

**SAMOTH OILFIELD INC.**

**Condensed Interim Financial Statements**

**For the three and nine months ended July 31, 2022 and 2021**

## **SAMOTH OILFIELD INC.**

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### **National Instrument 51-102 Continuous Disclosure Obligations Notice**

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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, 2022 have not been reviewed by the Company's external auditors.

**SAMOTH OILFIELD INC.**  
**Statements of Financial Position**

	July 31, 2022 (Unaudited)	October 31, 2021 (Audited)
<b>ASSETS</b>		
Current Assets:		
Cash	\$49,556	\$108,834
Trade and other receivables	-	3,407
GST receivable	4,555	13,026
Prepays (Note 6)	15,647	9,053
	<b>\$69,758</b>	<b>\$134,320</b>
<b>LIABILITIES AND DEFICIT</b>		
Current Liabilities:		
Trade and other payables	\$53,033	\$72,378
Current portion of decommissioning liabilities (Note 10)	20,984	20,984
	74,017	93,362
Long term Liabilities:		
Decommissioning liabilities (Note 10)	147,909	147,909
	221,926	241,271
<b>DEFICIT</b>		
Share capital (Note 11)	3,509,744	3,460,394
Contributed surplus	647,021	528,321
Deficit	(4,308,933)	(4,095,666)
	(152,168)	(106,951)
	<b>\$69,758</b>	<b>\$134,320</b>

**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, 2022	Three months July 31, 2021	Nine months July 31, 2022	Nine months July 31, 2021
<b>Revenue</b>				
Petroleum and natural gas sales and royalties	\$33,244	\$5,556	\$46,857	\$24,274
<b>Expenses</b>				
Production and transportation	23,597	11,417	64,921	123,626
General and administrative	9,749	13,263	53,003	130,361
Share-based compensation (Note 8)	-	-	142,200	-
	33,346	24,680	260,124	253,987
<b>Net loss and comprehensive loss</b>	<b>\$(102)</b>	<b>\$(19,124)</b>	<b>\$(213,267)</b>	<b>\$(229,713)</b>
<b>Loss per share</b>				
Basic	\$(0.000)	\$(0.001)	\$(0.006)	\$(0.007)
Diluted	\$(0.000)	\$(0.001)	\$(0.006)	\$(0.007)
<b>Weighted average number of common shares outstanding</b>				
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

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
<b>Balance as at October 31, 2020</b>	<b>\$3,287,398</b>	<b>\$657,575</b>	<b>\$(4,048,384)</b>	<b>\$(103,411)</b>
Net loss	-	-	(229,713)	(229,713)
<b>Balance as at July 31, 2021</b>	<b>\$3,287,398</b>	<b>\$657,575</b>	<b>\$(4,278,097)</b>	<b>\$(333,124)</b>
<b>Balance as at October 31, 2021</b>	<b>\$3,460,394</b>	<b>\$528,321</b>	<b>\$(4,095,666)</b>	<b>\$(106,951)</b>
Share-based compensation (Note 8)	-	142,200	-	142,200
Stock options exercised (Note 8)	25,850	-	-	25,850
Contributed surplus allocate to share capital on exercise of stock options (Note 12)	23,500	(23,500)	-	-
Net loss	-	-	(213,267)	(213,267)
<b>Balance as at July 31, 2022</b>	<b>\$3,509,744</b>	<b>\$647,021</b>	<b>\$(4,308,933)</b>	<b>\$(152,168)</b>

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

**SAMOTH OILFIELD INC.**  
**Statements of Cash Flows**  
**(Unaudited)**

<b>Nine months ended July 31</b>	<b>2022</b>	<b>2021</b>
Cash used in:		
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$(213,267)	\$(229,713)
Items not affecting cash:		
Share-based compensation (Note 8)	142,200	-
Change in non-cash working capital (Note 9)	(14,061)	32,880
	(85,128)	(196,833)
<b>FINANCING ACTIVITIES:</b>		
Stock options exercised (Note 8)	25,850	-
Change in cash	(59,278)	(196,833)
Cash, beginning of period	108,834	287,924
Cash, end of period	\$49,556	\$91,091

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, 2022 and 2021**

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### **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, 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. Realization of asset values may be substantially different from carrying values as disclosed at July 31, 2022, 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 2021 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, 14 and 15 to the Company's 2021 Financial Statements for the fiscal year ended October 31, 2021.

The financial statements were authorized for issue by the Board of Directors on September 29, 2022.

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2022 and 2021

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### 4. 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.

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2022 and 2021

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### 4. 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.

### 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. Prepaids and deposits

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

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2022 and 2021

#### 7. 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	-
<b>Total</b>	<b>\$142,200</b>	<b>\$-</b>

#### 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.

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	-	-
<b>Outstanding options, end of period</b>	<b>2,795,000</b>	<b>\$0.06</b>	<b>2,391,889</b>	<b>\$0.07</b>
<b>Exercisable options, end of period</b>	<b>2,795,000</b>	<b>\$0.06</b>	<b>2,391,889</b>	<b>\$0.07</b>

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
<b>\$0.06</b>	<b>2,795,000</b>	<b>3.0</b>

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

For the three and nine months ended July 31, 2022 and 2021

#### 8. Share-based Compensation *(continued)*

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

#### 9. Supplemental Information

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

	Nine months July 31, 2022	Nine months July 31, 2021
Trade, GST and other receivables	\$11,878	\$(5,771)
Prepays and deposits	(6,594)	19,748
Trade and other payables	(19,345)	18,903
	\$(14,061)	\$32,880

#### 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:

	Nine months ended July 31, 2022	Year ended October 31, 2021
Balance, beginning of period	\$168,893	\$315,075
Finance expense	-	756
SRP grant	-	(56,496)
Revisions	-	(90,442)
Balance, end of period	\$168,893	\$168,893

	Nine months ended July 31, 2022	Year ended October 31, 2021
Current	\$20,984	\$20,984
Long term	147,909	147,909
Balance, end of period	\$168,893	\$168,893

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

### For the three and nine months ended July 31, 2022 and 2021

At October 31, 2021 the total undiscounted amount of estimated cash flows required to settle the obligation was \$158,089 which has been adjusted for inflation using a weighted average estimated inflation rate of 4.7% and, subsequently discounted using an unadjusted risk free rate of 1.07%. The cash flows related to reclamation and abandonment costs are expected to be incurred between 2022 and 2023. An increase in the risk free rate of 1% would result in a decrease in the liability of \$3,090.

#### 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:

	July 31, 2022		October 31, 2021	
	Amount	Number of Shares	Amount	Number of Shares
<b>Common shares</b>				
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	23,500	-	129,254	-
Balance, end of period	\$3,509,744	34,312,055	\$3,460,394	33,842,055

#### 12. 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. As at July 31, 2022, October 31, 2021 and July 31, 2021 all of the Corporation's assets and all of the Company's revenues were held-in/generated in Canada.