

SAMOTH OILFIELD INC.

Condensed Interim Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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, 2021 have not been reviewed by the Company's external auditors.

SAMOTH OILFIELD INC.

Statements of Financial Position

	July 31, 2021 (Unaudited)	October 31, 2020 (Audited)
ASSETS		
Current Assets:		
Cash	\$91,091	\$287,924
Trade and other receivables	5,594	4,740
GST receivable	11,511	6,594
Prepays and deposits (Note 6)	9,218	28,966
	\$117,414	\$328,224
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade and other payables	\$135,463	\$116,560
Current portion of decommissioning liabilities (Note 11)	60,000	60,000
	195,463	176,560
Long term Liabilities:		
Decommissioning liabilities (Note 11)	255,075	255,075
	450,538	431,635
EQUITY		
Share capital (Note 12)	3,287,398	3,287,398
Contributed surplus	657,575	657,575
Deficit	(4,278,097)	(4,048,384)
	(333,124)	(103,411)
	\$117,414	\$328,224

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, 2021	Three months July 31, 2020	Nine months July 31, 2021	Nine months July 31, 2020
Revenue				
Petroleum and natural gas sales and royalties	\$5,556	\$5,987	\$24,274	\$20,522
Expenses				
Production and transportation	11,417	41,013	123,626	107,657
General and administrative	13,263	19,211	130,361	45,859
	24,680	60,224	253,987	153,516
Net loss and comprehensive loss	\$(19,124)	\$(54,237)	\$(229,713)	\$(132,994)
Loss per share				
Basic and diluted	\$(0.001)	\$(0.002)	\$(0.007)	\$(0.004)
Weighted average number of common shares outstanding				
Basic and diluted	32,967,222	32,967,222	32,967,222	32,967,222

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, 2019	\$3,287,398	\$657,575	\$(3,821,075)	\$123,898
Net loss	-	-	(132,994)	(132,994)
Balance as at July 31, 2020	\$3,287,398	\$657,575	\$(3,954,069)	\$(9,096)
Balance as at October 31, 2020	\$3,287,398	\$657,575	\$(4,048,384)	\$(103,411)
Net loss	-	-	(229,713)	(229,713)
Balance as at July 31, 2021	\$3,287,398	\$657,575	\$(4,278,097)	\$(333,124)

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	2021	2020
Cash used in:		
OPERATING ACTIVITIES:		
Net loss	\$(229,713)	\$(132,994)
Items not affecting cash:		
Change in non-cash working capital (Note 10)	32,880	(12,388)
	(196,833)	(145,382)
Change in cash	(196,833)	(145,382)
Cash, beginning of period	287,924	499,189
Cash, end of period	\$91,091	\$353,807

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, 2021 and 2020

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, 2021, the Company had negative working capital of \$18,049 (October 31, 2020 - working capital of \$211,664 and July 31, 2020 – working capital of \$273,465) and an accumulated deficit of \$4,278,097 (October 31, 2020 - accumulated deficit of \$4,048,384 and July 31, 2020 - \$3,954,069). During the nine months ended July 31, 2021, the Company incurred a net loss of \$229,713 (nine months ended July 31, 2020 - net loss of \$132,994) and negative cash flows from operations of \$196,833 (nine months ended July 31, 2020 – negative cash flows from operations of \$145,382). 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, 2021, 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. Significant Accounting Policies

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 2020 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, 4, 13 and 15 to the Company's 2020 Financial Statements for the fiscal year ended October 31, 2020.

The financial statements were authorized for issue by the Board of Directors on September 28, 2021.

4. Financial Instruments and Risk Management

(a) Pandemics and Health Risks

The Company is exposed to risks relating to public health emergencies and infectious diseases, including the COVID-19 pandemic, and related government responses, which has had a negative impact on global financial conditions and could have a material and adverse effect on the Company's business, financial condition and results of operations. The Company cannot accurately predict the impact COVID-19 will have on its ability to execute its business plans in response to government public health efforts to contain COVID-19 and to obtain financing or third parties' ability

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Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2021 and 2020

4. Financial Instruments and Risk Management *(continued)*

to meet their contractual obligations with the Company. In the event that the prevalence of COVID-19 continues to increase (or fears in respect of COVID-19 continue to increase), governments may increase regulations and restrictions regarding the flow of labour, products and travel bans which could impact the Company's ability to carry out its ongoing business plan.

(b) Fair Value of Financial Instruments

All financial assets are classified as fair value through profit or loss, available-for-sale, loans and receivables or held-to-maturity. All financial liabilities are classified as other financial liabilities or at fair value through profit or loss. All financial instruments are measured as fair value on initial recognition, with measurement in subsequent periods being dependent on the instrument's classification. Financial instruments classified at fair value through profit or loss are measured at fair value with changes in fair value recorded in the statement of income. Financial assets classified as available-for-sale are measured at fair value with changes in fair value recognized in other comprehensive income. Financial instruments that are classified as held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. The Company has classified marketable securities as fair value through profit or loss. Cash and cash equivalents and trade and other receivable are classified as loans and receivables and trade and other payables and related as other financial liabilities. The Company accounts for the purchase or sale of a financial asset at the trade date which is the date the Company commits to buy or sell the financial asset. Transaction costs related to financial assets or financial liabilities other than those classified as fair value through profit or loss will be capitalized to the initial carrying value of the financial asset or liability.

The carrying amounts of cash, trade and other receivables and trade and other payables approximate fair value due to the short term nature of these items.

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.

(c) 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. The balance of trade and other receivables are unsecured and due from one counterparty; therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. During the nine months ended July 31, 2021, the Company recognized credit losses of \$nil (year ended October 31, 2020 -\$nil).

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, 2021, all trade and other payables are due within twelve months or less of the reporting date and the expected cash flows associated with them are equal to their carrying values. 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.

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Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2021 and 2020

4. Financial Instruments and Risk Management *(continued)*

(d) 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.

(e) 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, 2021, October 31, 2020 and July 31, 2020, 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.

(f) 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, 2021, year ended October 31, 2020 or the nine months ended July 31, 2020 and has no outstanding fixed forward contracts or derivative financial instruments as at July 31, 2021, October 31, 2020 and July 31, 2020.

5. 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.

6. Prepays and deposits

	July 31, 2021	October 31, 2020
Prepays	\$9,218	\$13,966
Deposits	-	15,000
	\$9,218	\$28,966

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7. 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, 2021	July 31, 2020
Management compensation	\$-	\$-
Total	\$-	\$-

8. Property and Equipment

The Company's PNG assets were impaired to \$nil in prior years and there have been no facts or circumstances indicating that any reversal of this impairment has occurred as at October 31, 2020 and October 31, 2019. For the nine months ended July 31, 2021, the Company has recognized an impairment charge of \$nil (year ended October 31, 2020 - \$28,389 as a result of revisions to Decommissioning Liabilities).

9. 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, 2021		Year ended October 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Number of Options
Outstanding options, beginning of period	3,266,722	\$0.07	3,266,722	\$0.07
Outstanding options, end of period	3,266,722	\$0.07	3,266,722	\$0.07
Exercisable options, end of period	3,266,722	\$0.07	3,266,722	\$0.07

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9. Share-based Compensation *(continued)*

A summary of the options outstanding and exercisable at July 31, 2021 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	0.4
\$0.055	720,000	2.2
\$0.05	1,020,000	2.3
\$0.08	3,266,722	1.9

A summary of the options outstanding and exercisable at October 31, 2020 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	1.2
\$0.055	720,000	3.0
\$0.05	1,020,000	3.1
\$0.08	3,266,722	2.5

During the nine months ended July 31, 2021, share-based payments expense of \$nil was recognized (year ended October 31, 2021 - \$nil).

10. Supplemental Information

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

	Nine months July 31, 2021	Nine months July 31, 2020
Trade, GST and other receivables	\$(5,771)	\$(4,383)
Prepays and deposits	19,748	(17,714)
Trade and other payables	18,903	9,709
	\$32,880	\$(12,388)

SAMOTH OILFIELD INC.

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11. 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, 2021	Year ended October 31, 2020
Balance, beginning of period	\$315,075	\$282,561
Finance expense	-	4,125
Revision of estimate	-	28,389
Balance, end of period	\$315,075	\$315,075

	Nine months ended July 31, 2021	Year ended October 31, 2020
Current	\$60,000	\$60,000
Long term	255,075	255,075
Balance, end of period	\$315,075	\$315,075

At October 31, 2020, the total undiscounted amount of estimated cash flows required to settle the obligation was \$318,102 which has been adjusted for inflation using a weighted average estimated inflation rate of 2% and, subsequently discounted using an unadjusted risk free rate of between 0.24% and 0.36%. The cash flows related to reclamation and abandonment costs are expected to be incurred between 2021 and 2025. An increase in the risk free rate of 1% would result in a decrease in the liability of \$9,449.

12. 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, 2021		October 31, 2020	
	Amount	Number of Shares	Amount	Number of Shares
Common shares				
Balance, beginning of period	\$3,287,398	32,967,222	\$3,287,398	32,967,222
Balance, end of period	\$3,287,398	32,967,222	\$3,287,398	32,967,222

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.

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Notes to the Unaudited Condensed Financial Statements

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13. Revenues

The Corporation's revenues consist solely of natural gas and natural gas liquids; hence there is no disaggregation of revenue to disclose as the natural gas liquids revenues are nominal. All of the Company's revenues are generated in Western Canada and as at July 31, 2021, October 31, 2021 and July 31, 2020, all of the Corporation's assets were held in Canada.