

SAMOTH OILFIELD INC.

Condensed Interim Financial Statements

For the three and nine months ended July 31, 2019 and 2018

SAMOTH OILFIELD INC.

National Instrument 51-102 Continuous Disclosure Obligations Notice

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, 2019 have not been reviewed by the Company's external auditors.

SAMOTH OILFIELD INC.

Statements of Financial Position

	July 31, 2019 (Unaudited)	October 31, 2018 (Audited)
ASSETS		
Current Assets:		
Cash	\$547,949	\$10,652
Trade and other receivables	6,060	6,250
Prepays and deposits (Note 4)	18,848	656,102
	572,857	673,004
Equipment (Note 5)	-	341,307
	\$572,857	\$1,014,311
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade and other payables	\$83,518	\$137,088
Long term Liabilities:		
Decommissioning liabilities (Note 9)	241,796	241,796
	325,314	378,884
EQUITY		
Share capital (Note 10)	3,170,664	2,994,603
Contributed surplus	394,309	371,870
Deficit	(3,317,430)	(2,731,046)
	247,543	635,427
	\$572,857	\$1,014,311

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, 2019	Three months July 31, 2018	Nine months July 31, 2019	Nine months July 31, 2018
Revenue				
Petroleum and natural gas sales and royalties	\$8,058	\$4,855	\$13,825	\$40,084
Expenses				
Production and transportation	37,208	27,036	93,501	103,475
Impairment (recovered) (Note 9)	-	(322)	-	3,889
Finance expense (recovered) (Note 9)	-	-	-	(4,855)
Depreciation (Note 5)	-	12,303	-	26,861
Share-based compensation (Note 7)	-	-	122,000	-
General and administrative	27,683	49,182	391,426	108,651
	64,891	88,199	606,927	238,021
Loss before other income	(56,833)	(83,344)	(593,102)	(197,937)
Other income				
Gain on sale of equipment	-	-	3,330	-
Rental revenue (recovered)	-	37,500	(6,250)	112,500
Interest income	-	-	9,638	2,914
	-	37,500	6,718	115,414
Net loss and comprehensive loss	\$(56,833)	\$(45,844)	\$(586,384)	\$(82,523)
Loss per share				
Basic	\$(0.002)	\$(0.001)	\$(0.018)	\$(0.003)
Diluted	\$(0.002)	\$(0.001)	\$(0.018)	\$(0.002)
Weighted average number of common shares outstanding				
Basic	32,977,222	31,447,222	31,765,030	31,447,222
Diluted	32,977,222	31,447,222	31,765,030	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
Balance as at October 31, 2017	\$2,994,603	\$371,870	\$(2,611,059)	\$755,414
Net loss	-	-	(82,523)	\$(82,523)
Balance as at July 31, 2018	\$2,994,603	\$371,870	\$(2,693,582)	\$672,891
Balance as at October 31, 2018	\$2,994,603	\$371,870	\$(2,731,046)	\$635,427
Share-based compensation (Note 7)	-	122,000	-	122,000
Stock options exercised (Note 7)	176,061	(99,561)	-	76,500
Net loss	-	-	(586,384)	(586,384)
Balance as at July 31, 2019	\$3,170,664	\$394,309	\$(3,317,430)	\$247,543

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	2019	2018
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Net (loss)	\$(586,384)	\$(82,523)
Items not affecting cash:		
Finance (recovered) (Note 9)	-	(4,855)
Impairment expense (recovered) (Note 9)	-	3,889
Depreciation (Note 5)	-	26,861
Share-based compensation (Note 7)	122,000	-
Gain on sale of equipment	(3,330)	-
Change in non-cash working capital (Note 8)	583,873	454,017
	116,159	397,389
FINANCING ACTIVITIES:		
Proceeds from exercised stock options	76,500	-
	76,500	-
INVESTING ACTIVITIES:		
Purchase of equipment (Note 5 and 6)	-	(407,200)
Proceeds from sale of equipment	344,638	-
	344,638	(407,200)
Change in cash	537,297	(9,811)
Cash, beginning of period	10,652	22,806
Cash, end of period	\$547,949	\$12,995

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, 2019 and 2018

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, 2019, the Company had working capital of \$489,339 (October 31, 2018 - working capital of \$535,916 and July 31, 2018 – working capital of \$173,383) and an accumulated deficit of \$3,317,430 (October 31, 2018 - accumulated deficit of \$2,731,046 and July 31, 2018 - \$2,693,582). During the nine months ended July 31, 2019, the Company incurred a net loss of \$(586,384) (nine months ended July 31, 2018 - net loss of (\$82,523)) and cash flows from operations of \$116,159 (nine months ended July 31, 2018 – cash flows from operations of \$397,389). 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, 2019, 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

(a) 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 2018 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, 12 and 13 to the Company's 2018 Financial Statements for the fiscal year ended October 31, 2018.

The financial statements were authorized for issue by the Board of Directors on September 27, 2019.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair value.

SAMOTH OILFIELD INC.

Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2019 and 2018

4. Prepaids and deposits

	July 31, 2019	October 31, 2018
Prepaids	\$18,848	\$ 19,071
Deposits	-	637,031
	\$18,848	\$656,102

On November 29, 2018, the Company received a refund of \$646,689 of deposits from the Alberta Energy Regulator. The deposits were 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 plus interest earned.

5. Equipment

	Cost			Accumulated depreciation		
	Balance at October 31, 2018	Disposals	Balance at July 31, 2019	Balance at October 31, 2018	Disposals for the period	Balance at July 31, 2019
Well site accommodations	\$399,580	(399,580)	\$ -	\$58,273	(58,273)	\$ -
	Carrying Amounts					
	Balance at October 31, 2018			Balance at July 31, 2019		
Well site accommodations	\$341,307			\$ -		

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, 2019	July 31, 2018
Management compensation	\$302,827	\$5,000
Total	\$302,827	\$5,000

SAMOTH OILFIELD INC.

Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2019 and 2018

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 was paid in full.

(c) Rental of equipment

The Company also entered into an agreement to lease these units back to the vendor at market rates on a month to month rental agreement. Total rental revenue during the three months ending July 31, 2019 was \$nil and total rental revenue (recovered) during the nine months ending July 31, 2019 was \$(6,250). (Total rental revenue was received for the three months ending July 31, 2018 - \$37,500 and total rental revenue was received for the nine months ending July 31, 2018 - \$112,500).

(d) Sale of equipment

On September 25, 2018, the Company entered into an agreement with a Company related due to common directors, to sell 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 was paid in full during the year. The exchange amount was agreed to by the parties and resulted in a gain of \$11,877 to the Company.

On November 2, 2018, the Company entered into an agreement with a Company related due to common directors, to sell certain mobile wellsite office and accommodation units, for consideration of \$344,638 plus GST for a total amount of \$361,870. The company received full payment in cash on November 2, 2018 and is included in these financial statements in the amount of \$427,561.

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.

On December 21, 2018, the Company has issued, subject to regulatory approval, 1,874,833 common share purchase options, granted to directors and officers of the Company. The options are exercisable at a price of \$0.05 per share for a period of 5 years from the date of grant. The options have been granted pursuant to the Company's 10 percent rolling stock option plan.

SAMOTH OILFIELD INC.

Notes to the Unaudited Condensed Financial Statements

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7. Share-based Compensation (con't)

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

	Nine months ended July 31, 2019		Year ended October 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning of period	1,891,889	\$0.08	1,891,889	\$0.08
Granted	1,874,833	\$0.05	-	-
Exercised	(1,530,000)	\$0.06	-	-
Outstanding options, end of period	2,236,722	\$0.06	1,891,889	\$0.08
Exercisable options, end of period	2,236,722	\$0.06	1,891,889	\$0.08

A summary of the options outstanding and exercisable at July 31, 2019 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	2.5
\$0.06	820,000	4.3
\$0.05	344,833	4.3
\$0.08	2,236,722	

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

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	3.2
\$0.06	820,000	5.0
\$0.08	1,891,889	

During the three months ended July 31, 2019, share-based payments expense of \$nil was expensed and during the nine months end July 31, 2019, share-based payments expense of \$122,000 was expensed (year ended October 31, 2018 - \$nil).

SAMOTH OILFIELD INC.

Notes to the Unaudited Condensed Financial Statements

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8. Supplemental Information

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

	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Trade and other receivables	\$190	\$(7,195)
Prepays and deposits	637,254	(5,827)
Trade and other payables	(53,571)	467,039
	\$583,873	\$454,017

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, 2019	Year ended October 31, 2018
Balance, beginning of period	\$241,796	\$243,084
Finance recovery	-	(4,855)
Revisions of estimate	-	3,567
Balance, end of period	\$241,796	\$241,796

At October 31, 2018, the total undiscounted amount of estimated cash flows required to settle the obligation was \$241,797 (2017 - \$241,797) which has been adjusted for inflation using a weighted average estimated inflation rate of 2% (2017 – 2%) and, subsequently discounted using an unadjusted risk free rate of 2.14% (2017 – 1.46%). The cash flows related to reclamation and abandonment costs are expected to be incurred between 2019 and 2024. An increase in the risk free rate of 1% would result in a decrease in the liability of \$4,492 (2017 - \$4,548).

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, 2019		October 31, 2018	
	Amount	Number of Shares	Amount	Number of Shares
Common shares				
Balance, beginning of period	\$2,994,603	31,447,222	\$2,994,603	31,447,222
Stock options exercised (Note 7)	176,061	1,530,000	-	-
Balance, end of period	\$3,170,664	32,977,222	\$2,994,603	31,447,222

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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, 2019, 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

For the three and nine months ended July 31, 2019 and 2018

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, 2019, October 31, 2018 and July 31, 2018, 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, 2019, the year ended October 31, 2018 or the nine months ended July 31, 2018 and has no outstanding fixed forward contracts or derivative financial instruments as at July 31, 2019, October 31, 2018 and July 31, 2018.

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. Contingencies

In the ordinary course of business, the Company is exposed to various proceedings and claims. The Company assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and a reliable estimate can be made of the amount. Management believes that any settlement arising from these claims will not have a significant effect on the Company's current financial position or on net loss (income).

16. Segmented Disclosure

The Corporation has one operating segment; oil and gas exploration and production. At July 31, 2019, October 31, 2018 and July 31, 2018, all of the Corporation's assets were held in Canada.