

**SAMOTH OILFIELD INC.**

**Condensed Interim Financial Statements**

**For the three months ended January 31, 2017 and 2016**

# **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 month period ended January 31, 2017 have not been reviewed by the Company's external auditors.

**SAMOTH OILFIELD INC.**

**Statements of Financial Position**

	January 31, 2017 (Unaudited)	October 31, 2016 (Audited)
<b>ASSETS</b>		
Current Assets:		
Cash	\$49,560	\$41,953
Trade and other receivables	19,102	19,174
Prepays and deposits (Note 4)	647,383	638,298
	716,045	699,425
Equipment (Note 5)	376,270	381,266
	\$1,092,315	\$1,080,691
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Trade and other payables	\$139,774	\$126,114
Long term Liabilities:		
Decommissioning liabilities (Note 9)	247,889	248,275
	387,663	374,389
<b>EQUITY</b>		
Share capital (Note 10)	2,994,603	2,994,603
Contributed surplus	371,870	371,870
Deficit	(2,661,821)	(2,660,172)
	704,652	706,301
	\$1,092,315	\$1,080,691

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) Income and Comprehensive (Loss) Income  
(Unaudited)**

Three months ended January 31	2017	2016
<b>Revenue</b>		
Petroleum and natural gas sales, net of royalties	\$-	\$-
<b>Expenses</b>		
Production and transportation	3,991	36,149
Impairment (recovered) (Note 9)	3,385	(270)
Finance expense (recovered) (Note 9)	(3,771)	(560)
Depreciation (Note 5)	4,996	3,330
General and administrative	30,548	43,297
	39,149	81,946
<b>Loss before other income</b>	(39,149)	(81,946)
Rental revenue	37,500	87,500
Other income	-	-
Interest income	-	-
	37,500	87,500
<b>Net (loss) income and comprehensive (loss) income</b>	\$(1,649)	\$5,554
<b>(Loss) income per share</b>		
Basic	\$(0.000)	\$0.000
Diluted	\$(0.000)	\$0.000
<b>Weighted average number of common shares outstanding</b>		
Basic	31,447,222	31,267,222
Diluted	32,401,976	31,267,222

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

**SAMOTH OILFIELD INC.**  
**Statements of Changes in Equity**  
**(Unaudited)**

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
<b>Balance as at October 31, 2015</b>	<b>\$2,980,203</b>	<b>\$5,000</b>	<b>\$371,370</b>	<b>\$(2,704,280)</b>	<b>\$652,293</b>
Expired warrants (Note 11)	5,000	(5,000)	-	-	-
Net loss	-	-	-	(31,045)	(31,045)
<b>Balance as at January 31, 2016</b>	<b>\$2,985,203</b>	<b>\$-</b>	<b>\$371,370</b>	<b>\$(2,698,726)</b>	<b>\$657,847</b>
<b>Balance as at October 31, 2016</b>	<b>\$2,994,603</b>	<b>\$-</b>	<b>\$371,870</b>	<b>\$(2,660,172)</b>	<b>\$706,301</b>
Net income	-	-	-	(1,649)	(1,649)
<b>Balance as at January 31, 2017</b>	<b>\$2,994,603</b>	<b>\$-</b>	<b>\$371,870</b>	<b>\$(2,661,821)</b>	<b>\$704,652</b>

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

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

<b>Three months ended January 31</b>	2017	2016
Cash and cash equivalents provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net income	\$(1,649)	\$5,554
Items not affecting cash:		
Depletion (recovered) (Note 9)	3,385	(270)
Finance expense (recovered) (Note 9)	(3,771)	(560)
Depreciation (Note 5)	4,996	3,330
Change in non-cash working capital (Note 8)	4,646	741
	7,607	8,795
<b>INVESTING ACTIVITIES:</b>		
Deposit on property, plant and equipment	-	400,000
Purchase of property, plant and equipment	-	(399,580)
	-	420
Change in cash and cash equivalents	7,607	9,214
Cash and cash equivalents, beginning of period	41,953	83,454
Cash and cash equivalents, end of period	\$49,560	\$92,668

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 months ended January 31, 2017 and 2016

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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 January 31, 2017, the Company had working capital of \$576,272 (October 31, 2016 - working capital of \$573,311 and January 31, 2016 - working capital of \$512,347) and an accumulated deficit of \$2,661,819 (October 31, 2016 - accumulated deficit of \$2,660,172 and January 31, 2016 - \$2,698,726). During the three months ended January 31, 2017, the Company incurred a net loss of \$1,649 (three months ended January 31, 2016 - net income of \$5,554) and cash flows from operations of \$7,607 (three months ended January 31, 2016 - cash flows of \$8,795). These considerations create a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. The Company however, has no secured debt and does not expect to undertake any such obligations in the near future. The Company's ability to continue as a going concern is dependent upon cash flow from field operations and the sale of property and equipment that has previously been fully impaired. Realization of asset values may be substantially different from carrying values as disclosed at January 31, 2017, 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

#### (a) *Statement of compliance*

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 2016 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, 13 and 14 to the Company's 2016 Financial Statements for the fiscal year ended October 31, 2016.

The financial statements were authorized for issue by the Board of Directors on March 22, 2017.

#### (b) *Basis of measurement*

These financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair value.

# SAMOTH OILFIELD INC.

## Notes to the Unaudited Condensed Financial Statements

For the three months ended January 31, 2017 and 2016

### 3. Summary of Significant Accounting Policies (cont'd)

#### (c) Financial instruments

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

#### (d) Equipment

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost consists 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.

Depreciation is calculated over the depreciable amount, which is the cost of asset less its residual value. Depreciation is not calculated for assets under construction until work is completed and the assets are put into use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets as follows:

Well site accommodations - 10 years

The useful lives, depreciation methods and residual values are reviewed at each reporting date for consistency with the expected pattern of economic benefits from the assets.

### 4. Prepays and deposits

	January 31, 2017	October 31, 2016
Prepays	\$16,230	\$7,299
Deposits	631,153	630,999
	\$647,383	\$638,298

Deposits is comprised of amounts paid to the Alberta Energy Regulator is required for the purpose of offsetting the difference between its deemed assets and deemed liabilities and/or to fulfill a site-specific security deposit requirement.

**SAMOTH OILFIELD INC.**

**Notes to the Unaudited Condensed Financial Statements**

**For the three months ended January 31, 2017 and 2016**

**5. Equipment**

	Cost or deemed cost			Accumulated depreciation		
	Balance at October 31, 2016	Additions	Balance at January 31, 2017	Balance at October 31, 2016	Depreciation for the period	Balance at January 31, 2017
Well site accommodations	\$399,580	-	\$399,580	\$18,314	4,996	\$23,310

	Carrying Amounts	
	Balance at October 31, 2016	Balance at January 31, 2017
Well site accommodations	\$381,266	\$376,270

**6. Related Party Transactions**

*(a) Key management personnel compensation*

The Company has determined key management personnel to be the Chief Executive Officer and Chief Financial Officer and board of directors. Compensation paid to key management personnel was:

	January 31, 2017	January 31, 2016
Management compensation	\$-	\$15,000
<b>Total</b>	<b>\$-</b>	<b>\$15,000</b>

*(b) Purchase of equipment*

On December 15, 2015, the Company entered an agreement with a Company related due to common directors, to purchase certain mobile well site office and accommodation units, for aggregate cash consideration of \$419,559, of which \$400,000 was paid as a deposit as of October 31, 2015. The Company has also entered into an agreement to lease these units back to the vendor at market rates, for a lease term of eighteen months, with additional month to month rentals based on mutual agreement between the parties. During the year ended October 31, 2016, the agreement was executed to purchase the above mentioned assets and has entered into a month to month rental agreement.

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

**For the three months ended January 31, 2017 and 2016**

#### 7. Stock Options

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:

	Three months ended January 31, 2017		Year ended October 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding options, beginning of period	1,891,889	\$0.08	2,071,889	\$0.08
Exercised	-	-	(180,000)	(0.06)
Outstanding options, end of period	1,891,889	\$0.08	1,891,889	\$0.08

A summary of the options outstanding and exercisable at January 31, 2017 is as follows:

Exercise Price	Number of Options	Remaining Contractual Life (years)
\$0.10	1,071,889	5.0
\$0.06	820,000	6.8
\$0.08	1,891,889	

Expected volatility is based on historical volatility and the Company's average stock prices were used to calculate volatility. Management believes that the annualized average of volatility is the best measure of expected volatility. For the options that were granted during the year ended October 31, 2014, a forfeiture rate of 0% was used when recording share-based payments expense. This estimate is adjusted to the actual forfeiture rate.

During the three months ended January 31, 2017, share-based payments expense of \$nil was expensed (year ended October 31, 2016 - \$nil).

#### 8. Supplemental Information

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

	Three months January 31, 2017	Three months January 31, 2016
Trade and other receivables	\$71	\$(12,904)
Prepays and deposits	(9,085)	(1,846)
Trade and other payables	13,660	15,490
	\$4,646	\$741

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

For the three months ended January 31, 2017 and 2016

#### 9. Decommissioning Liabilities

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

	Three months ended January 31, 2017	Year ended October 31, 2016
Balance, beginning of period	\$248,275	\$251,580
Finance expense (recovered)	(3,771)	1,164
Revisions of estimate	3,385	(4,469)
<b>Balance, end of period</b>	<b>\$247,889</b>	<b>\$248,275</b>

At October 31, 2016, the total undiscounted amount of estimated cash flows required to settle the obligation was \$251,566 which has been adjusted for inflation using a weighted average estimated inflation rate of 2% and, subsequently discounted using an unadjusted risk free rate of 0.56%. The cash flows related to reclamation and abandonment costs are expected to be incurred between 2016 and 2022. An increase in the risk free rate of 1% would result in a decrease in the liability of \$4,378.

#### 10. 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:

	January 31, 2017		October 31, 2016	
	Amount	Number of Shares	Amount	Number of Shares
<b>Common shares</b>				
Balance, beginning of period	\$2,994,603	31,447,222	\$2,980,203	31,267,222
Stock options exercised (Note 7)	-	-	14,400	180,000
<b>Balance, end of period</b>	<b>\$2,994,603</b>	<b>31,447,222</b>	<b>\$2,994,603</b>	<b>31,447,222</b>

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

**For the three months ended January 31, 2017 and 2016**

#### 11. Warrants

A summary of warrants activity in the period is as follows:

	Three months ended January 31, 2017			Year ended October 31, 2016		
	Amount	Number of Warrants	Weighted Average Exercise Price	Amount	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, beginning of period	\$-	-	-	\$5,000	200,000	\$0.05
Expired warrants	-	-	-	(5,000)	(200,000)	\$0.05
Outstanding warrants, end of period	\$-	-	-	\$-	-	-
Exercisable warrants, end of period	\$-	-	-	\$-	-	-

#### 12. Risk Management

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate fair value due to the short term nature of these items. The fair value of related party loan receivable and related party loan payable approximate carrying value as they are due on demand.

*Risks associated with financial assets and liabilities:*

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

##### *Credit risk*

The Company is exposed to credit risk which is the risk that a counterparty will fail to perform an obligation or settle a liability. Virtually all of the Company's accounts receivable are due from a related party for equipment rentals and GST refundable. The Company generally extends unsecured credit to the related party and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's financial liabilities are comprised of trade and other payables. As at January 31, 2017, all trade and other payables are due within twelve months or less of the reporting date. The Company manages its risk of not meeting its financial obligations through management of its capital structure and annual budgeting of its revenues, expenditures and cash flows.

##### *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net loss or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns.

## SAMOTH OILFIELD INC.

### Notes to the Unaudited Condensed Financial Statements

#### For the three months ended January 31, 2017 and 2016

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#### 12. Risk Management (cont'd)

##### *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 January 31, 2017, October 31, 2016 and January 31, 2016, the Company had no financial instruments denominated in foreign currencies, no forward foreign exchange contracts in place, nor any significant working capital items denominated in foreign currencies.

##### *Commodity price risk*

The Company is exposed to commodity price movements as part of its normal oil and gas operations. Oil and natural gas prices are impacted by global supply and demand, as well as political and other forces. Prices continue to be volatile and can undergo significant changes in relatively short time periods.

Management continuously monitors commodity prices and initiates instruments to manage its exposure to these risks when it deems necessary. The Company did not enter into any fixed forward contracts or derivative financial instruments during the three months ended January 31, 2017, the year ended October 31, 2016 or the three months ended January 31, 2016 and has no outstanding fixed forward contracts or derivative financial instruments as at January 31, 2017, October 31, 2016 and January 31, 2016.

#### 13. 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 periods. The Company does not have any externally imposed capital restrictions.

#### 14. Segmented Disclosure

The Corporation has one operating segment; oil and gas exploration and production. At January 31, 2017, October 31, 2016 and January 31, 2016, all of the Corporation's assets were held in Canada.