



Unaudited Condensed Consolidated Interim Financial Statements of

Stampede Drilling Inc.

For the three month period March 31, 2020 and 2019

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Unaudited Condensed Consolidated Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Stampede Drilling Inc. (the "Corporation") have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Stampede Drilling Inc.**Condensed Consolidated Statements of Financial Position (Unaudited)**

<i>(Stated in thousands of Canadian dollars)</i>		March 31 2020	December 31, 2019
	Note	\$	\$
Assets			
Current Assets			
Cash and cash equivalents		640	321
Trade and other receivables	12	7,856	7,514
Prepaid expenses and deposits		127	123
Total Current Assets		8,623	7,958
Non-Current Assets			
Property and equipment	8	43,726	44,111
Right-of-use assets	5	855	652
Goodwill		461	461
Total Non-Current Assets		45,042	45,224
Total Assets		53,665	53,182
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	12	4,239	4,946
Operating loan	9	8,208	8,482
Convertible debentures		2,556	2,530
Lease liabilities - current portion		349	241
Total Current Liabilities		15,352	16,199
Non-Current Liabilities			
Lease liabilities - non-current portion	6	527	429
Total Non-Current Liabilities		527	429
Total Liabilities		15,879	16,628
Shareholders' Equity			
Share capital		62,184	62,184
Contributed surplus		3,805	3,710
Equity component of convertible debentures		265	265
Accumulated other comprehensive income		890	888
Accumulated deficit		(29,358)	(30,493)
Total Equity		37,786	36,554
Total Liabilities and Equity		53,665	53,182

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.**Condensed Consolidated Statements of Comprehensive Income (Unaudited)**

<i>(Stated in thousands of Canadian dollars, except per share amounts)</i>		Three months ended March 31,	
		2020	2019
	Note	\$	\$
Revenue		10,890	7,763
Cost of sales:			
Direct operating expenses		7,361	4,403
Depreciation of property and equipment	8	1,090	938
		8,451	5,341
Income from operations		2,439	2,422
Expenses			
Administrative		302	380
Salaries and benefits		643	481
Share based payments	11	95	29
Depreciation of right-of-use assets	5	102	108
		1,142	998
Net income from continuing operations before finance costs and other income (expense)		1,297	1,424
Gain from equipment lost in hole		-	15
Finance costs	13	(221)	(175)
Other income		24	42
Foreign exchange gain		35	4
Transaction costs		-	(99)
Net income from continuing operations before taxes		1,135	1,211
Net income from continuing operations		1,135	1,211
Net income from discontinued operations	4	-	830
Net income		1,135	2,041
Other comprehensive income			
Items that may be subsequently reclassified to profit or:			
Foreign currency translation adjustment		2	-
Total comprehensive income from continuing operations		1,137	1,211
Total comprehensive income from discontinued operations		-	830
Total comprehensive income		1,137	2,041
Basic income per share from continuing operations		\$0.01	\$0.01
Diluted income per share from continuing operations		\$0.01	\$0.01
Basic income per share		\$0.01	\$0.02
Diluted income per share		\$0.01	\$0.01

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.

Condensed Consolidated Statements of Changes in Equity (Unaudited)

(Stated in thousands of Canadian dollars)

	Share Capital Shares (,000's)	Amount \$	Contributed Surplus \$	Equity Component of Convertible Debenture \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total Equity \$
Balance as at December 31, 2018	131,615	62,054	3,357	265	893	(30,248)	36,321
Share based payments expense	-	-	36	-	-	-	36
Comprehensive income for the period	-	-	-	-	-	2,041	2,041
Balance as at March 31, 2019	131,615	62,054	3,393	265	893	(28,207)	38,398
Balance as at December 31, 2019	132,046	62,184	3,710	265	888	(30,493)	36,554
Share based payments expense	-	-	95	-	-	-	95
Comprehensive income for the period	-	-	-	-	2	1,135	1,137
Balance as at March 31, 2020	132,046	62,184	3,805	265	890	(29,358)	37,786

See accompanying notes to these condensed consolidated interim financial statements

Stampede Drilling Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)

		For the three months ended March 31,	
(Stated in thousands of Canadian dollars)		2020	2019
		\$	\$
Cash flows from (used in) the following activities:			
Operating activities			
Net income from continuing operations		1,135	1,211
Adjustments for:			
Share based payments		95	29
Depreciation	5,8	1,192	1,046
Gain on equipment lost in hole		-	(15)
Finance costs	13	157	110
Accretion of debentures		64	65
Changes in non-cash working capital items	14	535	(2,400)
Net operating cash flow - continuing operations		3,178	46
Net operating cash flow - discontinued operations	4	-	(780)
Net cash flows from (used in) operating activities		3,178	(734)
Financing activities			
(Repayment) proceeds of operating loan		(274)	3,224
Interest on operating loan	13	(120)	(67)
Finance lease principle payments	6	(110)	(99)
Net financing cash flows - continuing operations		(504)	3,058
Net financing cash flows - discontinued operations	4	-	-
Net cash flows (used in) from financing activities		(504)	3,058
Investing activities			
Additions to property and equipment	8	(705)	(255)
Proceeds from equipment lost in hole		-	194
Changes in non-cash working capital balances	14	(1,652)	(1,619)
Net investing cash flows - continuing operations		(2,357)	(1,680)
Net investing cash flows - discontinued operations	4	-	315
Net cash flows used in investing activities		(2,357)	(1,365)
Change in cash and cash equivalents		317	959
Effect of foreign exchange rate changes on cash		2	-
Cash and cash equivalents, beginning of period		321	115
Cash and cash equivalents, end of the period		640	1,074
Supplementary cash flow disclosure information:			
Interest paid during the period		120	67

See accompanying notes to these condensed consolidated interim financial statements

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****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 Bow Valley Square IV, 250 – 6th Ave SW 22nd Floor, Calgary, AB, T2P 3H7. 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").

Effective May 29, 2019, the Corporation obtained shareholder approval to change its name from MATRRIX Energy Technologies Inc. to Stampede Drilling Inc.

The condensed consolidated interim financial statements of the Corporation are comprised of the Corporation and its wholly owned subsidiary Stampede Drilling (US) Inc.

2. BASIS OF PREPARATION**(a) Statement of compliance**

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations by the International Financial Reporting Interpretations Committee (IFRIC). They should be read in conjunction with the audited annual financial statements for the year ended December 31, 2019. Unless otherwise noted, the Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

These condensed consolidated interim financial statements have been prepared on the historical cost basis, except as disclosed in the significant accounting policies in Note 3, and are presented in Canadian dollars, which is the Corporation's functional and reporting currency. The Corporation's US subsidiary uses US dollars as its functional currency.

These condensed consolidated interim financial statements were approved and authorized for issue by the Corporation's Board of Directors on May 14, 2020.

Recent developments and impact on estimation uncertainty

In March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus ("COVID-19"). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in financial markets. The pandemic adversely impacted global commercial activity, including significantly reducing worldwide demand for crude oil. Crude oil prices have also been severely impacted by increased global supply due to disagreements over production restrictions between the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC members, primarily Saudi Arabia and Russia. The full extent of the impact of COVID-19 on the Corporation's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. These uncertainties may persist beyond when it is determined how to contain the virus or treat its impact. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and estimates and assumptions used by the Corporation in the preparation of its financial results.

A full list of the key sources of estimation uncertainty can be found in the Corporation's annual consolidated financial statements for the year ended December 31, 2019. The outbreak and current market conditions have increased the complexity of estimates and assumptions used to prepare the condensed consolidated interim financial statements, particularly related to the following key source of estimation uncertainty:

2. BASIS OF PREPARATION (continued)

Recoverable amounts:

Determining the recoverable amount of a cash-generating unit ("CGU") or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. The severe drop in commodity prices, due to reasons noted above, have increased the risk of measurement uncertainty in determining the recoverable amounts, especially estimating future drilling activity levels and estimating forecast cash flows.

Seasonality

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Standards adopted during the period:

The following standards were adopted during the period and the Corporation determined they had no material impact on the financial statements:

IAS 1, Presentation of Financial Statements

IAS 1 has amended the definition of material to "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The previous definition of material from IAS 1 was "omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor."

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 amended the definition of material to reflect the changes outlined above under IAS 1.

IAS 12, Income Taxes

IAS 12 currently provides guidance on current and deferred tax assets and liabilities, however uncertainty may exist on how tax law applies to certain transactions.

IFRS 3, Business Combinations

The definition of a business has been amended in IFRS 3 to be "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities." The previous definition under IFRS 3 was "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants."

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****4. DISCONTINUED OPERATIONS AND DISPOSAL**

On April 3, 2019, the Corporation announced the discontinuation of its directional drilling division. As part of this process, the Corporation presented the results of the directional drilling operations using the guidance under "IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations", as discontinued operations on the condensed consolidated statements of comprehensive income and the condensed consolidated statements of cash flows for the comparative periods.

During the second quarter of 2019, the Corporation disposed of its directional drilling assets to an independent, third-party purchaser.

The following sets forth the operating results and cashflows from discontinued operations for the comparative period ended March 31, 2019:

	Three months ended March 31, 2019
Revenue	1,835
Cost of sales:	
Direct operating expenses	928
Depreciation of property and equipment	-
	928
Income from operations	907
Expenses	
Administrative expenses	85
Salaries, benefits, and severance	293
Share based payments	7
	385
Net income before interest and other income	522
Loss from disposition of property and equipment	(2)
Gain from equipment lost in hole	307
Foreign exchange gain	3
Net Income - discontinued operations	830

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****4. DISCONTINUED OPERATIONS AND DISPOSAL (continued)**

	Three months ended March 31, 2019
<i>(Stated in thousands of Canadian dollars)</i>	
	\$
Cash flows from (used in) the following activities:	
Operating activities	
Net income from discontinuing operations	830
Adjustments for:	
Share based payments	7
Loss on disposition of property and equipment	2
Gain on equipment lost in hole	(307)
Changes in non-cash working capital items	(1,312)
Net operating cash flow - discontinued operations	(780)
Investing activities	
Additions to property and equipment	(786)
Proceeds from disposition of property and equipment	317
Changes in non-cash working capital items	784
Net investing cash flows - discontinued operations	315
Change in cash and cash equivalents	(465)

5. RIGHT-OF-USE ASSETS

	Total
Cost	
Balance at December 31, 2019	935
Additions	305
Balance at March 31, 2020	1,240
Accumulated depreciation	
Balance at December 31, 2019	283
Depreciation	102
Balance at March 31, 2020	385
Carrying amounts	
Balance at December 31, 2019	652
Balance at March 31, 2020	855

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****6. LEASE LIABILITIES**

The Corporation incurs lease payments related to corporate and field offices, entered into in coordination with specific business requirements which includes the assessment of the appropriate duration of the related leased assets. The Corporation has recognized lease liabilities measured at the present value of the remaining lease payments, except for leases of low-value assets which have been charged to direct operating and administrative expenses in the condensed consolidated statements of comprehensive income.

	March 31, 2020
Balance at December 31, 2019	670
Additions	305
Interest expense	11
Lease payments	(110)
Balance at March 31, 2020	876
Less: current portion	349
Ending balance - non-current portion	527

7. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated based on the net income divided by the weighted average number of common shares outstanding for the periods ended March 31, 2020 and 2019 based on the following data:

	Three months ended March 31	
	2020	2019
Net income from continuing operations	1,135	1,211
Net income	1,135	2,041
Weighted average common shares (,000's)	132,046	131,615
Effect of stock options	-	226
Effect of convertible debentures	13,482	5,331
Diluted balance, end of period	145,528	137,171
Basic income per common share from continuing operations	\$ 0.01	\$ 0.01
Diluted income per common share from continuing operations	\$ 0.01	\$ 0.01
Basic income per common share	\$ 0.01	\$ 0.02
Diluted income per common share	\$ 0.01	\$ 0.01

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****8. PROPERTY AND EQUIPMENT**

	Rigs and related equipment	Machinery and other equipment	Office furniture and equipment	Total
Cost				
Balance at December 31, 2019	49,937	907	2	50,846
Additions	705	-	-	705
Balance at March 31, 2020	50,642	907	2	51,551
Accumulated depreciation and impairment				
Balance at December 31, 2019	6,464	270	1	6,735
Depreciation for the period	1,054	36	-	1,090
Balance at March 31, 2020	7,518	306	1	7,825
Carrying amounts				
Balance at December 31, 2019	43,473	637	1	44,111
Balance at March 31, 2020	43,124	601	1	43,726

Included in property and equipment at March 31, 2020 are assets under construction of \$545 (December 31, 2019 - \$3,695) which will not depreciate until placed into service.

The Corporation reviews the carrying value of its assets at each reporting period for indicators of impairment in accordance with the accounting policy discussed in the December 31, 2019 audited financial statements. The Corporation currently has one CGU, contract drilling rigs. For the period ended March 31, 2020, the Corporation completed its assessment and the recoverable value of the Corporation's CGU resulting in a determination of no impairment for the Corporation's property and equipment.

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 indicators of impairment noted is the spread of the COVID-19 virus which has severely impacted the global macroeconomic environment, combined with the depressed oil prices, which has impacted the market capitalization of the Corporation.

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 value in use, 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.

Goodwill by definition has no useful life and therefore is not amortized but is tested for impairment at the end of each year unless there are indicators of impairment. The Corporation assesses impairment at the CGU level. As at March 31, 2020, the total amount of goodwill has been allocated to the contract drilling rig CGU.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****8. PROPERTY AND EQUIPMENT (continued)**

The recoverable amount for the contract drilling rig CGU (including goodwill) was based on a value in use calculation by estimating the future cash flows that would be generated from the continuing operations and utilizing the following key assumptions:

- A pre-tax discount rate of approximately 16.8%, at March 31, 2020, which considered the industry average cost of capital, past experience, asset specific risk and anticipated debt to equity levels.
- A terminal value was used assuming no annual growth rate for cash flows through the remainder of the CGU's life.
- 5% decrease in the forecasted cash flows would decrease the recoverable amount of the CGU by \$2,032 and would not create an impairment.
- 1% increase change in the pre-tax discount rate would decrease the recoverable amount of the CGU by \$2,685 and would not create an impairment.

For the period ended March 31, 2020, the Corporation determined there was no impairment in the contract drilling CGU. There is a risk impairment charges may be recorded in future periods due to the uncertainty and risk associated with the current macroeconomic environment.

9. LOANS AND BORROWINGS

On December 20, 2018, the Corporation established a new demand operating revolving loan facility with a Canadian chartered bank which provides for a total credit capacity of up to, but not exceeding, a maximum of \$15,000 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) 50% of the net orderly liquidation value of capital assets and equipment; less
- (iv) Potential Prior Ranking Claims; less Accounts Receivables of the Corporation that have been sold or factored, whether to the Bank or another third party.

The operating loan facility bears interest at the lender's prime rate plus 85 basis points and is secured by a general first ranking security agreement on all assets, property, and undertakings of the Corporation.

The operating loan facility is subject to the following financial covenants (compared to actual calculation at period end):

	Covenant	March 31, 2020
Interest Coverage Ratio ⁽¹⁾	3.00:1.00 or more	6.97:1.00
Net Funded Debt to EBITDA Ratio ⁽²⁾	3.00:1.00 or less	1.86:1.00

EBITDA is calculated as net income plus interest expense, income taxes, depreciation and amortization, other non-cash charges, transaction costs not to exceed \$1,500, cash dividends, and losses attributable to minority equity investments, less non-cash gains, and income attributable to minority equity investments. EBITDA shall be calculated on a trailing twelve-month basis:

- (1) Interest Coverage is calculated as the ratio of EBITDA as at such date to interest expense for the 12 months ending as at such date.
- (2) Net Funded Debt to EBITDA is calculated as total interest-bearing indebtedness on a consolidated basis excluding cash and cash equivalents held by the bank and loans which have been subordinated and postponed in favour of the bank to EBITDA.

As at March 31, 2020, \$8,208 (December 31, 2019 - \$8,482) was drawn on the operating loan facility and the Corporation was in compliance with all covenants related to its operating loan facility.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****10. SHARE CAPITAL**Authorized

The authorized share capital of the Corporation consists of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares, issuable in series, none of which are issued or outstanding as of March 31, 2020.

Authorized and Issued Common Shares

	Number	Amount (\$)
Balance as at December 31, 2019	132,046	62,184
Balance as at March 31, 2020	132,046	62,184

Contributed surplus

Contributed surplus is comprised solely of stock-based compensation expense and stock option exercises.

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.

11. STOCK BASED COMPENSATIONStock 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.

The options are exercisable for a period of up to five years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors. The options granted up to June 30, 2017 for directors, officers, employees, and consultants have a vesting period of one third a year from the date of grant, another one third two years from the date of grant and the remaining third vesting three years from the date of grant. Once vested, the options can be exercised and have an expiration date a year from the vesting date. The options granted subsequent to December 3, 2017 carry a five-year term and are subject to vesting one quarter on each of the first, second, third and fourth anniversaries of the date of the grant or carry a five-year term and are subject to vesting as to one quarter on the day of the grant and one quarter on each of the first, second and third anniversaries of the date of the grant.

A summary of the Corporation's outstanding stock options as at March 31, 2020 and December 31, 2019 and the changes for the period ended, is as follows:

Stock Options (,000's)	Outstanding	Weighted Average Exercise Price
Outstanding at December 31, 2019	6,447	\$ 0.22
Outstanding at March 31, 2020	6,447	\$ 0.22

For the three months period March 31, 2020, the Corporation recorded share-based payment expense of \$95 (2019 - \$29).

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****12. FINANCIAL INSTRUMENTS**Capital management

The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern so that it can provide adequate returns for shareholders. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Corporation's management to sustain future development of the business. The Corporation defines capital as share capital, convertible debentures and working capital, which was \$58,726 at March 31, 2020 (December 31, 2019 – \$56,738).

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

Credit risk

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

The loss allowance provision for trade accounts receivable as at March 31, 2020 reconciles to the opening loss allowance provision as follows:

	March 31, 2020
At December 31, 2019	142
Increase in credit loss allowance	-
As at March 31, 2020	142

Credit risk arises from the potential that one or more counterparties fail to meet their obligations. The Corporation is normally exposed to credit risk through its accounts receivable balances. The Corporation manages credit risk by assessing the creditworthiness of its customers before providing services and on an ongoing basis, as well as monitoring the amount and age of balances outstanding. The Corporation views credit risks on its accounts receivable as normal for the industry.

Substantially all of the Corporation's cash and cash equivalents are held by high credit quality financial institutions.

For the period ended March 31, 2020, the Corporation had five customers that comprised 18%, 13%, 12%, 11% and 11% of total revenue, compared to three customers that comprised 42%, 17%, and 15% of total revenue for the period ended March 31, 2019. For the accounts receivable balances outstanding at March 31, 2020, the Corporation had five customers that comprised 27%, 15%, 13%, 17% and 5% of the total balance as compared to three customers that comprised 52%, 9% and 11% of the total balance at March 31, 2019.

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

	March 31, 2020	December 31, 2019
Within 30 days	1,764	3,529
31 to 60 days	4,106	1,319
61 to 90 days	1,628	1,744
Over 90 days	500	471
Accrued accounts receivable	-	539
Other receivables	-	54
Allowance for doubtful accounts	(142)	(142)
Accounts receivable	7,856	7,514

As at March 31, 2020, approximately 6% of the Corporation's total accounts receivable balance was over 90 days. The Corporation provision for uncollectible accounts are based on historical loss experience and is adjusted for forward looking estimates based on current and future economic conditions using internal and externally sourced data. The Corporation remains focused on collections of trade and other receivables and has collected 93% of the December 31, 2019 trade and other receivables balance.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****12. FINANCIAL INSTRUMENTS (continued)**Liquidity risk

The Corporation's objective in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due by maintaining sufficient cash to settle current liabilities and meet its anticipated working capital requirements. As at March 31, 2020, the Corporation had negative working capital of \$6,729 (December 31, 2019 – negative \$8,241) which consisted of \$640, \$8,208 drawn on the Corporation's demand operating revolving loan facility and \$2,612 in convertible debentures which mature on October 31, 2020.

Convertible debentures

	Number of convertible debentures	Liability component (\$,000)	Equity component (\$,000)
Balance at December 31, 2018	2,612	2,422	265
Accretion of discount	-	26	-
Balance at March 31, 2019	2,612	2,448	265
Balance at December 31, 2019	2,612	2,530	265
Accretion of discount	-	26	-
Balance at March 31, 2020	2,612	2,556	265

The Corporation has the option to redeem the principal amount of convertible debentures in cash, or alternatively through the issuance of shares, based upon a share price of 95% of the then current market price. Per the debenture agreement, redemption of the convertible debentures by share issuance is not less than 40 days, and not more than 60 days in advance of the redemption date.

The Corporation's principal sources of liquidity are operating cash flows and its operating loan. The Corporation manages its liquidity risk through the active management of cash and debt and by maintaining appropriate access to credit. The Corporation ensures that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities and undrawn capacity on the Corporation's demand operating loan facility, to provide the necessary capital for development activities and repayment of obligations as they become due. Also, the Corporation has the ability to adjust its capital structure by issuing new equity or debt, disposing of assets and making adjustments to its operating expenditures and capital expenditure program to the extent the capital expenditures are not committed. To manage capital and operating spending, budgets are prepared, monitored regularly and updated as required. The Corporation believes it has adequate access to its demand loan facility to provide liquidity to manage fluctuations in the timing of the receipt and/or disbursement of operating cash flows.

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

	March 31, 2020	December 31, 2019
Accounts payable	3,696	4,452
Accrued liabilities	543	494
	4,239	4,946

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.

12. FINANCIAL INSTRUMENTS (continued)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

- a) **Interest Rate Risk:**
The Corporation is exposed to interest rate fluctuations on its operating loan facility which bears interest at floating market rates. For the period ended March 31, 2020, 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 \$82. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.
- b) **Foreign Currency Risk:**
The Corporation is exposed to foreign currency fluctuations on its financial instruments in relation to its U.S. dollar-denominated cash, accounts receivable and accounts payable. The Corporation monitors its foreign currency exposure and attempts to minimize the effect of fluctuations in the U.S. dollar by maintaining appropriate levels of cash and accounts receivable to offset corresponding U.S. dollar denominated accounts payable.
- c) **Fair Value:**
The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments depending on the observable nature of inputs employed in the measurement:

Level 1: fair value measurements are based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is considered to be a market where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. Level 2 valuations are based on inputs including quoted forward prices, time value, volatility factors and broker quotes that can be observed or corroborated in the market for the entire duration of the derivative instrument.

Level 3: fair value measurements are based on unobservable information or where the observable data does not support a significant portion of the instrument's fair value.

The carrying amount of cash and cash equivalents, trade and other receivables, operating line, and accounts payable and accrued liabilities approximates their fair value due to their short-term nature. At March 31, 2020, the Corporation valued its cash and cash equivalents using Level 1 inputs. The Corporation does not have any Level 2 instruments. The fair value of the convertible debentures liability was recorded based on an estimated fair value interest rate and is considered a Level 3 fair value instrument.

As the debentures have not traded, the fair value of the debentures is \$2,612 as at March 31, 2020 (December 31, 2019 - \$2,612), based on the purchase price of \$1 per debenture.

STAMPEDE DRILLING INC.**(In thousands of Canadian dollars except for per share amounts)****Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****March 31, 2020 and 2019****13. FINANCE COSTS**

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

	Three months ended March 31,	
	2020	2019
Interest on lease liabilities	11	17
Interest on operating loan	120	67
Interest on convertible debentures	64	65
Accretion on debentures	26	26
Finance costs	221	175

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of net change in non-cash working capital items for the periods ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	\$	\$
Changes in non-cash working capital items:		
Trade and other receivables	(342)	(2,491)
Prepaid expenses and deposits	(4)	(129)
Accounts payable and accrued liabilities	(771)	(1,399)
Total	(1,117)	(4,019)
Relating to:		
Operating activities	535	(2,400)
Investing activities	(1,652)	(1,619)
Total	(1,117)	(4,019)

15. COMMITMENTS

The following table reflects the Corporation's commitments as of March 31, 2020:

(000's CAD \$)	2020	2021	2022	2023	2024	2025
Operating loan	8,208	-	-	-	-	-
Convertible debenture repayment	2,612	-	-	-	-	-
Convertible debenture interest	261	-	-	-	-	-
Lease obligations	339	270	114	114	114	19
Trade and other payables	4,239	-	-	-	-	-
Total	15,659	270	114	114	114	19

As of March 31, 2020, the Corporation has committed \$nil (December 31, 2019 - \$nil) related to maintenance capital.

16. SUBSEQUENT EVENTS

The federal government has offered programs to help eligible companies with paying salaries and wages for employees during the lock down period associated with the spread of COVID-19. On April 27, 2020, the ability to apply for the Canadian Wage Subsidy Program became available on the federal government website which the Corporation has applied for. The lockdown associated with the spread of COVID-19 combined with the continued depressed oil prices continues to impact customers' capital spending budgets.