

SAMOTH OILFIELD INC.

Financial Statements

For the years ended October 31, 2020 and 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Samoth Oilfield Inc.

The management of Samoth Oilfield Inc. prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material aspects to International Financial Reporting Standards.

Management maintains the necessary accounting and internal control systems to ensure: the timely production of reliable and accurate accounting information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, who are recommended to the Shareholders by the Audit Committee and appointed by the Shareholders, conducted an audit of these financial statements in accordance with Canadian auditing standards. The Audit Committee reviewed these financial statements with the auditors in detail before recommending their approval.

St. Albert, Alberta
February 26, 2021

Signed "Leonard D. Jaroszuk"
Leonard Jaroszuk, President, Chief Executive Officer

Independent Auditor's Report

To the Shareholders of Samoth Oilfield Inc.

Opinion

We have audited the financial statements of Samoth Oilfield Inc. ("the Company"), which comprise the statements of financial position as at October 31, 2020 and October 31, 2019 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended October 31, 2020 and October 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and October 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Calgary, Canada
February 26, 2021**

SAMOTH OILFIELD INC.

Statements of Financial Position

October 31,	2020	2019
ASSETS		
Current Assets:		
Cash	\$287,924	\$499,189
Trade and other receivables	4,740	-
GST receivable	6,594	-
Prepays and deposits (Note 5)	28,966	15,492
	\$328,224	\$514,681
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade and other payables	\$116,560	\$108,222
Current portion of decommissioning liabilities (Note 10)	60,000	-
	176,560	108,222
Long term Liabilities:		
Decommissioning liabilities (Note 10)	255,075	282,561
	431,635	390,783
EQUITY		
Share capital (Note 11)	3,287,398	3,287,398
Contributed surplus	657,575	657,575
Deficit	(4,048,384)	(3,821,075)
	(103,411)	123,898
	\$328,224	\$514,681

Going concern (Note 2)

The accompanying notes are an integral part of these 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

Years ended October 31,	2020	2019
Petroleum and natural gas sales, net of royalties (Note 15)	\$29,734	\$17,782
Expenses		
Production and transportation	152,611	145,002
Impairment (Notes 6 and 10)	28,389	37,235
Finance (Note 10)	4,125	3,530
Share-based compensation (Note 8)	-	277,000
General and administrative	71,918	433,012
	257,043	895,779
Loss before other income	(227,309)	(877,997)
Other income		
Gain on sale of equipment (Note 7(b))	-	3,330
Interest income	-	9,638
	-	12,968
Net loss and comprehensive loss	\$(227,309)	\$(865,029)
Loss per share		
Basic	\$(0.007)	\$(0.026)
Diluted	\$(0.007)	\$(0.026)
Weighted average number of common shares outstanding		
Basic	32,967,222	32,904,756
Diluted	33,126,465	33,550,936

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

SAMOTH OILFIELD INC.

Statements of Changes in Equity

	Share Capital	Contributed Surplus	Deficit	Total
Balance as at October 31, 2018	\$2,994,603	\$596,870	\$(2,956,046)	\$635,427
Share-based compensation (Note 8)	-	277,000	-	277,000
Stock options exercised (Note 11)	76,500			76,500
Contributed surplus allocated to share capital on exercise of stock options (Note 11)	216,295	(216,295)	-	-
Net loss for the year	-	-	(865,029)	(865,029)
Balance as at October 31, 2019	\$3,287,398	\$657,575	\$(3,821,075)	\$123,898
Net loss for the year	-	-	(227,309)	(227,309)
Balance as at October 31, 2020	\$3,287,398	\$657,575	\$(4,048,384)	\$(103,411)

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

SAMOTH OILFIELD INC.
Statements of Cash Flows

Years ended October 31,	2020	2019
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Net loss	\$(227,309)	\$(865,029)
Items not affecting cash:		
Gain on sale of equipment (Note 7(b))	-	(3,330)
Finance (Note 10)	4,125	3,530
Impairment expense (Notes 6 and 10)	28,389	37,235
Share-based compensation (Note 8)	-	277,000
Change in non-cash working capital (Note 9)	(16,470)	617,994
Net cash inflows (outflows) from operating activities:	(211,265)	67,400
FINANCING ACTIVITIES:		
Proceeds from exercised stock options (Note 11)	-	76,500
INVESTING ACTIVITIES:		
Proceeds on sale of equipment	-	344,637
Change in cash	(211,265)	488,537
Cash, beginning of year	499,189	10,652
Cash, end of year	\$287,924	\$499,189

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

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

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 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 October 31, 2020, the Company had working capital of \$151,664 (October 31, 2019 - \$406,459) and an accumulated deficit of \$4,048,384 (October 31, 2019 - \$3,821,075). During the year ended October 31, 2020 the Company had a net loss of \$227,309 (October 31, 2019 - \$865,029) and negative cash flows from operations of \$211,265 (year ended October 31, 2019 - cash flows of \$67,400). These considerations in conjunction with the risk management disclosures in Note 13 create a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company 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 flows from field operations, the sale of property and equipment that has previously been fully impaired and its ability to raise funds through equity offerings or the exercise of outstanding stock options. The realization of asset values may be substantially different from their carrying values as at October 31, 2020, 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. Basis of Preparation, Significant Estimates and Judgments

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by the Board of Directors on February 26, 2021.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except where otherwise noted.

(c) Estimation uncertainty

The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements as well as the reported amounts of revenues, expenses, and cash flows during the period. Actual results could differ from these estimates. Estimates and underlying assumptions are continually reviewed. Changes to accounting estimates are recognized in the period in which the estimates are revised.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

3. Basis of Preparation, Significant Estimates and Judgments (continued)

(c) *Estimation uncertainty (cont'd)*

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements are outlined below:

a. Reserve estimate

Petroleum and natural gas assets are depleted on a unit-of-production basis at a rate calculated by reference to proven and probable reserves determined in accordance with National Instrument 51-101, Standards of disclosure for Oil and Gas Activities ("NI51-101") and incorporating the estimated future cost of developing and extracting those reserves. Proven and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserves estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depreciation and depletion, decommissioning liabilities, deferred taxes and asset impairments. Independent reservoir engineers perform evaluations of the Company's oil and gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecast, commodity prices and costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

b. Impairment indicators and discount rate

For purposes of impairment testing, petroleum and natural gas assets are grouped into cash generating units ("CGU's"), based on separately identifiable and largely independent cash flows. The determination of the Company's CGU's is subject to judgment.

The recoverable amounts of CGU's and individual assets are based on the higher of their value-in-use and fair values less costs to sell. These calculations require the use of estimates and assumptions. Unless indicated otherwise, the recoverable amount used in assessing impairment charges is fair value less costs to sell. The Company generally estimates fair value less costs to sell using a discounted cash flow model, which has a significant number of assumptions. The model uses expected cash flows from proved plus probable reserves. These estimates are subject to measurement uncertainty as discussed above and subject to variability to changes in forecasted commodity prices. The discount rate applied to the cash flows is also subject to management's judgment and will affect the recoverable amount calculated.

It is reasonably possible that the commodity price assumptions may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of its tangible and intangible assets. The Company monitors internal and external indicators of impairment relating to its tangible assets. These indicators include changes in (a) commodity prices, (b) reserve volumes and (c) discount rates.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

3. Basis of Preparation, Significant Estimates and Judgments (continued)

(c) Estimation uncertainty (cont'd)

The future cash flows are adjusted for risks specific to the asset and discounted using a before-tax discount rate of 10%. As a result, changes in commodity prices, a reduction to reserve volumes or an increase in the discount rate may potentially lead to impairments.

c. Decommissioning costs

At the end of the operating life of the Company's facilities and properties and upon retirement of its oil and natural gas assets, decommissioning costs will be incurred by the Company. Estimates of these costs are subject to uncertainty associated with the method, timing and extent of future decommissioning activities. These assumptions can be impacted by changes outside of the Company's control, such as technological advancements, legal and regulatory requirements and environmental laws and regulations. The liability, the related assets and the expenses are impacted by estimates with respect to the costs and timing of decommissioning.

d. Measurement of share-based compensation

The estimation of the fair value of the stock options requires the use of assumptions, which include the estimated volatility of the issuer's stock price over the life of the options, future interest rates, dividend yield, forfeiture rates and the estimated life of the option. Changes in these estimates would alter the option's fair value and the related expense as determined by the valuation model.

e. Income taxes

Tax regulations and legislation and the interpretations thereof are subject to change. The Company recognized the net future tax benefit of deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods

(d) Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Company's functional currency.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as otherwise noted.

Jointly controlled operations and jointly controlled assets

Some of the Company's petroleum and natural gas properties are jointly controlled assets. The financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

Property and equipment

Property and equipment consist of oil and gas assets, computer equipment, office equipment, furniture and vehicle. Oil and gas properties are stated at cost, less any accumulated depletion, depreciation and accumulated impairment losses. These properties and equipment include oil and natural gas development and production assets, which represent costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning liabilities related to producing assets are also capitalized to property and equipment.

Oil and gas properties are not depreciated until commercial production commences. The net carrying value of oil and gas assets is depleted using the unit-of-production method based on estimated proven and probable oil and gas reserves. The depletion calculation takes into account the estimated future development costs of the recognized proved plus probable reserves.

Proven and probable reserves are determined by independent engineers in accordance with Canadian National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates of proved and probable reserves used in prior periods that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Values of oil and gas properties are reviewed for impairment at the end of each reporting period for any indication that the carrying value of the asset may not be recoverable. If any such indication of impairment exists, an estimate of the recoverable amount is calculated. Individual assets are grouped, for the purposes of impairment testing, together into the smallest group of assets or group of assets that generates cash flows that are largely independent of the cash flows of other assets or group of assets (the cash generating unit or CGU). A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written-down to its recoverable amount.

The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model. The Company uses the present value of the cash generating unit's estimated future cash flows from both proved and probable reserves in its fair value model. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Equipment was measured at cost less accumulated depreciation and accumulated impairment losses. Cost consisted of the purchase price, plus costs directly attributable to putting the asset in use and where applicable, an estimate of the costs of removing the item and site restoration.

Decommissioning liabilities

The Company provides for future decommissioning liabilities related to its oil and gas operating activities based on current legislation, constructive obligation and industry operating practices. Decommissioning liabilities are recognized as a liability in the period in which they are incurred. Decommissioning liabilities are measured as the present value of management's best estimate of the expenditure required to settle the asset retirement liability at the reporting date using a discount rate. When the liability is initially recognized, an amount equivalent to the provision is capitalized to the cost of the related oil and gas asset. This cost is amortized to expense through depletion and depreciation over the life of the related asset on a unit-of-production basis. Subsequent to initial measurement, the liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future costs underlying the liability. The increase in the balance due to the passage of time is charged to the statement of net and comprehensive loss whereas increases or decreases due to changes in the estimated future costs are capitalized. Actual costs incurred upon settlement of the decommissioning liability are charged against the liability or expense if greater than the liability.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and other short-term highly liquid investments that can be readily converted to cash without penalty.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments

Financial instruments are comprised of cash, trade and other receivables and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred all risks and rewards of ownership.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Financial instruments *(continued)*

a. Financial assets

Classification and Measurement of Financial Assets

The initial classification of a financial asset depends upon the Company's business model for managing its financial assets and the contractual terms of the cash flows. There are three measurement categories into which the Company classified its financial assets:

- Amortized Cost: Includes assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest;
- Fair value through other comprehensive income ("FVOCI"): Includes assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest; or
- Fair Value through Profit and Loss ("FVTPL"): Includes assets that do not meet the criteria for amortized cost or FVOCI and are measured at fair value through profit or loss.

This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that meets the amortized cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. There is no subsequent reclassification of fair value changes to earnings following the derecognition of the investment. However, dividends that reflect a return on investment continue to be recognized in net earnings. This election is made on an investment-by-investment basis. At initial recognition, the Company measures a financial asset at its fair value and, in the case of a financial asset not at FVTPL, including transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are recorded as an expense in net earnings. Financial assets are reclassified subsequent to their initial recognition only if the business model for managing those financial assets changes. The affected financial assets will be reclassified on the first day of the first reporting period following the change in the business model. A financial asset is derecognized when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

a. Financial assets (continued)

Impairment of Financial Assets

The Company recognizes loss allowances for expected credit losses (“ECLs”) on its financial assets measured at amortized cost. Due to the nature of its financial assets, The Company measures loss allowances at an amount equal to lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

b. Financial liabilities

Financial liabilities include trade and other payables. Financial liabilities are classified as current liabilities if payment is due within twelve months; otherwise, they are presented as non-current liabilities.

Classification and Measurement of Financial Liabilities

A financial liability is initially classified as measured at amortized cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition. The classification of a financial liability is irrevocable. Financial liabilities at FVTPL (other than financial liabilities designated at FVTPL) are measured at fair value with changes in fair value, along with any interest expense, recognized in net earnings. Other financial liabilities are initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in net earnings. Any gain or loss on derecognition is also recognized in net earnings. A financial liability is derecognized when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same counterparty with substantially different terms, or the terms of an existing liability are substantially modified, it is treated as a derecognition of the original liability and the recognition of a new liability. When the terms of an existing financial liability are altered, but the changes are considered non-substantial, it is accounted for as a modification to the existing financial liability. Where a liability is substantially modified it is considered to be extinguished and a gain or loss is recognized in net earnings based on the difference between the carrying amount of the liability derecognized and the fair value of the revised liability. Where a liability is modified in a non-substantial way, the amortized cost of the liability is remeasured based on the new cash flows and a gain or loss is recorded in net earnings.

Finance expense

Finance expense includes the accretion of the discount on its decommissioning liabilities.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue associated with the sale of the Company's crude oil and natural gas is recognized when control passes from the Company to its customer. This generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism and it is probable that the economic benefits will flow to the Company.

Interest income is recognized when earned.

Share-based compensation plan

The Company has issued options to acquire common shares to directors, officers and employees of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options using the graded method of amortization, with an equivalent increase to contributed surplus. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest. At the time the stock options are exercised, the fair value of the associated share-based compensation is reclassified from contributed surplus to share capital.

At each reporting date, the Company revises its estimates of the number of options expected to vest. It recognized the impact of the revision of original estimates, if any, in the statement of net and comprehensive loss, with a corresponding adjustment to equity.

Income taxes

Deferred income tax is determined on a non-discounted basis using the liability method and tax rates and laws that have been enacted or substantially enacted at the reporting date. Provision is made for temporary differences at the reporting date between the tax basis of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized to the extent that it is probable that the future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments using the treasury stock method. The Company's potentially dilutive common shares include debentures convertible into common shares and stock options granted to employees and directors. It is assumed that any proceeds obtained on the exercise of any options or warrants would be used to purchase common shares at the average price during the period.

Leases

Policy applicable from November 1, 2019

Lessee

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Leases are recognized as a Right-of Use ("ROU") asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. These payments are discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the Statements of Loss and Comprehensive Loss if the carrying amount of the ROU asset has been reduced to zero.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Leases (continued)

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will re-measure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net loss that reflects the proportionate decrease in scope.

ROU assets are assessed for impairment on initial recognition and subsequently on an annual basis, at a minimum. ROU assets subject to leases that have become onerous in nature are adjusted by the amount of any provision for onerous leases.

Policy applicable before November 1, 2019

Agreements under which the Company is obligated to make payments to owners in return for the rights to use an asset are accounted for as leases. The Company accounts for its leases as operating leases as the terms of the leases do not transfer substantially all the risks and rewards of ownership. As such, the Company charges their costs to expenses on a straight-line basis over the term of the lease.

New accounting standards adopted in 2019:

Leases

In January 2016, the IASB issued IFRS 16, "Leases", which specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

The Company adopted IFRS 16 effective November 1, 2019 using the modified retrospective approach.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

4. Summary of Significant Accounting Policies (continued)

Leases (continued)

On initial adoption, the Company elected to use the following practical expedients permitted under the standard:

- a) Account for leases with a remaining term of less than twelve months as short-term leases; and
- b) Account for lease payments as an expense and not recognize a ROU asset if the underlying asset is of low dollar value.

There were no transitional or subsequent adjustments required in the financial statements as the Company does not have any leases that fall under the scope of the new standard.

New accounting standards issued but not yet adopted

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits.

These amendments are effective for reporting periods beginning on or after January 1, 2020. The Company has not early adopted this standard and does not believe it will have a material impact when adopted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022. The Company has not early adopted this standard and does not believe it will have a material impact when adopted.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023. The Company has not early adopted this standard and does not believe it will have a material impact when adopted.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

5. Prepays and Deposits

	October 31, 2020	October 31, 2019
Prepays	\$13,966	\$15,492
Deposits	15,000	-
	\$28,966	\$15,492

6. 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 year ended October 31, 2020, the Company has recognized an impairment charge of \$28,389 (2019 - \$32,735) as a result of revisions to Decommissioning Liabilities (Note 10).

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 expense for key management personnel was:

	October 31, 2020	October 31, 2019
Management compensation	\$-	\$302,827
Stock-based compensation	-	277,000
Total	\$-	\$579,827

(b) *Sale of equipment*

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. The exchange amount was agreed to by the parties and resulted in a gain of \$3,330 to the Company.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

8. 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 issued 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.

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

	Year ended October 31, 2020		Year ended October 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning of year	3,266,722	\$0.07	3,411,889	\$0.07
Granted	-	-	1,874,833	\$0.05
Cancelled	-	-	(500,000)	\$0.05
Exercised	-	-	(1,520,000)	\$(0.05)
Outstanding options, end of year	3,266,722	\$0.07	3,266,722	\$0.07
Exercisable options, end of year	3,266,722	\$0.07	3,266,722	\$0.07

For the year ended October 31, 2019, the following assumptions were used in the Black-Scholes calculation:

A risk free-rate of 1.96%, volatility of 192.7%, expected life of five years, dividend yield of 0% and forfeiture rate of 0%.

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

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

8. Share-based Compensation *(continued)*

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

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	2.2
\$0.055	720,000	4.0
\$0.05	1,020,000	4.1
\$0.08	3,266,722	3.5

During the year ended October 31, 2020, share-based payments expense of \$nil was recognized (year ended October 31, 2019 - \$277,000).

9. Supplemental Information

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

Years ended October 31	2020	2019
Trade and other receivables	\$(11,334)	\$6,250
Prepays and deposits	(13,474)	640,610
Trade and other payables	8,338	(28,866)
	\$(16,470)	\$617,994

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

10. Decommissioning Liabilities

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

Years ended October 31	2020	2019
Balance, beginning of year	\$282,561	\$241,796
Finance expense	4,125	3,530
Revision of estimate	28,389	37,235
Balance, end of year	\$315,075	\$282,561

Years ended October 31	2020	2019
Current	\$60,000	\$ -
Long term	255,075	282,561
Balance, end of year	\$315,075	\$282,561

At October 31, 2020, the total undiscounted amount of estimated cash flows required to settle the obligation was \$318,102 (2019 - \$318,102) which has been adjusted for inflation using a weighted average estimated inflation rate of 2% (2019 - 2%) and, subsequently discounted using an unadjusted risk free rate of between 0.24% and 0.36% (2019- 1.54%). 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 (2019 - \$20,472).

11. 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:

	October 31, 2020		October 31, 2019	
	Amount	Number of Shares	Amount	Number of Shares
Common shares				
Balance, beginning of year	\$3,287,398	32,967,222	\$2,994,603	31,447,222
Stock options exercised (Note 8)	-	-	76,500	1,520,000
Contributed surplus allocated on exercise of stock options	-	-	216,295	-
Balance, end of year	\$3,287,398	32,967,222	\$3,287,398	32,967,222

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

12. Income Taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before income tax. These differences result from the following:

	Year ended October 31, 2020	Year ended October 31, 2019
Loss for the year before income taxes	\$ (227,309)	\$ (865,029)
Combined federal and provincial statutory rate	24.33%	27.00%
Expected income tax recovery	(55,000)	(234,000)
Difference resulting from:		
Effect of changes in tax rates and other	343,000	-
Non-deductible expenses	-	75,000
Change in unrecognized deferred tax assets	(288,000)	159,000
Income taxes	\$ -	\$ -

Deferred tax assets have not been recognized in respect of the following items:

	Year ended October 31, 2020	Year ended October 31, 2019
Property and equipment	\$ 78,000	\$ 336,000
Decommissioning liabilities	72,000	76,000
Non-capital tax losses	454,000	480,000
Valuation allowance	(604,000)	(892,000)
	\$ -	\$ -

At October 31, 2020, the Company had non-capital losses of \$1,971,850 (October 31, 2019 \$1,777,055) available to reduce future taxable income. The Company's tax losses expire between 2029 and 2040. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

13. Risk Management

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.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

13. Risk Management *(continued)*

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 year ended October 31, 2020, the Company recognized credit losses of \$nil (2019 - \$6,250).

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 October 31, 2020, 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.

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 October 31, 2020 and October 31, 2019, 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 as at or during the years ended October 31, 2020 or 2019.

SAMOTH OILFIELD INC.

Notes to the Financial Statements

For the years ended October 31, 2020 and 2019

13. Risk Management *(continued)*

Pandemics, Natural Disasters Or Other Unanticipated Events

The occurrence of pandemics, such as the recent outbreak of the novel coronavirus COVID-19; natural disasters, such as hurricanes, floods or earthquakes; or other unanticipated events, such as cyberattacks, fires, terrorist attacks or railway blockades, in any of the areas in which the Company, its customers or its suppliers operate could cause interruptions in the Company's operations. In addition, pandemics, natural disasters or other unanticipated events could negatively impact the demand for, and price of, oil and natural gas which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows. In addition, and without limitation of the foregoing, the Company is also 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 to meet their contractual obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected jurisdictions; and future demand for commodities. 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 or products, and travel bans, and the Company's operations and service providers, and ability to carry out its ongoing business plan, could be adversely affected.

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. 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 October 31, 2020 and October 31, 2019, all of the Corporation's assets were held in Canada.