

Samoth Oilfield Inc.
Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) should be read in conjunction with the unaudited condensed interim financial statements (the "Financial Statements") and the notes contained therein of Samoth Oilfield Inc. ("Samoth" or the "Company") for the three and nine months ended July 31, 2019. The Company trades on the Toronto Stock Exchange (Venture) under the symbol SCD. Additional regulatory information relating to Samoth can be found at the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

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"). The 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 2018 MD&A and the 2018 AIF filed with Canadian regulatory agencies.

This MD&A was prepared effective September 27, 2019.

Forward-Looking Information

Certain information in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. Forward-looking statements may contain words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions and statements relating to matters that are not historical facts. These may include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to pipeline and facilities construction and maintenance services associated with the oil and gas and industries and utility services and the domestic and worldwide supplies and commodity prices of oil and gas.

In particular, forward looking information includes material assumptions regarding expected production information, compliance with regulatory requirements, and future considerations regarding the Company's exploration and development programs. The forward-looking information is based on those assumptions as noted in each section, which are based, in turn, on the information available to management as at the date of this report. The reader is cautioned that material assumptions used in the preparation of such information may prove to be incorrect and should carefully consider the assumptions presented, even though at present, such assumptions are believed to be reasonable. Also, events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company. Additional information regarding some of these risk factors may be found under "Risk factors". The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change as a result of new information or future events. The reader is cautioned not to place undue reliance on this forward-looking information.

Abbreviations

Oil and Natural Gas:

bbl	barrels	mmcf	million cubic feet
mbbl	thousand barrels	mcf/d	thousand cubic feet per day
mmbbl	million barrels	mmcf/d	million cubic feet per day
bbl/d	barrels per day	GJ	gigajoule
API	American Petroleum Institute	bcf	billion cubic feet
mcf	thousand cubic feet	tcf	trillion cubic feet

Other:

boe	barrel of oil equivalent converting six mcf of natural gas to one barrel of oil (6:1) unless otherwise stated.
boe/d	barrels of oil equivalent per day
bopd	barrels of oil per day
mboe	thousands of barrels of oil equivalent
GORR	non-convertible gross overriding royalty
NPV	net present value

Overview

Samoth's producing assets are the Garrington and Willesden Green Properties.

Garrington - This gas property is located approximately 35 miles west of Red Deer, Alberta in Townships 36 to 37, Range 5 W5M where 3 wells are producing. The property consists of five zones, three wells of which are currently producing from the Edmonton Formation. Samoth owns working interests ranging from 70% to 82.5% in these producing wells. The underlying mineral rights of the producing wells are Crown and the wells are operated by Samoth.

Willessden Green - This gas property is located approximately 15 miles east of Rocky Mountain House, Alberta in Township 39, Ranges 5 to 6 W5M. The property consists of three gas wells, two of which are currently producing from the Edmonton Formation. Samoth owns working interests ranging from 43.04% and 42.74% in these producing wells. The underlying mineral rights are Crown and the wells are operated by Samoth.

Management believes that there are meaningful opportunities for future development of these assets once natural gas markets improve, however, the near term outlook remains uncertain.

Outlook

Management believes the long term outlook for the natural gas industry in Alberta is positive, however the near term remains uncertain with 2019 expected to be very similar to 2018. Although natural gas prices have remained historically low, management is closely monitoring the industry. Future expansion plans through additional drilling or acquisitions depend largely on the price of natural gas. Should economic conditions and opportunity present themselves in a favorable manner, management has a plan in place to react quickly and prudently

	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Sales volumes (mcf)	11,044	16,531	20,208	42,755
Daily sales volumes (mcf/d)	120	180	74	157
Revenue	\$9,105	\$8,530	\$16,838	\$42,162
Royalties	\$1,047	\$3,675	\$3,013	\$2,078
Production cost	\$37,208	\$27,036	\$93,501	\$103,475
Net (loss)	\$(56,833)	\$(45,844)	\$(586,384)	\$(82,523)
Net (loss) per share - basic	\$(0.002)	\$(0.001)	\$(0.018)	\$(0.003)
- diluted	\$(0.002)	\$(0.001)	\$(0.017)	\$(0.002)
Total assets	\$572,857	\$1,438,356	\$572,857	\$1,438,356
Total liabilities	\$325,314	\$765,465	\$325,314	\$765,465
Deficit	\$(3,317,430)	\$(2,693,582)	\$(3,317,430)	\$(2,693,582)
Weighted average number of shares outstanding – basic	31,947,222	31,447,222	32,708,092	31,447,222
– diluted	34,180,236	33,339,111	35,105,852	33,339,111

Quarterly Financial Summary

The following table summarizes the Company's quarterly results for the past eight fiscal quarters:

\$000's Except for per share amounts	Jul. 31 2019	Apr. 30 2019	Jan. 31 2019	Oct. 31 2018	Jul. 31 2018	Apr. 30 2018	Jan. 31 2018	Oct. 31 2017
Total revenues, net of royalties	\$8.6	\$4.9	\$0.9	\$4.3	\$4.8	\$31.7	\$4	\$-
Net income (loss)	\$(56.8)	\$(145.4)	\$(384.2)	\$(37.5)	\$(83.3)	\$(5.3)	\$(30.9)	\$88.3
Net income (loss) per share: basic and diluted	\$(0.002)	\$(0.005)	\$(0.012)	\$(0.001)	\$(0.001)	\$(0.000)	\$(0.001)	\$0.003

Results of Operations

Field Level Cash Flow \$000's	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Natural gas revenue	\$9.1	\$8.5	\$16.8	\$42.2
Royalties (recovered)	1.0	3.7	3.0	2.1
Production and transportation	37.2	27.0	93.5	103.5
Field level cash flow	\$(29.2)	\$(22.2)	\$(79.7)	\$(63.4)

Operating Netback (\$ / mcf) \$000's	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
Natural gas revenue per mcf	\$0.8	\$0.5	\$0.8	\$0.9
Royalties (recovered)	0.1	0.2	0.1	-
Production and transportation	3.4	1.6	4.7	2.4
Netback (\$/mcf)	\$(2.7)	\$(1.3)	\$(4.0)	\$(1.5)

Expense Analysis (\$'s)	Three months ended July 31, 2019	Three months ended July 31, 2018	Nine months ended July 31, 2019	Nine months ended July 31, 2018
General and administrative	\$27,683	\$49,182	\$391,426	\$108,651
Production and transportation	37,208	27,036	93,501	103,475
Finance expense (recovered)	-	-	-	(4,855)
Impairment (recovered)	-	(322)	-	3,889
Depreciation	-	12,303	-	26,861
Share-based compensation	-	-	122,000	122,000

Liquidity

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.

Capital Resources and Commitments

Samoth does not have any commitments for capital expenditures and does not foresee any requirements of such in order to maintain its production capacity.

Prepays and deposits

	July 31, 2019	October 31, 2018
Prepays	\$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.

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	\$ -

Outstanding Share Data

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	76,500	1,530,000	-	-
Balance, end of period	\$3,071,103	32,977,222	\$2,994,603	31,447,222

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, 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
\$0.06	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).

Off-Balance Sheet Arrangements

As at July 31, 2019, the Company had no off-balance sheet arrangements.

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

(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.

Summary of Significant Accounting Policies

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.

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.

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.

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.

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).

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.

Non-IFRS Measures

In addition to using financial measures prescribed by IFRS, certain non-IFRS measures are also used in this MD&A. These non-IFRS measures are “operating netback” and “field level cash flow.” Operating netback is a benchmark used in the natural gas industry to measure the contribution of natural gas sales subsequent to the deduction of royalties, and production and transportation costs. Field level cash flow refers to oil and gas sales revenue less royalties and less operating expenses. It does not include other income or any of the other company expenses that are used to calculate net loss. Operating netback and field level cash flow are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Management believes that operating netback and field level cash flow are appropriate measures in evaluating the Company’s performance. Operating netback and field level cash flow should not be construed as an alternative to net income or cash flow from operating activity (as determined under IFRS) as an indicator of financial performance or to cash flow from operating activities (as determined under IFRS) as a measure of liquidity and cash flow. The Company’s method of calculating operating netback and field level cash flow may differ from the methods used by other issuers and, accordingly, the Company’s operating netback and field level cash flow may not be comparable to similar measures used by other issuers. These non-IFRS performance measures, operating netback and field level cash flow, do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.