in other comprehensive income.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. Financial assets and liabilities at amortized cost are initially recognized as at fair value, and subsequently carried at amortized cost less any impairment.

(c) 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.

(d) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Share-based payment transactions

The Corporation has an employee stock option plan that provides all option holders the right to purchase common shares for the options exercised. The Corporation follows the fair value method for accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized for the stock options on the date of grant and amortized over the option's vesting period. Share-based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Corporation.

(f) Earnings per share

The Corporation presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the income or loss attributable to ordinary shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method by adjusting the income or loss attributable to ordinary shareholders and the weighted average number of common shares outstanding based on the assumption that any proceeds obtained on exercise of stock options and warrants would be used to purchase common shares at the average market price during the period.

(g) Basis of consolidation

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Corporation, liabilities incurred by the Corporation to the former owners of the acquiree and the equity interests issued by the Corporation in exchange for control of the acquiree. Acquisition-related costs, other than those associated with the issue of debt or equity securities, that the Corporation incurs in connection with a business combination are recognized in profit or loss as incurred.

The Corporation measures goodwill as the fair value of the consideration transferred plus the recognized amount of any non-controlling interest in the acquiree, less the net recognized fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in income or loss.

The acquired assets and assumed liabilities are recognized at fair value on the date the Corporation effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property and equipment are based on assumptions estimating the fair value of these items.

The optional concentration test under IFRS 3 permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The Corporation may elect to apply, or not apply, the test. The Corporation may make an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Foreign currency translation

The financial statements for the Corporation's subsidiaries are prepared using each functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income. Foreign currency transactions are translated in the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of comprehensive income.

Consolidation

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date on which control ceases. Intercompany transactions, balances and unrealized gains on transactions between companies are eliminated. For non-wholly owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interest" in the equity section of the consolidated balance sheet. Profit and loss for the period that is attributable to non-controlling interests is typically calculated based on the ownership of the minority shareholders in the subsidiary.

(h) Property and equipment

Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of assets. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment.

Depreciation

Depreciation is calculated based on the cost of an asset less its residual value.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

	Expected Life	Salvage Value	Basis of depreciation
Rigs and related equipment	3 - 15 years	5% - 20%	straight-line
Machinery and other equipment	3 - 7 years	nil - 20%	straight-line

Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

(i) Revenue recognition

The Corporation's revenue policy is that revenue is recognized when there is persuasive evidence of an arrangement, that it is probable that the economic benefits associated with a service provided will flow to the entity, the amount of revenue can be measured reliably, collection is reasonably assured and the costs incurred and costs to complete the transaction can be measured reliably.

In compliance with IFRS 15, the Corporation recognizes revenue when a performance obligation is satisfied by transferring promised goods or services to a customer and the amount recorded is measured at the fair value of the consideration received.

The Corporation's standard drilling rig contract includes performance obligations to provide drilling services and rig equipment, which are satisfied over time. Once determined, the transaction price will be allocated to each performance obligation based on stand-alone selling prices. The Corporation recognizes revenue daily, based on agreed-upon rates in each contract and on the daily activity of the rig. As such, there will be no unfulfilled performance obligations.

The Corporation's services are generally sold based upon contracts that include fixed or determinable prices based upon daily, hourly or job rates.

The Corporation's contracts contain both a lease and a service element. IFRS 15 requires revenue from both the service and lease elements related to customer contracts to be presented separately. 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.

(j) Impairments

<u>Financial assets</u>

A financial asset not carried at fair value through income or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Corporation considers evidence of impairment for receivables at both a specific asset and collective level. In assessing collective impairment, the Corporation uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income or loss.

The Corporation does not have any hedging arrangements. The impairment model under IFRS 9, Financial Instruments ("IFRS 9") requires the recognition of impairment provisions based on expected and incurred credit losses rather than only incurred credit losses. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss model to its trade accounts receivable. Lifetime expected credit losses are the result of all possible default events over the expected life of the financial instrument.

<u>Non-financial assets</u>

The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposal. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income or loss. Impairment losses recognized in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Finance income and finance costs

Finance income comprises interest from funds invested. Interest income is recognized as it accrues in income or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs

that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in income or loss using the effective interest method.

(l) Segment reporting

An operating segment is a component of the Corporation that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Corporation's other components. All operating segments' results are reviewed regularly by key management personnel to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to key management personnel include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Corporation's head office), head office expenses, and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

(m) Lease assets and obligations

Lease assets

The Corporation has lease agreements for items including office space and vehicles which qualify as leased assets under IFRS 16.

At inception, the Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Corporation allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases under which the Corporation is a lessee are recognized as a right-of-use asset and a corresponding lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, initial direct costs incurred, estimated costs to restore the underlying asset, and any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the estimated useful life of the asset or the lease term, whichever is shorter.

Lease obligations

The lease liability includes the net present value of fixed payments, variable lease payments arising from a change in an index or rate, amounts expected to be payable under a residual value guarantee, the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for terminating the lease, unless there is reasonable certainty that the Corporation will not terminate the lease early. These payments are discounted using the Corporation's incremental borrowing rate when the rate implicit in the lease is not available. The lease payments are allocated between the liability and finance costs which are charged to net earnings over the lease term.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option.

Payments made related to the lease obligations are allocated between finance costs and the reduction of the outstanding lease obligations.

Finance costs are allocated to each period during the lease term using the effective interest rate method. Lease modifications, where the scope changes in exchange for additional or reduced corresponding consideration, are accounted for as a separate lease. For a lease modification that is not a separate lease or where the change in consideration is not correlated with a change in the scope of the lease, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, with a corresponding adjustment to the right of use asset. The lease term includes

the non-cancellable period of the lease agreement and periods covered by any option to renew, where it is reasonably certain that the option will be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases that have terms of less than one year or leases on which the underlying asset is of low value are recognized as an expense in profit or loss on a straight-line basis over the lease term.

As a lessor, the Corporation assesses at inception whether a lease is a finance or operating lease. Where the Corporation transfers substantially all of the risk and rewards incidental to ownership of the underlying asset, the lease is classified as a finance lease and the Corporation recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of the aggregate of lease payments receivable. If substantially all the risks and rewards of ownership of the asset are not transferred, the lease is classified as an operating lease and the Corporation recognizes the lease payments received on a straight-line basis over the lease term as other income.

4. RIGHT-OF-USE ASSETS

As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. Right-of-use assets are depreciated over the shorter of the assets useful life and the lease term on a straight line basis.

	Total
Cost	
Balance at December 31, 2021	1,357
Additions	1,755
Disposal	-
Balance at December 31, 2022	3,112
Additions	-
Disposal	(97)
Balance at December 31, 2023	3,015
Accumulated depreciation	
Balance at December 31, 2021	1,003
Depreciation	263
Disposal	-
Balance at December 31, 2022	1,266
Depreciation	427
Disposal	(18)
Balance at December 31, 2023	1,675
Carrying amounts	
Balance at December 31, 2022	1,846
Balance at December 31, 2023	1,340

5. LEASE LIABILITIES

The Corporation incurs lease payments related to corporate and field offices, and vehicle leases, 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 consolidated statements of comprehensive income.

	Total
Balance at December 31, 2021	391
Additions	1,718
Interest expense	44
Lease payments	(317)
Balance at December 31, 2022	1,836
Additions	-
Interest expense	86
Lease payments	(494)
Disposals	(22)
Balance at December 31, 2023	1,406
Less: current portion	421
Ending balance - non-current portion	985

Amounts for leases short term in nature and low dollar value at December 31, 2023 are $17 (December 31, 2022 - $14).

6. EARNINGS PER SHARE

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

	Year ended, December 31	
	2023	2022
Net income attributable to shareholders	10,547	8,210
Effect of finance cost savings on convertible debentures	14	224
Net income used in diluted income per common share	10,561	8,434
Weighted average common shares	224,807	162,505
Effect of stock options	1,495	2,908
Effect of convertible debentures	904	11,486
Diluted balance, end of period	227,206	176,899
Basic income per common share	$0.05	$0.05
Diluted income per common share	$0.05	$0.05

7. 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. These consolidated financial statements include 100% of the assets and liabilities related to 2391764 Alberta Ltd. and 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.

	Year ended, December 31	
	2023	2022
Consolidated Statements of Financial Position		
Current assets	32	28
Non-current assets	12,489	12,083
Current liabilities	-	61
Non-current liabilities	1,117	560
Net Assets	11,404	11,490
Attributable to NCI[1]	5,603	5,646

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

	Year ended, December 31	
	2023	2022
Consolidated Statements of Comprehensive Income		
Revenues	-	-
Expenses	85	-
Net loss	(85)	-
Net loss attributable to NCI	(43)	-

	Year ended, December 31	
	2023	2022
Consolidated Statements of Cash Flows		
Cash flows used in operating activities	(150)	33
Cash flows from financing activities	504	612
Cash flows used in investing activities	(406)	(593)
Decrease in cash position	(52)	52

No dividends were paid out to the non-controlling interest for the year ended December 31, 2023 (2022 - $0).

8. INVESTMENT IN EQUITY SECURITIES

On January 4, 2022, the Corporation paid $3,000 in cash consideration for an equity investment in two private Alberta companies, which are controlled by AlbertaCo. The two individual investments of $1,500 were made in two separate subsidiaries of AlbertaCo and represented a 15% ownership stake in each subsidiary. On September 20, 2022, the Corporation made an additional investment of $1,000. The cumulative $4,000 investment represents a 18% ownership interest in the shares of each investee. The investments have been designated by the Corporation to be measured at fair value through other comprehensive income ("FVOCI") as they are not publicly traded and are fair valued based on unobservable inputs (level 3). AlbertaCo provides technology for it's coil tubing drilling operations.

As at December 31, 2023, the estimated fair value of investment in equity securities is $4,000 (2022 - $4,000). No dividends were declared or paid out to the Corporation for the year ended December 31, 2023 (2022 - $0).

9. PROPERTY AND EQUIPMENT

	Rigs and related equipment	Machinery and other equipment	Total
Cost			
Balance at December 31, 2021	57,198	920	58,118
Additions	49,308	-	49,308
Disposals	(151)	-	(151)
Balance at December 31, 2022	106,355	920	107,275
Addition	14,472	40	14,512
Disposals	(1,165)	(160)	(1,325)
Balance at December 31, 2023	119,662	800	120,462
Accumulated depreciation and impairment			
Balance at December 31, 2021	15,254	575	15,829
Depreciation for the period	4,348	136	4,484
Disposals	(85)	-	(85)
Balance at December 31, 2022	19,517	711	20,228
Depreciation for the period	6,482	167	6,649
Disposals	(1,115)	(129)	(1,244)
Balance at December 31, 2023	24,884	749	25,633
Carrying amounts			
Balance at December 31, 2022	86,838	209	87,047
Balance at December 31, 2023	94,778	51	94,829

Included in property and equipment at December 31, 2023 are assets under construction of $13,002 (December 31, 2022 - $9,626) which will not depreciate until the assets are placed into service. Additions of $14,472 to Rigs and related equipment include $79 in non-cash amounts relating to lease buyouts.

During the year ended December 31, 2023, property and equipment with a total net book value of $81 (2022 - $66) were disposed of for total proceeds of $725 (2022 - $596).

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 Note 2(b). The carrying amount of the Corporation's net asset value was greater than its market capitalization as at December 31, 2023, and as a result, Management performed an impairment test for the land-based contract drilling CGU. No impairment was recognized as the estimated recoverable amount exceeded its carrying value. Refer to Note 10 for details on the Corporation's impairment test as at December 31, 2023, including key assumptions and sensitivities.

As at December 31, 2022, the Corporation determined there were no impairment indicators in the land-based contract drilling CGU.

10. GOODWILL

	2023	2022
Balance – beginning and end of period	461	461

Goodwill by definition has no defined useful life and therefore it is not amortized but is tested for impairment at least annually. At December 31, 2023 and 2022, the Corporation performed its annual impairment test for goodwill and concluded that there was no impairment in its single land-based contract drilling CGU (including goodwill) as the recoverable amount for this CGU was higher than its respective carrying amount.

The recoverable amount as at December 31, 2023, was based on a fair value less costs of disposal calculation by estimating the future cash flows that would be generated from operations and utilized the following key assumptions:

- A post-tax discount rate of approximately 16%, which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.
- Five year forecasted cash flows, taking into consideration industry conditions, actual 2023 operating results and past experience. The primary source of the cash flow information was the Corporation's budget, developed based on benchmark commodity prices and industry supply-demand fundamentals.
- There is a risk that impairment charges may be required in future periods due to the volatility and uncertainty of the economy and commodity price environment.
- A terminal value was used assuming 2% annual growth rate for cash flows through the remainder of the CGU's life.
- A 5% decrease in the forecast revenue growth would decrease the recoverable amount of the CGU by $12,287 and would not create an impairment.
- A 1% increase in the post-tax discount rate would decrease the recoverable amount of the CGU by $10,908 and would not create an impairment.

For the year ended December 31, 2023, the Corporation determined there was no impairment in the land-based contract drilling CGU.

11. 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 Corporation, subject to the limitations, and (b) 50% of the net orderly liquidation value of the capital assets and equipment for the Corporation 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 December 31, 2023, the Demand Facility was subject to the following financial covenants:

	Covenant	December 31, 2023	December 31, 2022
Fixed Charge Coverage Ratio (1)	1.50:1.00 or more	4.35:1.00	4.25:1.00
Net Funded Debt to EBITDA Ratio (2)	3.00:1.00 or less	0.80:1.00	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 means, as at each Quarter End, the ratio of (i) EBITDA of the Borrower for the previous 12 calendar months ending at such Quarter End less Unfinanced Capital Expenditures, cash Taxes and cash Distributions to shareholders of the Borrower to (ii) Fixed Charges for the previous 12 calendar months ending at such Quarter End (except for the first four Quarter Ends following the Drawdown under the Demand Facility for which Fixed Charges in connection with the Term Loan shall be calculated with reference to the principal repayments and trailing twelve month interest in connection therewith as at each such Quarter End).
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 December 31, 2023, the Demand Facility had a nil 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 quarterly principal repayments of $500.
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 December 31, 2023.

As at December 31, 2023, a total of $20,000 was outstanding on the Term Loan and the Corporation had $356 in unamortized debt issuance costs. The amount of the Term Loan excluding unamortized debt issuance costs due within one year is $2,500 and $17,500 is due beyond one year.

Business Development Bank of Canada ("BDC Loan")

During the second quarter of 2023 the Corporation extinguished the BDC Loan 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.

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

	December 31, 2023	December 31, 2022
BDC Loan	-	1,500
Term Loan	20,000	9,667
Less: unamortized debt issuance costs	(356)	(161)
Long term debt	19,644	11,006
Long term debt due within one year	2,370	2,431
Long term debt due beyond one year	17,274	8,575

12. CONVERTIBLE DEBENTURES

During the year ended December 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 January 1, 2022	2,612	2,532	46
Accretion of discount	-	41	-
Conversion of convertible debentures	(200)	(193)	(3)
Balance at December 31, 2022	2,412	2,380	43
Conversion of convertible debentures	(2,412)	(2,380)	(43)
Balance at December 31, 2023	-	-	-

13. 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 December 31, 2023.

Authorized and Issued Common Shares

	Number	Amount ($)
Balance as at December 31, 2021	132,171	62,220
Issuance of common shares	83,202	26,625
Issuance costs	-	(2,100)
Issued shares pursuant to convertible debenture conversion	952	200
Issued shares pursuant to the exercise of stock options	608	127
Stock option value of exercised options	-	122
Balance at December 31, 2022	216,933	87,194
Issuance costs	-	(18)
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	(16,585)	(6,530)
Balance at December 31, 2023	212,004	83,128

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 December 31, 2023, the Corporation had repurchased and cancelled 16,585 common shares at a weighted average price per share of $0.24 pursuant to its NCIB.

Contributed surplus

Contributed surplus is comprised of stock-based compensation expense, stock option exercises, fair value differences on share repurchase. As at December 31, 2023, the Corporation had a fair value adjustment on the repurchase of shares of $2,487 based on the difference between the weighted average share price purchased under the Corporation's NCIB, and the carrying value of common shares.

Accumulated other comprehensive income

Accumulated other comprehensive income is the cumulative translation account that comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14. 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 December 31, 2023 and December 31, 2022 and the changes for the periods 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 granted to employees and directors	2,120	0.32
Options exercised	(166)	0.19
Options expired	(100)	0.33
Options forfeited	(1,691)	0.29
Outstanding at December 31, 2023	16,373	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	0.29
$0.20 to $0.27	3,148	0.21	2.11
$0.30 to $0.41	9,865	0.32	3.85
	16,373	0.27	2.78

	Exercisable		
Range of Exercise Prices	Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Years)
Employees and directors			
$0.18 to $0.185	3,360	0.18	0.29
$0.21 to $0.27	2,411	0.21	2.05
$0.30 to $0.41	4,478	0.32	3.73
	10,249	0.25	2.21

Shared-based payments

For the year ended December 31, 2023, the Corporation recorded share-based payment expense of $1,009 (2022 - $1,029). The Corporation granted 2,120 stock options during 2023 (2022 – 9,165).

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

	2023	2022
Risk-free interest rate range	3.29% - 3.87%	3.46%
Expected term	5.00	5.00
Annualized volatility	130.64%	119.37%
Dividend rate	-	-
Forfeiture rate	15%	15%
Average fair value per option granted	$0.20	$0.27

15. 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 $89,110 as at December 31, 2023 (December 31, 2022 - $84,790). For the year ended December 31, 2023, the Corporation complied with externally imposed requirements on its capital, including covenants related to its Demand Facility and Term Loan.

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

Credit risk

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

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

	Amount ($)
At December 31, 2022	268
Increase in credit loss allowance	7
As at December 31, 2023	275

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 is held by high credit quality financial institutions.

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

For the accounts receivable balances outstanding as at December 31, 2023, the Corporation had five customers that comprised 20%, 18%, 11%, 11%, and 11% 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:

	December 31, 2023	December 31, 2022
Within 30 days	4,934	7,096
31 to 60 days	5,883	4,798
61 to 90 days	1,288	653
Over 90 days	1,225	248
Accrued accounts receivable	1,080	1,381
Allowance for doubtful accounts	(276)	(268)
Accounts receivable	14,134	13,908

As at December 31, 2023, the Corporation has one customer with accounts receivable balances over 90 days outstanding of $464, which is currently on a scheduled payment plan.

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 December 31, 2023, the Corporation had working capital of $5,982 (December 31, 2022 – ($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 September 21, 2023, the Corporation entered into a new credit agreement, which has an initial term of three years, the Corporation will have an available limit of $15,000 under a revolving credit facility and $15,000 under an additional revolving credit facility increasing the Corporation's liquidity.

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

	December 31, 2023	December 31, 2022
Accounts payable	6,630	5,519
Accrued liabilities	2,475	2,133
Total accounts payable and accrued liabilities	9,105	7,652
Other current liabilities	60	63
Total current accounts payable and accrued liabilities and other liabilities	9,165	7,715
Other liabilities	27	72
Total accounts payable, accrued liabilities and other liabilities	9,192	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, and foreign exchange rates.

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 year ended December 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 $184. 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. For the year ended December 31, 2023, if the foreign exchange rate increased/decreased by 1% with all other variables held constant, the impact on the Corporation's net income is immaterial. This analysis has been determined based on the immaterial exposure to foreign exchange for financial instruments outstanding at December 31, 2023.

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 December 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 December 31, 2023 and 2022, the fair value of the investment in equity securities approximates their carrying value.

16. FINANCE COSTS

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

	Year ended, December 31	
	2023	2022
Interest on lease liabilities	86	44
Interest on Demand Facility	588	412
Interest on BDC Loan	91	101
Interest on Term Loan	994	353
Interest on convertible debentures	19	257
Amortization of deferred financing costs	193	38
Accretion on debentures	-	41
Other Interest	3	-
Finance costs	1,974	1,246

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended, December 31	
	2023	2022
Changes in non-cash working capital items:		
Trade and other receivables	(226)	(7,135)
Prepaid expenses and deposits	28	(102)
Accounts payable and accrued liabilities	1,453	5,078
Total	1,255	(2,159)
Relating to:		
Operating activities	251	(4,504)
Investing activities	1,004	2,345
Total	1,255	(2,159)

18. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS

The key management personnel of the Corporation are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The key management compensation is as follows:

	Year ended December 31,	
	2023	2022
Short-term employee benefits	1,858	2,268
Share based payments	757	685
Total key executive management personnel compensation	2,615	2,953

As at December 31, 2023, the Corporation has nil balance (December 31, 2022 - $700) owing to related parties for the convertible debentures. During the year, the Corporation paid $3 for interest on the convertible debentures to related parties (December 31, 2022 - $70).

19. EXPENSE BY NATURE

	Year ended, December 31	
	2023	2022
Direct operating expenses		
Field wages and benefits	43,045	33,459
Repairs and maintenance	11,542	9,532
External services	2,238	1,573
Total direct operating expenses	56,825	44,564

20. INCOME TAXES

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended, December 31	
	2023	2022
Net income before income tax for continuing operations	10,504	8,210
Canadian statutory rate	25%	25%
Expected income tax	2,626	2,053
Effect on taxes resulting from:	-	-
Non taxable / deductible items	261	333
Statutory and other rate differences	(5)	58
Transaction Costs	-	149
Prior period adjustments	66	(39)
Unrecognized deferred tax asset and other	(2,948)	(2,554)
Total income tax (recovery)	-	-

	Recognized in the Statement of Comprehensive income(loss)	Recognized through statement of financial position
Deferred tax assets		
Non-capital losses		
Balance at December 31, 2022	8,854	-
Additions	1,907	-
Balance at December 31, 2023	10,761	
Other		
Balance at December 31, 2022	993	-
Additions	(141)	-
Balance at December 31, 2023	852	
Deferred tax liabilities		
Property and equipment		
Balance at December 31, 2022	(9,848)	-
Additions	(1,765)	-
Balance at December 31, 2023	(11,613)	

The components of unrecognized deferred tax assets are as follows:

	Year ended, December 31	
	2023	2022
Deferred tax assets not recognized		
Share issuance costs		
Non-capital losses	3,005	5,835
Other	34	75
Unrecognized deferred tax asset	3,039	5,910

The Canadian non-capital losses of approximately $51,613 (2022 - $55,386) expire between 2035 and 2043. The US non-capital losses of approximately $4,250 (2022 - $4,296) begin to expire in 2032.

21. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

(000's CAD $)	**2024**	**2025**	**2026**	**2027**	**2028**
Term Loan	-	2,500	2,000	15,500	-
Term Loan interest(1)	-	1,588	1,415	951	-
Lease liabilities	-	485	391	379	291
Accounts payable and accrued liabilities	9,105	-	-	-	-
Other liabilities	15	45	11	11	5
Total	9,120	4,618	3,817	16,841	296

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

22. REVENUE RECOGNITION

	Year ended, December 31	
	2023	2022
Contract Drilling rig services	43,045	33,459
Contract Drilling rig lease revenue	42,911	33,420
Total revenue	85,956	66,879

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. 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.

23. SUBSEQUENT EVENT

For the period from January 1, 2024 to March 14, 2024, the Corporation repurchased and canceled 1,256 common shares at a weighted average price per share of $0.24 pursuant to its NCIB.