

STAMPEDE DRILLING INC. ANNOUNCES 2022 SECOND QUARTER RESULTS

CALGARY, AB, July 28, 2022 /CNW/ - Stampede Drilling Inc. ("Stampede" or the "Corporation") (TSXV: SDI) announces today its consolidated financial and operational results for the three and six month period ended June 30, 2022.

The following should be read in conjunction with the Corporation's consolidated financial statements and the notes thereto for the year ended December 31, 2021, related management's discussion and analysis and annual information form, which are available on SEDAR at www.sedar.com.

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

Estimates and forward-looking information are based on assumptions of future events and actual results may vary from these estimates. See "Forward-Looking Information" in this press release for additional details.

FINANCIAL SUMMARY

(000's CAD\$ except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue	8,352	4,640	80 %	22,920	16,501	39 %
Direct operating expenses	5,996	2,804	114 %	15,564	10,017	55 %
Gross margin ⁽¹⁾	2,356	1,836	28 %	7,356	6,484	13 %
Net income (loss)	(457)	(153)	(199 %)	1,866	2,255	(17 %)
Basic and diluted income (loss) per share	(0.00)	(0.00)	nm	0.01	0.02	(50 %)
Adjusted EBITDA ⁽¹⁾	830	1,226	(32 %)	4,587	5,143	(11 %)
Weighted average common shares outstanding	132,186	132,156	nm	132,178	132,156	nm
Weighted average diluted common shares outstanding	132,186	132,156	nm	147,778	132,156	12 %
Capital expenditures	10,016	626	nm	11,669	1,419	nm
Number of marketed rigs	13	10	30 %	13	10	30 %
Drilling rig utilization	36 %	26 %	38 %	53 %	47 %	13 %
CAOEC industry average utilization ⁽²⁾	23 %	15 %	53 %	31 %	21 %	48 %

nm - not meaningful

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

⁽²⁾ Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary. The CAOEC industry average is based on Operating Days divided by total available drilling days.

DESCRIPTION OF STAMPEDE'S BUSINESS

Stampede is an energy services company that provides premier contract drilling services in Western Canada. Stampede operates a fleet of 13 telescopic double drilling rigs suited for most formations within the Western Canadian Sedimentary Basin ("WCSB"). The Corporation's head office is located in Calgary, Alberta with operations based out of Nisku, Alberta and Estevan, Saskatchewan. The Corporation's shares trade on the TSX Venture Exchange under the symbol "SDI".

SECOND QUARTER 2022 OPERATIONAL HIGHLIGHTS

As previously announced on April 19, 2022, the Corporation completed the asset acquisition of three telescopic double drilling rigs which increased the Corporation's fleet from 10 to 13. During the second quarter of 2022, the Corporation had all 10 of its pre-existing rigs operating. The Corporation was also able to fully crew and contract two out of the three recently acquired rigs, with the third rig expected to begin operations in the third quarter of 2022.

The Corporation's drilling rig utilization for the second quarter of 2022 was 36%, which was a 38% increase from the corresponding 2021 period and 57% higher than the CAOEC industry average utilization rate of 23%. As a result, the Corporation had a total of 339 operating days. This was an increase of 100 operating days (42%) from the 239 operating days in the corresponding 2021 period.

The Corporation had a total capital spend of \$10,016 primarily related to the three rig asset

acquisition during the quarter and corresponding \$3,000 in upgrade capital.

Adjusted EBITDA of \$830 for the second quarter of 2022 was down \$396, as compared to the corresponding 2021 period. The decrease is primarily related to higher operating costs in the year offset partially by higher revenue per day. In 2022, operating expense were higher compared to the prior year due to field wage increase and the elimination of the Canadian Emergency Wage Subsidy ("CEWS"). In the second quarter of 2021, \$822 was recorded as a reduction in employee wages as a result of the CEWS program.

As part of the three rig asset acquisition, the Corporation entered into a new \$25,000 credit facility ("Credit Facility"). The Credit Facility has a term of three years. The Corporation will have an available limit of \$18,000 under a Demand Facility and \$7,000 under a term loan (the "Term Loan"). The proceeds of the Term Loan were used to finance the asset acquisition of the three rigs, with the balance used for capital expenditures for its fleet and to repay amounts outstanding under the Corporation's previous Demand Facility.

OUTLOOK

As we head into the second half of 2022, the Corporation anticipates that commodity pricing volatility will continue due to current global macroeconomic factors such as the war in Ukraine and worldwide inflationary pressures. As a result of these macroeconomic factors, the Corporation anticipates industry activity and corresponding rig utilization for the remainder of the year and into 2023 to remain strong. The Corporation is anticipating profitability above historical averages due to increased utilization and day rates based on its current customer contracts. This profitability will be partially offset by industry wide inflationary costs due to wage increases needed to attract and retain fields hands and supply chain constraints in Western Canada and globally.

The Corporation will continue to focus on maintaining financial resiliency, in order to best position the Corporation for organic and acquisition growth.

RESULTS FROM OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2022

(000's CAD\$ except operating days)	Six months ended June 30,		
	2022	2021	% Change
Revenue	22,920	16,501	39 %
Direct operating expenses	15,564	10,017	55 %
Gross margin ⁽¹⁾	7,356	6,484	13 %
Gross margin % ⁽¹⁾	32 %	39 %	(18 %)
Net income	1,866	2,255	(17 %)
General and administrative expenses	2,976	1,777	67 %
Adjusted EBITDA ⁽¹⁾	4,587	5,143	(11 %)
Drilling rig operating days ⁽²⁾	983	846	16 %
Drilling rig revenue per day ⁽³⁾	23.3	19.5	19 %
Drilling rig utilization ⁽⁴⁾	53 %	47 %	13 %
CAOEC industry average utilization ⁽⁵⁾	31 %	21 %	48 %

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

(2) Defined as contract drilling days, between spud to rig release

(3) Drilling rig revenue per day is calculated by revenue divided by drilling rig operating days

(4) Drilling rig utilization is calculated based on operating days (spud to rig release)

(5) Source: The Canadian Association of Energy Contractors ("CAOEC") monthly Contractor Summary.

- Revenue for the six month period ended June 30, 2022 was \$22,920, up \$6,419 (39%) compared to \$16,501 for the corresponding 2021 period. The increase was primarily related to increased customer activity levels and increased day rates with the Corporation's customer base.
- The Corporation had a total of 983 operating days for the six month period ended June 30, 2022, an increase of 137 operating days (16%) from the 846 operating days in the corresponding 2021 period.
- The Corporation's drilling rig utilization for the six month period ended June 30, 2022 was 53%, which was a 13% increase from the corresponding 2021 period and 71% higher than the CAOEC industry average utilization rate of 31% for 2022.

- Gross margin for the six month period ended June 30, 2022 was 32%, down 18% from 39% as compared to the corresponding 2021 period. The gross margin decrease was primarily related to higher rig operating expenses partially offset by the increase in revenue per day. The higher operating expenses were primarily related to an industry wide field wage increase and the Corporation also did not record any CEWS during the half of 2022 as compared to \$1,596 for the corresponding 2021 period. In accordance with its accounting policy, the Corporation recorded its 2021 CEWS subsidy as a reduction of direct operating expenses.
- For the six month period ended June 30, 2022, general and administrative expenses were \$2,976 up \$1,199 (67%) from \$1,777 compared to the corresponding 2021 period. The increase is primarily related to increased headcount and compensation and corresponding administration expenses due to the increased 2022 activity levels.
- Adjusted EBITDA for the six months ended June 30, 2022 was \$4,587, down \$556 (11%) from \$5,143 from the corresponding 2021 period. The decrease is primarily related to higher operating costs partially offset by the increase in revenue.
- Net income for the six months ended June 30, 2022 was \$1,866, down \$389 (17%) from \$2,255 from the corresponding 2021 period. The decrease is primarily related to increased operating and administration costs that were partially offset by increased operating days and revenue per day.

NON-GAAP AND OTHER FINANCIAL MEASURES

This New Release contains references to (i) Adjusted EBITDA, (ii) Gross margin and (iii) Gross margin percentage. These financial measures are not measures that have any standardized meaning prescribed by IFRS and are therefore referred to as non-GAAP (Generally Accepted Accounting Principles) measures. The non-GAAP measures used by the Corporation may not be comparable to similar measures used by other companies.

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

(000's CAD \$)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Net income (loss)	(457)	(153)	(199 %)	1,866	2,255	17 %
Depreciation	1,073	1,121	(4 %)	2,154	2,272	(5 %)
Finance costs	223	161	39 %	409	344	19 %
Other income	(5)	(2)	150 %	(7)	(8)	(13 %)
Gain on asset disposal	-	-	nm	-	(39)	nm
Share-based payments	28	91	(69 %)	115	276	(58 %)
Transaction costs	(19)	-	nm	26	-	nm
Foreign exchange gain	(13)	8	(263 %)	24	43	(44 %)
Adjusted EBITDA	830	1,226	(32 %)	4,587	5,143	(11 %)
nm - not meaningful						

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

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

(000's CAD \$)	Three months ended June 30,			Six months ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Income from operations	1,332	794	68 %	5,294	4,372	21 %
Depreciation of property and equipment	1,024	1,042	(2 %)	2,062	2,112	(2 %)
Gross margin	2,356	1,836	28 %	7,356	6,484	13 %
Gross margin %	28 %	40 %	(30 %)	32 %	39 %	(18 %)

FORWARD-LOOKING INFORMATION

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

This News Release contains forward-looking information pertaining to, among other things: the Corporation's performance; expectations associated with the Corporation's outlook, including among other things, anticipated commodity pricing and the volatility thereof, expectations about industry activities and corresponding rig utilization; the operation of the Corporation's third recently acquired rig and the timing thereof; expected increases in utilization and day rates and the anticipated profitability of the Corporation resulting therefrom; anticipated industry wide inflationary costs and supply chain constraints and the resulting impact on the profitability of the Corporation; and the continued financial resiliency of the Corporation.

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

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

While Stampede believes the expectations and material factors and assumptions reflected in the forward-looking information is reasonable as of the date hereof, there can be no assurance that these expectations, factors and assumptions will prove to be correct. Forward-looking information is not a guarantee of future performance and actual results or events could differ materially from the expectations of the Corporation expressed in or implied by such forward-looking information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information is subject to a number of known and unknown risks and uncertainties including, but not limited to: the condition of the global economy, including trade, inflation, the ongoing conflict in Ukraine and other geopolitical risks; the condition of the crude oil and natural gas industry and related commodity prices; other commodity prices and the potential impact on the Corporation and the industry in which the Corporation operates, including levels of exploration and development

activities; the impact of increasing competition; fluctuations in operating results; the ongoing significant volatility in world markets and the resulting impact on drilling and completions programs; foreign currency exchange rates; interest rates; labour and material shortages; cyber security risks; natural catastrophes; and certain other risks and uncertainties detailed in the Corporation's annual management's discussion and analysis and annual information form, each dated March 24, 2022 for the year ended December 31, 2021, and from time to time in Stampede's public disclosure documents available at www.sedar.com.

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

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