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**SQUATEX ENERGY AND RESOURCES INC.**  
(AN OIL AND GAS EXPLORATION COMPANY)

**Condensed Interim Financial Statements**  
(Unaudited)

**For the six months period ended September 30, 2016 and 2015**

## Notice of Disclosure of Non-auditor Review of Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of the Company for the interim periods ended September 30, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards. The accompanying condensed interim financial statements are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers LLP / s.r.l. / s.e.n.c.r.l., have not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.



President



Vice-President, Finance

November 29, 2016

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

September 30, 2016

	Notes	September 30	March 31
		2016	2016
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
<b>ASSETS</b>			
<b>Current</b>			
Cash		47,324	70,357
Canadian public companies shares		4,087	2,827
Accounts receivable	5	33,135	48,408
Tax credits receivable		22,367	53,217
Prepaid expenses		3,758	6,221
		<b>110,671</b>	<b>181,030</b>
<b>Non-current assets</b>			
Investment in a private company		1	1
Property and equipment		-	210
		<b>1</b>	<b>211</b>
<b>Total assets</b>		<b>110,672</b>	<b>181,241</b>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	61,878	196,185
Provisions		229,341	229,341
		<b>291,219</b>	<b>425,526</b>
<b>Non-current</b>			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		863,195	500,000
Deferred tax liability		265,825	265,825
		<b>1,129,020</b>	<b>765,825</b>
<b>Total liabilities</b>		<b>1,420,239</b>	<b>1,191,351</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital		4,542,322	4,542,322
Contributed surplus		432,000	360,000
Deficit		(6,283,889)	(5,912,432)
<b>Total shareholder's deficiency</b>		<b>(1,309,567)</b>	<b>(1,010,110)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>110,672</b>	<b>181,241</b>

Going concern 2

Subsequent events 11

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

Jean-Claude Caron  
President

René Guimond  
Vice-President, Finance

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statements of Profit or loss and Comprehensive Income**

September 30, 2016

	Notes	Second quarter ended September 30		For the six month period ended September 30	
		2016 \$	2015 \$	2016 \$	2015 \$
<i>(unaudited - in Canadian dollars)</i>					
Net exploration and evaluation expenses	7	54,535	60,099	108,949	115,082
General and administrative expenses	8	111,775	123,007	217,863	204,159
<b>Operating loss</b>		<b>(166,310)</b>	(183,106)	<b>(326,812)</b>	(319,241)
Finance expenses	9	(25,002)	(17,218)	(45,905)	(34,124)
Change in fair value of Canadian public companies shares		1,025	(942)	1,260	(1,727)
<b>Net loss and comprehensive income for the period</b>		<b>(190,287)</b>	(201,266)	<b>(371,457)</b>	(355,092)
<b>Basic and diluted earnings per share</b>		<b>(0.0018)</b>	(0.0019)	<b>(0.0036)</b>	(0.0034)
<b>Weighted average of common shares outstanding</b>		<b>104,629,244</b>	104,629,244	<b>104,629,244</b>	104,629,244

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

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statement of Changes in Shareholders' Equity**

September 30, 2016

<i>(Unaudited - in Canadian dollars)</i>	Note	Share capital \$	Deficit \$	Contributed surplus \$	Total shareholders' deficiency \$
<b>Balance April 1, 2015</b>		4,542,322	(5,276,799)	216,000	(518,477)
Net profit and comprehensive income		-	(355,092)	-	(355,092)
Waiver of payment from a company under common control		-	-	72,000	72,000
<b>Balance September 30, 2015</b>		<b>4,542,322</b>	<b>(5,631,891)</b>	<b>288,000</b>	<b>(801,569)</b>
<b>Balance April 1, 2016</b>		4,542,322	(5,912,432)	360,000	(1,010,110)
Net profit and comprehensive income		-	(371,457)	-	(371,457)
Waiver of payment from a company under common control		-	-	72,000	72,000
<b>Balance September 30, 2016</b>		<b>4,542,322</b>	<b>(6,283,889)</b>	<b>432,000</b>	<b>(1,309,567)</b>

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

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statements of Cash Flows**

September 30, 2016

	<b>For the six month period ended September 30</b>	
	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
<i>(Unaudited - in Canadian dollars)</i>		
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(371,457)</b>	(355,092)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	<b>(1,260)</b>	1,727
Depreciation of property and equipment	-	45
Loss on write-off of property and equipment	<b>210</b>	
Financial income	-	(6)
Waiver of payment from a company under common control	<b>72,000</b>	72,000
Income tax collected	-	199,234
Changes in working capital items :		
Accounts receivable	<b>15,273</b>	47,608
Tax credits receivable	<b>30,850</b>	17,826
Prepaid expenses	<b>2,463</b>	1,995
Trade payables and other payables	<b>38,888</b>	36,637
<b>Cash flows from operating activities</b>	<b>(213,033)</b>	21,974
<b>INVESTING ACTIVITIES</b>		
Due to a company under common control	<b>190,000</b>	50,000
Financial income received	-	6
<b>Cash flows from investing activities</b>	<b>190,000</b>	50,006
<b>NET DECREASE IN CASH</b>	<b>(23,033)</b>	71,980
<b>CASH AT BEGINNING OF YEAR</b>	<b>70,357</b>	179,066
<b>CASH AT END OF YEAR</b>	<b>47,324</b>	251,046

During the six-month period ended September 30, 2016, the Company converted the amount due to a company under common control into a promissory note with the company under common control, thereby capitalizing accrued interest on the promissory note up to September 30, 2016, for the amount of \$ 173,195. This transaction had no impact on cash.

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

# SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

## Notes to the Condensed Interim Financial Statements

September 30, 2016

*(Unaudited - in Canadian dollars)*

### 1. Nature of operations, generalities and compliance with IFRS

Squatex Energy and Resources inc ("the Company) specializes in oil and gas exploration of oil sites in the Basses-Terres du St-Laurent, Bas St-Laurent and Gaspésie in Quebec, Canada.

The condensed interim financial statements of the Company have been prepared in compliance with IAS 34 Interim Financial Reporting. They use the same accounting policies as those described in the Company's annual financial statements for the year ended March 31, 2016, prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) .

These condensed interim financial statements do not include all disclosures required under IFRS for complete financial statements and should therefore be read in conjunction with the Company's annual financial statements for the year ended March 31, 2016. The annual financial statements of the Company are available on the SEDAR website at: [www.sedar.com](http://www.sedar.com).

The Company is incorporated under the Canadian Business Corporations Act.

The address of the Company's registered office and its principal place of business is 500-7055, boulevard Taschereau, Brossard (Québec), Canada, J4Z 1A7.

These financial statements were approved and authorized for publication by the Board of Directors on November 29, 2016

All data on earnings per share and shares presented in these financial statements and notes reflect the impact of a stock split of one for two conducted on September 16, 2015. Refer to Note 10.2 of the annual financial statements for the year ended March 31, 2016

### 2. Going Concern

These 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 cash flows from its operations. As at September 30, 2016, the Company had a \$180,548 negative working capital and a cumulated deficit of \$6,283,889.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2016**

*(Unaudited - in Canadian dollars)*

**2. Going concern (cont'd)**

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its oil and gas properties and the continued support from its suppliers. 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.

**3. Application of International Financial Reporting Standards (IFRS) new and modified****Not yet adopted**

At the approval date of these financial statements, new standards and interpretations to existing standards and new modifications have been issued but are not yet in force, and the Company has not adopted them early. Management anticipates that all of the positions will be adopted in the Company's accounting policies during the first fiscal year beginning after their effective date.

Management believes that there are no new standards and interpretations that are likely to be relevant to the condensed interim financial statements of the Company other than those already disclosed in the audited annual financial statements of March 31, 2016.



SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 30, 2016**

*(Unaudited - in Canadian dollars)*

**4. Critical accounting estimates, judgements and assumptions**

When preparing these financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information on significant judgments, estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses with regards to the presentation of the condensed interim financial statements are not different from those presented in the annual financial statements of March 31, 2016.

Estimates and assumptions are continually revised and are based on historical experience and other factors, including expectations regarding future events that are believed to be reasonable under the circumstances.

**5. Receivables**

	<u>September 30</u>	<u>March 31</u>
	2016	2016
	\$	\$
Accounts receivable	21,048	39,287
Sales tax receivable	12,087	9,121
<b>Receivables</b>	<b>33,135</b>	<b>48,408</b>

**6. Trade payables and other payables**

	<u>September 30</u>	<u>March 31</u>
	2016	2016
	\$	\$
Accounts payable	61,878	68,747
Interest payable - company under common control	-	127,438
<b>Trade payables and other payables</b>	<b>61,878</b>	<b>196,185</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2016***(Unaudited - in Canadian dollars)***7. Exploration and evaluation expenditures**

Exploration and evaluation expenditures by region are detailed as follows:

For the three month period ended September  
30, 2016

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	9,100	-	9,100
Lower St.Lawrence/Gaspe	57,258	11,823	45,435
<b>Total</b>	<b>66,358</b>	<b>11,823</b>	<b>54,535</b>

For the three month period ended September 30,  
2015

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	9,100	1,428	7,672
Lower St.Lawrence/Gaspe	69,704	17,277	52,427
<b>Total</b>	<b>78,804</b>	<b>18,705</b>	<b>60,099</b>

For the six month period ended September 30,  
2016

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	18,200	-	18,200
Lower St.Lawrence/Gaspe	113,116	22,367	90,749
<b>Total</b>	<b>131,316</b>	<b>22,367</b>	<b>108,949</b>

For the six month period ended September 30,  
2015

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	19,200	1,456	17,744
Lower St.Lawrence/Gaspe	124,303	26,965	97,338
<b>Total</b>	<b>143,503</b>	<b>28,421</b>	<b>115,082</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2016***(Unaudited - in Canadian dollars)***7. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	<b>For the three month period ended September 30 2016</b>	For the three month period ended September 30 2015
	\$	\$
Geology and geophysics	<b>39,058</b>	51,504
Technical consultation	<b>27,300</b>	27,300
<b>Total</b>	<b>66,358</b>	78,804
Tax credits, net	<b>11,823</b>	18,705
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>54,535</b>	60,099

	<b>For the six month period ended September 30 2016</b>	For the six month period ended September 30 2015
	\$	\$
Geology and geophysics	<b>76,716</b>	85,903
Technical consultation	<b>54,600</b>	57,600
<b>Total</b>	<b>131,316</b>	143,503
Tax credits, net	<b>22,367</b>	28,421
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>108,949</b>	115,082

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2016***(Unaudited - in Canadian dollars)***8. General and administrative expenses**

Nature of the expenses	For the three month period ended September 30		For the six month period ended September 30	
	2016 \$	2015 \$	2016 \$	2015 \$
Professional services	51,799	57,399	138,947	128,674
Management fees	6,000	6,000	12,000	12,000
Office expenses	3,824	8,242	13,429	9,029
Taxes and licenses	46,931	46,471	46,931	46,471
Representations and travel	400	1,974	658	2,174
Insurance	2,821	2,899	5,688	5,766
Depreciation of property and equipment	-	22	-	45
Loss on write-off of property and equipment	-	0	210	-
	<b>111,775</b>	<b>123,007</b>	<b>217,863</b>	<b>204,159</b>

**9. Financial expenses**

	For the three month period ended September 30		For the six month period ended September 30	
	2016 \$	2015 \$	2016 \$	2015 \$
Long-term interests due to a company under common control	24,920	17,013	45,756	33,842
Interest and other bank expenses	82	205	149	288
	<b>25,002</b>	<b>17,218</b>	<b>45,905</b>	<b>34,130</b>
Financial income	-	-	-	(6)
	<b>25,002</b>	<b>17,218</b>	<b>45,905</b>	<b>34,124</b>

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 30, 2016**

(Unaudited - in Canadian dollars)

**10. Transactions with related parties**

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. Outstanding balances are usually settled in cash.

**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 services as employees which is presented below:

	<b>For the three month period ended September 30</b>		<b>For the six month period ended September 30</b>	
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>\$</b>	\$	<b>\$</b>	\$
Exploration and evaluation expenditures net of tax credits	<b>38,293</b>	34,851	<b>72,586</b>	70,342
Professional services	<b>30,200</b>	22,200	<b>52,400</b>	44,400
Management fees	<b>6,000</b>	6,000	<b>12,000</b>	12,000
Financial expenses	<b>24,920</b>	17,013	<b>45,756</b>	33,842

As at September 30, 2016, there is an outstanding balance of \$ 26,647 (\$ 24,000 at March 31, 2016) resulting from these operations plus interest payable disclosed in Note 6.

A company under common control waived payment of its services, which are services for the President, for the three month period ended September 30, 2016. The value of these services is a total of \$36,000 (\$36,000 in 2015 for the three month period ended September 30, 2015) and was recognized in contributed surplus.

**11. Subsequent Events**

On October 18, 2016, a company under common control has made additional advances of \$ 10,000, bearing interest at 15%. On October 28, 2016, an additional advance in the amount of \$ 50,000 was made by a company under common control, also bearing interest at 15% interest rate. These additional advances will expire on September 30, 2019. This brings the due to a company under common control to a balance of \$ 945,309 as at November 29, 2016.