



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
FOR THE NINE-MONTH PERIOD ENDED  
DECEMBER 31, 2024**

Prepared by:

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# **Squatex Energy and Ressources Inc**

**Management's Discussion and Analysis, nine-month period ended on December 31, 2024**

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## **INTRODUCTION**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Squatex Energy and Ressources Inc ("Squatex" or the "Company") constitutes the management's review of factors that affected the Company's financial performance for the nine-month period ended on December 31, 2024, in comparison with data from the same period last year. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations and should be read in conjunction with the condensed interim unaudited financial statements for the nine-month period ended on December 31, 2024 and with the audited annual financial statements of the Company for the year ended on March 31, 2024. The Company's condensed interim unaudited financial statements for the nine-month period ended on December 31, 2024, are prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board ("IFRS") including comparative figures. Results are reported in Canadian dollars.

## **FORWARD-LOOKING STATEMENTS**

This report contains statements that are to be considered forward-looking statements. Such statements relate to future events or future economic performance of Squatex and involve risks, uncertainties and other known and unknown factors that may appreciably affect the results, performance or achievements against this or implications Squatex statements. Actual events or results could differ. Forward-looking statements include words or phrases such as "anticipates", "believes", "plans" or other words or phrases suggesting future outcomes of the infringement. Squatex disclaims any intention and undertakes no obligation to update such statements unless otherwise required by law.

## **DESCRIPTION OF BUSINESS**

Squatex is incorporated under the Canada Business Corporations Act and its securities trade under the symbol "SQX" on the Canadian Securities Exchange (CSE). Until now, the exploration and development of oil and gas properties in Quebec have been the Company's main activities. Since the adoption in April 2022 of Bill 21 on the hydrocarbon, a law to put an end to the exploration and production of hydrocarbons on oil and gas exploration properties in Quebec, Squatex must redirect its activities towards other resources or energies. As part of the achievement of its objectives, the Company will be called upon to enter into partnership agreements to reduce the risks and costs of its projects. Squatex is currently considering alternative exploration activities in the energy sector.

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## **HIGHLIGHTS**

The Government of Quebec recently adopted, in April 2022, Bill 21 on hydrocarbon to prohibit all exploration and exploitation of oil and gas and to abolish all hydrocarbon exploration permits already issued on its territory.

The management of Ressources & Energy Squatex Inc, together with its partner Petrolympic Ltd ("Petrolympic"), had instituted in 2019, through its attorneys, a lawsuit against the Government of Quebec which was filed in Superior Court, district judiciary of Quebec. This action is still ongoing.

During the nine-month period ended December 31, 2024, Squatex carried out the necessary follow-up on current files. No field exploration work has been carried out.

## **SUMMARY OF LAND POSITIONS**

As of December 31, 2024, Squatex, like all other oil and gas license holders, had its 36 licenses revoked in April 2022 by the Government of Quebec. These were totaling an area of 6,560.93 km<sup>2</sup> (1,621,205 acres) to be explored in the Appalachian Basin of Quebec over territories of the St. Lawrence Lowlands and of the Lower St. Lawrence/Gaspé.

Squatex had as exploration partner Petrolympic Ltd (30% interest) on all of its exploration permits. Canbriam Ltd had also won a 60% interest in an area of 80.0 km<sup>2</sup> (19,768 acres) overlapping two Squatex permits in the Lowlands.

## **EXPLORATION ACTIVITIES**

During the nine-month period ended December 31, 2024, Squatex carried out the necessary follow-up on its files, but did not carry out any field exploration work on his permits.

## **EXPLORATION EXPENSES INCURRED**

For the nine-month period ended December 31, 2024, Squatex spent \$ 6,620 (\$ 2,000 for the nine-month period ended December 31, 2023) on its exploration permits.

### **TECHNICAL DISCLOSURE**

The technical disclosures appearing under the title "Highlights" and "Exploration Activities" were prepared by Paul Laroche, P. Eng, M. Sc., who is a qualified person under National Instrument 51-101.

### **EXEMPTIONS FROM OBLIGATIONS**

On April 12, 2022, Bill 21 was adopted by the National Assembly of Quebec. This Act puts an end to all oil and gas research and exploration activities in Quebec. However, Squatex retains the obligation under the law to abandon the Massé No.2 stratigraphic drilling.

### **ENVIRONMENTAL RESPONSIBILITY**

The Company is subject to government environmental protection laws and regulations. Environmental consequences are very difficult to identify in terms of results, time and impacts. To the best of its knowledge, Squatex conducts its operations in a manner that is consistent with government environmental legislation and regulations.

### **RISKS AND UNCERTAINTIES**

Squatex's long-term commercial success depends on its ability to find, acquire, develop and commercially exploit new alternatives in the energy sector. Oil and gas exploration licenses having been revoked in April 2022. The future increase in Squatex's reserves will depend not only on its ability to prospect and develop new alternatives, but also on its ability to select and acquire the appropriate activities. In addition, even if such acquisition or equity opportunities are identified, Squatex may decide that, depending on current market conditions, acquisition and participation or pricing arrangements result in acquisitions or stakes are unprofitable.

### **REGULATORY IMPACT**

The energy industry is subject to elaborate controls and regulations put in place by the various levels of government for prices, royalties, land holdings, production quotas, imports and export of oil and gas and environmental protection.

The energy industry is currently subject to environmental regulation pursuant to various federal and provincial laws. The laws include restrictions and prohibitions on the issue or the release of various substances produced or used for certain operations of the industry, which have impact on facilities location and the extent to which the exploration and development are allowed. In addition, the legislation requires the resignation and revaluation of wells and facilities to be carried out to the satisfaction of provincial authorities. Violation of these laws can result in fines and penalties, suspension or revocation of permits and authorizations necessary for the operation of a business and liability for damage caused by pollution. In Quebec, environmental compliance matters are governed, since September 21, 1972, by law, entitled Environmental Quality Act (the "Quebec Act Environmental Protection"). The Quebec law on environmental protection imposes requirements

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of environmental protection, information and surveillance. In addition, it sets up a process of impact assessment and wider public consultation on matters of environmental assessment and enforcement.

### **FUTURE FUNDING NEEDS AND GOING CONCERN**

The Company will need additional financing in the future to continue its activities. If financing is obtained by issuing new shares, control of Squatex may be affected and shareholders may suffer additional dilution.

### **DEPENDENCE OF KEY PERSONNEL**

The success of the Company depends largely on the quality of management. The loss of these people, or inability to interest equivalent qualified people could have a material adverse impact on operations and business prospects of the Company. The president of the Company has been providing services despite the cancellation of his contract since April 2021. The absence of free services might have an adverse impact on the Company.

### **MARKETING**

The Company operates in a competitive environment where raw materials prices depends of many factors that are beyond control of the Company. The prices of the different types of energy have fluctuated greatly in the past. Oil prices are based on supply and demand at international level and political events, including the Middle East and in Russia, may have an important influence on oil prices and supply globally. The price of natural gas sold in interprovincial and international trade is determined by negotiation between buyers and sellers. The price received by a natural gas producer depends, partly, on the prices of competing fuels, like natural gas produced, the access to downstream transport, the length of contracts, the climatic conditions and the balance of supply and demand. Any decrease in the price of oil and natural gas could have a material adverse effect on future operations and financial position of the Company and the level of expenses incurred to continue operations. All these factors are beyond control of the Company.

### **GROWTH MANAGEMENT**

The Company may be subject to risks associated to its growth, including restraints and pressure on its internal systems and controls. The ability of the Company to conduct an effective growth management will require to implement and continuously improve its operating systems and financial reporting and to enhance, develop and manage his basic labor. The inability of the Company to face growth could have a material adverse impact on its business, operations and prospects.

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## SELECTED FINANCIAL INFORMATION

FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2024, 2023 AND 2022

	2024	2023	2022
<b>EXPLOITATION</b>	\$	\$	\$
Net exploration and evaluation expenses	6,620	2,000	13,162
Net loss and total comprehensive loss	- 336,022	- 191,073	- 244,032
Net and comprehensive loss per basic and diluted share	- 0.0027	- 0.0015	- 0.0020

## ANALYSIS OF OPERATING RESULTS

### REVENUE

During the nine-month period ended December 31, 2024, no activity generated by Squatex has produced income.

### NET LOSS

The net and comprehensive loss increased from \$ 191,073 for the nine-month period ended December 31, 2023, to \$ 336,022 for the same period ended December 31, 2024. This increase in the loss of \$ 144,949 is explained by the professional fees that are incurred in developing the lawsuit by lawyers. The credit for expected losses is also increasing since the expenses re-invoiced to the partner remain unpaid.

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## QUARTERLY INFORMATIONS

	Year ended on March 31, 2025			Year ended on March 31, 2024				Year ended on March 31, 2023
	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$
Revenue	—	—	—	—	—	—	—	—
Net results	(\$102 109)	(\$90 231)	(\$143 682)	(\$146 846)	(\$40 424)	(\$48 377)	(\$102 272)	(\$12 157)
Total assets	\$13 309	\$63 020	\$29 027	\$27 599	\$2 709	\$9 556	\$15 958	\$6 866
Total liabilities	\$2 949 946	\$2 897 548	\$2 773 324	\$2 628 214	\$2 456 478	\$2 422 901	\$2 380 926	\$2 269 562
Basic and diluted earnings per share	(\$0,0008)	(\$0,0007)	(\$0,0012)	(\$0,0012)	(\$0,0003)	(\$0,0004)	(\$0,0008)	(\$0,0001)

The net loss is greater since the quarter ending March 31, 2024 due to the professional services of lawyers who were more important during these periods. In addition, the net loss is generally greater un the first quarter because professional services are greater due to audit work performed during this period.

	ON DECEMBER 31, 2024	ON MARCH 31, 2024	ON MARCH 31, 2023
<b>STATEMENT OF FINANCIAL POSITION</b>			
Working capital (negative)	- 2,936,637	- 2,600,615	- 2,262,696
Total assets	13,309	27,599	6,866
Total liabilities	- 2,949,946	- 2,628,214	- 2,269,562
Shareholder's deficiency	- 2,936,637	- 2,600,615	- 2,262,696

## STATEMENT OF FINANCIAL POSITION

The Company's working capital deteriorated by \$ 336,022 between March 31, 2024, and December 31, 2024. This is explained by the increase in due to a company under common control of \$ 155,000 (for Squatex to be able to pay current expenses and the lawyers fees) and accumulated accrued interest on the amount due to a company under common control of \$ 111,720 for the nine-month period ended December 31, 2024, as well as by the increase in trade payables, due to costs incurred from professionals for work carried out during the period.

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FOR THE NINE-MONTH PERIOD ENDED	DECEMBER 31, 2024	DECEMBER 31, 2023	DECEMBER 31, 2022
<b>CASH FLOW</b>			
Cash outflows used by operating activities	- 168,830	- 91,131	- 133,130
Cash flows from investing activities	-	-	-
Cash flows from financing activities	155,000	88,000	150,000

## LIQUIDITY

As of March 31, 2024, the Company had \$ 16,787 in cash. As of December 31, 2024, the Company had \$ 2,957 in cash, a decrease of \$ 13,830. Cash is therefore stable since the company under common control injects cash to allow Squatex to maintain a similar level of cash while paying suppliers for current and the strict minimum expenses.

## GOING CONCERN

The financial statements have been prepared in accordance with IFRS and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. To determine whether the principle of going concern is valid, management takes into account all the information at its disposal concerning the Company's prospects for at least the next 12 months following the end of the period of its financial information presentation.

The Company has not yet found an oil and gas property containing deposits that are economically recoverable, the Company has not yet generated any income or positive cash flows from its operations. As of December 31, 2024, the Company had a negative working capital of \$ 2,936,637 and an accumulated deficit of \$ 10,793,637.

Furthermore, there is uncertainty about the future of oil and gas exploration in Quebec. Since 2011, a moratorium on shale gas exploration has been imposed in Quebec. This moratorium could have been lifted when the new Hydrocarbons Law (the "Law") was put in place in September 2018. However, certain regulations of this new law cause additional difficulties for oil and gas operations. On April 12, 2022, Bill 21 was passed by the National Assembly of Quebec. This law puts an end to all oil and gas research and exploitation activities in Quebec and the government of Quebec will compensate companies that hold permits, such as Squatex. Squatex is currently considering alternative exploration activities in the energy sector.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing for the pursuit of other activities, on the compensation by the Government of Quebec and the continued support from its suppliers and the company under common control.



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While management has been successful in securing financing in the past, there can be no assurance that such sources of funding or initiatives will be available to the Company. These material uncertainties cast a significant doubt regarding the Company's ability to continue its operations, and accordingly, the appropriateness of the use of IFRS applicable to a going concern.

The carrying amounts and classification of assets, liabilities, revenues and expenses presented in the financial statements and the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. These adjustments could be material.

### **FUNDING SOURCES**

The main source of funding comes from the investment of the equity holders, the due to a company under common control, the waiver, by a company under common control, of its fees for a total period of 8 years as of March 31, 2021, and the cancellation of the contract for the president's services as of April 1<sup>st</sup>, 2021.

### **OFF-STATEMENT ARRANGEMENT**

As of December 31, 2024, the Company does not have any off-balance sheet settlement other than significant commitments related to statutory obligations for exploration licences it hold, commitments contested by the Company.

### **TRANSACTIONS WITH RELATED PARTY**

The related parties of the Company include key executives and companies controlled by them, as explained below.

Unless otherwise specified, none of the transactions include special characteristics or conditions and no guarantees were given or received.

#### **Transactions with key management**

Key management includes directors (members of the management committee or not) and senior executives. There is no compensation paid or payable to key management, with the exception of fees charged by them or to a company controlled by them, for their professional and other services which are presented below:

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FOR THE NINE-MONTH PERIOD ENDED	DECEMBER 31, 2024	DECEMBER 31, 2023
	\$	\$
Professional services	46,367	22,375
Financial expenses	111,720	100,072

As of December 31, 2024, there is an outstanding balance of \$ 4,994 (\$ 5,354 on March 31, 2024) resulting from these operations plus interest payable of \$ 593,539 (\$ 481,820 as of March 31, 2024). In addition, the due to a company under common control of \$ 1103,600 (\$ 948,600 as of March 31, 2024) is a transaction with related party.

## PROVISIONS

### Annual fees of 2019-2020, 2020-2021 and 2021-2022

The recognition of 2019-2020, 2020-2021 and 2021-2022 annual fees as a provision involves a certain degree of judgment with regard to a lawsuit brought by the Company against the Ministry of Energy and Natural Resources (MENR), concerning these fees.

On July 26, 2019, the Company received a notice of payment of the annual fees from the Ministry of Energy and Natural Resources ("MENR"). These fees would amount to a total amount of \$ 339,305 for the period from September 1st, 2019 to August 31, 2020 and would be shared with the partner Petrolympic Ltd. On October 31, 2020, the Company received a notice of payment of the 2020-2021 annual fees from the MENR. These annual fees would amount to a total of \$ 342,599 and would also be shared with the partner Petrolympic Ltd. In November 2020, the Company paid a part of the 2020-2021 annual fees to the MENR. In August 2021, the Company received a statement of account showing the 2021-2022 annual fees from the MENR. These annual fees would amount to a total of \$ 349,187 and would also be shared with the partner Petrolympic Ltd. On March 31, 2022, the Company received a statement of account showing the annual fees for 2019-2020, for 2020-2021 and for 2021-2022 and interests relating to the late payment of these fees. The Company is contesting this MENR payment notice and the statements of account and has filed legal proceedings to enforce its rights.

Without prejudice to this legal procedure, the Company has recorded, as a provision in the statement of financial position, the annual fees claimed by the MENR for the years 2019-2020, 2020-2021 and 2021-2022 (net of the payment made in November 2020) as well as the interest related thereto. As at December 31, 2024, the Company recorded a specific provision of \$ 1,075,234 (\$ 1,075,234 as at March 31, 2024) of which \$ 322,570 (\$ 322,570 as of March 31, 2024) would be receivable from its partner if the Company paid these amounts.

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## **ADOPTION OF ACCOUNTING STANDARDS**

There are no new standards and interpretations which were adopted by the Company during the quarter.

## **FUTURE ACCOUNTING CHANGES**

At the date of the approval of these condensed interim financial statements, new standards and interpretations of the existing standards and new amendments have been published but are not yet in force and the Company has not adopted them in advance. Management anticipates that all positions will be adopted in the Company's accounting policies for the first fiscal year beginning after the effective date of the Company's accounting policies. Management does not expect that the new standards and interpretations published will have a material impact on the condensed interim financial statements of the Company.

## **CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

Refer to note 5 to the audited financial statements for the year ended March 31, 2024.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

Refer to note 10 to the audited financial statements for the year ended March 31, 2024.

## **OUTSTANDING SHARES AND SECURITIES**

The following table shows the number of outstanding shares as of February 26, 2025 and the total number of outstanding securities:

Common shares	123,850,656
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## **ADDITION REQUIREMENTS FOR EMERGING ISSUERS WITHOUT SIGNIFICANT OPERATING PRODUCTS**

The principal activity of the Company is oil and gas exploration and the assessment of work conducted by the Company is presented in the 51-101 report which can be found on SEDAR+.

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## **ADDITIONAL INFORMATION**

This MD&A is dated February 26, 2025. This same report and more information on the Company is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).