

**SAMOTH OILFIELD INC.**

**Condensed Interim Financial Statements**

**For the three and nine months ended July 31, 2018 and 2017**

## **SAMOTH OILFIELD INC.**

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### **National Instrument 51-102 Continuous Disclosure Obligations Notice**

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Pursuant to Part 4.3 (3) of National Instrument 51-102, these unaudited condensed interim financial statements of Samoth Oilfield Inc. for the three and nine month periods ended July 31, 2018 have not been reviewed by the Company's external auditors.

**SAMOTH OILFIELD INC.**

**Statements of Financial Position**

	July 31, 2018 (Unaudited)	October 31, 2017 (Audited)
<b>ASSETS</b>		
Current Assets:		
Cash	\$12,995	\$22,806
Trade and other receivables	26,349	19,154
Prepays and deposits (Note 4)	657,386	651,559
	696,730	693,519
Equipment (Note 5)	741,626	361,287
	\$1,438,356	\$1,054,806
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Trade and other payables	\$523,347	\$56,308
Long term Liabilities:		
Decommissioning liabilities (Note 9)	242,118	243,084
	765,465	299,392
<b>EQUITY</b>		
Share capital (Note 10)	2,994,603	2,994,603
Contributed surplus	371,870	371,870
Deficit	(2,693,582)	(2,611,059)
	672,891	755,414
	\$1,438,356	\$1,054,806

Going concern (Note 2)

The accompanying notes are an integral part of these unaudited condensed financial statements.

**Approved on behalf of the Board:**

"Leonard D. Jaroszuk" Director

"Des O'Kell" Director

**SAMOTH OILFIELD INC.**

**Statements of Loss and Comprehensive Loss**

**(Unaudited)**

	Three months July 31, 2018	Three months July 31, 2017	Nine months July 31, 2018	Nine months July 31, 2017
<b>Revenue</b>				
Petroleum and natural gas sales and royalties recovered	\$4,855	\$-	\$40,084	\$1,325
<b>Expenses</b>				
Production and transportation	27,036	23,859	103,475	45,389
Impairment (recovered) (Note 9)	(322)	(5)	3,889	3,375
Finance expense (recovered) (Note 9)	-	(873)	(4,855)	(5,517)
Depreciation (Note 5)	12,303	4,995	26,861	14,984
General and administrative	49,182	36,642	108,651	94,797
	88,199	64,618	238,021	153,028
<b>Loss before other income</b>	(83,344)	(64,618)	(197,937)	(151,703)
Rental revenue	37,500	37,500	112,500	112,500
Interest income	-	-	2,914	7
	37,500	37,500	115,414	112,507
<b>Net loss and comprehensive loss</b>	\$(45,844)	\$(27,118)	\$(82,523)	\$(39,196)
<b>Loss per share</b>				
Basic and diluted	\$(0.001)	\$(0.001)	\$(0.003)	\$(0.001)
<b>Weighted average number of common shares outstanding</b>				
Basic and diluted	31,447,222	31,447,222	31,447,222	31,447,222

The accompanying notes are an integral part of these unaudited condensed financial statements.

**SAMOTH OILFIELD INC.**  
**Statements of Changes in Equity**  
**(Unaudited)**

	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance as at October 31, 2016</b>	<b>\$2,994,603</b>	<b>\$371,870</b>	<b>\$(2,660,172)</b>	<b>\$706,301</b>
Net loss	-	-	(39,196)	(39,196)
<b>Balance as at July 31, 2017</b>	<b>\$2,994,603</b>	<b>\$371,870</b>	<b>\$(2,699,368)</b>	<b>\$667,105</b>
<b>Balance as at October 31, 2017</b>	<b>\$2,994,603</b>	<b>\$371,870</b>	<b>\$(2,611,059)</b>	<b>\$755,414</b>
Net loss	-	-	(82,523)	\$(82,523)
<b>Balance as at July 31, 2018</b>	<b>\$2,994,603</b>	<b>\$371,870</b>	<b>\$(2,693,582)</b>	<b>\$672,891</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**SAMOTH OILFIELD INC.**  
**Statements of Cash Flows**  
**(Unaudited)**

Nine months ended July 31	2018	2017
Cash provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net (loss)	\$(82,523)	\$(39,196)
Items not affecting cash:		
Finance (recovered) (Note 9)	(4,855)	(5,517)
Impairment expense (Note 9)	3,889	3,375
Depreciation (Note 5)	26,861	14,984
Change in non-cash working capital (Note 8)	454,017	1,289
	397,389	(25,065)
<b>INVESTING ACTIVITIES:</b>		
Purchase of equipment (Note 5 and 6)	(407,200)	-
	(407,200)	-
Change in cash	(9,811)	(25,065)
Cash, beginning of period	22,806	41,953
Cash, end of period	\$12,995	\$16,888

The accompanying notes are an integral part of these unaudited condensed financial statements.

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2018 and 2017

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### 1. Reporting Entity and Corporate Information

Samoth Oilfield Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on May 8, 2006. The Company is engaged in the development and production of natural gas, and natural gas liquids in western Canada. The Company is listed on the TSX Venture Exchange, trading under the symbol SCD. The Company's registered office is #2, 64 Riel Drive, St. Albert, Alberta, Canada, T8N 4A4.

### 2. Going Concern

These unaudited condensed financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at July 31, 2018, the Company had working capital of \$173,383 (October 31, 2017 - working capital of \$637,211 and July 31, 2017 – working capital of \$546,957) and an accumulated deficit of \$2,693,582 (October 31, 2017 - accumulated deficit of \$2,611,059 and July 31, 2017 - \$2,699,386). During the nine months ended July 31, 2018, the Company incurred a net loss of (\$82,523) (nine months ended July 31, 2017 - net loss of \$(39,196)) and cash flows from operations of \$397,389 (nine months ended July 31, 2017 – negative cash flows from operations of \$(25,065)). These considerations create a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. The Company however, has no secured debt and does not expect to undertake any such obligations in the near future. The Company's ability to continue as a going concern is dependent upon cash flow from field operations and the sale of property and equipment that has previously been fully impaired. Realization of asset values may be substantially different from carrying values as disclosed at July 31, 2018, and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

### 3. Summary of Significant Accounting Policies

#### *Statement of compliance*

The unaudited condensed interim financial statements are prepared by management and reported in Canadian dollars, in accordance with *International Accounting Standard "IAS" 34, "Interim Financial Reporting"* as issued by the *International Accounting Standards Board ("IASB")*. These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2017 Financial Statements and the notes thereto.

The unaudited condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in notes 3, 13 and 14 to the Company's 2017 Financial Statements for the fiscal year ended October 31, 2017.

The financial statements were authorized for issue by the Board of Directors on September 28, 2018.

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2018 and 2017

#### 4. Prepaids and deposits

	July 31, 2018	October 31, 2017
Prepaids	\$20,355	\$18,523
Deposits	637,031	633,036
	<b>\$657,386</b>	<b>\$651,559</b>

Deposits are comprised of amounts paid to the Alberta Energy Regulator as required for the purpose of offsetting the difference between its deemed assets and deemed liabilities and/or to fulfill a site-specific security deposit requirement.

#### 5. Equipment

	Cost			Accumulated depreciation		
	Balance at October 31, 2017	Additions	Balance at July 31, 2018	Balance at October 31, 2017	Depreciation for the period	Balance at July 31, 2018
Well site accommodations	\$399,580	407,200	\$806,780	\$38,293	26,861	\$65,154
	Carrying Amounts					
	Balance at October 31, 2017		Balance at July 31, 2018			
Well site accommodations	\$361,287		\$741,626			

#### 6. Related Party Transactions

(a) *Key management personnel compensation.*

The Company has determined key management personnel to be the Chief Executive Officer and Chief Financial Officer and board of directors. Compensation paid to key management personnel was:

	July 31, 2018	July 31, 2017
Management compensation	\$5,000	\$-
<b>Total</b>	<b>\$5,000</b>	<b>\$-</b>

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

**For the three and nine months ended July 31, 2018 and 2017**

#### 6. Related Party Transactions (con't)

##### *(b) Purchase of equipment*

On December 15, 2017, the Company entered into an agreement with a Company related due to common directors, to purchase certain mobile wellsite office and accommodation units, for consideration of \$407,200 plus GST for a total amount payable in the amount of \$427,561 which is included in Trade and other payables.

#### 7. Share-based Compensation

Pursuant to the Company's stock option plan, the Company may reserve a maximum of 10% of the total issued and outstanding listed common shares with the exercise price and term to be determined by the Board of Directors on the date of issuance of the options. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants or employees will not exceed 2% of the issued and outstanding common shares.

A summary of stock option activity in the period is as follows:

	Nine months ended July 31, 2018		Year ended October 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning and end of period	1,891,889	\$0.08	1,891,889	\$0.08

A summary of the options outstanding and exercisable at July 31, 2018 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	3.5
\$0.06	820,000	5.3
\$0.08	1,891,889	

A summary of the options outstanding and exercisable at July 31, 2017 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	4.5
\$0.06	820,000	6.3
\$0.08	1,891,889	

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

#### For the three and nine months ended July 31, 2018 and 2017

#### 7. Share-based Compensation (con't)

Expected volatility is based on historical volatility and the Company's average stock prices were used to calculate volatility. Management believes that the annualized average of volatility is the best measure of expected volatility. For the options that were granted during the year ended October 31, 2014, a forfeiture rate of 0% was used when recording share-based payments expense. This estimate is adjusted to the actual forfeiture rate.

During the nine months ended July 31, 2018, share-based payments expense of \$nil was expensed (nine months ended July 31, 2017 - \$nil).

#### 8. Supplemental Information

Changes in operating non-cash working capital consisted of the following:

	Nine months ended July 31, 2018	Nine months ended July 31, 2017
Trade and other receivables	\$(7,195)	\$12,924
Prepays and deposits	(5,827)	(16,642)
Trade and other payables	467,039	5,007
	\$454,017	\$1,289

#### 9. Decommissioning Liabilities

The following table presents the aggregate carrying amount of obligations associated with the decommissioning of the Company's oil and gas assets:

	Nine months ended July 31, 2018	Year ended October 31, 2017
Balance, beginning of period	\$243,084	\$248,275
Finance recovery	(4,855)	(6,385)
Revisions of estimate	3,889	1,194
Balance, end of period	\$242,118	\$243,084

At October 31, 2017, the total undiscounted amount of estimated cash flows required to settle the obligation was \$246,633 (2016 - \$251,566) which has been adjusted for inflation using a weighted average estimated inflation rate of 2% (2016 - 2%) and, subsequently discounted using an unadjusted risk free rate of 1.46% (2016 - 0.56%). The cash flows related to reclamation and abandonment costs are expected to be incurred between 2018 and 2023. An increase in the risk free rate of 1% would result in a decrease in the liability of \$4,548 (2016 - \$4,378).

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2018 and 2017

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### 10. Share Capital

#### Authorized:

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares issuable in series. No preferred shares have currently been issued.

#### Issued and outstanding:

	July 31, 2018		October 31, 2017	
	Amount	Number of Shares	Amount	Number of Shares
<b>Common shares</b>				
Balance, beginning and end of period	\$2,994,603	31,447,222	\$2,994,603	31,447,222

### 11. Risk Management

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the short term nature of these items. The fair value of related party loan receivable and related party loan payable approximate carrying value as they are due on demand.

#### *Risks associated with financial assets and liabilities:*

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

#### *Credit risk*

The Company is exposed to credit risk which is the risk that a counterparty will fail to perform an obligation or settle a liability. Virtually all of the Company's accounts receivable are due from a related party for equipment rentals. The Company generally extends unsecured credit to the related party and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's financial liabilities are comprised of trade and other payables. As at July 31, 2018, all trade and other payables are due within twelve months or less of the reporting date. The Company manages its risk of not meeting its financial obligations through management of its capital structure and annual budgeting of its revenues, expenditures and cash flows.

#### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net loss or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

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### 11. Risk Management (con't)

#### *Foreign exchange rate risk*

The Company is exposed to fluctuations in the exchange rate between the Canadian dollar and the US dollar. Crude oil and natural gas prices are referenced to U.S. dollar denominated prices while all the Company's expenses are denominated in Canadian dollars. As at July 31, 2018, October 31, 2017 and July 31, 2017, the Company had no financial instruments denominated in foreign currencies, no forward foreign exchange contracts in place, nor any significant working capital items denominated in foreign currencies.

#### *Commodity price risk*

The Company is exposed to commodity price movements as part of its normal oil and gas operations. Oil and natural gas prices are impacted by global supply and demand, as well as political and other forces. Prices continue to be volatile and can undergo significant changes in relatively short time periods.

Management continuously monitors commodity prices and initiates instruments to manage its exposure to these risks when it deems necessary. The Company did not enter into any fixed forward contracts or derivative financial instruments during the nine months ended July 31, 2018, the year ended October 31, 2017 or the nine months ended July 31, 2017 and has no outstanding fixed forward contracts or derivative financial instruments as at July 31, 2018, October 31, 2017 and July 31, 2017.

### 14. Capital Management

The Company's capital consists of equity. The Company has no bank debt. The Company's objectives in managing its capital are to maintain adequate levels of funding to support its operations; to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; to perform development activities on its petroleum and natural gas projects; and to seek out and acquire new projects of merit. Funds are secured through debt financing or equity capital. There can be no assurance that the Company will be able to obtain sufficient capital in the case of operating cash deficits. The Company may, from time to time, invest its capital in short-term, liquid and highly rated financial instruments held with major financial institutions or in marketable securities. The Company does not maintain a formal investing strategy. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time, issue shares, obtain debt financing and adjust its capital spending. There were no changes in the Company's approach to capital management from the previous year. The Company does not have any externally imposed capital restrictions.

### 15. Segmented Disclosure

The Corporation has one operating segment; oil and gas exploration and production. At July 31, 2018, October 31, 2017 and July 31, 2017, all of the Corporation's assets were held in Canada.