



**Consolidated Financial Statements**

**Stampede Drilling Inc.**

As at and for the years ended December 31, 2025 and 2024

(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 12, 2026

**Signed "Jeff Schab"**

Chief Financial Officer  
March 12, 2026



# Independent auditor's report

To the Shareholders of Stampede Drilling Inc.

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## 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, 2025 and 2024, 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, 2025 and 2024;
- the consolidated statements of income and 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.

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## 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.

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

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.

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## 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, 2025. 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
<p><b>Impairment assessment of the land-based contract drilling cash generating unit</b></p> <p>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.</p> <p>The Corporation operates one cash generating unit (CGU), which is the land-based contract drilling CGU. As at December 31, 2025, the Corporation had \$106,133 thousand 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 rates, future</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none"><li>• Evaluated how management determined the recoverable amount of the land-based contract drilling CGU, which included the following:<ul style="list-style-type: none"><li>– Tested the appropriateness of the fair value less costs of disposal method, and the mathematical accuracy of the discounted cash flow model.</li><li>– Tested the underlying data used in the discounted cash flow model.</li><li>– Evaluated the reasonableness of the revenue growth rates, future operating expenses and capital expenditures by comparing the assumptions to management's strategic plans approved by the Board of Directors, available third party published data and current and past performance of the Corporation, as applicable.</li></ul></li></ul>

Key audit matter	How our audit addressed the key audit matter
<p>operating expenses and capital expenditures and the discount rate used in the discounted cash flow model.</p> <p>The carrying amount of the Corporation's net assets was greater than its market capitalization as at December 31, 2025, and as a result, management performed an impairment test for the land-based contract drilling CGU. No impairment was recognized as the recoverable amount exceeded the carrying value of the land-based contract drilling CGU.</p> <p>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 rates, future operating expenses and capital expenditures and the 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 rates, future operating expenses and capital expenditures and the discount rate used by management. Professionals with specialized skill and knowledge in the field of valuation also assisted us in performing our procedures.</p>	<ul style="list-style-type: none"> <li>- With the assistance of professionals with specialized skill and knowledge in the field of valuation, assessed the appropriateness of the discounted cash flow model and the reasonableness of the discount rate used within the model.</li> </ul>

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## 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.

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## **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.

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## **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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta

March 12, 2026

**Stampede Drilling Inc.**

## Consolidated Statements of Financial Position

<i>(Stated in thousands of Canadian dollars)</i>	Note	December 31, 2025	December 31, 2024
<b>Assets</b>			
<b>Current Assets</b>			
Cash		655	756
Trade and other receivables	14	14,781	13,682
Prepaid expenses and deposits		376	399
<b>Total Current Assets</b>		<b>15,812</b>	<b>14,837</b>
<b>Non-Current Assets</b>			
Property and equipment	9	106,133	101,050
Investment in equity securities	8	4,000	4,000
Right-of-use assets	4	1,802	445
Goodwill	10	461	461
<b>Total Non-Current Assets</b>		<b>112,396</b>	<b>105,956</b>
<b>Total Assets</b>		<b>128,208</b>	<b>120,793</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	14	7,431	7,508
Demand Facility	11, 20	5,775	2,213
Term Loan Facility	11, 20	1,425	1,568
Lease liabilities	5, 20	593	382
Other liabilities	14, 20	-	15
<b>Total Current Liabilities</b>		<b>15,224</b>	<b>11,686</b>
<b>Non-Current Liabilities</b>			
Term Loan Facility	11, 20	14,201	15,828
Lease liabilities	5, 20	1,245	106
Deferred tax liabilities	19	1,119	178
<b>Total Non-Current Liabilities</b>		<b>16,565</b>	<b>16,112</b>
<b>Total Liabilities</b>		<b>31,789</b>	<b>27,798</b>
<b>Shareholders' Equity</b>			
Share capital	12	76,951	80,099
Contributed surplus		16,903	14,157
Accumulated other comprehensive income		909	899
Accumulated deficit		(3,949)	(7,767)
<b>Total Shareholders' Equity</b>		<b>90,814</b>	<b>87,388</b>
<b>Non-Controlling interest</b>	7	5,605	5,607
<b>Total Equity</b>		<b>96,419</b>	<b>92,995</b>
<b>Total Liabilities and Equity</b>		<b>128,208</b>	<b>120,793</b>

Note 20 Commitments and Contractual Obligations

*Signed "Thane Russell"*

Director

*Signed "Murray Hinz"*

Director

*See accompanying notes to these consolidated financial statements*

**Stampede Drilling Inc.**

## Consolidated Statements of Income and Comprehensive Income

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>	Note	Year ended, December 31	
		2025	2024
<b>Revenue</b>	21	71,403	82,074
Cost of sales:			
Direct operating expenses	18	48,763	54,948
Depreciation of property and equipment	9	9,486	8,320
		58,249	63,268
<b>Income from operations</b>		13,154	18,806
<b>Expenses</b>			
Administrative		3,132	3,907
Salaries and benefits		5,866	5,744
Share based payments	13	679	1,199
Depreciation of right-of-use assets	4	588	461
		10,265	11,311
<b>Income before finance costs, other income (expense) and taxes</b>		2,889	7,495
Gain on asset disposals	9	4,157	52
Finance costs	15	(1,773)	(1,983)
Other income		58	50
Foreign exchange (loss) gain		(40)	63
Transaction costs		(534)	(105)
<b>Income from operations before taxes</b>		4,757	5,572
Deferred income tax expense	19	941	409
Total income tax		941	409
<b>Net income</b>		3,816	5,163
<b>Net income (loss) attributable to:</b>			
Shareholders		3,818	5,159
Non-controlling interests	7	(2)	4
		3,816	5,163
<b>Other comprehensive income (expense)</b>			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		10	(18)
<b>Total comprehensive income</b>		3,826	5,145
<b>Total comprehensive income (loss) attributable to:</b>			
Shareholders		3,828	5,141
Non-controlling interests	7	(2)	4
		3,826	5,145
<b>Basic income per share</b>	6	\$0.02	\$0.02
<b>Diluted income per share</b>	6	\$0.02	\$0.02

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 Shares (000's)	Amount \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Non- Controlling Interest \$	Deficit \$	Total Equity \$
<b>Balance as at January 1, 2024</b>		<b>212,004</b>	<b>83,128</b>	<b>11,604</b>	<b>917</b>	<b>5,603</b>	<b>(12,926)</b>	<b>88,326</b>
Share based payments expense		-	-	1,122	-	-	-	1,122
Stock options exercised		3,210	578	-	-	-	-	578
Stock option value of exercised options		-	511	(511)	-	-	-	-
Shares repurchased under NCIB		(11,017)	(4,348)	1,942	-	-	-	(2,406)
Share issuance costs		-	230	-	-	-	-	230
Comprehensive (loss) income for the period		-	-	-	(18)	4	5,159	5,145
<b>Balance as at December 31, 2024</b>		<b>204,197</b>	<b>80,099</b>	<b>14,157</b>	<b>899</b>	<b>5,607</b>	<b>(7,767)</b>	<b>92,995</b>
<b>Balance as at January 1, 2025</b>		<b>204,197</b>	<b>80,099</b>	<b>14,157</b>	<b>899</b>	<b>5,607</b>	<b>(7,767)</b>	<b>92,995</b>
Share based payments expense	13	-	-	590	-	-	-	590
Shares repurchased under NCIB <sup>1</sup>	12	(7,976)	(3,148)	2,156	-	-	-	(992)
Comprehensive (loss) income for the period		-	-	-	10	(2)	3,818	3,826
<b>Balance as at December 31, 2025</b>		<b>196,221</b>	<b>76,951</b>	<b>16,903</b>	<b>909</b>	<b>5,605</b>	<b>(3,949)</b>	<b>96,419</b>

<sup>1</sup> 3,720 shares were repurchased on December 29, 2025, and cancelled by treasury on January 2, 2026. As a result, the ending shares issued and outstanding at December 31, 2025, net of treasury shares of 3,720 was 196,221. The ending share registry balance for December 31, 2025 was 199,942.

See accompanying notes to these consolidated financial statements.

**Stampede Drilling Inc.**

Consolidated Statements of Cash Flows

		Year ended, December 31	
<i>(Stated in thousands of Canadian dollars)</i>		2025	2024
<b>Cash flows from (used in) the following activities:</b>			
<b>Operating activities</b>			
Net income		3,816	5,163
Adjustments for:			
Share based payments	13	590	1,122
Depreciation	4, 9	10,074	8,781
Gain on asset disposals	9	(4,157)	(52)
Finance costs	15	1,773	1,983
Deferred income tax expense	19	941	409
Unrealized foreign exchange loss (gain)		40	(63)
Change in other liabilities		(15)	(72)
<b>Funds from operating activities</b>		<b>13,062</b>	<b>17,271</b>
Changes in non-cash working capital items	16	(783)	1,458
<b>Net cash flows from operating activities</b>		<b>12,279</b>	<b>18,729</b>
<b>Financing activities</b>			
Term Loan Facility issuance costs	11	(196)	-
Term Loan Facility principal payments	11	(1,697)	(2,378)
Interest paid on Term Loan Facility	15	(1,108)	(1,517)
Borrowing on Demand Facility	11	3,562	2,213
Interest paid on Demand Facility	15	(484)	(271)
Stock options exercised	12, 13	-	578
Shares repurchased under NCIB	12	(992)	(2,406)
Lease liability payments	5	(658)	(527)
<b>Net cash flows used in financing activities</b>		<b>(1,573)</b>	<b>(4,308)</b>
<b>Investing activities</b>			
Additions to property and equipment	9	(15,672)	(14,642)
Proceeds from the disposition of property and equipment	9	5,260	153
Changes in non-cash working capital balances	16	(365)	(2,715)
<b>Net cash flows used in investing activities</b>		<b>(10,777)</b>	<b>(17,204)</b>
<b>Change in cash</b>		<b>(71)</b>	<b>(2,783)</b>
Effect of foreign exchange rate changes on cash		(30)	22
<b>Cash, beginning of period</b>		<b>756</b>	<b>3,517</b>
<b>Cash, end of the period</b>		<b>655</b>	<b>756</b>
<b>Supplementary cash flow disclosure information:</b>			
Interest paid during the period	15	1,592	1,788

*See accompanying notes to these consolidated financial statements.*

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**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 – 9<sup>th</sup> 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 7) 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 12, 2026.

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.

Certain comparative figures have been reclassified to conform to the current presentation.

**(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.

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

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**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

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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. 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 estimates 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 rates, future operating expenses and capital expenditures, and the discount rate used in the discounted cash flow model. 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, including uncertainty related to exploration and development activities carried out by the Corporation's customers and the associated demand for the oilfield services provided by the Corporation, 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.

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

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.

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 Corporation 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.

**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.

**STAMPEDE DRILLING INC.**  
**(In thousands of Canadian dollars except for per share amounts)**

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**Notes to the Consolidated Financial Statements**  
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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.

The Corporation grants Restricted Share Units ("RSUs") to certain named executives of the Corporation. RSUs are cash-settled share-based payment arrangements that entitle the holder to receive a cash payment equal to the market value of the Corporation's common shares on the settlement date, subject to the satisfaction of vesting conditions. The fair value of RSUs is measured at the grant date using the market price of the Corporations' common shares. Because RSUs are cash-settled, a liability is recognized and measured initially at fair value and remeasured at each reporting date until settlement, with changes in fair value recognized in profit or loss.

Compensation expense is recognized over the applicable vesting period, based on the Corporation's estimate of the number of RSUs expected to vest. The expense is adjusted at each reporting date to reflect revisions to this estimate. Upon settlement, the liability is extinguished and the corresponding cash payment is made. RSUs that do not vest as a result of failure to satisfy service or other non-market vesting conditions are forfeited, and any previously recognized compensation expense related to those awards is reversed.

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**(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,

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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:

	<b>Expected Life</b>	<b>Salvage Value</b>	<b>Basis of depreciation</b>
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, *Revenue from Contracts with Customers* (“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**

Financial assets

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.

Non-financial assets

The carrying amounts of the Corporation's non-financial 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.

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**(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, *Leases*.

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

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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.

**(n) Accounting standards issued but not yet applied**

In May 2024, the IASB issued amendments to IFRS 9, *Financial Instruments* and IFRS 7, *Financial Instruments: Disclosures*, to clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled using an electronic payment system. The amendments also clarify the requirements for assessing whether a financial asset meets the solely payments of principal and interest criterion, and adds disclosure requirements for financial instruments with certain contingent features and for equity investments designated at fair value through other comprehensive income. The amendments are effective January 1, 2026, with early adoption permitted. The amendments are required to be adopted retrospectively, and do not require comparatives to be restated. The amendments will be effective on January 1, 2026, but will not have a material impact on the Corporation's financial statements.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* (IFRS 18), which provides presentation and disclosure requirements for the primary financial statements and related notes, replacing IAS 1, *Presentation of Financial Statements*. IFRS 18 introduces defined categories for income and expenses and requires disclosure of new defined subtotals, including operating profit. The new standard also requires additional notes for management performance measures and disclosure of certain expenses by nature. There are some associated changes to the statement of cash flows, including the starting point for the calculation of cash flows from operating activities and the categorization of interest and dividends. IFRS 18 is effective January 1, 2027, with early adoption permitted. The new standard is required to be adopted retrospectively.

The Corporation is currently assessing the required adjustments to its chart of accounts, along with other enterprise system change requirements. Draft financial statements are being prepared to quantify the impact of changes, as are draft management performance measures and the related disclosures. Throughout 2026, the Corporation will finalize its drafted disclosures, prepare retrospective disclosures for the comparative period, and continue communication with stakeholders.

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**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
<b>Cost</b>	
Balance at December 31, 2024	2,581
Additions	1,951
Disposals	(1,707)
Balance at December 31, 2025	2,825
<b>Accumulated depreciation</b>	
Balance at December 31, 2024	2,136
Depreciation	588
Disposals	(1,701)
Balance at December 31, 2025	1,023
<b>Carrying amounts</b>	
Balance at December 31, 2024	445
Balance at December 31, 2025	1,802

**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, 2024	488
Interest expense	57
Lease payments	(658)
Additions	1,951
Balance at December 31, 2025	1,838
Less: Current portion	593
Ending balance - non-current portion	1,245

Amounts for leases short term in nature and low dollar value at December 31, 2025 are \$27 (December 31, 2024 - \$29).

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**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, 2025 and 2024 based on the following data:

	Year ended, December 31	
	2025	2024
Net income	3,818	5,159
Weighted average common shares	200,928	210,355
Effect of stock options	-	185
Weighted average common shares - Diluted	200,928	210,540
Basic income per common share	\$0.02	\$0.02
Diluted income per common share <sup>(1)</sup>	\$0.02	\$0.02

<sup>(1)</sup> For the twelve months ended December 31, 2025, 18.3 million, respectively (2024 - 17.7 million) common shares related to the assumed exercise of stock-based compensation were excluded from the calculation of dilutive net income per share, as the effect was anti-dilutive.

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

	December 31, 2025	December 31, 2024
<b>Statements of Financial Position</b>		
Current assets	15	17
Non-current assets	12,489	12,489
Non-current liabilities	1,095	1,094
Net assets	11,409	11,412
Attributable to NCI <sup>(1)</sup>	5,605	5,607

<sup>(1)</sup> Differences in amounts attributable to NCI and 50% of net assets due to fair value adjustments recorded on initial contribution.

	Year ended, December 31	
	2025	2024
<b>Statements of Comprehensive Income</b>		
Expenses (income)	4	(8)
Net income (loss)	(4)	8
Net income (loss) attributable to NCI	(2)	4

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	Year ended, December 31	
	2025	2024
<b>Statements of Cash Flows</b>		
Cash flows from (used in) operating activities	(1)	23
Cash flows from (used in) financing activities	-	-
Cash flows from (used in) investing activities	-	-
Change in cash position	(1)	23

No dividends were paid out to the non-controlling interest for the year ended December 31, 2025 (2024 - \$nil).

**8. INVESTMENT IN EQUITY SECURITIES**

The Corporation holds an 18% ownership interest in the shares of two private Alberta companies, which are controlled by AlbertaCo. 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). These investments controlled by AlbertaCo, provide technology for coil tubing drilling operations.

As at December 31, 2025, the estimated fair value of the Corporation's investment in equity securities is \$4,000 (2024 - \$4,000). No dividends were declared or paid out to the Corporation for the year ended December 31, 2025 (2024 - \$nil).

**9. PROPERTY AND EQUIPMENT**

	Rigs and related equipment	Machinery and other equipment	Total
<b>Cost</b>			
Balance at December 31, 2024	133,763	838	134,601
Additions	15,959	3	15,962
Disposals	(2,864)	(170)	(3,034)
Balance at December 31, 2025	146,858	671	147,529
<b>Accumulated depreciation and impairment</b>			
Balance at December 31, 2024	32,722	829	33,551
Depreciation for the period	9,474	12	9,486
Disposals	(1,471)	(170)	(1,641)
Balance at December 31, 2025	40,725	671	41,396
<b>Carrying amounts</b>			
Balance at December 31, 2024	101,041	9	101,050
Balance at December 31, 2025	106,133	-	106,133

Included in property and equipment at December 31, 2025 are assets under construction of \$10,323 (December 31, 2024 - \$10,979) which will not depreciate until the assets are placed into service.

During the year ended December 31, 2025, property and equipment with a total net book value of \$1,392 (2024 - \$101) were disposed of for total proceeds of \$5,550 (2024 - \$153).

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, 2025, 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 tests as at December 31, 2025 and 2024, including key assumptions and sensitivities.

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**10. GOODWILL**

	2025	2024
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, 2025 and 2024, 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, 2025, 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 14%, which considered the cost of capital of comparable companies, past experience, asset specific risk and anticipated debt to equity levels. A 1% increase in post-tax discount rate would not create an impairment.
- Five year forecasted cash flows, taking into consideration industry conditions, actual 2025 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. Forecasted cash flows include revenue growth rates, future operating expenses, and capital expenditures. A 10% decrease in the forecasted cash flows would not create an impairment.
- 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, which ultimately drives 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.

**11. LOANS AND BORROWINGS**

**Demand Operating Revolving Loan Facility ("Demand Facility")**

On July 21, 2025, the Corporation amended and restated their Credit Agreement, extending the term of the Credit Agreement from September 20, 2026 to September 20, 2028. Under the Credit Agreement, the Corporation 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 Receivable 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, 2025, the Demand Facility was subject to the following financial covenants:

	Covenant	December 31, 2025	December 31, 2024
Fixed Charge Coverage Ratio <sup>(1)</sup>	1.50:1.00 or more	3.78:1.00	4.25:1.00
Net Funded Debt to EBITDA Ratio <sup>(2)</sup>	3.00:1.00 or less	1.54:1.00	1.09:1.00

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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 Facility 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, 2025, \$5,775 (December 31, 2024 - \$2,213) was drawn on the Demand Facility and the Corporation was in compliance with all covenants.

**Term Loan Facility (“Term Loan Facility”)**

The Term Loan Facility has an interest rate equal to the lender’s prime rate plus the applicable margin rate, and quarterly principal repayments are calculated as 2.5% of the outstanding principal.

The Term Loan Facility matures on September 21, 2028, 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 Facility is subject to the same covenants as described for the Demand Facility above, which the Corporation was in compliance with as at December 31, 2025.

As at December 31, 2025, a total of \$15,925 (2024 - \$17,622) was outstanding on the Term Loan Facility and the Corporation had \$299 (2024 - \$226) in unamortized debt issuance costs. The amount of the Term Loan Facility excluding unamortized debt issuance costs due within one year is \$1,425 and \$14,201 is due beyond one year.

As at December 31, 2025, the balance of the Term Loan Facility is as follows and the Corporation was in compliance with all covenants.

	December 31, 2025	December 31, 2024
Term Loan Facility	15,925	17,622
Less: unamortized debt issuance costs	(299)	(226)
Long term debt	15,626	17,396
Long term debt due within one year	1,425	1,568
Long term debt due beyond one year	14,201	15,828

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**12. 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, 2025.

Authorized and Issued Common Shares

	Number (000's)	Amount (\$)
Balance at December 31, 2023	212,004	83,128
Issuance costs	-	230
Issued shares pursuant to the exercise of stock options	3,210	578
Stock option value of exercised options	-	511
Shares repurchased under NCIB	(11,017)	(4,348)
Balance at December 31, 2024	204,197	80,099
Shares repurchased under NCIB <sup>(1)</sup>	(7,976)	(3,148)
Balance at December 31, 2025	196,221	76,951

<sup>(1)</sup> 3,720 shares were repurchased on December 29, 2025, and cancelled by treasury on January 2, 2026. As a result, the ending shares issued and outstanding at December 31, 2025, net of treasury shares of 3,720 was 196,221. The ending share registry balance for December 31, 2025 was 199,942.

**Normal Course Issuer Bid ("NCIB")**

On December 3, 2025, 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 18,602 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 December 9, 2025 and expiring on the earlier of December 8, 2026 and the date on which the Corporation 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. For the twelve month period ended December 31, 2025, the Corporation had repurchased and cancelled 7,976 common shares at a weighted average price per share of \$0.12 pursuant to its NCIB.

Contributed surplus

Contributed surplus is comprised of stock-based compensation expense, stock option exercises, and fair value differences on share repurchases. As at December 31, 2025, the Corporation had a fair value adjustment on the repurchase of shares of \$2,156 based on the difference between the weighted average share price purchased under the Corporation's NCIB, and the carrying value of common shares at cost (2024 - \$1,942).

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. For the years ended December 31, 2025 and 2024, the amount was not material.

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**13. 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, 2025 and December 31, 2024 and the changes for the periods then ended, is as follows:

Stock Options	Outstanding (000's)	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2023	16,373	0.27
Options granted to employees and directors	5,270	0.24
Options exercised	(3,210)	0.18
Options expired	(600)	0.25
Options forfeited	(106)	0.32
Outstanding at December 31, 2024	17,727	0.28
Options granted to employees and directors	900	0.15
Options exercised	-	-
Options expired	-	-
Options forfeited	(340)	0.30
Outstanding at December 31, 2025	18,287	0.27

Total Outstanding

Range of Exercise Prices	Number(000's)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.15 to \$0.19	900	0.15	4.41
\$0.20 to \$0.27	8,027	0.23	2.29
\$0.30 to \$0.41	9,360	0.32	1.89
	18,287	0.27	2.19

Exercisable

Range of Exercise Prices	Outstanding (000's)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (Years)
<u>Employees and directors</u>			
\$0.20 to \$0.27	5,418	0.22	1.77
\$0.30 to \$0.41	8,874	0.32	1.87
	14,292	0.28	1.83

Shared-based payments

For the year ended December 31, 2025, the Corporation recorded equity-settled share-based payment expense of \$590 (2024 - \$1,122). The Corporation granted 900 stock options during 2025 (2024 - 5,270).

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Restricted share units

The Corporation has a cash-settled restricted share unit ("RSU") plan for certain named executives of the Corporation. Under the terms of the restricted share unit plan, RSUs granted will vest in three equal portions on the first, second and third anniversary of the grant date. RSU grants will be settled in cash in the amount equal to the volume-weighted-average trading price of the common shares of the Corporation for the five trading days preceding the particular vesting date of the award.

A summary of the Corporation's outstanding restricted share units as at December 31, 2025 and December 31, 2024 and the changes for the period then ended, is as follows:

(000's Units)	Restricted Share Units	
Balance at December 31, 2024		703
Granted		1,425
Vested		(239)
Balance at December 31, 2025		1,889

(000's CAD \$)	Year ended, December 31	
	2025	2024
Cash-settled share-based compensation expense		
Expense arising from RSUs	89	77
Total cash-settled share-based compensation expense	89	77

As at December 31, 2025, \$133 of outstanding liabilities for cash-settled compensation plans (December 31, 2024 - \$77) are included in accounts payable and accrued liabilities disclosed in note 14.

Stock based compensation expense recognized in the consolidated statements of comprehensive income is comprised of the following:

(000's CAD \$)	Year ended, December 31	
	2025	2024
Stock options – equity settled expense	590	1,122
RSUs - cash settled expense	89	77
Total stock based compensation expense	679	1,199

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

	2025	2024
Risk-free interest rate	2.85%	3.64%
Expected term	5.00	5.00
Annualized volatility	122.92%	129.16%
Forfeiture rate	15%	15%
Average fair value per option granted	\$0.12	\$0.22

**14. 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, and working capital, which was \$77,539 as at December 31, 2025 (December 31,

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2024 - \$83,250). For the year ended December 31, 2025, the Corporation complied with externally imposed requirements on its capital, including covenants related to its Demand Facility and Term Loan Facility, and expects to remain in compliance over the next year.

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, a decrease 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, 2025 reconciles to the opening loss allowance provision as follows:

	Amount (\$)
At December 31, 2024	462
Decrease in credit loss allowance	(353)
At December 31, 2025	109

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, 2025, the Corporation had three customers that comprised 16%, 15% and 14% of total revenue, compared to two customers that comprised 14%, and 10% of total revenue for theyear ended December 31, 2024.

For the accounts receivable balances outstanding as at December 31, 2025, the Corporation had four customers that comprised 22%, 20%, 12%, and 10% of the total balance as compared to three customers that comprised 17%, 14%, and 10% of the total balance as at December 31, 2024.

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

	December 31, 2025	December 31, 2024
Within 30 days	6,104	6,436
31 to 60 days	4,330	3,954
61 to 90 days	2,021	1,312
Over 90 days	1,222	1,730
Accrued accounts receivable	1,213	712
Allowance for doubtful accounts	(109)	(462)
Accounts receivable	14,781	13,682

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, 2025, the Corporation had working capital of \$588 (December 31, 2024 – \$3,151). 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.

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

	December 31, 2025	December 31, 2024
Accounts payable	4,749	4,710
Accrued liabilities	2,682	2,798
Total accounts payable and accrued liabilities	7,431	7,508
Other current liabilities	-	15
Total current accounts payable and accrued liabilities and other liabilities	7,431	7,523

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 Facility which bears interest at floating market rates. For the year ended December 31, 2025, 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 \$212 (2024 - \$197). 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, 2025, 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 (2024 – Immaterial). This analysis has been determined based on the immaterial exposure to foreign exchange for financial instruments outstanding at December 31, 2025 and 2024.

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 Facility approximates its carrying amount as the Term Loan Facility has a floating interest rate. At December 31, 2025, 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, 2025 and 2024, the fair value of the investment in equity securities approximates their carrying value.

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**15. FINANCE COSTS**

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

	Year ended, December 31	
	2025	2024
Interest on lease liabilities	57	60
Interest on Demand Facility	484	271
Interest on Term Loan Facility	1,108	1,517
Amortization of deferred financing costs	124	130
Other interest	-	5
<b>Finance costs</b>	<b>1,773</b>	<b>1,983</b>

**16. SUPPLEMENTAL CASH FLOW INFORMATION**

The following is a summary of net change in non-cash working capital items for the years ended December 31, 2025 and 2024:

	Year ended, December 31	
	2025	2024
Changes in non-cash working capital items:		
Trade and other receivables	(1,099)	452
Prepaid expenses and deposits	23	(112)
Accounts payable and accrued liabilities	(77)	(1,597)
<b>Total</b>	<b>(1,153)</b>	<b>(1,257)</b>
Relating to:		
Operating activities	(783)	1,458
Investing activities	(370)	(2,715)
<b>Total</b>	<b>(1,153)</b>	<b>(1,257)</b>

**17. KEY MANAGEMENT COMPENSATION AND RELATED PARTY TRANSACTIONS**

Key management personnel are comprised of the Corporation's Board of Directors and executive officers. The following table summarizes expenses related to key management personnel:

	Year ended December 31,	
	2025	2024
Short-term employee benefits	2,348	2,053
Share based payments	439	1,144
	<b>2,787</b>	<b>3,197</b>

**18. EXPENSE BY NATURE**

	Year ended, December 31	
	2025	2024
Direct operating expenses		
Field wages and benefits	37,531	41,619
Repairs and maintenance	9,328	11,263
External services	1,904	2,066
<b>Total direct operating expenses</b>	<b>48,763</b>	<b>54,948</b>

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**19. INCOME TAXES**

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

	Year ended, December 31	
	2025	2024
Net income before income tax	4,757	5,572
Canadian statutory rate	25%	25%
Expected income tax	1,196	1,396
<i>Effect on taxes resulting from:</i>		
Non taxable / deductible items	(268)	319
Statutory and other rate differences	3	(3)
Prior period adjustments	(17)	(7)
Unrecognized deferred tax asset and other	27	(1,296)
Total deferred income tax expense	941	409

	Year ended, December 31, 2025	Recognized in the Statement of Comprehensive income(loss)	Year ended, December 31, 2024
<b>Net deferred income tax liability</b>			
<i>Deferred income tax assets</i>			
Non-capital losses	12,948	517	12,431
Other	575	163	412
<i>Deferred income tax liabilities</i>			
Property, plant and equipment	(14,642)	(1,621)	(13,021)
Balance at December 31, 2025	(1,119)	(941)	(178)

The components of unrecognized deferred tax assets are as follows:

	Year ended, December 31	
	2025	2024
<b>Deferred tax assets not recognized</b>		
Non-capital losses	1,525	1,546
Other	35	37
Unrecognized deferred tax asset	1,560	1,583

The Canadian non-capital losses of approximately \$53,773 (2024 - \$51,860) expire between 2034 and 2045. The US non-capital losses of approximately \$4,536 (2024 - \$4,696) expire between 2031 and 2044.

**20. COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

The following table reflects the Corporation's commitments and contractual obligations as of December 31, 2025:

(000's CAD \$)	2026	2027	Thereafter
Demand Facility	5,775	-	-
Term Loan Facility	1,534	1,386	13,005
Term Loan Facility interest <sup>(1)</sup>	951	859	590
Lease liabilities	685	681	644
Accounts payable and accrued liabilities	7,431	-	-
Total	16,376	2,926	14,239

(1) Payments were estimated based on the applicable interest rate at December 31, 2025.

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**21. REVENUE RECOGNITION**

	Year ended, December 31	
	2025	2024
Contract drilling rig services	37,531	41,619
Contract drilling rig lease revenue	33,872	40,455
Total revenue	71,403	82,074

The Corporation's customer 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.