

Samoth Oilfield Inc. Management's Discussion and Analysis

Advisories

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, 2022. 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 2021 Financial Statements and the notes thereto, the 2021 MD&A and the 2021 AIF filed with Canadian regulatory agencies.

This MD&A was prepared effective September 29, 2022.

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
mdbl	thousand barrels	mcf/d	thousand cubic feet per day
mdbl	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

The outbreak of COVID-19 pandemic has negatively impacted economic conditions around the world. The decrease in oil demand, combined with other macro-economic factors, has resulted in significantly lower oil and liquids prices further driving economic uncertainty. Natural gas prices have also been volatile but in recent months the forward pricing curve has been strengthening.

Management believes the long term outlook for the natural gas industry in Alberta is positive, however the near term remains uncertain. 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, 2022	Three months ended July 31, 2021	Nine months ended July 31, 2022	Nine months ended July 31, 2021
Sales volumes (mcf)	5,792	2,527	83,842	12,624
Daily sales volumes (mcf/d)	62	27	306	46
Revenue	\$34,668	\$5,866	\$48,555	\$26,062
Royalties	\$1,424	\$310	\$1,698	\$1,788
Production cost	\$23,597	\$11,417	\$64,921	\$123,626
Net (loss)	\$(102)	\$(19,124)	\$(213,267)	\$(229,713)
Net (loss) per share – basic and diluted	\$0.000	\$(0.001)	\$(0.006)	\$(0.007)
Total assets	\$69,758	\$117,414	\$69,758	\$117,414
Total liabilities	\$221,926	\$450,538	\$221,926	\$450,538
Deficit	\$(4,308,933)	\$(4,278,097)	\$(4,308,933)	\$(4,278,097)
Weighted average number of shares outstanding – basic	34,286,512	32,967,222	33,954,082	32,967,222
– diluted	34,163,617	32,967,222	34,326,476	32,967,222

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 2022	Apr. 30 2022	Jan. 31 2022	Oct. 31 2021	Jul. 31 2021	Apr. 30 2021	Jan. 31 2021	Oct. 31 2020
Petroleum and natural gas sales, net of royalties	\$33.2	\$11.5	\$2.1	\$2.3	\$5.6	\$8.7	\$10.1	\$8.6
Net (loss) income	\$(0.1)	\$(71.2)	\$(142.0)	\$182.4	\$(19.1)	\$(102.7)	\$(107.9)	\$(94.4)
Net (loss) income per share: basic and diluted	\$0.000	\$(0.002)	\$(0.004)	\$0.006	\$(0.001)	\$(0.003)	\$(0.003)	\$(0.003)

Results of Operations

Field Level Cash Flow \$000's	Three months ended July 31, 2022	Three months ended July 31, 2021	Nine months ended July 31, 2022	Nine months ended July 31, 2021
Natural gas revenue	\$34.7	\$5.9	\$48.6	\$26.1
Royalties	1.4	0.3	1.7	1.8
Production and transportation	23.6	11.4	64.9	123.6
Field level cash flow	\$9.9	\$(5.8)	\$(18.0)	\$(99.3)

Operating Netback (\$ / mcf) \$000's	Three months ended July 31, 2022	Three months ended July 31, 2021	Nine months ended July 31, 2022	Nine months ended July 31, 2021
Natural gas revenue per mcf	\$6.0	\$2.3	\$0.6	\$2.1
Royalties	0.2	0.1	-	0.1
Production and transportation	4.1	4.5	0.8	9.8
Netback (\$/mcf)	\$1.7	\$(2.3)	\$(0.2)	\$(7.8)

Expense Analysis (\$'s)	Three months ended July 31, 2022	Three months ended July 31, 2021	Nine months ended July 31, 2022	Nine months ended July 31, 2021
General and administrative	\$9,749	\$13,263	\$53,003	\$130,361
Production and transportation	\$23,597	\$11,417	\$64,921	\$123,626
Share-based compensation	-	-	\$142,200	-

Liquidity

As at July 31, 2022, the Company had working capital of \$16,725 (October 31, 2021 – working capital \$61,942 and July 31, 2021 – negative working capital of \$18,049) and an accumulated deficit of \$4,308,933 (October 31, 2021 – \$4,095,666 and July 31, 2021 - \$4,278,097). During the nine months ended July 31, 2022, the Company incurred a net loss of \$213,267 (nine months ended July 31, 2021 - net loss of \$229,713) and negative cash flows from operations of \$85,128 (nine months ended July 31, 2021 – negative cash flows from operations of \$196,833). 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

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.

Prepaids and deposits

	July 31, 2022	October 31, 2021
Prepaids	\$15,647	\$9,053

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, 2022		October 31, 2021	
	Amount	Number of Shares	Amount	Number of Shares
Common shares				
Balance, beginning of period	\$3,460,394	33,842,055	\$3,287,398	32,967,222
Stock options exercised (Note 8)	25,850	470,000	43,742	874,833
Contributed surplus allocated on exercise of stock options	2,3500	-	129,254	-
Balance, end of period	\$3,509,744	\$34,312,055	\$3,460,394	33,842,055

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, 2022		Year ended October 31, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning of period	2,391,889	\$0.07	3,266,722	\$0.07
Exercised	(470,000)	\$(0.055)	(874,833)	\$(0.05)
Expired unexercised	(1,071,889)	\$0.10	-	-
Share-based compensation	1,945,000	\$0.07	-	-
Outstanding options, end of period	2,795,000	\$0.06	2,391,889	\$0.07
Exercisable options, end of period	2,795,000	\$0.06	2,391,889	\$0.07

During the quarter, 470,000 options were exercised at a price of \$0.055 per option resulting in proceeds of \$25,850.

A summary of the options outstanding and exercisable at July 31, 2022 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.055	350,000	1.1
\$0.05	500,000	1.2
\$0.07	1,945,000	4.3
\$0.06	2,795,000	3.0

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

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	0.2
\$0.055	820,000	2.0
\$0.05	500,000	2.1
\$0.07	2,391,899	1.2

Off-Balance Sheet Arrangements

As at July 31, 2022, the Company had no off-balance sheet arrangements.

Related Party Transactions

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, 2022	July 31, 2021
Management compensation	\$-	\$-
Stock-based compensation	142,200	-
Total	\$142,200	\$-

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.

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 period ended July 31, 2022, the Company recognized credit losses of \$nil (October 31, 2021 - \$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, 2022, 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 July 31, 2022, October 31, 2021 and July 31, 2021 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 for the

three and nine months ended July 31, 2022, year ended October 31, 2021 or the three and nine months ended July 31, 2021.

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.

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.

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, 2022, October 31, 2021 and July 31, 2021 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.