



Squatex Energy and Ressources Inc.

**CSE FORM 2A
LISTING STATEMENT**

February 27, 2017

FORM 2A

**LISTING STATEMENT OF
SQUATEX ENERGY AND RESSOURCES INC.**

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SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION

This Listing Statement contains certain forward-looking information. Words such as “may”, “would”, “could”, “will”, “expects”, “anticipates”, “believes”, variations of such words and similar expressions are intended to identify such forward-looking information. Specifically, and without limiting the generality of the foregoing, all information included in this Listing Statement that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including, but not limited to, such things as future capital (including the amount and nature thereof), projects under development, goals, objectives, plans and references to the future success of such entities is forward-looking information. This forward-looking information includes, or may be based upon, estimates, forecasts and statements as to management’s expectations with respect to, among other things, the ability of the Corporation to raise funding privately or on a public market in the future, the realization and results of future exploration, the size of hydrocarbon discoveries and/or production; anticipated revenues and cash flows of the Corporation, capital expenditures contemplated by the Corporation and/or its partners, cost and scheduling of operations planned by the Corporation or its partners, the Corporation’s ability to enter into new joint venture agreements, estimation of reserves in place and/or recoverable, the future growth of the Corporation and the timing and execution of its future business plan. Actual results could differ materially from those expressed or implied by such forward-looking information as a result of the risk factors described in this Listing Statement; general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Corporation; changes in laws or regulations; and other factors, many of which are beyond the control of the Corporation.

Readers are cautioned not to place undue reliance on forward-looking information contained in this Listing Statement, which reflects the analysis of the management of the Corporation, only as of the date of this Listing Statement. There can be no assurance that the actual results or developments anticipated by the Corporation will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation or any of its business or operations. The Corporation does not intend, and do not assume any obligation, to update such forward-looking information, except in accordance with securities laws.

Except as otherwise indicated, the information provided herein is as of February 27, 2017.

See “Glossary of Terms” for certain of the defined terms used in this Listing Statement.

GLOSSARY OF TERMS

The following glossary of certain of the terms used in this Listing Statement is provided for ease of reference. In this Listing Statement, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

“9129-8262” means 9129-8262 Québec Inc., a company beneficially owned by Jean-Claude Caron, the Chairman and President of the Corporation.

“Affiliate” means a Company that is affiliated with another Company as described below.

A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A Company is “controlled” by a Person if:

- (a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

“Arm’s Length Transaction” means a transaction which is not a Related Party Transaction.

“Associate” when used to indicate a relationship with a Person means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which

a Person serves as trustee or in a similar capacity; or

(d) in the case of a Person who is an individual:

(i) that Person's spouse or child, or

(ii) any relative of the Person or of his spouse who has the same residence as that Person.

“Board”	means the Board of Directors of the Corporation.
“Canbriam”	means Canbriam Energy Inc.
“CBCA”	means the <i>Canada Business Corporations Act</i> .
“Company”	unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
“Computershare”	means Computershare Investor Services Inc.
“Corporation”	means Squatex Energy and Ressources Inc.
“CSE”	means the Canadian Securities Exchange.
“IFRS”	means the International Financial Reporting Standards.
“Listing Statement”	means this Form 2A — Listing Statement.
“NI 51-101”	means National Instrument 51-101 <i>Standards of Disclosure for Oil and Gas Activities</i> .
“Person”	means a Company or individual.
“SEDI”	means System for Electronic Disclosure by Insiders of the Canadian Securities Administrations.
“Shares”	means the common shares in the capital stock of the Corporation.
“Sproule”	means Sproule Associates Limited.
“Warrants”	means common share purchase warrants of the Corporation entitling the holder thereof to purchase one Share of the Corporation at a price of \$0.19 per Share for a period of 18 months from the date of issuance.

The following abbreviations of technical terms are also used in this Listing Statement.

“km”	Kilometer
“m”	Metre
“m³”	Cubic-metre
“AVO”	Amplitude-versus-offset
“mD”	MilliDarcy
“MMbbl”	thousand Barrels
“PIIP”	Petroleum initially-in-place
“BcF”	Billion cubic feet
“MMBOE”	Millions of Barrels of oil equivalent
“BOP”	Blow out preventer

2. CORPORATE STRUCTURE

2.1 Corporate Name and Registered Offices

This Listing Statement is filed in connection with the listing of the Shares of the Corporation on the CSE. The full corporate name of the Corporation is “Squatex Energy and Ressources Inc. / Ressources et Énergie Squatex Inc.”. The registered and head office of the Corporation is located at 7055 Taschereau Boulevard, Suite 500, Brossard, Québec J4Z 1A7.

2.2 Jurisdiction of Incorporation

The Corporation was incorporated on April 12, 2002 pursuant to the provisions of the CBCA. The Corporation is a reporting issuer in the province of Québec.

2.3 Intercorporate Relationships

As of February 27, 2017, the Corporation had no subsidiaries.

2.4 Fundamental Change

Not applicable.

2.5 Non-corporate Issuers and Issuers incorporated outside of Canada

Not applicable.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Development of the Business

The Corporation is a junior oil and gas exploration company whose main activity is oil and gas exploration in the province of Québec. The Corporation holds interests in oil and gas exploration permits in the Appalachian Basin of Québec, over the St. Lawrence Lowlands, and in the Lower St. Lawrence-Gaspé region. The regions covered by these oil and gas exploration permits represents an area of approximately 6,560.93 km² (1,621,205 acres).

On February 27, 2017, 9129-2862, entered into a promissory note with the Corporation, pursuant to which 9129-2862 lent a principal amount of \$200,000 to the Corporation. This promissory note bears interest at a rate of 15% per annum becoming due and fully payable, together with the interest accrued thereon, on September 30, 2019.

On December 22, 2016, Mr. Erick Adams resigned as a director of the Corporation.

On December 21, 2016, the Corporation completed a non-brokered private placement of 1,212,632 units with two arm’s length investors, with a director of the Corporation and 9129-2862, a company beneficially owned by Mr. Jean-Claude Caron the Chairman and President of the Corporation, for gross proceeds to the Corporation of \$230,400.08. Each unit was comprised of one Share and one Warrant.

On October 28, 2016, 9129-2862, entered into a promissory note with the Corporation, pursuant to which 9129-2862 lent a principal amount of \$50,000 to the Corporation. This promissory note bears interest at a rate of 15% per annum becoming due and fully payable, together with the interest accrued thereon, on September 30, 2019.

On October 18, 2016, 9129-2862, entered into a promissory note with the Corporation, pursuant to which 9129-2862 lent a principal amount of \$10,000 to the Corporation. This promissory note bears interest at a rate of 15% per annum becoming due and fully payable, together with the interest accrued thereon, on September 30, 2019.

On September 30, 2016, 9129-2862 extended, for an additional three (3) year period, a promissory note issued by the Corporation to 9129-2862, pursuant to which 9129-2862 lent a principal amount of \$863,194.52 to the Corporation. This promissory note bears interest at rate of 15% per annum and now becomes due and fully payable, together with the interest accrued thereon, on September 30, 2019.

On August 15, 2016, Messrs. Erick Adam and Mario Lévesque were elected directors of the Corporation at the annual and special meeting of the shareholders of the Corporation.

On May 17, 2016, the Corporation, together with its partner Petrolympic Ltd., announced the results of a major positive reassessment of the resource potential for the eastern part the Massé structure which was independently performed by Sproule. The Massé structure is located in the Lower St. Lawrence-Gaspé region some 25 km southeast of the town of Mont-Joli, in the Appalachian Basin of Québec. The Corporation owns 24 exploration permits covering 4,311.6 km² in this region of Québec.

On February 2, 2016, the Corporation announced that effective January 28, 2016, Raymond Chabot Grant Thornton LLP, Chartered Professional Accountants, at the request of the Corporation, resigned as auditors of the Corporation, and were replaced by PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants.

On September 21, 2015, the Corporation announced that the services of Mr. Matthew Mukash, B. A., from Whapmagoostui (Hudson Bay), had been retained as an independent contractor to act as a liaison between the Corporation and the Cree First Nations to create business relationships related to the Corporation's oil and gas exploration projects in the Lower St. Lawrence Lowlands.

On September 16, 2015, the Corporation filed Articles of amendment with Industry Canada for the purposes of effecting a one for two subdivision of the then issued and outstanding Shares, such that the 52,314,622 Shares of the Corporation that were then issued and outstanding were subdivided into 104,629,244 Shares.

On August 25, 2015, the Corporation announced the conclusion of an academic partnership with the *Institut National de Recherche Scientifique* (INRS) to conduct important geosciences studies in the Lower St. Lawrence Lowlands. The purpose of these studies was to develop a 3D model of the Sayabec formation and to study the reservoir's resource potential.

On November 26 and 28, 2014, the Corporation completed non-brokered private placements of 77,405 Shares (154,810 Shares on a subdivided basis) at a price of \$0.60 per Share and 131,610 “flow-through” Shares (263,220 Shares on a subdivided basis) at a price of \$0.65 per Share for gross proceeds to the Corporation of \$132,000.

On September 22, 2014, the Corporation announced the completion of a non-brokered private placement of 333,334 Shares (666,668 Shares on a subdivided basis) at a price of \$0.60 per Share with certain directors of the Corporation, for gross proceeds to the Corporation of \$200,000.

3.2 Significant Acquisitions and Dispositions

The Corporation has not completed any significant acquisitions or dispositions during the most recently completed financial year or the current financial year of the Corporation.

3.3 Trends, Commitments, Events or Uncertainties

There are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Corporation’s business, financial condition or results of operations. The Corporation does not expect any significant impact to its business as a result of the adoption of the *Act to implement the 2030 Energy Policy and to amend various legislative provisions* by the Government of Québec in December 2016, until the adoption of the regulations in respect thereto. Management expects that these regulations will be adopted in June 2017.

However, there are significant risks associated with the Corporation’s business, as described in Item 17 — Risk Factors.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Narrative Description of the Corporation’s Business

Business of the Corporation

The Corporation is a junior oil and gas exploration company. In recent years, the activities of the Corporation have been focused on its exploration permits in the Lower St. Lawrence-Gaspé region which is located between Rivière-du-Loup and Rimouski. The Corporation holds 24 licenses in the Lower St. Lawrence-Gaspé region covering 4,311.6 km² of Silurian-Devonian and Ordovician rocks to search for conventional oil and gas accumulations. Moreover, the Corporation hopes to reactivate its exploration activities in the St. Lawrence Lowlands area, where it holds 12 oil and gas exploration licenses totaling 2,249.33 km² on shale gas plays in the Utica / Lorraine and for the exploration of conventional traps within the Ordovician platform. As of September 30, 2016, the Corporation does not produce hydrocarbons. No proven reserves of oil or gas have yet to be identified within the area covered by the Corporation’s exploration permits.

Overall Performance

In the autumn of 2012, the Corporation, with its 30% partner, Petrolympic Ltd., began a deep core drilling program in the Lower St. Lawrence area. After drilling the Redemption and Portage wells which had interesting oil shows, the Massé No. 1 well was drilled to verify an AVO seismic anomaly (Amplitude vs. Offset) indicating the presence of fluids or porosity. The well met porous hydrothermal dolomites in the Sayabec Formation near the contact with the Val Brillant Fm. In the interval between 1,750 m and the total depth of 1,874 m, strong indications of gas and condensate were obtained and the cores showed porosity values measured in laboratory up to 20.8% with permeability reaching 1,624 mD. Following the analysis of results obtained from Massé No. 1, the Corporation issued a press release announcing the discovery of a reservoir that could hold a large amount of conventional natural gas. In July 2013, the Sayabec No. 1 well targeting the Sayabec Fm limestones where a seismic amplitude anomaly was visible over a stratigraphic wedge, also met a dolomitized level with gas and oil shows before reaching a total depth of 759 m in the Cambrian-Ordovician rocks of the Québec Group.

Following these encouraging results, the Corporation reprocessed (AVO Processing) all regional seismic lines of the Massé area to highlight possible zones of porosity in the Sayabec limestones. This seismic reprocessing allowed to locate nine additional drilling sites in the area to assess the possible extension of the dolomitization observed in the Massé Structure.

In April 2014, an independent study of the undiscovered possible petroleum initially in place within the Massé Structure was conducted by Sproule and Associates who performed their own interpretation of seismic and data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by the Corporation, indicating undiscovered possible gas initially in place in the Massé Structure between 3 and 26 BCF with a mean of 12 BCF. In fall 2014, the Corporation drilled the Massé No. 2 well, on the same structure as Massé No. 1 well. The drilling equipment used to drill the Massé No. 2 well featured a closed loop drilling mud recirculation system which greatly improved operations, increased safety and satisfied the environmental standards in place. The well was completed in late November 2014 after reaching Cambrian-Ordovician rocks and having recorded required electrical logs series in the hole. The well was then equipped with safety and measurement instruments for pressure monitoring while it is suspended. Recorded data will provide valuable information about fluid migration dynamics and conditions at depth until the Corporation proceeds with the programmed evaluation of productivity of hydrocarbon zones encountered while drilling.

The Corporation issued a press release on February 19, 2015 announcing preliminary results obtained in the Massé No. 2 stratigraphic well that was suspended in November 2014. On July 31, 2015, the Corporation issued another press release discussing results from the Massé No. 1 and No. 2 wells which indicated that the stratigraphic corings obtained significant shows of gas with condensate and oil (20° API). The Massé No. 1 and No. 2 wells were drilled on seismic AVO type anomalies (amplitude vs. offset) that were indicating the probable presence of reservoirs with significant porosity in zones of hydrothermal dolomitization within the Sayabec Formation. The geophysical interpretation performed by the Corporation shows that AVO anomaly zones observed could extend over more than 300 km², which, using the parameters measured in the Massé wells and confirmed by Sproule, could allow for the presence of a reservoir rock that could contain a median volume of gas in place of 300 BCF and more.

In August 2015, the Corporation announced an academic partnership with the Institut National de la Recherche Scientifique (INRS) to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the reservoir potential of the Sayabec Formation. This work will improve the knowledge of the stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region.

Further study by the Corporation of all data acquired in the Lower St. Lawrence area (using mainly the logs recorded in the Massé No. 2 well) indicated that the resource potential of the Massé Structure may in fact be greater than the Corporation's previously estimated. In February 2016, the Corporation requested that Sproule independently verify and validate the Corporation's conclusions regarding the resource potential of the Massé Structure by undertaking their own evaluation of the same data. The final Sproule report was received on May 6, 2016 and its results were published by way of a press release issued by the Corporation on May 17, 2016. An excerpt of which has been reproduced here below:

Ressources & Energy (the "Corporation") and its partner Petrolympic Ltd. ("Petrolympic") (TSX.V: PCQ) are pleased to announce the results of a major reassessment of resources for the eastern part the Massé structure performed independently by Sproule Associates Limited ("Sproule"). The Massé structure is located in the Lower St. Lawrence permits, some 25 km southeast of Mont-Joli, in the Appalachian Basin of Québec. The Corporation owns a 70% interest in 656,093 hectares (1,621,241 acres) of exploration permits in Québec over which it is the operator under a joint operation agreement with Petrolympic.

The resources reassessment reported by Sproule includes an authentication of in depth analyzes performed by the Corporation's technical team on the Massé No. 2 well logs. These new data complete and confirm the initial data previously acquired in the Massé No. 1 well for the eastern part of the Massé structure. Sproule considers that the results of its resources simulations could extend over a probable average area of 5.2 km².

The potential resources evaluated by Sproule are related to porous levels in the St. Leon and Sayabec Formations encountered in the wells drilled in the eastern part of the Massé structure. The results of the study point out to a potential of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average area of 5.2 km², an oil equivalent total of 61.1 million barrels (MMBOE).

Resource volumes for Massé have been increased significantly compared to the previous estimate done in 2014 with the addition of a very important oil volume. Gas resources are also improved considerably following the analysis based on the logs recorded in the Massé No. 2 well.

The gross pay of the Silurian basin rock of the Lower St. Lawrence extends up to a nearly 540 m thick interval recognized by Sproule from the logs in which the net pay varies between 66 m and 210 m averaging, 130 m in thickness. These porous zones are more than encouraging for further work and validate the potential of this region of the Lower St. Lawrence area.

The Sproule Report points out a probable presence of 10.3 BCF of gas and 10 MMbbl oil per square kilometer. According to an internal study of The Corporation's technical team, the Massé structure could extend over more than 80 km². Several porosity anomalies observed on seismic having close similarities the anomalies confirmed by the Massé No. 1 and No. 2 wells were also highlighted further west within the property. The assessment done by Sproule Associate does not take into account the presence of these seismic features, these ones being located in their view too far away from the drilled wells. Their occurrence nevertheless represents a significant potential for the Property. Results of the current Sproule study illustrate the rightful vision and efforts of The Corporation and Petrolympic who pioneered the development of the oil and gas potential of the Lower St. Lawrence.

The Corporation and its partner Petrolympic are currently setting up a new drilling program to further validate the potential of the Massé structure and they also intend to keep on with the coring exploration program to validate and test similar prospective structures that have been identified over their permits.

**Results of the resource assessment over 5.2 km² from the Sproule Report
(May 6, 2016)**

Table S-2 Summary of Project Gross Unrisked Undiscovered Unrecoverable Petroleum Initially-in-Place (PIIP) of the Eastern Massé Structure, Lower St. Lawrence Area, Québec, Canada⁽¹⁾⁽²⁾						
Structure	Formation		Low ⁽⁴⁾	Best ⁽⁵⁾	High ⁽⁶⁾	Mean ⁽⁷⁾
			(P ₉₀)	(P ₅₀)	(P ₁₀)	
Massé	St. Leon	Gas (BCF) ⁽²⁾⁽³⁾	0.2	1.0	3.8	1.6
		Oil (MMbbl) ⁽²⁾⁽³⁾	2.0	9.9	42.2	17.0
	Sayabec	Gas (BCF) ⁽²⁾⁽³⁾	4.4	24.0	119.7	49.0
		Oil (MMbbl) ⁽²⁾⁽³⁾	2.9	17.1	87.3	35.8
Total ⁽⁷⁾		Gas (BCF) ⁽²⁾⁽³⁾	5.7	26.8	127.6	53.6
		Oil (MMbbl) ⁽²⁾⁽³⁾	10.0	33.9	113.6	62.2
		MMBOE ⁽²⁾⁽³⁾⁽⁷⁾				61.1

Notes:

- (1) Undiscovered Petroleum Initially-in-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources", the remainder as "unrecoverable". Only the in-place volumes are presented here as a development project to recover any hydrocarbons discovered has not been defined. **There is no certainty that any portion of these unrisked undiscovered PIIP will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.**

- (2) These are the project gross unrisksed undiscovered petroleum initially in place volumes (i.e. 100% project gross) estimated for the Sayabec Formation of the Eastern Massé Structure without any adjustments for working interest and before deduction of any royalties.
- (3) “BCF” is billions of cubic feet, “MMbbl” is millions of barrels of oil, “MMBOE” is millions of barrels of oil equivalent. BOE’s may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- (4) Low Estimate is considered to be a conservative estimate of the quantity that will actually be in place. It is likely that the actual remaining quantities in place will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually in place will equal or exceed the low estimate.
- (5) Best Estimate is considered to be the best estimate of the quantity that will actually be in place. It is equally likely that the actual remaining quantities in- place will be greater or less than the best estimate, If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually in place will equal or exceed the best estimate.
- (6) High Estimate is considered to be an optimistic estimate of the quantity that will actually be in-place. It is unlikely that the actual remaining quantities in- place will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually in place will equal or exceed the high estimate.
- (7) Statistical aggregation is the process of probabilistically aggregating distributions that represent estimates of resource quantities at the reservoir, prospect, or portfolio level. Arithmetic summation and statistical aggregation of the means yield similar results. Arithmetic summation of the Low Estimate, Best Estimate and High Estimate are not statistically appropriate. Both the statistical and arithmetic summation of the unrisksed prospects may be misleading because it assumes success for each of the prospect entities. The chance of this occurring is extremely unlikely. Actual recovery is likely to be less and may be zero.”

In 2008, the Corporation entered into a partnership agreement with Petrolympic Ltd under which Petrolympic has earned a 30% interest over all of the Corporation exploration permits in Québec. Petrolympic will maintain its interest as long as it pays its 30% share of rents and all exploration costs incurred by the Corporation which is operator.

Also in 2008, the Corporation entered into a joint operations agreement (the “**Joint Operations Agreement**”) with Petrolympic Ltd. and Canbriam (collectively, the “**Partners**”) with respect to farming in a series of drilling options over certain properties in the St. Lawrence Lowlands. Canbriam drilled a first well, Canbriam Farnham No. 1 in 2009 and has earned a 60% interest over 8,000 hectares within two licenses selected in the area covered by the Joint Operations Agreement. Canbriam did not exercise any other options for additional interest in these properties before the option expiration date on September 30, 2013, resulting in the immediate termination of the Joint Operations Agreement.

No exploration work was done in the St. Lawrence Lowlands area, other than tracking records, since all exploration work obligations in this area have been temporarily suspended by the Québec government since June 13, 2011. Companies are exempted by the government from performing assessment work on their exploration permits (the holder must, however, pay the annual fee to retain its license). The license expiration date will be extended accordingly to the exact duration of the exemption period in order to preserve the duration of the rights which

would have otherwise been provided for in the license. The assessment work exemption was prolonged by the Government of Québec in 2013 following the introduction of a moratorium on shale gas exploration in Québec. This moratorium caused a total freeze on any exploration for hydrocarbons in the St. Lawrence Lowlands as the Québec government considers conventional exploration as not being distinguishable from shale gas exploration.

As a result of the moratorium on shale gas exploration and exploitation in Québec, the Corporation and its Partners do not expect to undertake any short term exploration activities on their permits in the St. Lawrence Lowlands, and this, as so long as the regulatory conditions do not change. The Partners have decided to abandon the Canbriam Farnham No. 1 well and to rehabilitate the well site in accordance with applicable regulations. The permit to rehabilitate the Canbriam Farnham No. 1 well site was issued to the Corporation on December 15, 2014 and the abandonment of this well and the subsequent rehabilitation of the site was undertaken during the summer of 2015 by the operator Canbriam.

The Corporation renewed all its exploration licenses in the St. Lawrence Lowlands and in the Lower St. Lawrence-Gaspé areas on September 1, 2009 (reverting to their first year of exploration), the Corporation will be able to continue exploring the areas covered by its exploration permits until September 2019 provided that it fulfills its obligations in connection therewith. In addition, Bill 18, passed in June 2011, extended the exploration period for an additional three year period to allow for the completion of environmental studies initiated by the Government of Québec.

The current strategy of the Corporation is to prepare for the resumption of its exploration activities relating to its oil and gas exploration licenses held in partnership with Petrolympic Ltd., while continuing to look for other business opportunities. In August 2016, the Corporation paid requisite annual fees (annuities) so as to retain all its licenses in accordance with the regulations of the *Mining Act* (Québec) and the Corporation plans to fulfill its annual obligations again in 2017 so as to retain all of its licenses.

Summary of Land Positions

As of September 30, 2016, the Corporation owned interests in 6,560.93 km² (1,621,205 acres) of oil and gas exploration permits in the Appalachian Basin of Québec, over the St. Lawrence Lowlands and in the Lower St. Lawrence-Gaspé areas (see the map below). The Corporation's properties in the St. Lawrence Lowlands consist of a 70% interest in 2,249.33 km² (555,809 acres) held in partnership with Petrolympic, and a 28% interest from the surface to the Top of Trenton over 80.00 km² (19,768 acres) pursuant to the Joint Operations Agreement with Canbriam, and 70% in the same block below the Top Trenton. These properties represent a significant position in unconventional targets in the Utica-Lorraine shales and in conventional plays within the Trenton-Black River carbonates. The Corporation also owns properties in the Lower St. Lawrence-Gaspé area consisting of a 70% interest in 4,311.60 km² (1,065,396 acres) held in partnership with Petrolympic. These properties located between Rimouski and Rivière-du-Loup present plays for light oil and gas in reefs and in hydrothermal dolomites.

The following tables present the oil and gas exploration permits in which the Corporation had an interest as of September 30, 2016. The geographic location of each oil and gas exploration permit is illustrated in the map (Figure 1) below:

ST. LAWRENCE LOWLANDS PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km²)
2009RS287	01/09/2016	208.71
2009RS288	01/09/2016	179.90
2009RS289	01/09/2016	209.09
2009RS290	01/09/2016	72.48
2009RS291	01/09/2016	224.47
2009RS292	01/09/2016	188.27
2009RS293	01/09/2016	145.80
2009RS294	01/09/2016	216.64
2009RS295	01/09/2016	193.16
2009RS296 (part)	01/09/2016	203.39 *
2009RS297	01/09/2016	163.42
2009RS298 (part)	01/09/2016	244.00 *
Sub-total		2,249.33

* A 60% interest between the surface and the Top of Trenton over a 80,00 km² block have been transferred jointly by the Corporation and Petrolympic Ltd. Canbriam. The Corporation retain 70% below the Top Trenton.

**ST. LAWRENCE LOWLANDS PERMITS - 28% OWNERSHIP:
(FROM SURFACE TO TOP TRENTON):**

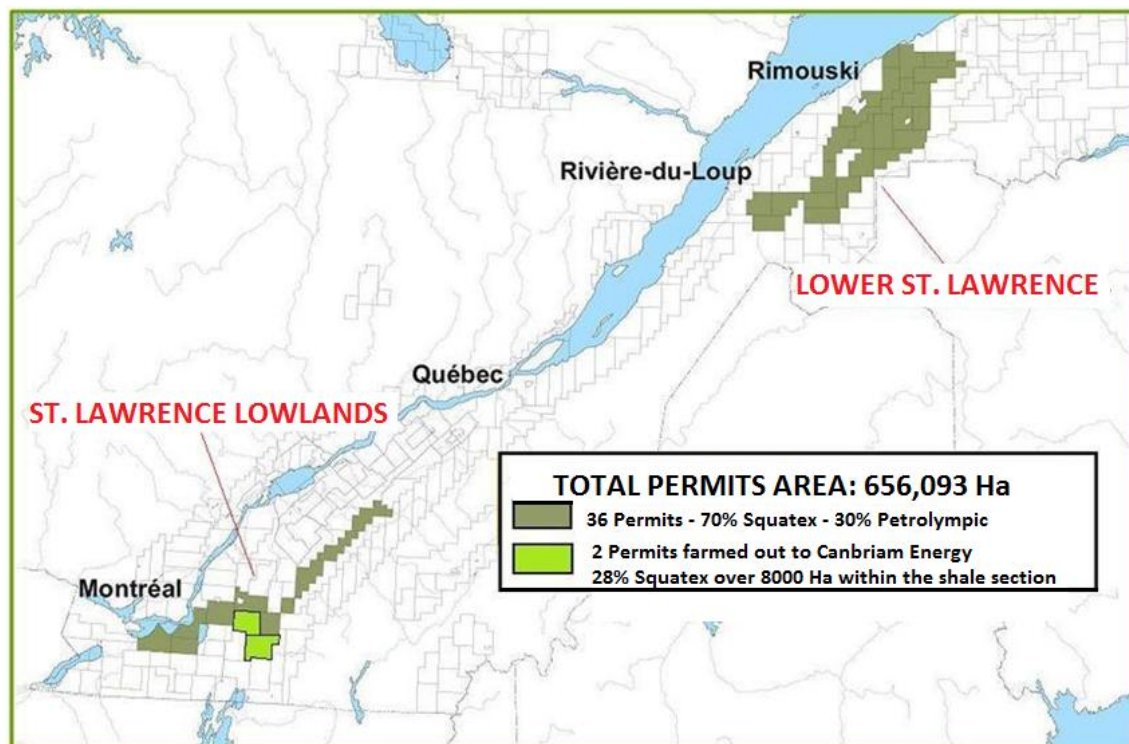
Permit Number	Renewal	Area (km²)
2009RS296 (part)	01/09/2016	203.39
2009RS298 (part)	01/09/2016	244.00
Sub-total		80.00 of 447.39

LOWER ST. LAWRENCE/GASPE PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km²)
2009RS299	01/09/2016	189.75
2009RS300	01/09/2016	207.04
2009RS301	01/09/2016	171.36
2009PG552	01/09/2016	102.67
2009PG553	01/09/2016	230.68
2009PG554*	01/09/2016	151.50
2009PG555	01/09/2016	164.38
2009PG556*	01/09/2016	236.66
2009PG557	01/09/2016	98.94
2009PG558	01/09/2016	194.20
2009PG559	01/09/2016	187.37
2009PG560	01/09/2016	198.17
2009PG561	01/09/2016	244.35
2009PG562	01/09/2016	198.47
2009PG563	01/09/2016	225.73
2009PG564	01/09/2016	143.77
2009PG565	01/09/2016	153.70
2009PG566	01/09/2016	214.54
2009PG567	01/09/2016	206.31
2009PG568	01/09/2016	206.68
2009PG569	01/09/2016	134.97
2009PG570	01/09/2016	76.08
2009PG571	01/09/2016	209.51
2009PG572	01/09/2016	164.77
Sub-total		4,311.60

* Located in the Gaspé area.

THE CORPORATION'S EXPLORATION PERMITS LOCATION MAP (Figure 1):



Exploration Activities

Lower St. Lawrence-Gaspé Permits

The compilation and integration, in 2012, of the promising results obtained in the Corporation's permit areas in the Lower St. Lawrence-Gaspé region led the Corporation to continue its coring program on new zones of interest in the Lower St. Lawrence-Gaspé region. In September 2012, a first deep core hole was spudded in the northeast part of the Lower St. Lawrence-Gaspé permits block.

The Massé No. 1 well, located in the Municipality of Ste-Jeanne D'Arc, was equipped with a BOP mounted on a casing cemented to a depth of 150 m (equal to 10% of the total planned depth) and was supervised by a team of five engineers/geologists. Drilling was suspended in late November at a depth of 1,710 m due to winter conditions. The well drilled through very disturbed beds of the St. Leon Formation, then, at 800 m, went through reefal carbonates sequences similar to the Sayabec and / or West Point Formations, followed by overlapping basal Silurian rock sequences showing a 15 m thick porous dolomites sequence in Sayabec reefs. Both reef sequences gave shows of gas and condensate. Monitoring of the suspended well and fluids analysis measurements were performed regularly to ensure safety and environmental compliance during the winter prior to the resumption of drilling activities.

The well was re-entered (Massé No.1A) in 2013 to drill through an AVO seismic anomaly indicating the possibility of the presence of fluids or porosity. This objective was met by giving

strong flows of natural gas (89% methane) in a very porous and permeable dolomite at the base of the Sayabec near the Val Brilliant sandstone between 1750 m and 1874 m. The main porous zone was encountered between 1790 m and 1874 m a thickness of 10 meters. Cores at 1847 m and deeper show porosities up to 20.8% and permeability up to 1624 mD. Due to the limitations of the mining drill used for coring, the Massé No.1 was abandoned and cemented to a total depth of 1874 m without being able to drill the remaining 40 m in the Val Brillant sandstone.

Subsequently, the drill was moved about 15 km further east to run another well near the town of Sayabec. The Sayabec No. 1 site was selected to verify the presence of dolomitization in the Sayabec Formation limestone. At this location, a seismic amplitude anomaly is visible over a stratigraphic wedge near the boundary of the permit. A porous dolomitized level was actually encountered near the base of Sayabec giving oil and gas shows before reaching a total depth at 759 m in Cambrian-Ordovician rocks of the Québec Group.

Following the in-depth analysis of the drilling results at the Massé No. 1 well, the Corporation issued a press release on November 20, 2013 announcing the discovery of a reservoir which could contain a significant amount of conventional natural gas. The new coring data acquired in 2013 helped to reinterpret the various cumulative data acquired since 2001 on the territory of the Lower St. Lawrence-Gaspé to delimit areas with better hydrocarbon potential and target locations for future drilling.

In the fall of 2013, the Corporation reprocessed the Massé region seismic profiles with a special software (AVO) to highlight areas of possible porosity in the Sayabec Formation. The interpretation of these results has identified nine additional drilling locations in the area showing seismic AVO porosity anomalies similar to those found over the Massé structure.

In April 2014, an independent assessment of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by Sproule and Associates who performed their own interpretation of seismic with data obtained from the Massé No. 1 well. The Sproule report confirmed the preliminary volume assessment made by the Corporation, indicating undiscovered possible gas initially in place in the Massé Structure between 3 and 26 BCF with a mean of 12 BCF.

The structural interpretation of the seismic data shows that the prospective AVO zone over the Massé Structure could span over some 40 km², which could result, using similar parameters measured in the well, in a reservoir having a volume likely to reach 100 BCF (over the three levels encountered). The independent report by Sproule determined that an average of 12 BCF of gas in place over an average area of 10 km² was limited to one porous level and to an area limited to local seismic coverage without taking into account major regional structural lines. Further exploration work will be required in order to assess the reservoir in the Massé structure and to confirm its potential. As a result of the AVO porosity anomalies observed on the reprocessed regional seismic lines, the reservoir's extensions could reach an area of over 300 km².

In September 2014, the Corporation spudded the Massé No. 2 well on the same structure drilled by the Massé No. 1 well, after running a 210 m casing to protect the groundwater. The drilling equipment used to drill the Massé No. 2 well featured a closed loop drilling mud recirculation

system which greatly improved operations, increased safety and satisfied the environmental standards in place.

On November 7, 2014, the Corporation issued a press release stating that drilling operations on the Massé No. 2 well were carried out smoothly, as originally planned, and that the main objective would be reached in the coming days.

Drilling operations on the Massé No. 2 well were completed on November 28, 2014 after crossing the Val Brillant Formation and reaching the underlying Cambrian-Ordovician rocks. A full suite of electrical logs were recorded in the borehole. The wellhead was then equipped with safety and measurement instruments and the hole was suspended for the winter. The pressure data is being monitored continuously during the well suspension period and are analyzed and interpreted by combining the results of analyzes performed on fluids encountered. These data will provide valuable information about fluid migration dynamics and conditions at depth until the Corporation proceeds with the programmed evaluation of the productivity of zones encountered while drilling. Regular visits to the drilling site are conducted to collect data and verify the integrity of all the components installed on the well.

The Corporation issued a press release on February 19, 2015 announcing preliminary results obtained in the Massé No. 2 stratigraphic well that was suspended in November 2014. On July 31, 2015, the Corporation issued another press release discussing results from the Massé No. 1 and No. 2 wells which indicated that the stratigraphic corings obtained significant shows of gas with condensate and oil (20° API). The Massé No. 1 and No.2 wells were drilled on seismic AVO type anomalies (amplitude vs. offset) that were indicating the probable presence of reservoirs with significant porosity in zones of hydrothermal dolomitization within the Sayabec Formation. The geophysical interpretation performed by the Corporation shows that AVO anomaly zones observed could extend over more than 300 km², which, using the parameters measured in the Massé wells and confirmed by Sproule, could allow for the presence of a reservoir rock that could contain a median volume of gas in place of 300 BCF and more.

In August 2015, the Corporation announced an academic partnership with the Institut National de la Recherche Scientifique (INRS) to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the reservoir potential of the Sayabec Formation. This work will improve the knowledge of the stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region.

The Corporation accomplished further studies of all data acquired in the Massé region, mainly those on logs recorded in the Massé No. 2 well gave very interesting results that could change the estimate of hydrocarbon initially in place in the Massé Structure.

Further study by the Corporation of all data acquired in the Lower St. Lawrence area (using mainly the logs recorded in the Massé No. 2 well) indicated that the resource potential of the Massé Structure may in fact be greater than the Corporation's previously estimated. In February 2016, the Corporation requested that Sproule independently verify and validate the Corporation's conclusions regarding the resource potential of the Massé Structure by undertaking their own evaluation of the same data. The final Sproule report was received on May 6, 2016 and the

results were published by way of a press release issued by the Corporation May 17, 2016, and reproduced in this section of the Listing Statement. The Corporation is currently evaluating funding requirements to achieve further exploration.

St. Lawrence Lowlands Permits

Due to the government of Québec's strategic environmental assessment on shale gas exploration and exploitation and restrictions and delays resulting therefrom, followed by the moratorium on exploration of shale gas exploration and exploitation put into force by the government of Québec, the Corporation and its Partners do not plan to undertake any short-term exploration on its St. Lawrence Lowlands permits. The Corporation and its Partners do not expect to resume exploration activities on its permits in the St. Lawrence Lowlands until the regulatory conditions change. The Partners have decided to abandon the Canbriam Farnham No. 1 well and to rehabilitate the well site in accordance with applicable regulations. The permit to rehabilitate the Canbriam Farnham No. 1 well site was issued to the Corporation on December 15, 2014 and the abandonment of this well and the subsequent rehabilitation of the site was undertaken during the summer of 2015 by the operator Canbriam.

The Corporation's exploration permits in the St. Lawrence Lowlands will remain in force as long as the Corporation fulfills the basic statutory requirements of paying the annual rent and doing the required minimum statutory work. The annual rents for the St. Lawrence Lowlands permits are currently, \$10.20/km² (and are otherwise frozen for the first five years rising to \$51.00/km² as of year six). However, the Corporation expects that the annual rents for its permits in the St. Lawrence Lowlands will be raised to \$50/km² for the first five years and then to \$150/km² as of the sixth year, upon the coming into force of the new legislation in Québec. Since June 2011, the Corporation and its Partners have been relieved from their obligation to fulfill the minimum annual work requirements, and this, for an undetermined period of time. The Corporation expects the work requirements to remain at \$50/km² the first year and increasing by \$50/year until year five to the ceiling of \$250/km² which is in effect for the following five years. The entire excess amounts spent during a year can be carried forward to the following year for the first five years, however only 50% of the excess spend in a given year can be carried forward for the five remaining years.

Exploration Expenses Incurred

The Corporation relies on the professional expertise of its team of geologists to manage and supervise its exploration programs. Management assesses the legitimacy of proposed exploration programs and approves expenses judged useful and appropriate in order to progress knowledge in a prudent and necessary way. For the six months period ended September 30, 2016, the Corporation spent \$131,316 (compared to \$143,503 for the six months period ended September 30, 2015) on its unproved properties of oil and gas. On these amounts, the Corporation will receive tax credits relating to resources of \$22,367 (compared to \$28,421 for the same period ended September 30, 2015), representing net exploration and evaluation expenses of \$108,949 for the period ended September 30, 2016 and of \$115,082 for the same period ended September 30, 2015. The Corporation and its 30% partner, Petrolympic Ltd., spent \$2,890,902 on exploration activities on the Corporation's properties during the last three fiscal

years of the Corporation ended on March 31, 2016, 2015 and 2014. The breakdown of the amount spent by the Corporation during each of these years is set forth in the table below:

Fiscal year ended	March 31, 2016	March 31, 2015	March 31, 2014
Paid by:			
The Corporation	\$307,261.00	\$1,035,354.00	\$736,152.00
Petrolympic Ltd.	\$123,326.31	\$442,888.66	\$245,920.35
Total	\$430,587.31	\$1,478,242.66	\$982,072.35

Planned Exploration Program for 2017

Summary

The first phase of the Corporation's exploration program (Phase 1), should begin in 2017, and foresees the reconditioning of the suspended Massé N. 2 well to achieve productivity tests on the porous zones and/or on fractures zones that have exhibited oil and/or gas shows in 2014. Using the same borehole, the Corporation plans to drill three directional lateral legs, Massé No. 2A, No. 2B and No. 2C. They will be drilled by destructive or continuous coring, when needed, to target porosity anomalies, to identify the heterogeneity of reservoirs, to seek reef facies and to investigate the nature and extent of the dolomitization observed in the first boreholes.

Additionally, Phase 1 of the Corporation's exploration program seeks to drill a 2,000 m deep vertical well, Marleau No. 1, located about five km south-east of Massé No. 2 within another block compartment separated from the Massé structure by the Porc-Épic Fault over probable AVO porosity anomalies in limestone of the Sayabec Fm.

The overall cost of exploration work planned for Phase 1 is estimated at \$6.83 million.

Subsequent phases of exploration will include the drilling of stratigraphic wells on other AVO / HTD porosity anomalies in the Lower St. Laurence-Gaspé region whose occurrence are inferred over a large sector of more than 300 km². If these next phases validate these anomalies, the resource potential of the area could increase significantly. The recording of 40 km of new seismic lines will also be required to better define some drilling locations.

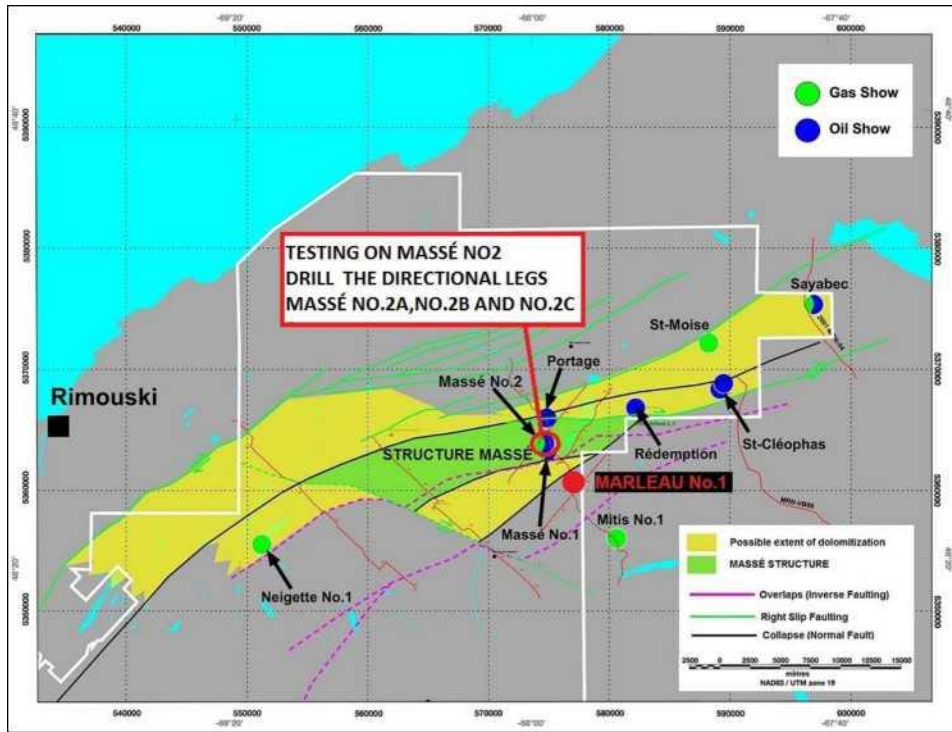


Figure 2: Location of proposed work for 2017

Tests on the Corporation Massé N. 2 Well

Once sufficient funding becomes available and all the required permits are issued, the Corporation will mobilize equipment and personnel in the field on the site of the Corporation Massé No. 2 well that has been suspended since November 2014.

Initial work will consist of reconditioning the hole (rimming) using a secure drilling rig with a closed circulation system. The Corporation will then run production tests over different porosity and/or fractures levels where hydrocarbons shows were observed in the borehole. Specific measurement tools designed by Alberta-based Delta-P were prepared with adequate reduced diameter to allow the testing on the well.

At least four tests are planned and final intervals to be investigated will be identified taking into account analysis of logs and according new oil and/or gas shows that will be observed during the re-entry of the well.

When the tests are completed, the borehole will be plugged permanently by cementation between 1,970 m and 1,200 m in order to proceed with the drilling of the first directional lateral leg Massé No. 2A.

Drilling of three directional legs on Massé No. 2

The work that will follow on the Massé N. 2 well site will be to drill three directional lateral wells having different azimuths and from different depths in the actual hole to target porosity anomalies observed on the seismic profiles and to gain a better understanding of the

heterogeneity of reservoirs (Figures 3 and 4). These lateral holes could also come across reef buildup (fossil debris in cores from the Massé N. 1 and N. 2 wells show that reef formations could be relatively close). Finally, the directional legs will improve the knowledge about the nature and the areal extent of the dolomitization observed in the vertical holes.

These directional holes will be drilled by destructive or continuous coring when needed. The first hole, Massé No. 2A, will start at a depth of 1,200 m and will be oriented west-south-west to run into the Sayabec Fm. sequences at a measured depth of about 1,550 m and drill through it, touch the Val Brillant Fm. at 1,830 m and drill through the Awantjish Fm. The well will end at a total distance of 2,200 m from the surface. Then, logs will be recorded and tests will be run on zones of interest. Finally, the borehole will be cemented up to a depth of 900 m.

The second hole, Massé No. 2B, will start at a depth of 900 m and will be headed eastward to target Sayabec Fm. sequences at 1,725 m, hit the Val Brillant Fm. at 2,070 m and end at a distance of 2,300 m. Logs will be recorded, then, tests will be run on zones of interest. Finally, the borehole will be cemented up to a depth of 500 m.

The third lateral well, Massé No. 2C, will start at a depth of 500 m and will be directed toward the southwest to target prospective sequences of the lower St. Leon Fm. located between 1,030 m and 1,100 m and finished at a total distance of 1,500 m. Well logs and tests are planned before cementing the borehole to the surface to abandon the wells and rehabilitate the site as prescribed by the applicable law.

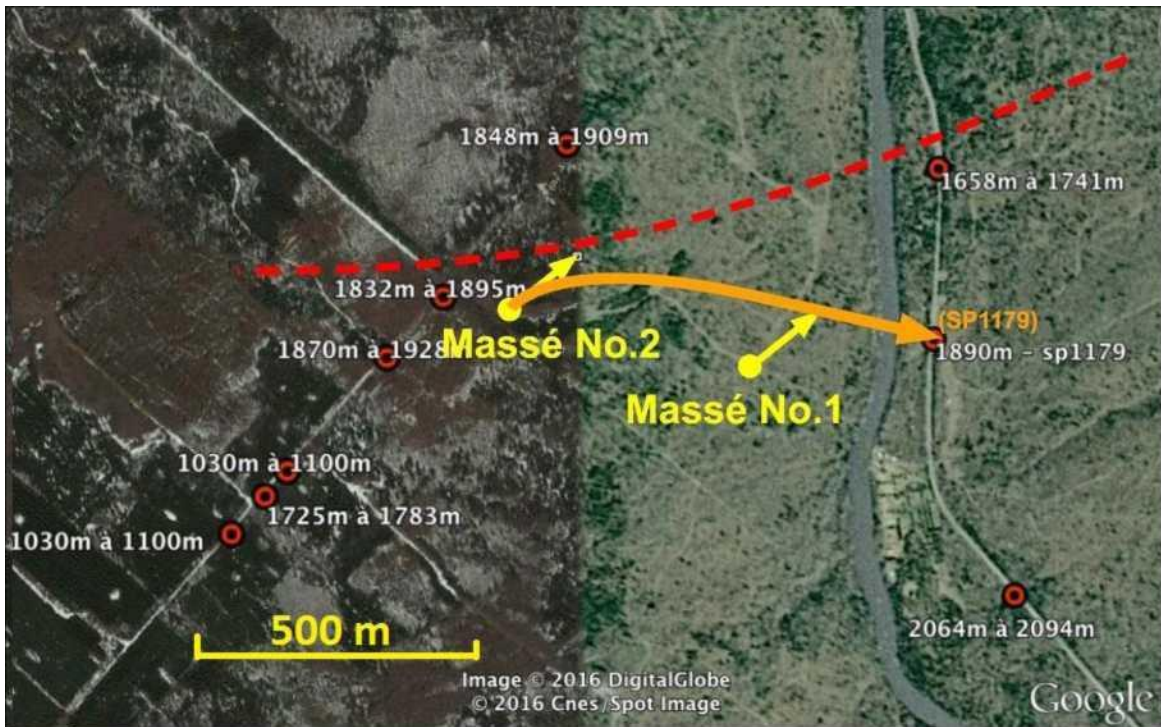


Figure 3 : Location of lateral Massé N. 2A, N. 2B and N. 2C

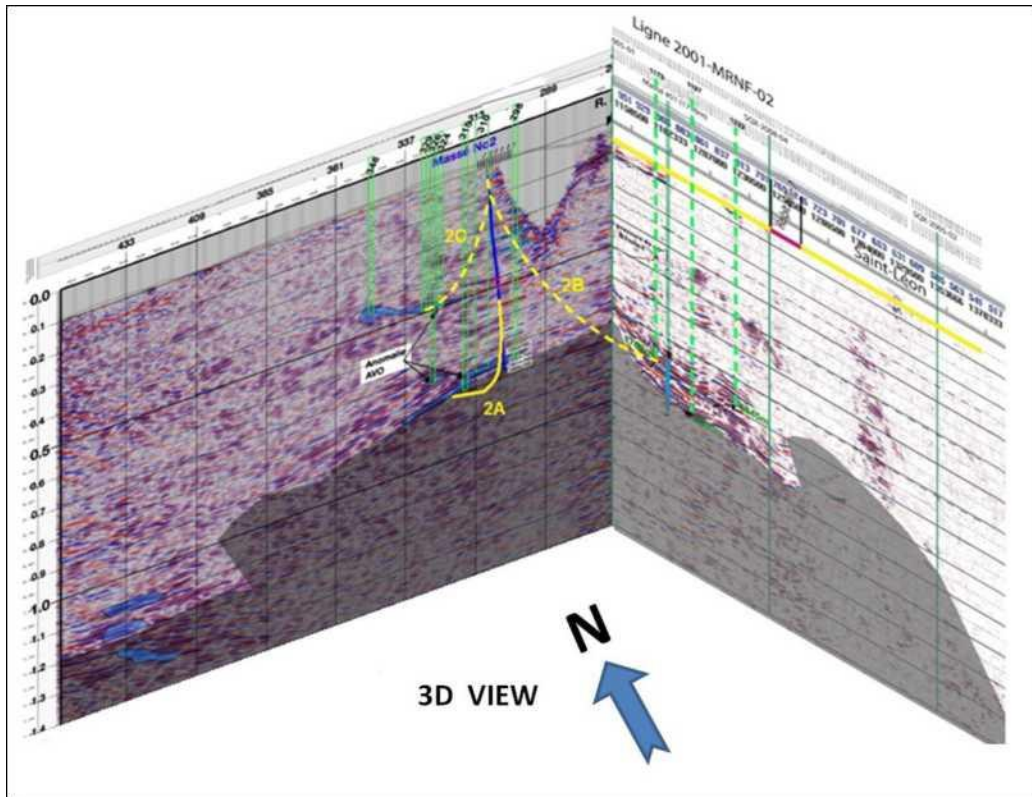


Figure 4 : Projection of Massé N. 2A, N. 2B and N. 2C legs on seismic profiles

Vertical well Corporation's Marleau No. 1

The Corporation plans to drill the Marleau No. 1 in a similar manner to the Massé wells: with an adapted mining type rig for continuous coring with a sludge recirculation system for a better control of emissions in order to comply with environment rules. Additionally, and in order to reduce drilling time and costs, the well will partly be done by destructive coring through the St. Léon Formation cap rock. A surface casing will be run at 250 m (equivalent to at least 10% of the total target depth) and cemented against the wall rock and a BOP will be set to maintain a good control on oil and gas shows. Drilling operations will be supervised by a drilling engineer and monitoring of core drilling will be conducted by an on-site geologist.

The Marleau No. 1 well will be located near VP 1309 on seismic line MNR-2001-02 (Figure 5), in an uninhabited semi-wooded lot located more than 500 m from Mitis and Rouge Rivers in the Municipality of La Rédemption.

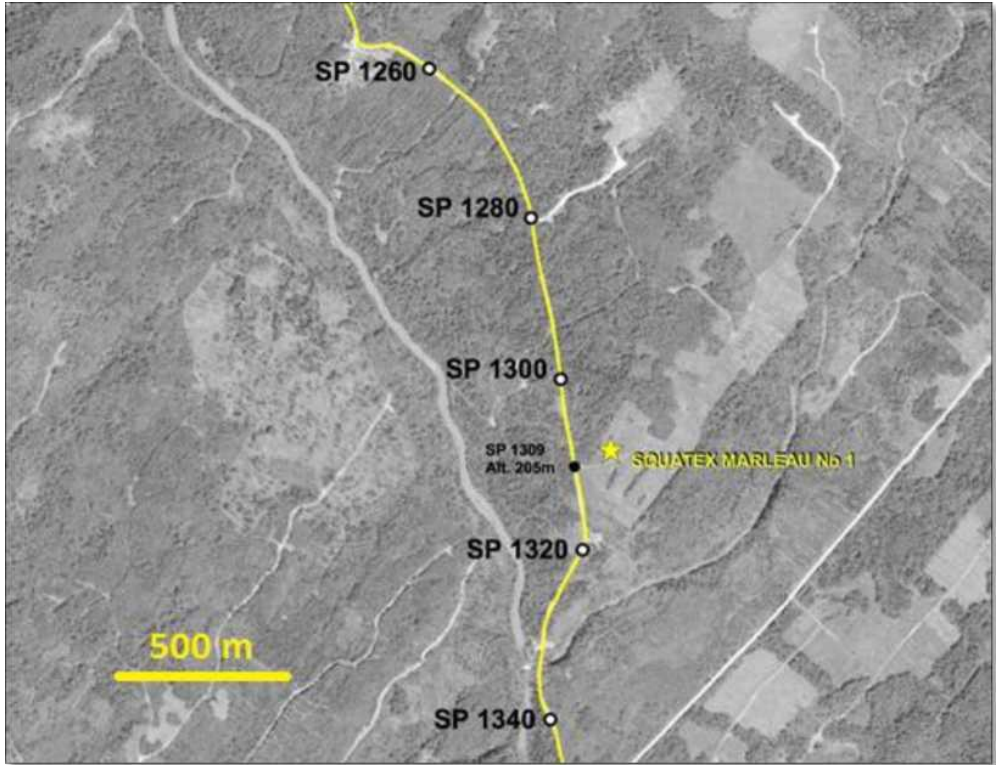


Figure 5: Location of the Marleau N. 1 stratigraphic well (Prospect A)

The seismic profile Marleau No. 1 site (Figure 6) exhibits a rectilinear marker of high amplitude with a low dipping beginning at a depth of about 787 m, horizontal markers suggest the possible presence of gas-oil-water contacts. A major thrust faulting (Porc-Épic Fault) towards the northwest brings the Silurian strata that are observed in the Massé structure closer to the surface in the vicinity surrounding the proposed well location.

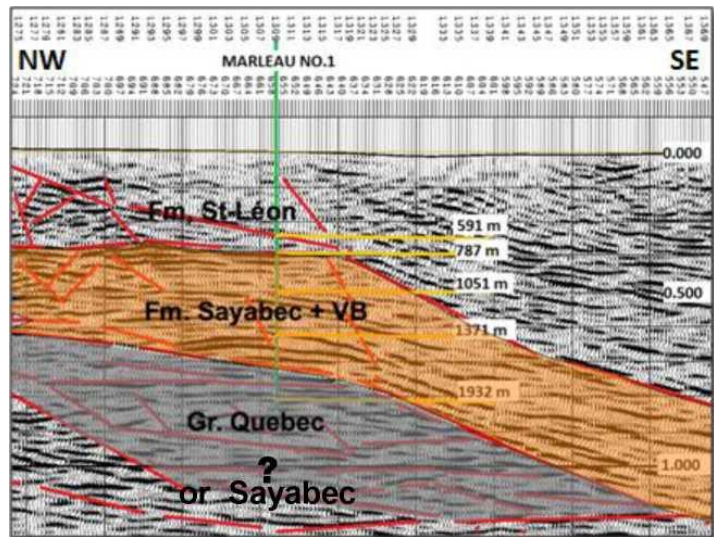


Figure 6: Seismic interpretation of line MRN-2001-02, Prospect A

The proposed well at the Marleau No. 1 site is targeting a similar geological structure to the one found at the Massé No. 1 (2013) site, but more distal lithological sequences, in which gas bearing zones within high porosity zones related to hydrothermal dolomitization were observed and at Massé No. 2 (2014) site where open fractures and primary porosity in the St. Leon and the Sayabec structure indicated gas and oil yields. It is expected that after crossing siltstones of the St. Leon structure, the Marleau No. 1 well will run into the Sayabec limestones at a depth of 787 m in which hydrothermal dolomites would be encountered. Seismic interpretation suggests that two AVO amplitude anomalies and flat spots are present at depths of 950 m and 1,500 m (Figure 7).

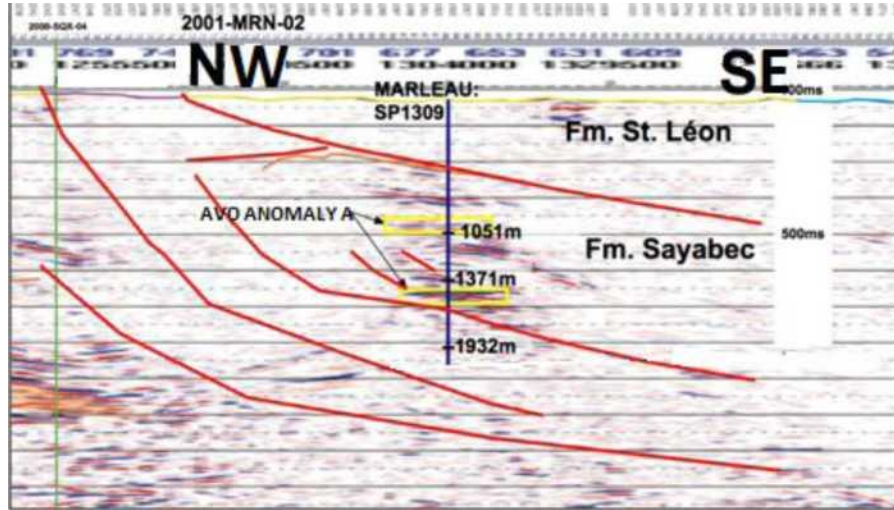


Figure 7: AVO anomalies on seismic, Marleau N. 1

The well is expected to reach the Val-Brillant Fm. at a depth of around 1,600 m and either encounter at 1,640 m Cambrian-Ordovician sequences or a thrust fault and drill through the same Silurian-Devonian rock sequences as above. In such a scenario, the maximum total depth of the Marleau No. 1 could be upwards of 2,000 m.

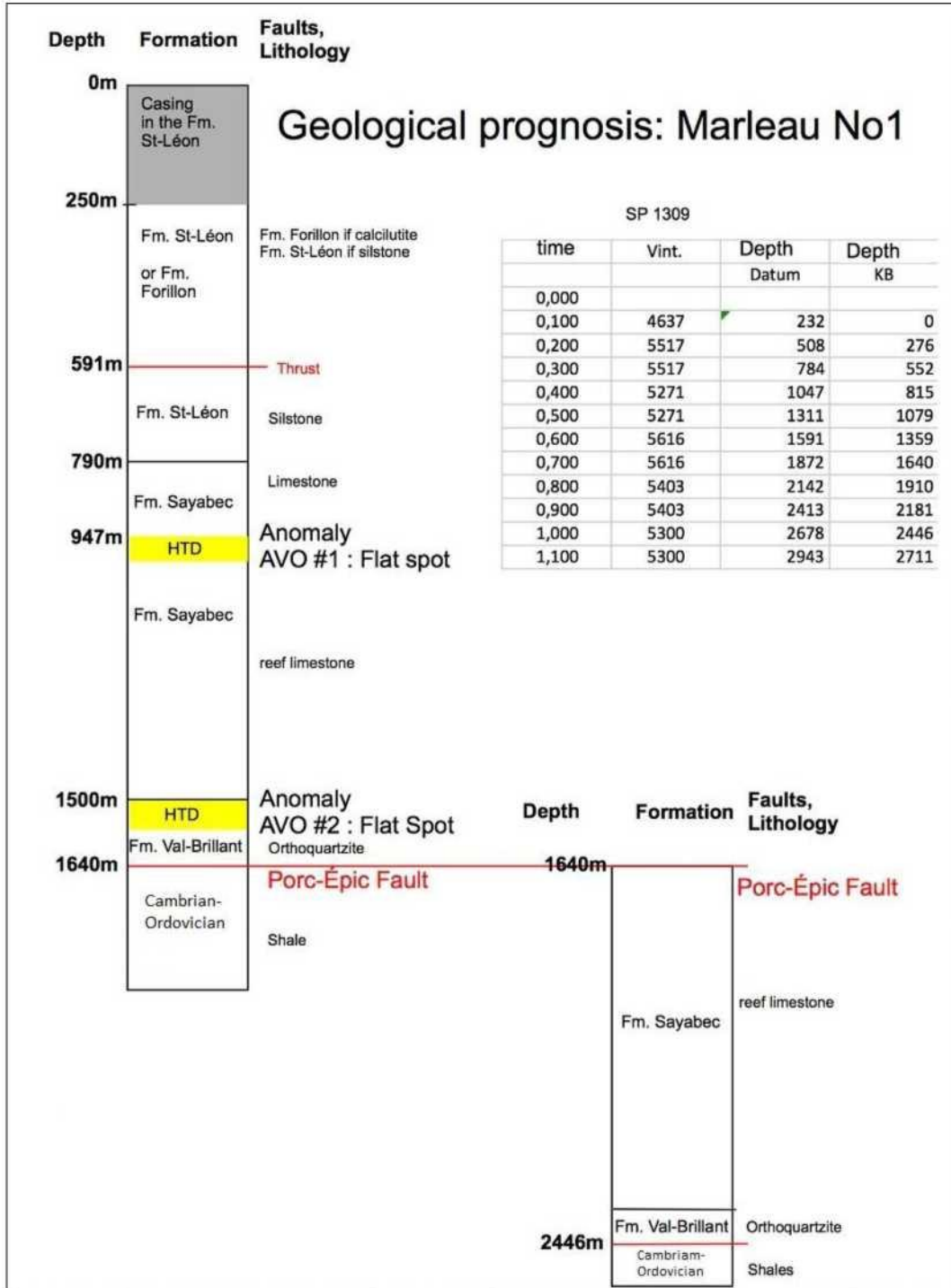


Figure 8: Geological prognosis, Marleau No. 1

Planned Exploration Program for 2017-18

Considerations

The second phase of the Corporation's exploration program (Phase 2), should begin in 2017-18, and foresees the drilling of three additional wells over seismic anomalies inferring a probable porosity and a similar structural setting to those encountered at the Massé No. 1 and No. 2 wells. The purpose of these additional wells would be to determine the optimal hydrocarbon accumulation zones in this sector of the Lower St. Lawrence-Gaspé area. These reduced diameter exploratory drilling wells, St. Marcelin No. 1, St. Gabriel No. 1 and Massé No. 3 or No. 4 (Figure 9) will be drilled largely through destructive or in continuous core sampling in the zones of interest. The execution order for each of the wells can be modified according to the delivery of the request drilling permits. The cost of exploration work planned for Phase 2 is estimated at \$ 6.89 million.

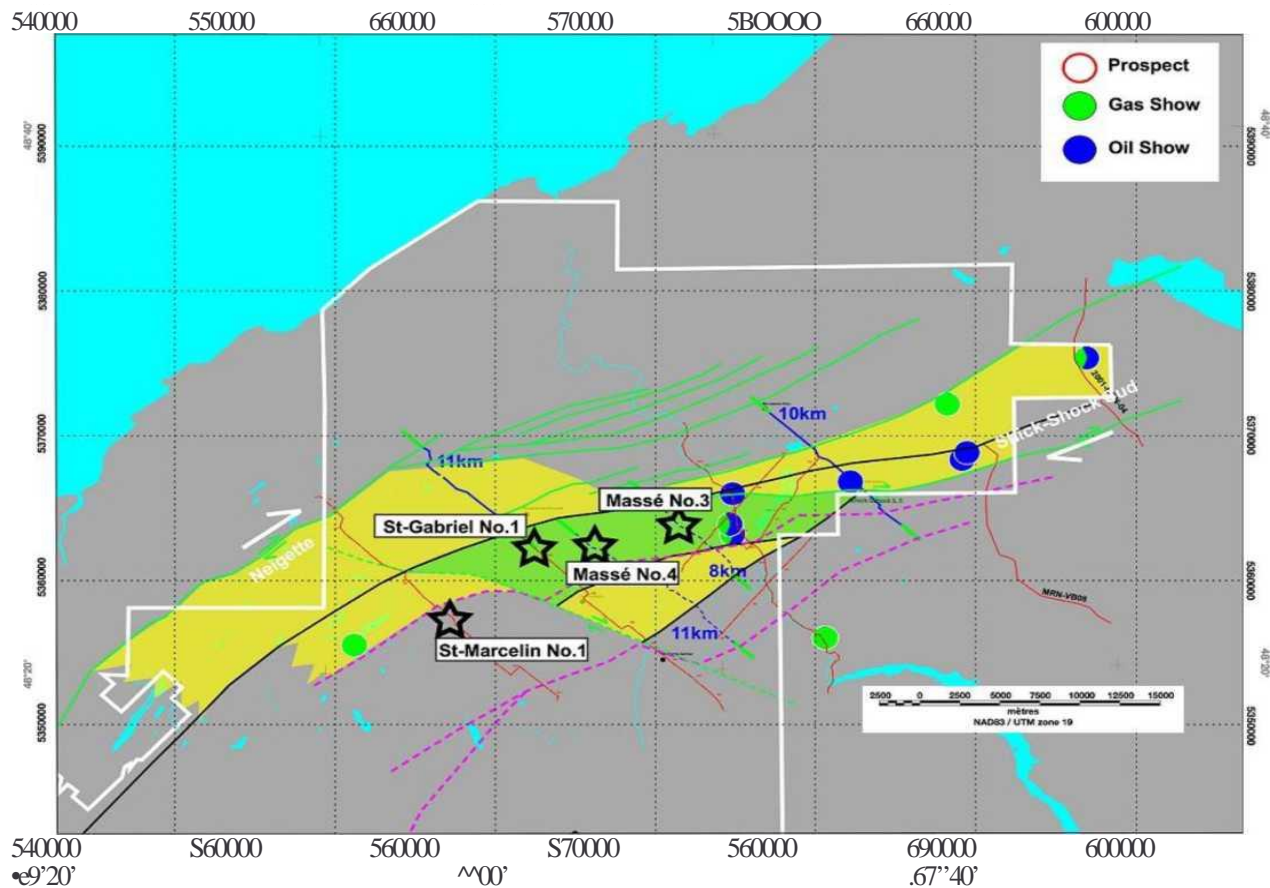


Figure 9 : Location of seismic and wells anticipated in 2017-18

Vertical St. Marcelin N. 1 well (Project J)

The first drilling site of Phase 2 of the Corporation's exploration program, is expected to be the St. Marcelin No. 1 site (Project J), which will be located on a largely wooded lot near Chemin de la Rivière noire, in an uninhabited and partly agricultural area in the Municipality of Saint-Marcelin (Figure 10).

The drilling will be located vis-à-vis vibration point 735 on seismic line SQX2008-03 where an AVO porosity anomaly culminates at the base of the Silurian in the Sayabec rock formations and the Val Brillant Formations (Figures 11 and 12).

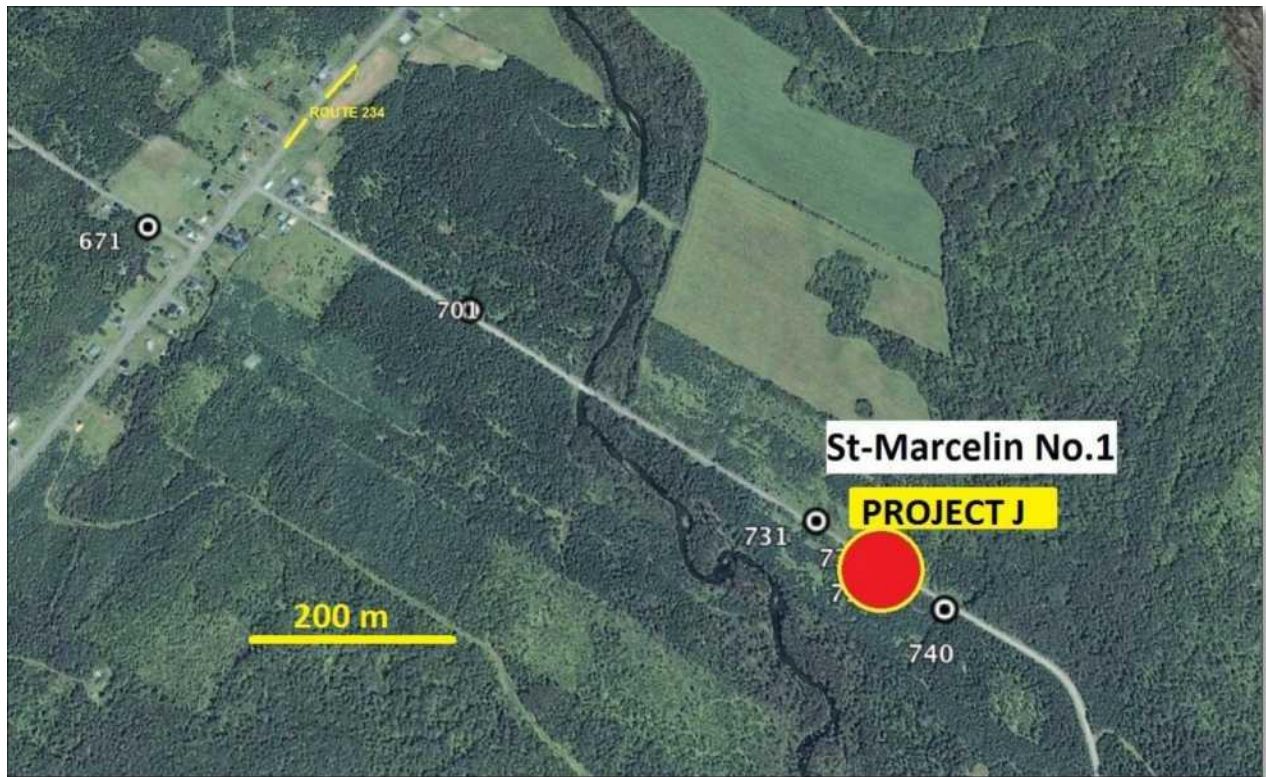


Figure 10 : Location of the St. Marcelin No. 1 well (Project J)

The St. Marcelin No. 1 well will be located on the southern flank of a major structural Cambrian-Ordovician high which is limited to the north by the Lac Noir Fault. This structural high is covered by overlapping Silurian rock strata.

Although located 18.2 km away from Massé No. 2 well, the St. Marcelin No. 1 site could be a lateral equivalent of the Massé structure despite its distant location from the shear zone joining the Schickschock South and the Neigette Faults.

The seismic data of the region indicates a significant thickening of the Sayabec and the base of St. Leon strata towards the front of the thrust sheet to the north over the structural high. This feature involves a significant reversal of the dip of the strata.

The target in the base of the Silurian rock formation at the selected site will be met at the Top of the Sayabec at a depth of 920 m and the well is expected to reach a total depth of 1,800 m, ending in the Cambrian-Ordovician rocks.

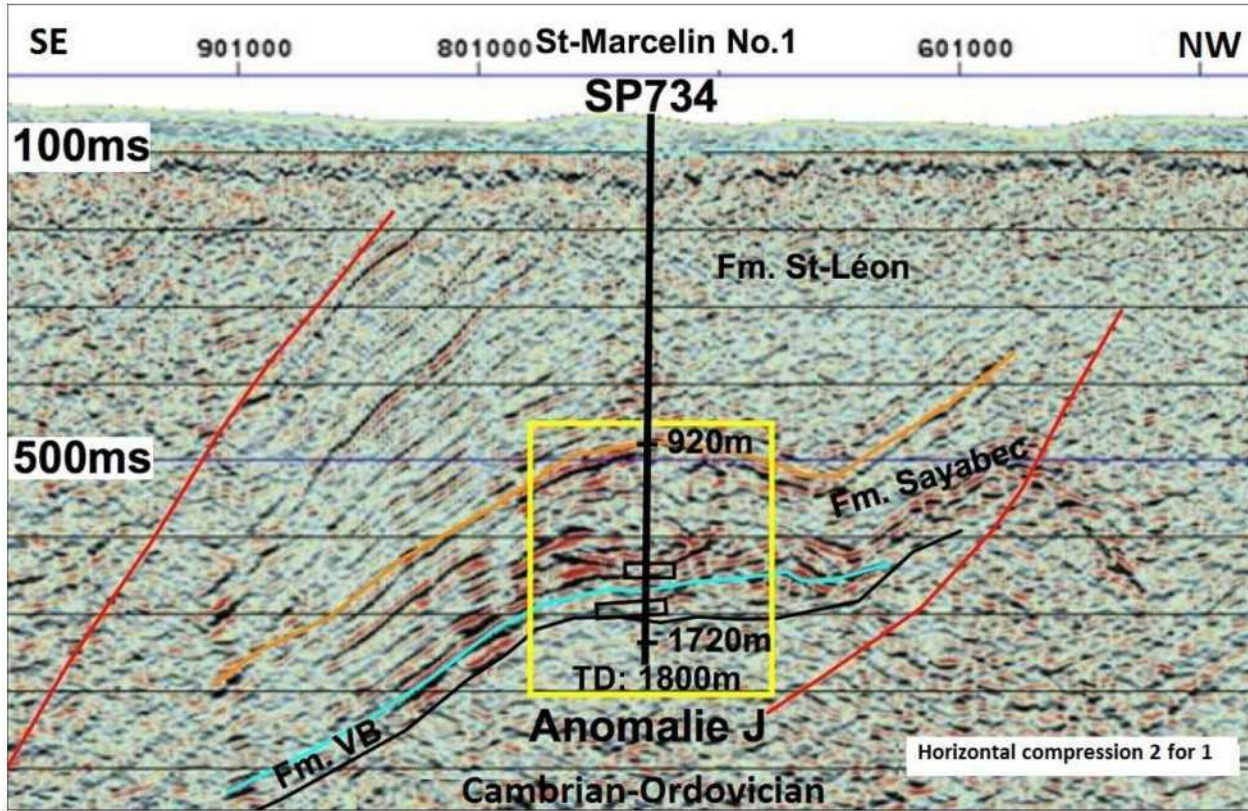


Figure 11 : Interpreted seismic line SQX-2008-03, St. Marcelin N. 1(Project J)

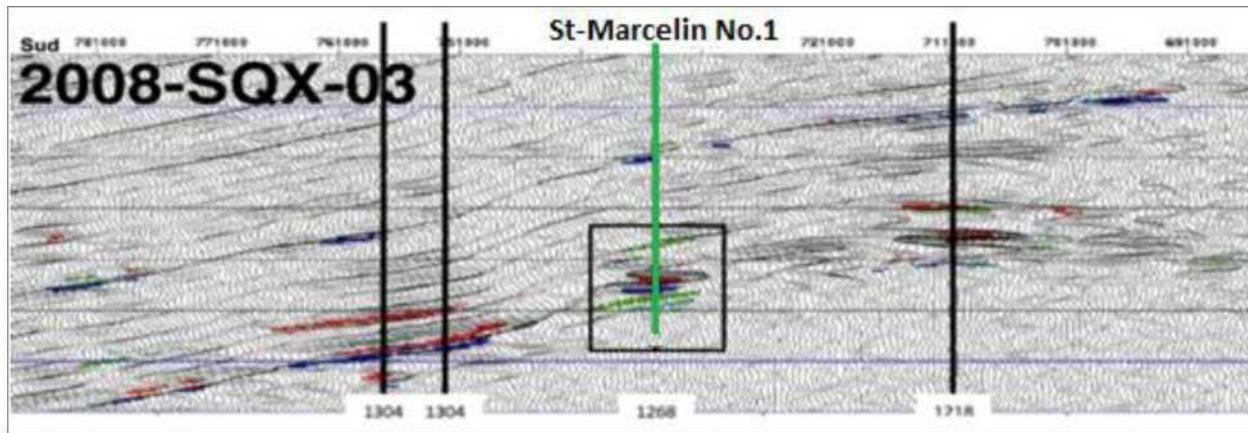


Figure 12 : Probable AVO porosity anomaly on seismic, St. Marcelin N. 1(Project J)

Vertical St. Gabriel N. 1 well (Project I)

The second drilling site of Phase 2 of the Corporation's exploration program, is expected to be the St. Gabriel No. 1 well, located near seismic line SQX-2002-01 corresponding to vibration point 630 in a sparsely populated area along Highway 298, near the intersection of Concession

Road Massé in the municipality of St- Gabriel (Figure 13). The site is located about 11.3 km west of the Massé No. 2 well on the likely extension of the same collapse structure.

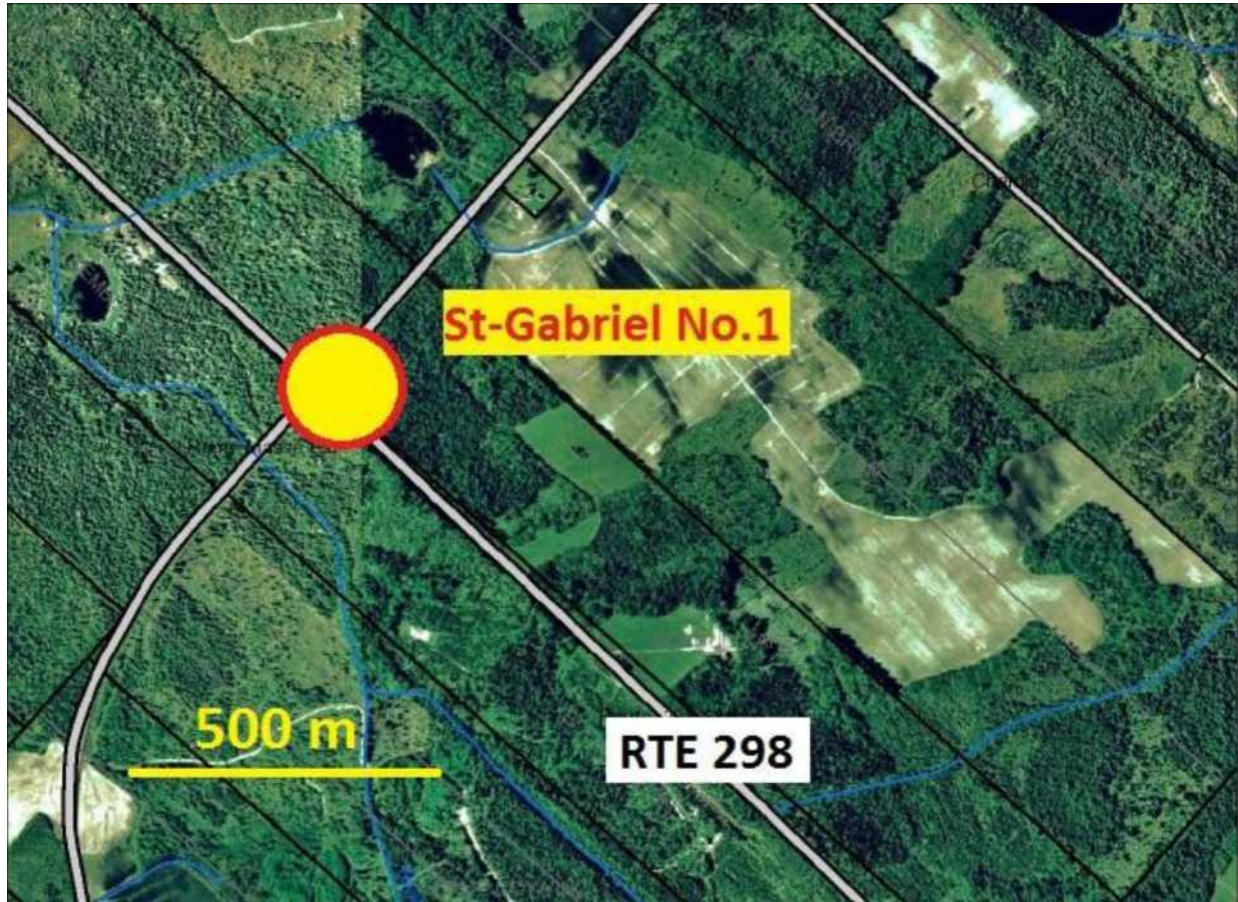


Figure 13 : Location of the St. Gabriel No. 1 well (Project I)

The seismic profile suggests that the St. Gabriel No. 1 site exhibits a similar collapse blocks context to that which is observed in the eastern part of the Massé structure along with a slight thickening of Sayabec strata towards the south. This location also shows a strong AVO seismic anomaly indicating a probable porosity at the base of the Sayabec Fm.

The different geological strata to be encountered by the St. Gabriel No. 1 well are expected to be similar to those encountered by the Massé No. 1 and No. 2 wells, but with a higher southward bedding dip. The top of the Sayabec Fm. is expected to be met at around 1,540 m and the well's anticipated total depth is expected to be 2,100 m (Figures 14 and 15).

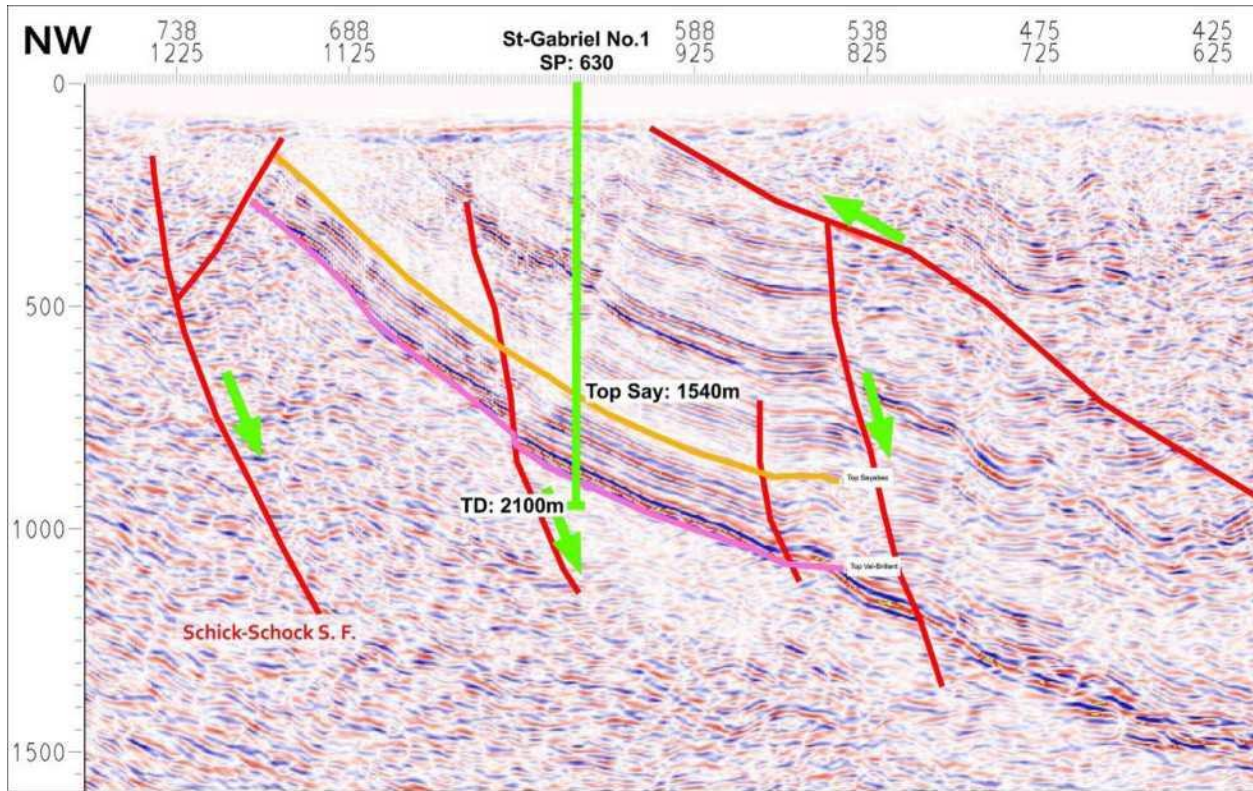


Figure 14 : Interpreted seismic profile SQX-2002-01, St. Gabriel N. 1 well (Project I)

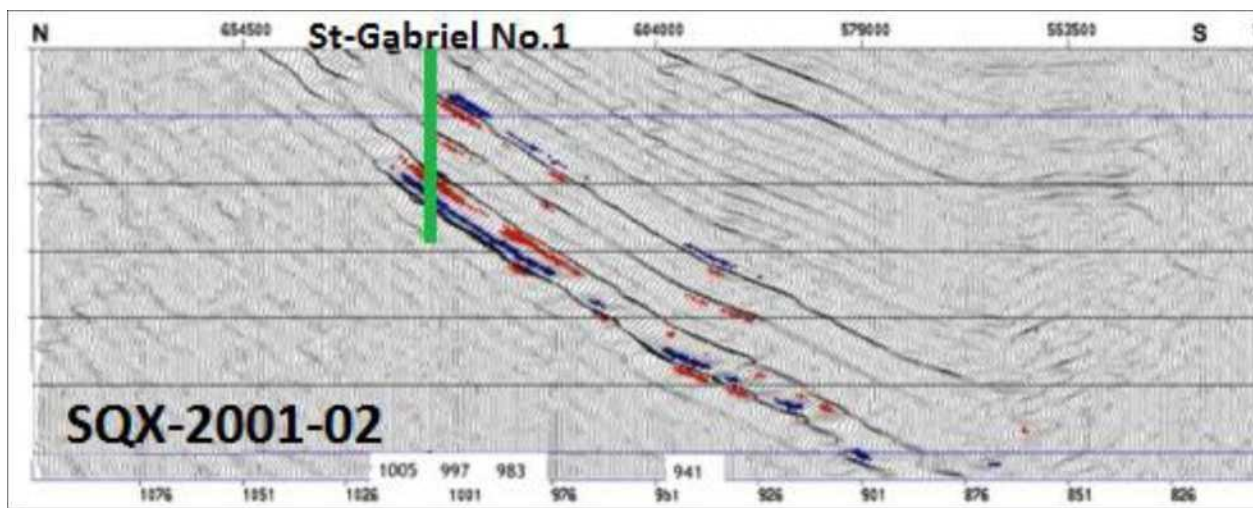


Figure 15 : Probable AVO porosity anomaly on seismic, St-Gabriel N. 1 well (Project I)

Vertical Massé N. 3 or N. 4 well (Massé West)

The third drilling site of Phase 2 of the Corporation’s exploration program, is expected to be the Massé No. 3 or Massé No. 4 wells, which will be located on one of two new seismic profiles that were recorded during the Phase 1 of the exploration program (4 lines program totaling 40 km at an estimated cost of \$600,000). These profiles will be oriented north- northwest, roughly parallel

to the MNR-2001-02 and SQX-2002-01 lines and will have a length of 8 km and 11 km respectively and be located at respectively approximately 4.7 km and 6.8 km west of the Massé No. 2 well. The exact location of the drilling site (Massé No. 3 or No. 4) will be selected accordingly to the structural framework observed as well as the presence of AVO porosity anomalies on the new seismic lines (Figure 16).

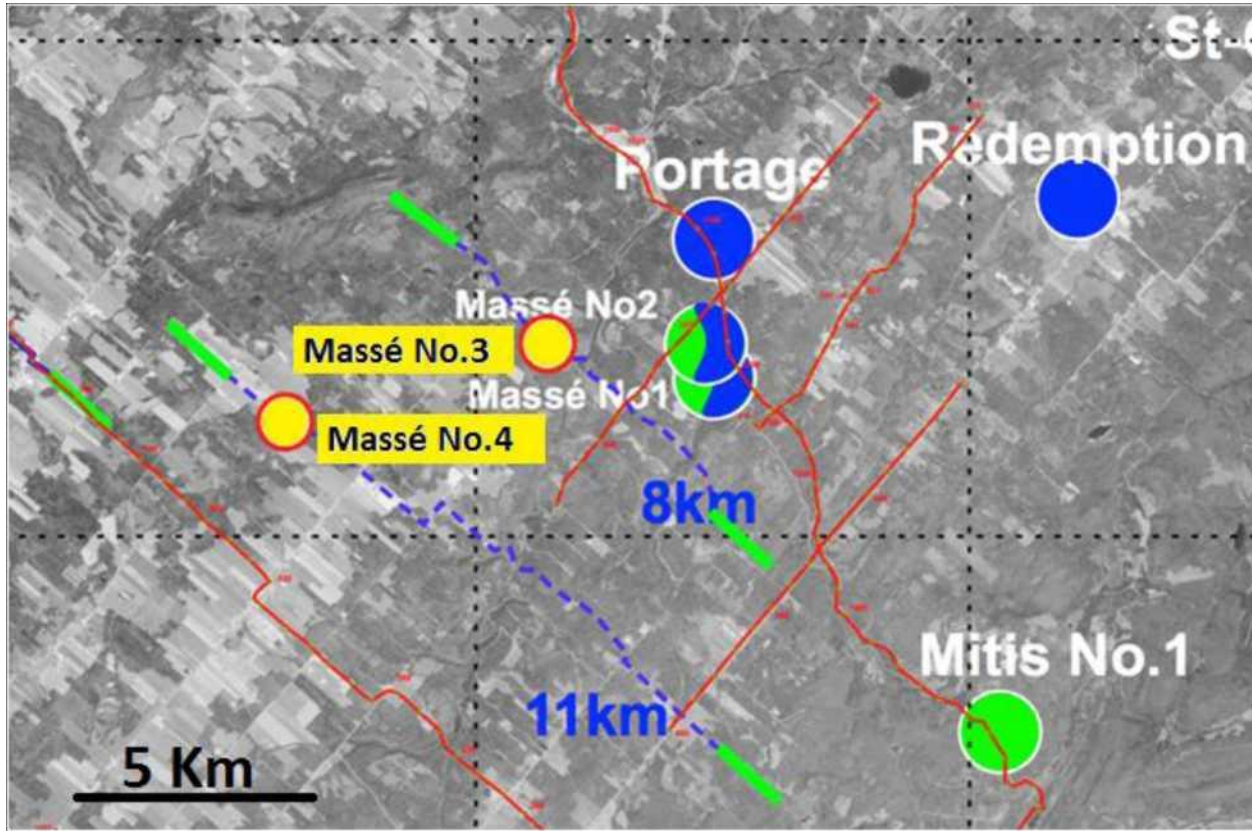


Figure 16 : Location of the Massé No. 3 and/or Massé No. 4 well

When comparing the existing seismic lines , we can anticipate the most likely wells location. It is expected that the Massé No. 3 or the Massé No. 4 drilling sites will encounter similar geological sequences that were observed in the Massé No. 1 and No. 2 wells at similar depths. The total depth of both the Massé No. 3 and Massé No. 4 wells will be approximately 2,000 m.

Budgets for Phase 1 and Phase 2 of the Corporation’s Exploration Program

Considerations

The estimated costs related to the acquisition of exploration data that are planned for Phase 1 and Phase 2 of the Corporation’s exploration program are based on the actual costs incurred by the Corporation for similar operations in previous years as well as on tenders received for certain specific projects.

For both work on Massé No. 2 (test and lateral wells) and for the Marleau No. 1, the St-Marcelin No. 1, the St-Gabriel No. 1 and the Massé No. 3 or Massé No. 4 wells, costs include professional

and technical supervision, consumables and the use of a suitable mining type drill having a closed circulating mud system to prevent environmental contamination. Estimated costs also include running a suite of logs in the borehole, testing zones of interest, cementing, seismic interpretation studies to pin down well sites, preparation and restoration of well sites, disposing of drilling mud, the required analyzes and studies needed to obtain all required permits from various government bodies concerned with the project. Unforeseen events that could occur while accomplishing the programs, particularly those related to drilling operations, are addressed by the inclusion of a 20% contingency.

Estimated Costs of Exploration Planned for Phase 1

DESCRIPTION	COSTS	
Well cleaning and test runs on Massé No. 2		\$380,000
Drilling lateral leg Massé No. 2A (1,000 m)		\$650,000
Drilling lateral leg Massé No. 2B (1,400 m)		\$935,000
Drilling lateral leg Massé No. 2C (1,000 m)		\$695,000
Drilling vertical Marleau No. 1 well(2,000 m)		\$1,690,000
Seismic data acquisition		\$600,000
Contingences	20%	\$990,000
SUB-TOTAL		\$5,940,000
Administration, insurance, etc.	15%	\$891,000
TOTAL		\$6,831,000

Estimated costs of exploration planned for Phase 2

DESCRIPTION	COST	
Drilling vertical St-Marcelin No. 1 well (1,800 m)		\$1,525,000
Drilling vertical St-Gabriel No. 1 well (2,100 m)		\$1,775,000
Drilling vertical Massé No. 3 or Massé No. 4 wells (2,000 m)		\$1,690,000
Contingences	20%	\$998,000
SUB-TOTAL		\$5,988,000
Administration, insurance, etc.	15%	\$898,200
TOTAL		\$6,886,200

Phase 1 and Phase 2 of the Corporation's exploration program will target exploration works in the area by using slim hole drilling techniques in order to identify commercial hydrocarbon accumulations while maintaining lower exploration costs and obtaining the best possible geoscientific data for the region. Additionally, these drilling techniques were selected for their proven ability to demonstrate the potential for natural gas, liquids and oil at various levels in the Silurian rock. The Corporation plans to inject about \$14 million into these new exploration projects in the next 24 months on this sector of the Lower St. Lawrence-Gaspé region.

When commercial production of gas and/or oil is envisioned by the Corporation's small diameter wells, the Corporation will conduct conventional larger diameters oil and gas development drilling on distinct targets to carry on comprehensive production tests before going in production. The exploration of other leads over the property will go on using a slim hole drilling rig in order to minimize costs while maintaining a small environmental footprint.

To date, the Corporation has gathered a large amount of data regarding the geological and structural setting of this region of the Lower St. Lawrence-Gaspé area that were used to better define the sectors with the highest potential for commercial hydrocarbon extraction. While the source of the hydrocarbons present in the Corporation's permit areas in the Lower St. Lawrence-Gaspé region remains open to interpretation, our analysis suggests that the medium-light oil is Silurian of age (Sayabec Fm. and St. Leon Fm. reef buildups) while the gas and condensates could have migrated from underlying Ordovician strata.

Under a partnership agreement entered into in 2008, 30% of the estimated cost of the Corporation's exploration program will be assumed by the Corporation's partner, Petrolympic Ltd.

The technical disclosures appearing under the title "Overall Performance", "Exploration Activities", "Summary of Land Positions", "Exploration Program Planned for 2017", "Exploration Program Planned for 2017-18" and "Exploration Budgets for Phase 1 and for

Phase 2” were prepared and reviewed by Paul Laroche, P. eng, P. geo, who is a qualified person under NI 51-101.

Asset Backed Securities

The Corporation does not have any asset backed securities outstanding.

Companies with Mineral Projects

Not applicable.

Companies with Oil and Gas Operations

See Form 51-101F1 — *Statement of Reserves Data and Other Oil and Gas Information* of the Corporation for the fiscal year ended March 31, 2016 dated as of June 2016, attached hereto as Schedule A, a copy of which is also available on SEDAR at www.sedar.com on the Corporation’s profile.

Available Funds and Principal Purposes

Funds Available

On December 21, 2016, the Corporation completed a non-brokered private placement for gross proceeds to the Corporation of \$230,400.08 through the sale and issuance of 1,212,632 units. Each unit was comprised of one Share and one Warrant.

As at January 31, 2017, the Corporation had \$172,698 in cash available, taking into account the private placement described above and an amount received by Petrolympic Ltd., for reimbursement of its 30% share in exploration work conducted on the Corporation’s permits.

The Corporation had a working capital deficiency estimated at \$8,627 as at January 31, 2017. The deficiency resulted from a specific provision of \$221,341 in connection with notices of assessment from tax authorities for the years ended March 31, 2012, 2013 and 2014, refusing expenditures in the calculation of the resource credits. The Company disagrees with the notices of assessment and initiated an objection to justify its claims. All without prejudice as to the entire objection process and judicial proceedings that may ensue, the Corporation believes that the maximum claim of refundable tax credits relating to resources already cashed by the Corporation would be an approximate total amount of \$ 189,992 as at March 31, 2016, excluding any applicable interest if the expenditures referred to in the notices of assessment are ultimately rejected. Without this specific provision, the working capital of the Corporation is a positive amount of \$212,714 as at January 31, 2017.

On February 27, 2017, 9129-2862, entered into a promissory note with the Corporation, pursuant to which 9129-2862 lent a principal amount of \$200,000 to the Corporation. This promissory note bears interest at a rate of 15% per annum becoming due and fully payable, together with the interest accrued thereon, on September 30, 2019. As a results of this loan, the Corporation had \$309,817.10 in cash available as at February 27, 2017.

Principal Purposes of Funds

The Corporation intends to use the funds as follows during the twelve-month period following completion of its listing on the CSE.

<u>Principal Purpose</u>	<u>Amount (\$)</u>
Exploration Expenses⁽¹⁾	
Drilling and seismic costs Phase 1.....	163,000
Exploration team salaries.....	50,400
Exploration related expenses.....	14,000
External consultants.....	15,000
Total Exploration Expenses	242,400
 Administrative Expenses	
Expenses in connection with the Listing on the CSE.....	50,000
Listing and Compliance.....	35,000
Office.....	10,000
Rent and Licence.....	52,000
Convention and representation.....	2,000
Car and travelling.....	800
Accounting and legal.....	12,500
Non exploration salaries.....	—
Other.....	—
Unallocated Working Capital.....	—
Total Administrative Expenses	162,300
Total Expenses	\$404,700⁽¹⁾

(1) The Exploration Expenses will be delayed or reduced in the event the Corporation is not in a position to raise a sufficient amount through an equity financing or other type of financing.

Additional Capital

The Corporation plans to raise additional funds shortly after its common shares have been listed for trading on the CSE. There can be no assurance that the Corporation will be able to raise such additional financing at all or on terms that are satisfactory to management.

5. SELECTED FINANCIAL INFORMATION

5.1 Financial Information - Annual Information

The following selected financial information is subject to the detailed information contained in the financial statements of the Corporation and related notes included in this Listing Statement. The selected financial information is derived from, and should be read in conjunction with, the Corporation's unaudited financial statements for the six month period ended September 30, 2016 and the Corporation's audited financial statements for the fiscal year ended March 31, 2016. The following financial data is prepared in accordance with IFRS.

	As of or for the six-month period ended September 30, 2016	As of or for the year ended March 31, 2016	As of or for the year ended March 31, 2015	As of or for the year ended March 31, 2014
	\$	\$	\$	\$
Revenues	-	-	-	-
Net loss and total comprehensive loss	(371,457)	(635,633)	(1,126,939)	(875,106)
Total assets	110,672	181,241	335,570	728,887
Total liabilities	1,420,239	1,191,351	854,047	589,844
Basic and diluted net income (loss) per share	(0.0036)	(0.006)	(0.011)	(0.017)

5.2 Financial Information - Quarterly Information

The following table presents unaudited selected financial information for the eight most recently completed financial quarters:

	Year ending March 31, 2017		Year ended March 31, 2016				Year ended March 31, 2015	
	Q2 \$	Q1 \$	Q4 \$	Q3 \$	Q2 \$	Q1 \$	Q4 \$	Q3 \$
Revenues	—	—	—	—	—	—	—	—
Net loss and total comprehensive loss	(190,287)	(181,170)	(371,192)	90,651	(201,266)	(153,826)	(26,873)	(590,070)
Total assets	110,672	145,497	181,241	239,461	338,349	264,684	335,570	410,593
Total liabilities	1,420,239	1,300,777	1,191,351	914,379	1,139,918	900,987	854,047	938,197
Basic and diluted net income (loss) per share ⁽¹⁾	(0.0018)	(0.0017)	(0.0035)	0.0009	(0.0019)	(0.0015)	(0.0048)	(0.0056)

(1) These numbers take into account the share subdivision effected on a ratio of two shares for every share then issued that became effective on September 16, 2015.

5.3 Dividends

There are no restrictions that could prevent the Corporation from declaring and paying dividends in the future. However, the Corporation's policy is presently to retain earnings, if any, in order to finance future growth. The Corporation has no intention of paying any dividends in the foreseeable future. Any future decision to pay cash dividends will be left to the discretion of the Board and will depend on the Corporation's financial position, operating results and capital

requirements at the time, applicable law, as well as such other factors that the Board may consider relevant.

5.4 Foreign GAAP

Not applicable.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 Annual MD&A

Reference is made to the Corporation's Management Discussion and Analysis for the fiscal year ended March 31, 2016, which is available on SEDAR at www.sedar.com and which can be found in Schedule B to this Listing Statement.

6.2 Interim MD&A

Reference is made to the Corporation's Management Discussion and Analysis for the six-month period ended September 30, 2016, which is available on SEDAR at www.sedar.com and which can be found in Schedule C to the Listing Statement.

7. MARKET FOR SECURITIES

The Shares are not listed and posted for trading or quoted on any exchange and/or quotation and trade reporting system.

8. CAPITALIZATION

Since September 30, 2016, the Corporation has effected the following material changes with respect to its share capital:

On December 21, 2016, the Corporation completed a non-brokered private placement for gross proceeds of \$230,400.08 through the sale of 1,212,632 units at a price of \$0.19 per unit. Each unit was comprised of one Share and one common share purchase warrant exercisable at \$0.19 per Share for a period of 18 months from the date of closing.

The following table sets out the capitalization of the Corporation as at the dates specified below:

<u>Description</u>	<u>Authorized</u>	<u>Outstanding as at September 30, 2016</u>	<u>Outstanding as at the date of the Listing Statement</u>
common shares	unlimited	104,629,244 ⁽¹⁾⁽²⁾	105,841,876 ⁽¹⁾⁽²⁾
warrants ⁽²⁾	1,212,632	nil	1,212,632

(1) On an undiluted basis. Does not include any Shares issuable upon the exercise of the Warrants.

(2) On December 21, 2016, the Corporation completed a non-brokered private placement for gross proceeds of \$230,400.08 to the Corporation through the sale and issuance of 1,212,632 units. Each unit was comprised of one Share and one Warrant.

9. OPTIONS TO PURCHASE SECURITIES

As of the date hereof, the Corporation has not adopted a stock option plan and does not have any stock options to acquire Shares of the Corporation outstanding.

10. DESCRIPTION OF THE SECURITIES

10.1 Description of the Corporation's Securities

The Corporation is authorized to issue an unlimited number of common shares.

Common Shares

The holders of the Corporation's common shares are entitled to: (i) one vote per share at all meetings of shareholders; (ii) receive any dividend declared by the Corporation on the Shares and, (iii) receive the remaining property of the Corporation upon the Corporation's dissolution, liquidation or winding up.

Warrants

There are currently 1,212,632 Warrants issued and outstanding.

10.2 Prior Sales

The following table sets out details of all Shares issued within the twelve months preceding the date of this Listing Statements.

<u>Date of Issuance</u>	<u>Number of Shares</u>	<u>Price per Share</u>
December 21, 2016	1,212,632	\$0.19

The following table sets out details of all Warrants issued within the twelve months preceding the date of this Listing Statements.

<u>Date of Issuance</u>	<u>Number of Warrants</u>	<u>Exercise price</u>	<u>Expiry date</u>
December 21, 2016	1,212,632	\$0.19	June 21, 2018

10.3 Stock Exchange Price

The Shares of the Corporation are not listed on any stock exchange or market.

11. ESCROWED SECURITIES

To the knowledge of the Corporation, none of the Shares are held in escrow or will be subject to an escrow requirement following the listing of the Share on the CSE.

12. PRINCIPAL SHAREHOLDERS

As at the date hereof, and to the best knowledge of Corporation, the following are the only persons who beneficially owned or exercised control or direction over, directly or indirectly, more than 10% of the issued and outstanding Shares:

<u>Name and place of residence</u>	<u>Number of Shares held</u>	<u>Percentage</u>
Jean-Claude Caron ⁽¹⁾⁽²⁾ Kuujjuarapik Québec, Canada	61,808,806	58.40%
Steve Surveyer ⁽³⁾ Boucherville, Québec, Canada	17,133,334	16.19%

(1) 4,364,160 of these Shares are held through 9129-2862 Québec Inc., a company beneficially owned by Mr. Caron.

(2) The information is taken from reports filed on SEDI by Mr. Caron as of February 27, 2017 and is not within the direct knowledge of the Corporation.

(3) The information is taken from reports filed on SEDI by Mr. Surveyer as of February 27, 2017 and is not within the direct knowledge of the Corporation.

13. DIRECTORS AND OFFICERS

The following table sets out the name of each of the directors and officers of the Corporation, all other positions and offices with the Corporation now held by such person, their municipality of residence and principal occupation, the year in which such person became a director of the Corporation, and the number of Shares and percentage of Shares that such person has advised the Corporation that they beneficially own or over which they exercise control or direction as at the date indicated below. Except as set out below, each has held the principal occupations set out opposite his name for the past five years.

<u>Name, municipality of residence and position with the Corporation</u>	<u>Principal occupation</u>	<u>First year as director</u>	<u>Number of Shares beneficially owned or over which control is exercised as at February 27, 2017</u>	<u>Percentage of Shares beneficially owned or over which control is exercised as at February 27, 2017</u>
Jean Claude Caron ⁽¹⁾ Kuujjuarapik Québec, Canada Chairman, President and Director	President of the Corporation and Businessman	2002	61,808,806 ⁽²⁾⁽³⁾	58.40%
René Lamarche ⁽¹⁾ Laval, Québec, Canada Director	Investment Director, IPSO Facto Real Estate Investment	2002	1,400,000	1.32%
Steve Surveyer ⁽¹⁾⁽⁴⁾ Boucherville, Québec, Canada Director	Petrochemical Engineer, Ultragen Group Ltd.	2002	17,133,334	16.19%
René Guimond Montreal, Québec, Canada Vice-President, Finance, Secretary-Treasurer and Director	Partner at Guimond Lavallée Inc., Chartered Professional Accountants corporation	2009	3,500,000	3.31%

<u>Name, municipality of residence and position with the Corporation</u>	<u>Principal occupation</u>	<u>First year as director</u>	<u>Number of Shares beneficially owned or over which control is exercised as at February 27, 2017</u>	<u>Percentage of Shares beneficially owned or over which control is exercised as at February 27, 2017</u>
Mario Lévesque..... Québec, Québec, Canada Director Business Development and Director	Director Business Development of the Corporation	2016	62,560	0.06%

(1) Member of the Audit Committee.

(2) 4,364,160 of these Shares are held through 9129-2862 Québec Inc., a company beneficially owned by Mr. Caron.

(3) The information is taken from reports filed on SEDI by Mr. Caron as of February 27, 2017 and is not within the direct knowledge of the Corporation.

(4) The information is taken from reports filed on SEDI by Mr. Surveyer as of February 27, 2017 and is not within the direct knowledge of the Corporation.

The information as to shares beneficially owned or over which the above-named individuals exercise control or direction is not within the knowledge of the Corporation and has been furnished by the respective officers and directors individually.

The following is a brief biography of each of the directors and officers of the Corporation:

Jean-Claude Caron

Mr. Jean Claude Caron (age 72), a businessman, is President and sole shareholder of 9129-2862 Québec Inc. since 1996. Mr. Caron's business is located in the village of Kuujjuarapik in the Nord-du-Québec region of Québec. 9129-2862 is engaged in the business of providing accommodation and catering services, as well as the rental and repair of rolling stock. Mr. Caron will devote approximately 90% of his time to the Corporation.

René Guimond

René Guimond, CPA, CGA (age 64), is the founding Partner of Guimond Lavallée Inc., Chartered Professional Accountants which is a member of the Canadian Public Accountability Board (CPAB). Previously, Mr. Guimond was a Partner with Guimond & Associates Inc., Chartered Accountants. With more than 30 years of experience in accounting, Mr. Guimond has developed a solid expertise in insurance and consulting with public and private companies over the years. Mr. Guimond will devote approximately 25% to 30% of his time to the Corporation.

Steve Surveyer

Mr. Steve Surveyer, a petrochemical engineer, is a majority shareholder of Ultragen Group Ltd. ("Ultragen") and has held the position of Director, Process Engineering since 1988. Ultragen works to develop projects in relation of oil & gas, extraction petrochemicals and biofuels production and infrastructure development. From 1979 to 1988, Mr. Surveyer held the position of Manager of the Process Group at SNC / FW Ltd.

René Lamarche

Mr. René Lamarche received a Bachelor of Business Administration degree in 1990 from Université du Québec à Montréal (UQAM) and completed advanced training in real estate investment and financing (FAIFI - AREC obtained in 2001 from McGill-UQAM). Mr. Lamarche is, since October 2015, Director of Ipso Facto Real Estate Investment. He also worked as Vice-President of Investments for the Fonds de solidarité FTQ from January 2014 to September 2015, having served as Assistant Vice-President from April 2011 to January 2014. Mr. Lamarche has more than 25 years of experience in real estate banking, having worked at the National Bank of Canada, the Bank of Montreal, and from 1984 to 2011 at the Laurentian Bank of Canada where he held the position of Vice-President of the Centre d'affaires immobilières for Québec and the Maritimes.

Mario Lévesque

Mario Lévesque (age 47) earned a degree in finance from Rimouski College in 1991. Between 1994 and 2005, he served as President of two private companies in the United States and Canada working in the fields of cleaning appliances and Medical devices. He has been managing oil and gas projects since 2006. Since 2011, Mr. Lévesque is the President of the Oil and Gas Services Association of Québec and a member of the Executive Council of the Quebec Oil and Gas Association since 2015. Mr. Lévesque is the Corporation's Director of Business Development since June 2014. Mr. Lévesque will devote 100% of his time to the Corporation.

To the knowledge of the Corporation, other than as set out below, none of the foregoing directors and officers of the Corporation:

- (a) is, or within the last ten years has been, a director, chief executive officer or chief financial officer of any company that:
 - (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
 - (ii) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) is, or within the last ten years has been, a director or executive officer of any company that, while the proposed director was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or

compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- (c) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

None of the foregoing directors and officers of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision;

with the exception of Messrs. Caron, Surveyer, Lamarche and Guimond. On December 13, 2010, in a process to regularize certain private placements effected by the Corporation in contravention of the *Securities Act* (Québec), Messrs. Caron, Surveyer, Lamarche and Guimond, among others, entered into an administrative agreement with the Autorité des marchés financiers, providing, among other things, that the Corporation would become a “reporting issuer” in the province of Québec and the payment of an administrative penalty for an aggregate amount of \$33,000 (allocated among Messrs Caron, Surveyer and other persons but excluding Mr. Guimond). Additional details can be found on this administrative agreement in the offering memorandum of the Corporation dated October 12, 2011, a copy of which is available on the Corporation’s profile on SEDAR at www.sedar.com.

Conflicts of Interest

Certain directors and officers of the Corporation may serve from time to time as directors, officers, promoters and members of management of other public or private companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies. In accordance with the CBCA, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Corporation. The Corporation has also established protocols setting out:

- the structures and procedures which are in place to ensure that the consideration by the Board and management of the Corporation’s business and the business of its subsidiaries, if any, is undertaken free from any actual, or the appearance of any, conflict of interest; and
- the requirement and process for each director to declare any interest he or she has in the matter being considered by the Board of the Corporation and appropriate measures to be taken upon that declaration.

Where the Board of the Corporation believes a significant conflict exists, the director concerned does not receive the relevant Board's documentation and is not present at the Board's meeting while the item is considered.

Other than as set out herein, the Corporation is not aware of the existence of any existing or potential material conflicts of interest between the Corporation and any of the directors, officers employees or consultants of the Corporation, as of the date of this Listing Statement.

14. CAPITALIZATION

Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully diluted)
<u>Public Float</u>	105,841,876	107,054,508	100%	100%
Total outstanding (A)	<hr/>			
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	83,904,700	84,014,700	79.3%	78.5%
Total Public Float (A-B)	<hr/>			
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil	Nil	Nil	Nil
Total Tradeable Float (A-C)	<hr/>			
	21,937,176	23,039,808	20.7%	21.5%

Public Securityholders (Registered)

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	3	10,500
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	169	105,831,376
	172	105,841,876

Public Securityholders (Beneficial)

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	Nil	Nil
Unable to confirm	Nil	Nil

Non-Public Securityholders (Registered)

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	6	83,904,700
	6	83,904,700

14.1 Convertible / Exchangeable Securities

Provide the following details for any securities convertible or exchangeable into any class of listed securities.

Description of Security (include conversion / exercise terms, including conversion / exercise price)	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Warrants ⁽¹⁾	1,212,632 Shares	1,212,632 Shares

(1) These warrants were issued on December 21, 2016. Each warrant entitles the holder thereof to purchase one Share at a price of \$0.19 until June 21, 2018.

14.2 Other Listed Securities

Not applicable.

15. EXECUTIVE COMPENSATION

Compensation of Executive Officers and Directors

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's executive compensation objectives and process and to discuss compensation relating to each person who acted as President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and the three most highly-compensated executive officers (or three most highly-compensated individuals acting in a similar capacity), other than the CEO and CFO,

whose total compensation was more than \$150,000 in the Corporation's last financial year (each a "Named Executive Officer" and collectively the "Named Executive Officers"). For the fiscal years ended March 31, 2016, 2015 and 2014, the Corporation had two Named Executive Officers, namely, Jean-Claude Caron, current President and René Guimond, Vice-President Finance.

Compensation Philosophy and Objectives

In light of the Corporation's current stage of development, it does not have a formal compensation program. The Board and the Audit Committee meets to discuss and determine management compensation without reference to formal criteria. The general objective of the Corporation's compensation is to: (i) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (ii) align management's interests with the long-term interests of shareholders; (iii) provide a compensation package that is commensurate with other junior companies in order to enable the Corporation to attract and retain talent; and (iv) ensure that the total compensation package is designed in a manner that takes into account the constraints under which the Corporation operates by virtue of the fact that it is a junior company without a history of earnings.

Compensation Process

The Board does not have a Compensation Committee. The Board, as a whole, ensures that total compensation paid to all Named Executive Officers is fair and reasonable and accomplishes the following long-term objectives:

- produce long-term, positive results for the Corporation's Shareholders;
- align executive compensation with corporate performance; and
- provide market-competitive compensation and benefits that will enable the Corporation to recruit, retain and motivate the executive talent necessary to be successful.

The Board also relies on the experience of its members as officers and directors with other companies in assessing compensation levels.

Elements of compensation

The compensation paid to Named Executive Officers is comprised only of a base salary. The Corporation believes that base salaries provide an immediate cash incentive for the Corporation's Named Executive Officers and should be at levels competitive with peer companies that compete with the Corporation for business opportunities and executive talent.

Long-Term Incentive Plans and Stock Option Plan

The Corporation has no long-term incentive plans in effect.

Group Benefits/Perquisites

The officers of the Corporation do not benefit from any life, medical, long-term disability or other health insurance. None of the officers benefits from a retirement plan.

External Compensation Consultants

During the fiscal years ended March 31, 2016 and 2015, the Corporation did not retain the services of executive compensation consultants to assist the Board in determining compensation for any of the Corporation's Named Executive Officers or directors.

Assessment of Risks Associated with the Corporation's Compensation Policies and Practices

The Board assessed the Corporation's compensation plans and programs for its executive officers to ensure alignment with the Corporation's business plan and to evaluate the potential risks associated with those plans and programs. The Board concluded that the compensation policies and practices did not create any risks that were reasonably likely to have a material adverse effect on the Corporation.

The Board considered the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Corporation has not adopted a policy restricting its Named Executive Officers or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its Named Executive Officers or directors. To the knowledge of the Corporation, none of the Named Executive Officers or directors has purchased such financial instruments.

Summary of the Compensation of the Named Executive Officers

The following table provides information for the fiscal years ended March 31, 2016, 2015 and 2014 regarding compensation paid to or earned by the Named Executive Officers.

Name and Principal Occupation	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Jean-Claude Caron President	2016	—	—	—	—	—	—	—	—
	2015	—	—	—	—	—	—	—	—
	2014	—	—	—	—	—	—	72,000 ⁽¹⁾	72,000 ⁽¹⁾
René Guimond Vice-President Finance	2016	—	—	—	—	—	—	60,000 ⁽²⁾	60,000 ⁽²⁾
	2015	—	—	—	—	—	—	60,000 ⁽²⁾	60,000 ⁽²⁾
	2014	—	—	—	—	—	—	90,000 ⁽²⁾	90,000 ⁽²⁾

(1) This amount was paid as service fees pursuant to a service agreement entered into with 9129-2862 Québec Inc., a company owned by Jean Claude Caron, for the services rendered by Mr. Caron as President of the Corporation. This service agreement can be terminated at any time by any of the parties. The service agreement provides for a monthly payment of \$12,000 plus applicable taxes. This agreement contains usual provisions, including non-disclosure and confidentiality provisions. For the fiscal years ended March 31, 2016 and 2015, Mr. Caron and 9129-2862 Québec Inc. renounced to the payment of the service fee, representing an amount of \$144,000.

- (2) These amounts were paid as service fees pursuant to a services agreement entered into with Guimond Lavallée Inc. (“**Guimond Lavallée**”) for rental of office space, for book keeping and accounting services for the Corporation, the preparation of income tax returns and other reports required to be filed with the applicable governmental authorities, preparation of financial statements of the Corporation and the services of René Guimond as Vice-President Finance of the Corporation. This agreement may be terminated at any time by any of the parties. The service agreement provides for a monthly payment of \$20,000 plus applicable taxes. This agreement contains usual provisions, including non-disclosing and confidentiality provisions. For the fiscal years ended March 31, 2016 and 2015, Guimond Lavallée granted a rebate of 50 % on its services fees, representing an amount of \$120,000.

Incentive Plan Awards

The following table sets out the details of all stock options held by the Named Executive Officers as at March 31, 2016:

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Performance Shares that have not Vested (#)	Market or Payout Value of Performance Shares that have not Vested (\$)
Jean-Claude Caron	—	—	—	—	—	—
René Guimond	—	—	—	—	—	—

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out, for each Named Executive Officer, the value of option-based awards and share-based awards which vested during the fiscal year ended March 31, 2016 and the value of non-equity incentive plan compensation earned during the fiscal year ended March 31, 2016.

Name	Option-Based Awards – Value Vested During the Year	Share-Based Awards – Value Vested During the Year	Non-Equity Incentive Plan Compensation – Value Earned During the Year
Jean-Claude Caron	—	—	—
René Guimond	—	—	—

Termination and Change of Control Benefits

The Corporation has no plan or arrangement whereby any Named Executive Officer may be compensated in the event of that Named Executive Officer’s resignation, retirement or other termination of employment, or in the event of a change of control of the Corporation or a change in the Named Executive Officer’s responsibilities following such a change of control.

DIRECTOR COMPENSATION

The Corporation did not pay any cash compensation to its directors for their services as directors in respect of the fiscal year ended March 31, 2016, except to Mr. Lamarche.

Name	Fees earned ⁽¹⁾ (\$)	Share-based awards ⁽²⁾ (\$)	Option-based awards ⁽³⁾ (\$)	Non-equity incentive plan compensation ⁽⁴⁾ (\$)	Pension value ⁽⁵⁾ (\$)	All other compensation ⁽⁶⁾ (\$)	Total (\$)
René Lamarche	4,800	—	—	—	—	—	4,800
Steve Surveyer	—	—	—	—	—	—	—

Incentive Plan Awards

The following table sets out the details of all Options held by the directors of the Corporation (other than the Named Executive Officers) as at March 31, 2016.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Performance Shares that have not Vested (#)	Market or Payout Value of Performance Shares that have not Vested (\$)
René Lamarche	—	—	—	—	—	—
Steve Surveyer	—	—	—	—	—	—

Incentive Plan Awards – Value Vested or Earned During the Year

The following table outlines, for each director, the value of option-based awards and share-based awards which vested during the fiscal year ended March 31, 2016 and the value of non-equity incentive plan compensation earned during the fiscal year ended March 31, 2016.

Name	Option-Based Awards – Value Vested During the Year ⁽¹⁾	Share-Based Awards – Value Vested During the Year ⁽²⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year
René Lamarche	—	—	—
Steve Surveyer	—	—	—

Securities Authorized For Issuance Under Equity Compensation Plans

The following table sets out certain details as at March 31, 2016, the end of the Corporation's last fiscal year, with respect to compensation plans pursuant to which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under the Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans previously approved by shareholders	Nil	Nil	Nil
Equity compensation plans not previously approved by shareholders	Nil	Nil	Nil

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is a director or officer of the Corporation, and no other individual who at any time during the most recently-completed financial year of the Corporation was a director or officer of the Corporation, nor any Associate of such individual, (i) is indebted to the Corporation or a subsidiary (if any) of the Corporation, or (ii) was indebted to another entity, which indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary (if any) of the Corporation.

17. RISK FACTORS

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position.

The Corporation requires additional capital, which may not be available to it on acceptable terms, or at all. Both the exploration for and development of oil and gas reserves can be capital-intensive businesses. The Corporation intends to satisfy any additional working capital requirements from cash flow and by raising capital through public or private sales of equity securities, debt financing or short-term loans, or a combination of the foregoing. The Corporation has no current arrangements for obtaining additional capital, and may not be able to secure additional capital on terms that will not be objectionable to it or its shareholders. Under such circumstances, the Corporation's failure or inability to obtain additional capital on acceptable terms or at all could have a material adverse effect on the Corporation.

The Corporation has no history of earning and a limited operating history as an oil and gas exploration and development company, which make it more difficult to evaluate its future prospects. To date, the Corporation has incurred significant losses. The Corporation has a limited operating history upon which any evaluation of it and its long-term prospects might be based. The Corporation is subject to the risks inherent in the oil and gas industry, as well as the more

general risks inherent in the operation of an established business. The Corporation and its prospects must be considered in light of the risks, expenses and difficulties encountered by all companies engaged in the extremely volatile and competitive oil and gas markets. Any future success the Corporation might achieve will depend upon many factors, including factors that may be beyond its control. These factors may include changes in technologies, price and product competition, developments and changes in the international oil and gas market, changes in the Corporation's strategy, changes in expenses, fluctuations in foreign currency exchange rates, general economic conditions, and economic and regulatory conditions specific to the areas in which the Corporation competes. To address these risks, the Corporation must, among other things, comply with environmental regulations, discover and develop petroleum and gas properties and negotiate with prospective partners. Future operating results are subject to fluctuation based upon factors outside of the Corporation's control. The Corporation's operating results may in the future fluctuate significantly depending upon a number of factors including industry conditions, petroleum and gas prices, rate of drilling success, rates of production from completed wells and the timing of capital expenditures. Such variability could have a material adverse effect on the Corporation's business, financial condition and results of operations. In addition, any failure or delay in the realization of expected cash flows from operating activities could limit the Corporation's future ability to participate in exploration or to participate in economically attractive oil and gas projects.

Inability to manage the Corporation's expected growth could have a material adverse effect on its business operations and prospects. The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability to manage growth effectively will require the Corporation to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability to deal with this growth could have a material adverse impact on the Corporation's business, operations and prospects.

To compete, the Corporation must attract and retain qualified personnel. The Corporation's ability to continue its business and to develop a competitive edge in the marketplace depends, in large part, on its ability to attract and retain qualified management and personnel. Competition for such personnel is intense, and the Corporation may not be able to attract and retain them, which may negatively impact its share price. The Corporation does not have key-man insurance on any of its employees, directors or senior officers and it does not have written employment agreements with any of its employees, directors or senior officers.

The Corporation must continue to institute procedures designed to avoid potential conflicts involving its officers and directors. Some of the Corporation's directors and officers are or may serve on the board of directors of other companies from time to time. Pursuant to the provisions of the CBCA, the Corporation's directors and senior officers must disclose material interests in any contract or transaction (or proposed contract or transaction) material to the Corporation. In particular, the directors of the Company will follow the provisions of the CBCA. These provisions state that in the event that a director has an interest in a contract or proposed contract or agreement, such director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise permitted by the CBCA. In appropriate cases, the Corporation will establish a special committee

of independent directors to review a matter in which several directors, or members of management, may have a conflict.

The Corporation relies on the expertise of certain persons and must insure that these relationships are developed and maintained. The Corporation is dependent on the advice and project management skills of various consultants and joint venture partners that it contracts from time to time. The Corporation's failure to develop and maintain relationships with qualified consultants and joint venture partners may have a material adverse effect on its business and operating results.

The Corporation must indemnify its officers and directors against certain actions. The Corporation's articles contain provisions that state, subject to applicable law, that it must indemnify every director or officer, subject to the limitations of the CBCA, against all costs, charges and expenses that its directors or officers may sustain or incur in the execution of their duties, if they acted honestly and in good faith with a view to the Corporation's best interests. Such limitations on liability may reduce the likelihood of litigation against the Corporation's officers and directors and may discourage or deter its shareholders from suing its officers and directors based upon breaches of their duties to the Corporation, though such an action, if successful, might otherwise benefit the Corporation and its shareholders.

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. The Corporation will not be the operator of all of its oil and gas properties, and as a result the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Recent financial conditions have been characterized by increased volatility and access to public financing, particularly for junior petroleum and natural gas companies, has been negatively impacted. These conditions may affect the Corporation's ability to obtain equity or debt financing in the future on terms favourable to the Corporation or at all. If such conditions continue, the Corporation's operations could be negatively impacted.

Possible volatility of stock price. The market price for the Corporation's Shares may be volatile and is subject to significant fluctuations in response to a variety of factors, including the liquidity of the market for the common stock, variations in the Corporation's quarterly operating results, regulatory or other changes in the oil and gas industry generally, announcements of business developments by the Corporation or its competitors, litigation, changes in operating costs and variations in general market conditions. Because the Corporation has a limited operating history, the market price for its common stock may be more volatile than that of a seasoned issuer. Changes in the market price of the Corporation's securities may have no connection with its operating results. No predictions or projections can be made as to what the prevailing market price for the Corporation's common stock will be at any time.

The Corporation does not anticipate paying dividends on its Shares. The Corporation plans to retain all available funds for use in its business, and therefore does not plan to pay any cash

dividends on its securities in the foreseeable future. Hence, investors in the Corporation's Shares should not expect to receive any distribution of cash dividends for the foreseeable future.

The Corporation's shareholders may experience dilution of their ownership interests because of its future issuance of additional Shares. The Corporation's articles authorize the issuance of an unlimited number of Shares, without par value. In the event that the Corporation is required to issue additional shares of common stock or securities exercisable for or convertible into additional Shares, enter into private placements to raise financing through the sale of equity securities or acquire additional oil and gas property interests in the future through the issuance of shares of its common stock to acquire such interests, the interests of the Corporation's existing shareholders will be diluted and existing shareholders may suffer dilution in their net book value per share depending on the price at which such securities are sold. If the Corporation does issue additional shares, it will cause a reduction in the proportionate ownership and voting power of all existing shareholders.

The Corporation's future success is dependent upon its ability to locate, obtain and develop commercially viable oil and gas deposits. The Corporation may not be able to consistently identify viable prospects, and such prospects, if identified, may not be commercially exploitable. The Corporation's inability to consistently identify and exploit commercially viable hydrocarbon deposits would have a material and adverse effect on its business and financial position.

Exploratory drilling activities are subject to substantial risks. The Corporation's expected revenues and cash flows will be principally dependent upon the success of any drilling and production from prospects in which it participates. The success of such prospects will be determined by the economical location, development and production of commercial quantities of hydrocarbons. Exploratory drilling is subject to numerous risks, including the risk that no commercially productive oil and gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected formation and drilling conditions, pressure or other irregularities in formations, blowouts, equipment failures or accidents, as well as weather conditions, compliance with governmental requirements or shortages or delays in the delivery of equipment. The Corporation's inability to successfully locate and drill wells that will economically produce commercial quantities of oil and gas could have a material adverse effect on its business and financial position.

The Corporation's drilling and exploration plans will be subject to factors beyond its control. A prospect is a property that has been identified based on available geological and geophysical information that indicates the potential for hydrocarbons. Whether the Corporation ultimately drills on a property may depend on a number of factors including funding; the receipt of additional seismic data or reprocessing of existing data; material changes in oil or gas prices; the costs and availability of drilling equipment; the success or failure of wells drilled in similar formations or which would use the same production facilities; changes in estimates of costs to drill or complete wells; the Corporation's ability to attract industry partners to acquire a portion of its working interest to reduce exposure to drilling and completion costs; decisions of its joint working interest owners; and restrictions under provincial regulators.

Unforeseen title defects may result in a loss of entitlement to production and reserves. Although the Corporation conducts title reviews in accordance with industry practice prior to any purchase of resource assets, such reviews do not guarantee that an unforeseen defect in the chain on title will not arise and defeat its title to the purchased assets. If such a defect were to occur, the Corporation's entitlement to the production from such purchased assets could be jeopardized.

The Corporation's future success depends upon its ability to find, develop and acquire oil and gas reserves that are economically recoverable. As a result, the Corporation must locate, acquire and develop new oil and gas reserves. Without successful funding for acquisitions and exploration and development activities, the Corporation's cash resources may be depleted. The Corporation may not be able to find and develop reserves at an acceptable cost.

Most of the Corporation's competitors have substantially greater financial, technical, sales, marketing and other resources than it does. The Corporation engages in the exploration for and production of oil and gas, industries that are highly competitive. The Corporation competes directly and indirectly with oil and gas companies in its exploration for and development of desirable oil and gas properties. Many companies and individuals are engaged in the business of acquiring interests in and developing oil and gas properties in Québec, Canada, and the industry is not dominated by any single competitor or a small number of competitors. Many such competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater historical market acceptance than the Corporation does. The Corporation will compete with numerous industry participants for the acquisition of land and rights to prospects, and for the equipment and labour required to operate and develop such prospects. Competition could materially and adversely affect the Corporation's business, operating results and financial condition. Such competitive disadvantages could adversely affect the Corporation's ability to participate in projects with favourable rates of return.

Shortages of supplies and equipment could delay the Corporation's operations and result in higher operating and capital costs. The Corporation's ability to conduct operations in a timely and cost effective manner is subject to the availability of natural gas and crude oil field supplies, rigs, equipment and service crews. Although none is expected currently, any shortage of certain types of supplies and equipment could result in delays in the Corporation's operations as well as in higher operating and capital costs.

The Corporation's business is subject to interruption from severe weather. The Corporation's operations are conducted in Québec, Canada. The weather in this area and other areas in which the Corporation may operate in the future can be extreme and can cause interruption or delays in its drilling and construction operations.

The Corporation's business is subject to operating hazards and uninsured risks. The oil and gas business involves a variety of operating risks, including fire, explosion, pipe failure, casing collapse, abnormally pressured formations, adverse weather conditions, governmental and political actions, premature reservoir declines, and environmental hazards such as oil spills, gas leaks and discharges of toxic gases. The occurrence of any of these events on any property operated or owned (in whole or in part) by the Corporation could have a material adverse impact on it. Insurance coverage is not always economically feasible and is not obtained to cover all

types of operational risks. The occurrence of a significant event that is not insured or not insured fully could have a material adverse effect on the Corporation's financial condition.

The Corporation's business is subject to restoration, safety and environmental risk. The Corporation's present operations are primarily in Québec, and certain laws and regulations exist that require companies engaged in petroleum activities to obtain necessary safety and environmental permits to operate. Such legislation may restrict or delay the Corporation from conducting operations in certain geographical areas. Further, such laws and regulations may impose liabilities on the Corporation for remedial and clean-up costs, or for personal injuries related to safety and environmental damages, such liabilities collectively referred to as "asset retirement obligations". While the Corporation has been careful in managing such risks, it may not always be successful in protecting itself from the impact of all such risks.

The termination or expiration of any of the Corporation's licenses may have a material adverse effect on its results of operations. The Corporation's properties are held in the form of permits. If the Corporation, or the holder of the permit, fails to meet the specific requirement of a permit, the permit may terminate or expire. The Corporation may not meet the obligations required to maintain each permit. The termination or expiration of the Corporation's permits may have a material adverse effect on its results of operations and business.

Compliance with new or modified environmental laws or regulations could have a material adverse impact on the Corporation. The Corporation is subject to various Canadian federal and provincial laws and regulations relating to the environment. The Corporation believes that it is currently in compliance with such laws and regulations. However, such laws and regulations may change in the future in a manner that would increase the burden and cost of compliance. The Corporation could incur significant liability under such laws for damages, clean-up costs and penalties in the event of certain discharges into the environment. In addition, environmental laws and regulations may impose liability on the Corporation for personal injuries, clean-up costs, environmental damage and property damage as well as administrative, civil and criminal penalties. The Corporation maintains limited insurance coverage for accidental environmental damages, but does not maintain insurance for the full potential liability that could be caused by such environmental damage. Accordingly, the Corporation may be subject to significant liability, or may be required to cease production in the event of the noted liabilities.

The oil and natural gas industry (exploration, production, pricing, marketing and transportation) is subject to extensive controls and regulations imposed by various levels of government.

Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's intended business, financial condition and results of operations. The Corporation's operations require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Corporation in

a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted. In particular, in Québec, delays in shale gas development are expected to continue as the province has implemented a moratorium of shale gas exploration or development.

Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's intended business, financial condition and results of operations. The Corporation's operations require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development on its properties. It is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted. In particular, in Québec, delays in shale gas development are expected to continue as the province completes a strategic environmental assessment.

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation may be affected by deliverability uncertainties related to the proximity of its future reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Corporation's future reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's future net production revenue causing a reduction in its oil and gas acquisition, development and exploration activities.

Acquisitions of oil and gas issuers and oil and gas assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments both will include a series of assumptions regarding such factors and recoverability and marketability of oil and gas, future prices of oil and gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of and markets for oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm the

Corporation uses for its year end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may offset the return on and value of the Corporation Shares.

The Corporation will file all required income tax returns and believes that it will be in full compliance with the provisions of the *Income Tax Act* (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

The Corporation may be liable because of pollution or other risks against which it could not be assured or against which it may elect not to insure, given the high cost of premiums or for other reasons. The payment of money to do so could result in the loss of assets of the Corporation.

None of the properties in which the Corporation holds an interest is currently subject to any official land claims by Aboriginal nations. No assurance can be given, however, to the effect that this will not be the case in the future.

18. PROMOTERS

Mr. Caron, the Chairman and President of the Corporation, has been the promoter of the Corporation within the meaning of Canadian securities legislation, in that he took the initiative of incorporating the Corporation and substantially organizing the business of the Corporation, including seeking a listing on the CSE. As of the date hereof, Mr. Caron, directly or indirectly, beneficially own or exercise control over 61,808,806 Shares, representing approximately 58.40 % of the issued and outstanding Shares of the Corporation.

Other than Mr. Caron, the Corporation has no promoter or investor-relations person and has not had a person or such activities for the last three fiscal years. Officers of the Corporation handle all queries from shareholders.

19. LEGAL PROCEEDINGS

19.1 Legal Proceedings

Management of the Corporation knows of no legal proceedings or regulatory actions, contemplated or actual, material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer, security holder, Associate or Affiliate of the Corporation has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Corporation or a subsidiary, if any, of the Corporation, other than Mr. Caron

the Chairman and President of the Corporation. 9129-2862, a Company beneficially owned by Mr. Caron, entered into four (4) promissory notes with the Corporation, pursuant to which Mr. Caron has lent an aggregate principal amount of \$1,123,194.52 to the Corporation. These promissory notes bear interest at annual rate of 15% per year and is due in full together with the interest accrued thereon on September 30, 2019. The Corporation used the amount received these promissory notes for working capital purposes. One (1) of the promissory note for a principal amount of \$863,194.52 was renewed on September 30, 2016 for a three year term. The three (3) other promissory notes were issued on October 18, 2016, October 28, 2016 and February 27, 2017 for a principal amount of \$10,000, \$50,000 and \$200,000, respectively.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

21.1 Auditors

The auditor of the Corporation is PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, 1250 René-Lévesque Boulevard West, Suite 2500, Montreal, Québec H3B 4Y1.

21.2 Transfer Agent and Registrar

The registrar and transfer agent for the Shares of the Corporation is TSX Trust Company, the Stock Exchange Tower, 800 Victoria Square, 4th Floor, Montreal, Québec H4Z 1A9.

22. MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business and those mentioned below, the following is the only material contract entered into by the Corporation within the three years prior to the date hereof which are currently in effect and considered to be currently material: a joint venture and participation agreement dated June 27, 2008 between the Corporation and Petrolympic Ltd.; and a farmout and joint operating agreement dated November 21, 2008, as amended on June 1, 2009 and September 28, 2010, among the Corporation, Petrolympic Ltd. and Canbriam Energy Inc.

23. INTEREST OF EXPERTS

No person whose profession or business gives authority to a statement made by such person and who is named in this Listing Statement has received or will receive a direct or indirect interest in the Corporation's property or any associate or Affiliate of the Corporation.

PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, prepared an auditor's report to the shareholders of the Corporation on the statement of financial position of the Corporation as at March 31, 2016, and the statements of comprehensive loss, of changes in equity and cash flows for the year ended March 31, 2016, dated June 22, 2016. PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, has advised that it is independent with respect to the Corporation within the meaning of the *Code of ethics of chartered professional accountants* (Québec).

Raymond Chabot Grant Thornton LLP, a partnership of Chartered Professional Accountants, prepared an auditor's report to the shareholders of the Corporation on the statement of financial position of the Corporation as at March 31, 2015 and 2014, and the statements of comprehensive loss, of changes in equity and cash flows for the years ended March 31, 2015 and 2014, dated June 26, 2015. Raymond Chabot Grant Thornton LLP, a partnership of Chartered Professional Accountants, has advised that it is independent with respect to the Corporation within the meaning of the *Code of ethics of chartered professional accountants* (Québec).

Technical information concerning the Corporation's properties contained in this Listing Statements, in the Annual MD&A and in the Interim MD&A was prepared by Paul Laroche, P. eng, P. geo, who is a qualified person under NI 51-101.

As at the date hereof, none of the aforementioned persons beneficially owns, directly or indirectly, securities of the Corporation or its Associates and Affiliates, with the exception of Paul Laroche who owns 1,820,000 Shares, representing approximately 1.72% of the issued and outstanding Shares. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as, a director, senior officer or employee of the Corporation or of an associate or affiliate of the Corporation, or as a promoter of the Corporation or an associate or affiliate of the Corporation.

24. OTHER MATERIAL FACTS

To management's knowledge, there are no other material facts relating to the Corporation that are not otherwise disclosed in this Listing Statement or are necessary for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Corporation.

25. FINANCIAL STATEMENTS

25.1 Financial Statements of the Corporation

The audited financial statements of the Corporation for the fiscal years ended March 31, 2016, 2015 and 2014 are annexed hereto as Schedule D.

The unaudited financial statements of the Corporation for the six-month period ended September 30, 2016 are annexed hereto as Schedule E.

25.2 For Issuers re-qualifying for listing following a fundamental change provide

Not applicable.

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Squatex Energy and Ressources Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Squatex Energy and Ressources Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Montreal, Québec

This 27th day of February, 2017.

(signed) Jean-Claude Caron

Jean-Claude Caron
President

(signed) René Guimond

René Guimond
Vice-President, Finance

(signed) Jean-Claude Caron

Jean-Claude Caron
Promoter (if applicable)

(signed) René Lamarche

René Lamarche
Director

(signed) Mario Lévesque

Mario Lévesque
Director

SCHEDULE A

FORM 51-101 F1 - STATEMENT OF RESERVES DATE AND OTHER OIL AND GAS
INFORMATION OF THE CORPORATION FOR THE FISCAL YEAR ENDED
MARCH 31, 2016

(See document attached)



FORM 51-101F1

**STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION
FOR FISCAL YEAR ENDED MARCH 31, 2016**

REPORT SQX-2016-04E

June 2016

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Note: This document was translated from the original document edited in French FORMULAIRE 51-101 F1- RELEVÉ DES DONNÉES RELATIVES AUX RÉSERVES ET AUTRE INFORMATION CONCERNANT LE PÉTROLE ET LE GAZ AU 31 MARS 2016. In the event of any apparent discrepancy between the English and French versions, the French version shall prevail.

1. DATE OF STATEMENT

The present statement of reserves data and other oil and gas information was completed on June 1, 2016. The effective date of the information provided is March 31, 2016 and the preparation date of the information provided is June 1, 2016.

The report is based on data and reports of the company, on various public documents available through the internet site from the Ministère de l'Énergie et des Ressources naturelles (MERN) or from the Ministère du Développement durable, Environnement et de la Lutte contre les Changements climatiques (MDDELCC) du Québec as well as geological publications related to the studied areas. The data complies with the requirements of National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*. Additional information that is pertinent, but not required by NI 51-101, is provided in order to promote a better understanding.

2. DISCLOSURE OF RESERVES DATA

As of March 31, 2016, the Ressources et Énergie Squatex (Squatex) does not produce any hydrocarbons. The company has not established any oil and gas reserves over its exploration permits. Consequently, such as the rule allows it, the Company did not engage an independent evaluator to review its reserves.

During the fourth quarter of the year, Squatex has mandated Sproule Associates Limited to update of the estimated unrisksed undiscovered hydrocarbon initially-in-place for the lower Silurian reservoirs of the eastern Massé structure located in St.Lawrence area, by using new data from the Massé No.2 well. The Sproule assessment report was received on May 6, 2016. A summary is presented in section 7 of the present report.

3. PRICING ASSUMPTIONS

No object.

4. RECONCILIATION OF CHANGES IN RESERVES

No object.

5. ADDITIONAL INFORMATION RELATING TO RESERVES DATA

No object.

6. OTHER OIL AND GAS INFORMATION

6.1 OIL AND GAS PROPERTIES AND WELLS

No drilling for the research of oil and gas or for the acquisition of stratigraphic knowledge occurred on Squatex exploration permits during the period concerned.

In the St. Lawrence Lowlands area Squatex holds an interest on the Canbriam Farnham NO 1 (A-271) well localised near Farnham over permit 2009RS298, south-east of Montreal (**see Figure 1**). The drilling carried out in 2009 reached a total depth of 2507 meters. The well crossed a thick sequence of Lorraine before reaching Utica at 1987 meters and Trenton at 2332 meters. Gas shows were observed and the well was cased. During fall 2011, the partners decided to abandon the well. The MERN delivered an authorization for the final abandonment of the well on July 11th 2014 which was received by Squatex on December 15 2014. The abandonment was carried out by Canbriam in September 2015 according to the rules (except the setting up of an identification plate). No contamination or gas show was noted throughout the inspections by the MERN staff. The MDDELCC staff did not carry out a final inspection of the well.

In the Lower St. Lawrence area, during the fiscal year, Squatex staff carried out regular inspections on the suspended stratigraphic well, Squatex Massé N^o 2 located on permit 2009PG556, in order to compile pressure reading. At the same time, visual inspections of the surroundings of the well were made in order to check the integrity of the installations: no anomaly was reported.

Over fiscal year 2015-2016, the MERN staff did not conduct any inspection on stratigraphic well sites on the Lower St. Lawrence/Gaspé Squatex permits.

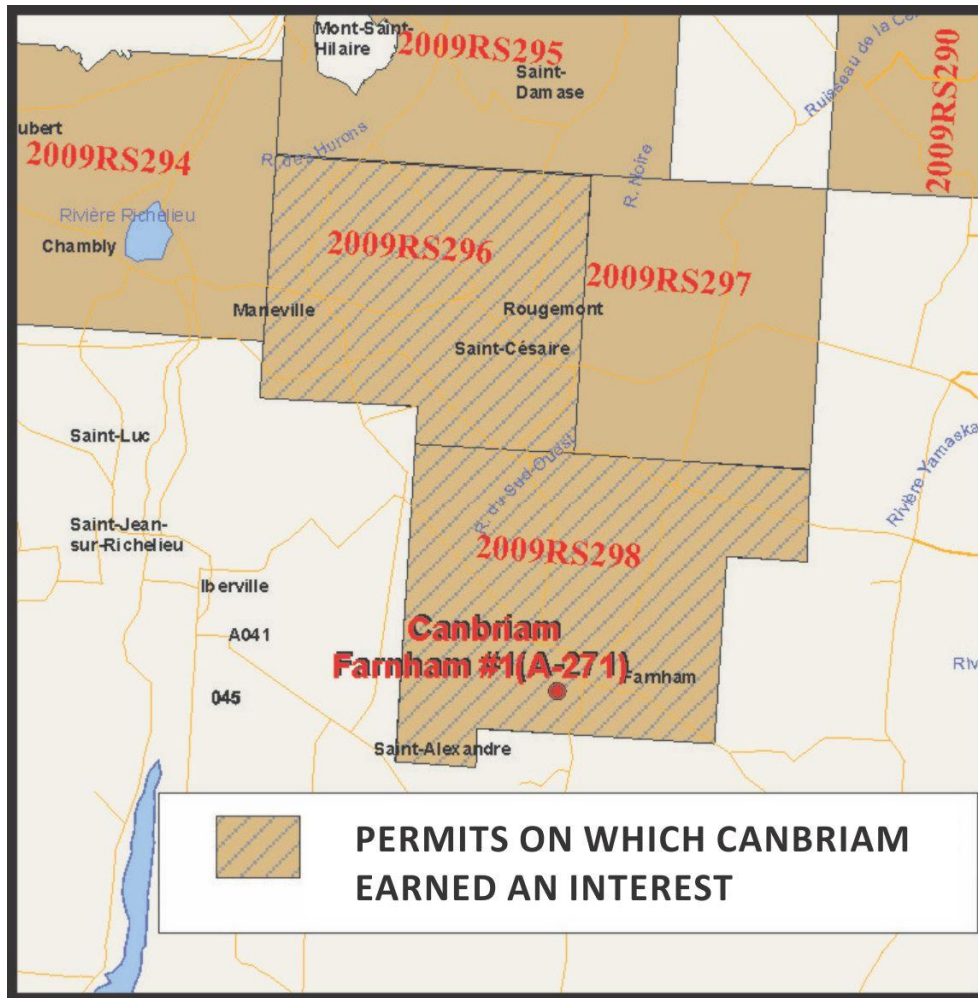


Figure 1 : Canbriam Farnham N° 1 (A-271) surface location

6.2 PROPERTIES WITH NO ATTRIBUTED RESERVES

6.2.1 Permits

All Squatex permits are localised onshore in Canada, in the province of Quebec. They are all located south of the St-Lawrence River in two distinct areas and extend over a total of 656 093 ha (Figure 2).

These permits originally delivered on September 1, 2009 were to remain valid until August 31, 2019 as long as the owner satisfies the basic requirements as stipulated by the law of the mines i.e. the payment of annual rentals and the completion of minimum statutory work required. As we will see it at the end of this section (6.2.1), a law (Bill 18), which came effective on June 13, 2011, issued that the holder of the licence is exempted to carry out necessary work under the terms of the Law over a period of 3 years maximum (June 13, 2014)

to overcome the problem caused by delays for the deposit of the Committee of strategic environmental Evaluation (CSES) report. This committee was created by the government following the Bureau d'Audiences publiques sur l'Environnement (BAPE) (Office of public hearing on environment) reports on shale gas. Because the studies requested by the BAPE were not completed on June 13, 2014, the end of the period of exploration work exemption was renewed for an indefinite period of time.

Since 2008, Petrolympic Ltd holds an interest of 30% on all exploration permits of Squatex.

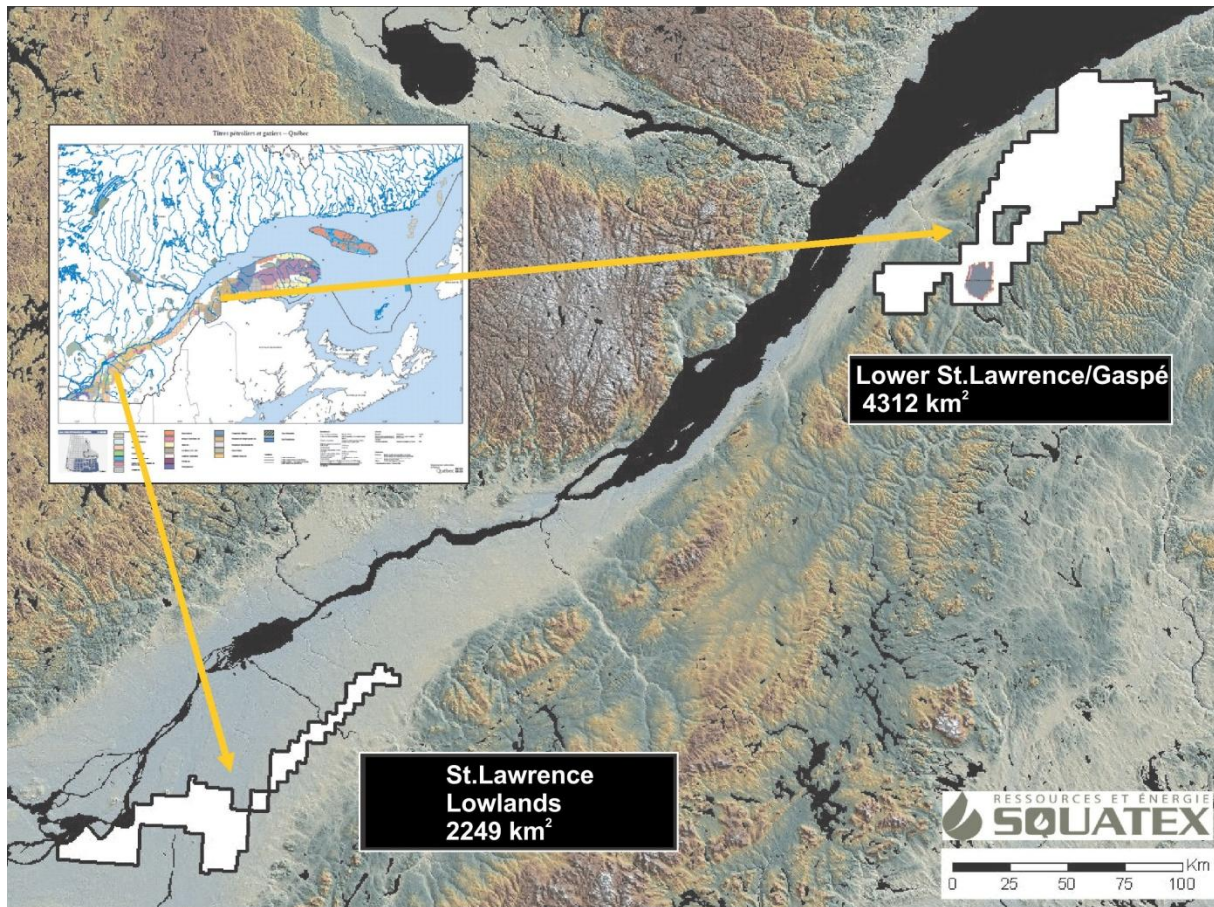


Figure 2 : Squatex permits over the Province of Québec

A first block of permits is situated in the Lower St. Lawrence/Gaspé area between Témiscouata and Matapédia (Figure 3). These permits encompass a surface of 431,160 ha (301,812 ha net). Table 1 exhibits permit numbers, the date of renewal as well as the total surface in term of hectares.

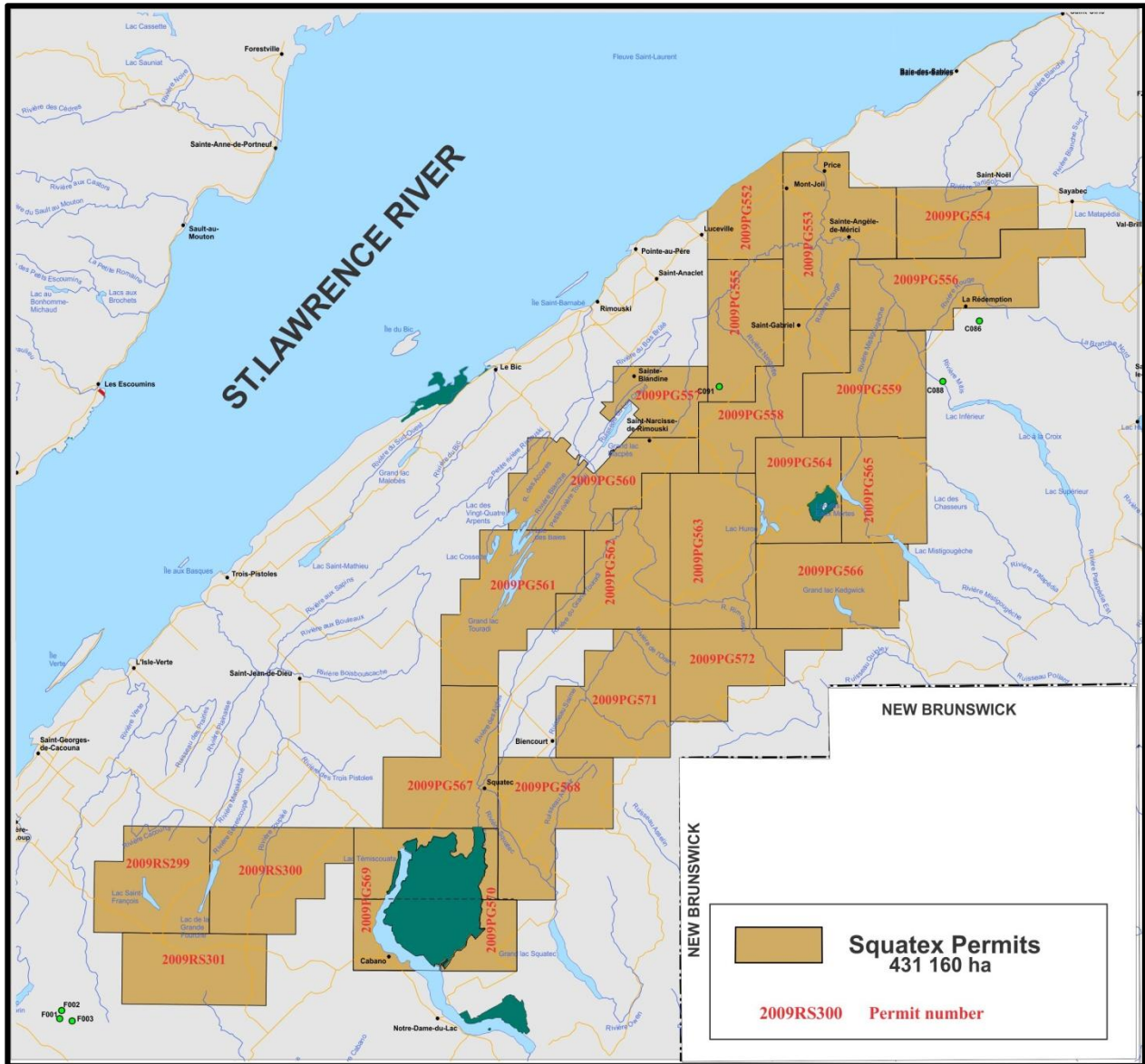


Figure 3 : Squatex permits in Lower St. Lawrence/Gaspé area

Table 1: Permits over the Lower St. Lawrence/Gaspé area

Permit Number	Renewal date	Area (Ha)
2009RS299	09/01/2016	18,975
2009RS300	09/01/2016	20,704
2009RS301	09/01/2016	17,136
2009PG552	09/01/2016	10,267
2009PG553	09/01/2016	23,068
2009PG554*	09/01/2016	15,150
2009PG555	09/01/2016	16,438
2009PG556*	09/01/2016	23,666
2009PG557	09/01/2016	9,894
2009PG558	09/01/2016	19,420
2009PG559	09/01/2016	18,737
2009PG560	09/01/2016	19,817
2009PG561	09/01/2016	24,435
2009PG562	09/01/2016	19,847
2009PG563	09/01/2016	22,573
2009PG564	09/01/2016	14,377
2009PG565	09/01/2016	15,370
2009PG566	09/01/2016	21,454
2009PG567	09/01/2016	20,631
2009PG568	09/01/2016	20,668
2009PG569	09/01/2016	13,497
2009PG570	09/01/2016	7,608
2009PG571	09/01/2016	20,951
2009PG572	09/01/2016	16,477
Sub-total		431,160

* Gaspé area

Figure 4 shows the permits located in the St. Lawrence Lowlands (SLLL) area. Two blocks of permits stand out. The first one is located east of Montreal over a zone sited between Longueuil, St-Hilaire and Farnham in the south. The second block consists of a band which spreads over a territory located south of

highway 20 between the previous permits and the town of Victoriaville. These permits cover a total surface of 224,933 ha (see Table 2).

Following a farmout and the drilling of a well carried out by Canbriam in 2009, the former acquired an interest of 60% from surface to the top of Trenton on a 8000 ha block within permits 2009RS298 and 2009RS296. Therefore, on this block, Squatex retains a 28% interest between the surface and the top Trenton and Petrolympic Ltd a 12% interest. The deeper portion as well as all the remainder of the permits remains at 70% Squatex and 30% Petrolympic Ltd.

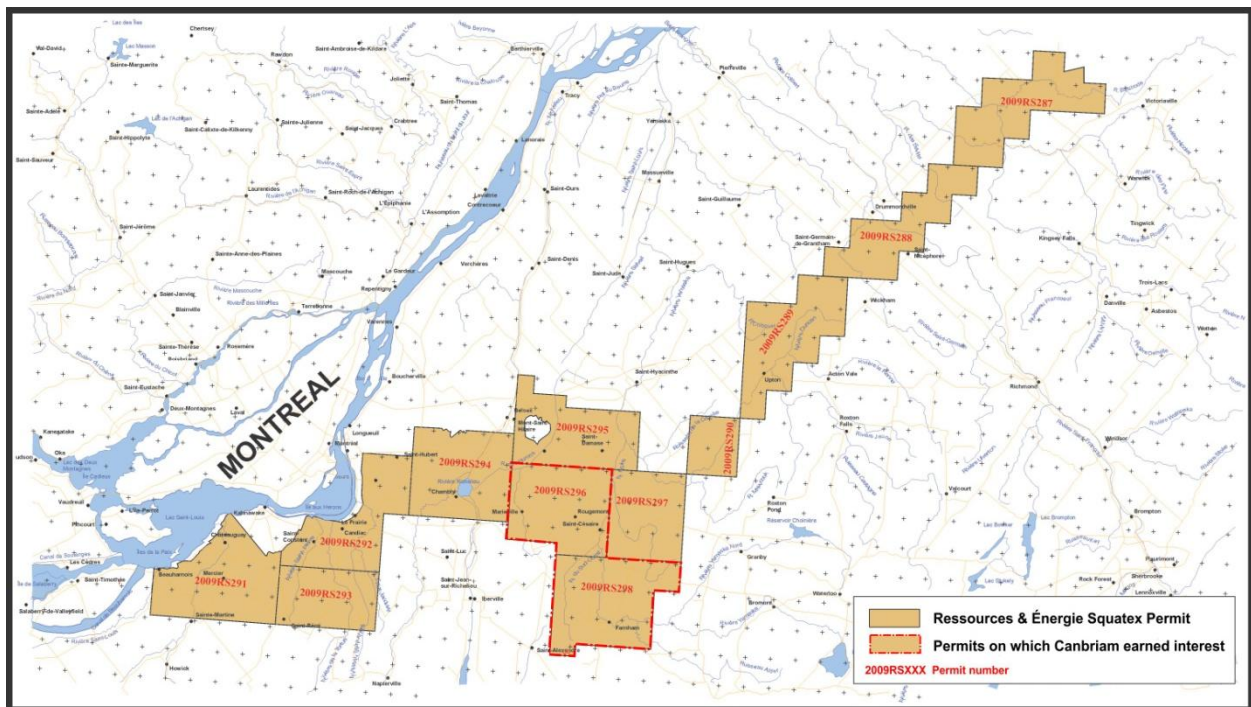


Figure 4 : Squatex permits in St. Lawrence Lowlands (SLLL) area

Table 2 : Squatex permits in the St. Lawrence Lowlands area
70% INTEREST PERMITS WITHIN ST. LAWRENCE LOWLANDS

Permit Number	Renewal date	Area (Ha)
2009RS287	09/01/2016	20,871
2009RS288	09/01/2016	17,990
2009RS289	09/01/2016	20,909
2009RS290	09/01/2016	7,248
2009RS291	09/01/2016	22,447
2009RS292	09/01/2016	18,827
2009RS293	09/01/2016	14,580
2009RS294	09/01/2016	21,664
2009RS295	09/01/2016	19,316
2009RS296 (part)	09/01/2016	20,339 *
2009RS297	09/01/2016	16,342
2009RS298 (part)	09/01/2016	24,400 *
Sub-total		224,933

*60% of interests between the surface and the top of Trenton on a block of 8,000 ha were transferred jointly by Squatex and Petrolympic Ltd according to the Agreement to Canbriam on these two licences. Squatex retains 70% below the top of Trenton.

PERMITS WITH 28% INTEREST WITHIN THE ST. LAWRENCE LOWLAND (SLLL) (FROM SURFACE TO THE TOP OF TRENTON)

Permit Number	Renewal date	Area (Ha)
2009RS296 (part)	09/01/2016	20,339
2009RS298 (part)	09/01/2016	24,400
Sus-total		8,000 de 44,739

Following a public hearing held on fall 2010 and planned by the BAPE by the MDDELCC (formerly the Ministry for the durable Development, of the Environment, Fauna and Parks), a report became available to the public in February 2011. The report recommended the put in place a Committee of strategic environmental Evaluation (CSES) to submit another report on February 2014. Thereafter, the government entrusted the BAPE to hold public consultations to see the citizens reactions on the study conclusions and recommendations. A report became available in November 2014 concluding that, following the consultations, it is not established that the exploration and the exploitation of shale gas in the St. Lawrence Lowlands using large scale frac jobs would be beneficial for Quebecers.

Two strategic environmental Evaluations (SEE) were initiated thereafter and an interim report was published in March 2015. The first one was specifically related to the development of the oil sector on the Anticosti Island while the other one concerned the oil and gas exploration and exploitation over Quebec at large. On June 2015, most of the studies (64) which belong to the plan of acquisition of additional knowledge (PAAK) were made public by various bodies. A preliminary report taking into account these studies was delivered in early fall 2015 and was followed public hearings on November. In April 2016, the Politique Énergétique 2030 (Energy Policy 2030) was made public. It was followed by filling of final SEE reports on May 30, 2016. They will be used as a support for the forthcoming new laws and rules related specifically to the exploration and the exploitation of hydrocarbons over the Province of Quebec. Consequently, the nature of future work and the search for investment will be dependant of the oil and gas financial market reaction over the short and medium term.

Bill 18, effective on June 2011, was exempting oil and gas and underground storage permits owners the work commitment until the date determined by the ministry, which would not exceed on June 13, 2014. Bill 5 was then sanctioned on June 13, 2014 to extend the period of exemption until a later date to be determined by the government. As a result, the period of validity of the licence remains suspended.

At the end of the period of exemption, the expiration date of the licence will be deferred at the end of the period of completion of the work which will remain to be run after the lifting of the suspension.

6.2.2 Statutory obligations

As seen above, work obligations on permits are exempted until a later date, which will be make public by the government.

Actual Squatex exploration permits could remain in force until 2024 or later on by fulfilling the basic requirements i.e. the payment of the annual rent and

carrying when required the minimum statutory work. The annual rentals required are, for the current year, 10,20\$/km² for the first 5 years and thereafter 51,00\$/km² for the 5 following years. These fees will be raised when this period of exemption of work is lifted to respectively 50\$/km² and 150\$/km². These amounts will be indexed annually to take into account of the rate of inflation. Current minimum work requirement to keep the permits is 50\$/km² the first year with an increase in 50\$/year until year 5 (250\$/km²). Thereafter, for the 5 remaining years, the amounts remain the same as for year 5. The entire excess amounts spent during a year can be transferred to following years for the first 5 years, but only 50% of it can be deferred for the 5 remaining years. As for the rentals, these amounts will be raised. The MERN will disclose the terms and conditions later on.

6.3 FORWARD CONTRACTS

No object.

6.4 OTHER INFORMATION RELEVANT TO THE ABANDONMENT COST AND FIELD REHABILITATION

The costs of abandonment of the Farnham No.1 well were paid by the operator, Canbriam Energy Inc, accordingly to the agreement between the partners at no cost for Squatex and Petrolympic.

6.5 TAX HORIZON

No object.

6.6 COSTS INCURRED

Squatex exploration work expenses for the current fiscal year ending on March 31, 2016, consist of geological and geophysical compilations, interpretations, field work and exploration and development programs preparation were all allowed as statutory work over permits of the St. Lawrence Lowlands and Lower St. Lawrence/Gaspé areas. For the fiscal year, a total of \$345,647 was invested by Squatex in both areas. This total includes exploration works (\$299,261) and permits rentals (\$46,386). The major part of the investment was allocated on the Lower St. Lawrence/Gaspé permits projects (\$292,785). Thus, with its partner Petrolympic Ltd, a total amount of \$488,853 was invested in the past year operations. Table 3 summarizes the expenses done by Squatex between April 1, 2015 and March 31, 2016

Table 3 : Exploration expenditure per area in 2015-2016

ALLOCATION OF THE EXPLORATION EXPENDITURE BY AREAS FROM APRIL 1, 2015 AND MARCH 31, 2016 (TAX EXCLUDED)						
CATEGORY OF EXPENSES	Rentals	Geol+Geoph Works	Geol+Geoph Consultants	Professional fees	TOTAL OF EXPENDITURE WORKS	TOTAL OF EXPENDITURE
AREA	LOWER ST.LAWRENCE/GASPE					
CUMULATIVE ANNUAL TOTAL	\$30,924	\$19,005	\$168,056	\$74,800	\$261,861 \$	\$292,785
AREA	ST.LAWRENCE LOWLANDS					
CUMULATIVE ANNUAL TOTAL	\$15,462	- \$	- \$	\$37,400	\$37,400	\$52,862
TOTAL OF THE EXPLORATION EXPENDITURE	\$46,386	\$19,005	\$168,056	\$112,200	\$299,261	\$345,647

6.7 EXPLORATION AND DEVELOPMENT ACTIVITIES

6.7.1 Introduction

The main activity of Squatex is, as operator, to conduct studies and works with a well qualified staff in order to evaluate the oil and gas potential of its territory under exploration permits aiming to find and eventually produce hydrocarbons reserves.

6.7.2 Permits in the Lower St. Lawrence/Gaspé area

Since 2002, Squatex acquired significant permit coverage in the Lower St. Lawrence/Gaspé acreage totalling, as of March 31, 2016, a gross area of 431,160 hectares or 301,812 ha net to Squatex. Figure 5 shows the perimeter of the permits block, the localisation of seismic lines acquired since 2002 by Squatex, MERN lines bought and core holes drilled between 2011 and 2014. Table 4 contains a listing of seismic lines acquired by Squatex.

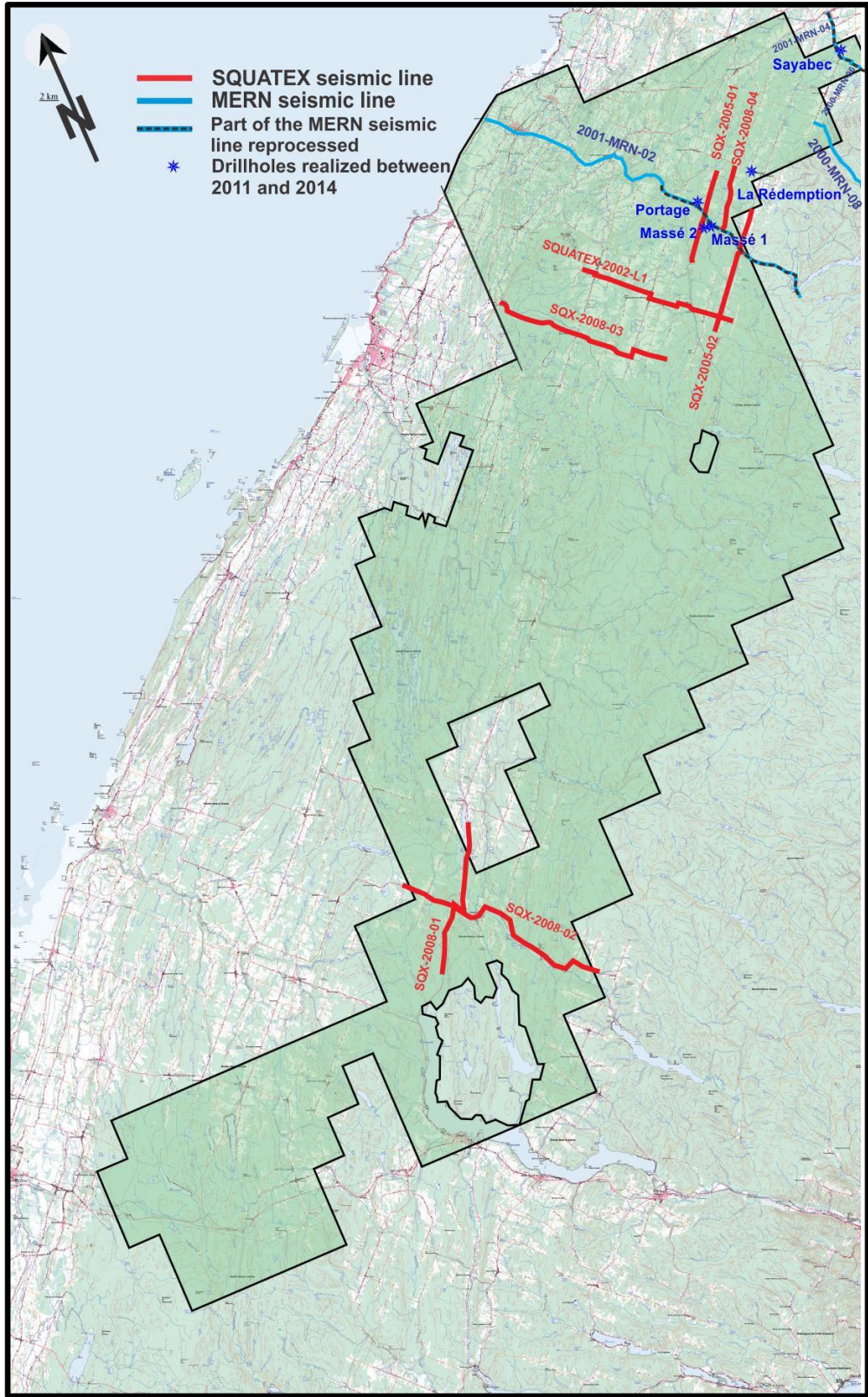


Figure 5 : Squatex Lower St. Lawrence/Gaspé permits location map

Tableau 4: Seismic lines acquired in the LSL/Gaspé

LINES REPROCESSED			
LINE	YEAR OF AQUISITION	AREA	LENGTH (km)
MRN-2001-02*	2001	Riv. Métis	30,0
MRN-2001-04*	2001	St-Cléophas	8,0
SUB-TOTAL			38,0
LINES AQUIRED BY SQUATEX			
SQX-2002-01*	2002	Les Hauteurs	20,0
SQX 2005-01*	2005	Ste-Jeanne	10,3
SQX 2005-02	2005	La Rédemption	9,0
SQX 2008-01	2008	St-Honoré	15,8
SQX 2008-02	2008	St-Honoré	28,0
SQX 2008-03*	2008	St-Marcellin	22,7
SQX 2008-04*	2008	La Rédemption	8,0
SUB-TOTAL			113,8
GRAND-TOTAL			151,8

*THOSE LINES HAVE BEEN REPROCESSED FOR AVO POROSITY RESPONSE

Following acquisition of a series of seismic profiles by the Ministry for the Energy and the natural Resources (MERN) in the area of Matapédia, Squatex decided to first record 20 km of seismic in the area in 2002. It was followed by the purchase and reprocessing of a portion of lines MRN2001-02 and 2001-04. Interpretation of those profiles showed that seismic anomalies and zones of interest were present over the eastern part of the permits.

Between 2005 and 2010, remote sensing studies, geochemistry, gravity, high resolution aeromagnetic surveys and field geology were carried out over the entire territory. The obtained data made it possible to target sectors with the most attractive hydrocarbon potential.

These field works were followed in 2010 by the drilling of a series of core holes to validate previous studies and the geological interpretation. Nine (9) shallow holes having depth less than 300 meters were drilled, allowing to cut a total of 1101 meters of cores.

Throughout spring 2011, two other wells, La Redemption, near the village of La Rédemption and Portage, on the Mitis River bank, were drilled to respective total depths of 447 and 600 meters. These holes were aimed at getting a better understanding of the Lower Silurian stratigraphy, calibrating seismic profiles and more specifically, knowing the distribution of the porous zones within the limestone level. One of the 2011 core holes exhibited oil shows (light oil of API 50° in the Sayabec/West Point Formation).

Following the drilling phase undergone in the previous year, the structural interpretation of the regional seismic lines was revised during spring 2012 and led to a location not far from a previously identified site in 2005 near Ste. Jeanne d'Arc and sited at 2,5 km to the south of the Portage well. The drilling of the stratigraphic well Squatex Massé N^o1 began on October 2012. This core hole was aimed at getting a better understanding of the stratigraphic sequence and to find out the cause of a porosity anomaly on an AVO (amplitude vs offset) seismic processing done by Squatex in 2004 on line MRN 2001-02. This type of anomaly is often related to the occurrence of a fluid or porosity.

After several weeks, the drilling operations were suspended at a depth of 1710 meters at the end of November 2012 due to the severe weather conditions. The operations resumed on June 2013 and the well ended at a total depth of 1874 meters after having drilled through the Val-Brilliant sandstone. A dolomitized limestone was intersected from 1650 to 1669 meters. Gas shows were observed over the course of drilling and were sampled and analyzed. The gas is mostly made up of methane with minor amount of butane and propane. A very permeable zone in a dolomitized limestone was encountered at a depth of 1847 meters where gas reached surface pointing out an overpressure zone. Mud was weighed up in order to offset the gas and to decrease the well pressure. The decision to end drilling and to run cement plugs the hole was taken on June 25th, 2013 in order to avoid the risks to lose control of the well without the suitable equipment. Near the base of the Sayabec Fm., core samples exhibited porosity of less than 5% to more than 20% over a 10 meters thickness.

On July 2013, the well Sayabec N^o 1 was spud in the area of Sayabec to drill through all the formations present within the Lake Matapédia Syncline. Total depth was reached at 759 meters after having crossed the Silurian formations followed by 22 meters of sterile bedrock of the Supergroup of Quebec. Gas shows were observed at the base of the Sayabec formation within a dolomitized zone. The well allowed concluding that the Lake Matapédia syncline rests directly over cambrian-ordovician bedrock.

Following the encouraging results of the stratigraphic well Squatex Massé N^o 1, the prospect was revalued and led to an appraisal well, the Squatex Massé N^o 2 located approximately 400 meters north of the first well (Figure 6).

On September 20, 2014, the stratigraphic hole Squatex Massé N^o 2 began after running a surface casing cemented at a depth of 210 meters to prevent contamination of ground water. A recirculation mud system in closed loop comparable of those ones used on oil type drillings rig was used on the well to minimize the impact on environment.

The well was entirely cored up to a total depth of 1970.4 meters reached on November 28, 2014. After having crossed the entire sequence of the slightly deformed St-Leon, Sayabec limestones were reached at 1534 meters and the Val-Brilliant sandstones at 1800 meters, as anticipated, higher than in the

Massé N^o 1 well. The cambrian-ordovician bedrock was drill only over 11 meters and the drilling operations had to be stopped due to mechanical problems. A complete suite of logs was recorded at the end of the survey. Distinctive fractured zones were encountered in the St-Leon and in the Val-Brilliant. The gas analyses exhibit natural gas liquid (C2 with C8) about 100 ml/m³ without hydrogen sulphide (H₂S). Oil shows were observed in the mud tank and the analyses are giving a density of 19,85° API with less than 1% sulphur. A wellhead was set over the casing in order to monitor pressure readings and to record the level of water. The well has been suspended since. Between April 1, 2015 and on March 31, 2016, Squatex carried out numerous inspections on the Massé No. 2 well in order to note down the pressure and make visual inspections of the surroundings of the well in order to make sure that equipment remains in good standing.

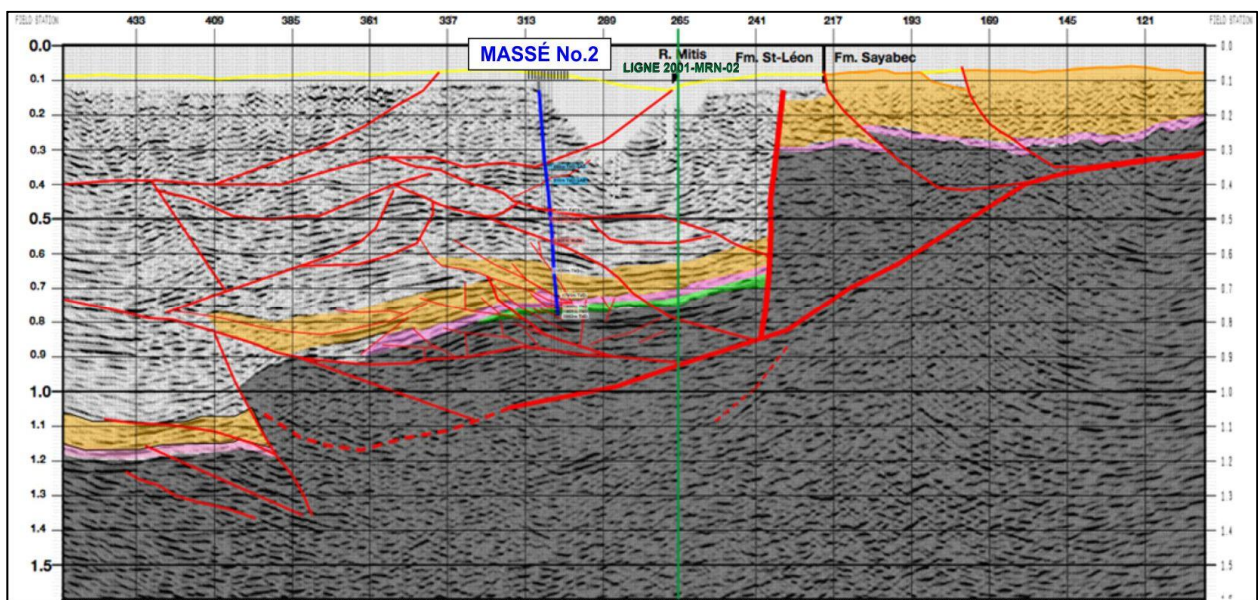


Figure 6 : Interpreted seismic line SQX-2005-01 through the Massé N^o 2 well

Within the framework of an agreement with the INRS-ETE, Squatex staff was joined by a postdoctoral trainee to carry out a field geology mapping over the Lower St. Lawrence permits. This field work, principally aimed at the study of the Sayabec Formation, took place in October 2015 and made it possible to gather several samples of rocks which will be analyzed. A general review report will be submitted in fall 2016.

Squatex studied and analysed the Squatex Massé No. 2 well logs and established an oil and gas potential within the St. Leon and the Sayabec Formations. The results of this analysis were made available at the beginning of 2016 to a consultant firm, Sproule & Associates, to review their previous assessment in the area in incorporating the new data. The Sproule Report was

made available to Squatex in early May 2016. The result of this study is summarized in Section 7 of this report.

Also, using the new wells data and AVO processing results obtained on the seismic, Squatex performed a revaluation of the geoscientific data that led to an up to date and more mature interpretation of the geological, tectonic and geochemical models for the area. Nine new prospects were defined between the localities of St-Anaclet and Sayabec.

6.7.3 Permits over the St. Lawrence Lowlands

In 2006, Squatex became involved in the St. Lawrence Lowlands to look for hydrothermal dolomite reservoirs within the Ordovician platform. Squatex acquired 12 exploration permits totalling 225,370 ha. This acquisition was very valuable, this area becoming (until the end of 2010) very attractive for investors due to the shale gas potential of the Utica Formation. Figure 7 shows the perimeter of Squatex's licences, the localisation of seismic lines acquired since 2008 by Squatex, and the Farnham N° 1 well site drilled in 2009. Table 5 lists all seismic lines acquired by Squatex.

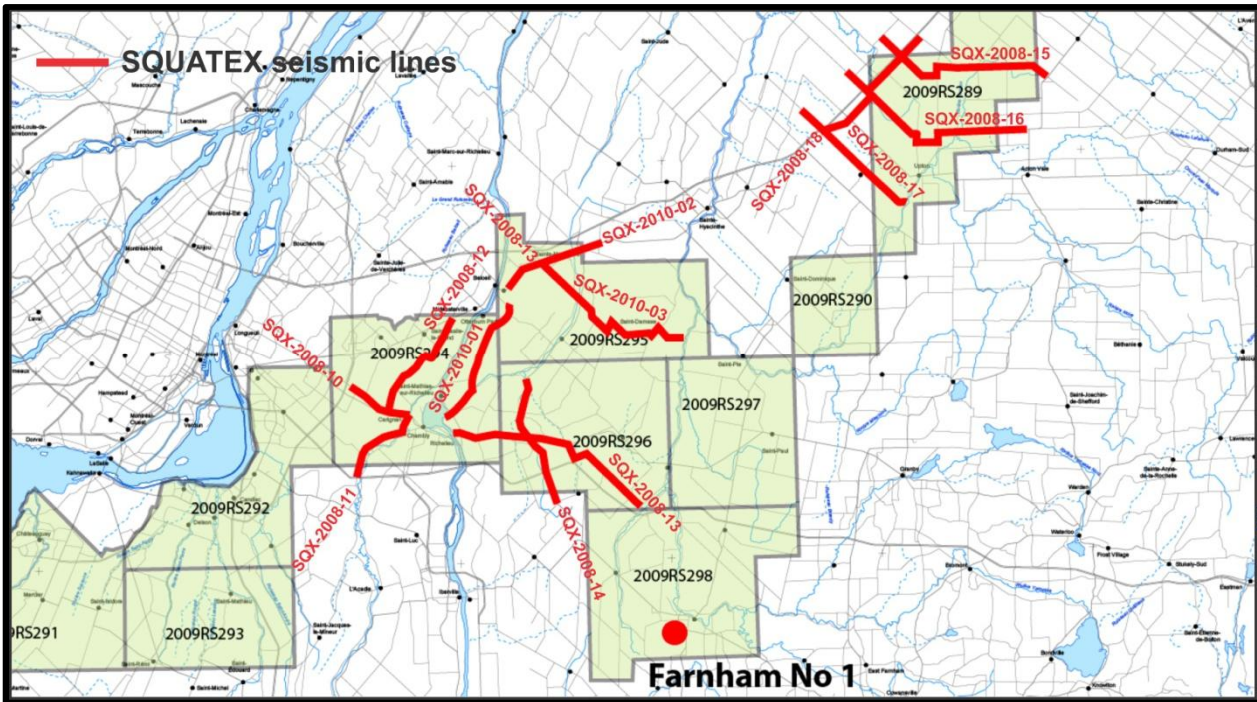


Figure 7 : St. Lawrence Lowlands permits location map

Table 5: Seismic lines recorded in St. Lawrence Lowlands

LINES ACQUIRED BY SQUATEX			
LINE	YEAR OF ACQUISITION	AREA	LENGTH (km)
SQX-2008-10	2008	Chambly	6.72
SQX-2008-11	2008	Chambly	8.44
SQX-2008-12	2008	Chambly	11.42
SQX-2008-13	2008	Chambly	20.64
SQX-2008-14	2008	Chambly	12.92
SQX-2008-15	2008	Ste-Hélène	18.26
SQX-2008-16	2008	Ste-Hélène	21.40
SQX-2008-17	2008	Ste-Hélène	11.62
SQX-2008-18	2008	Ste-Hélène	13.72
SQX-2010-01	2010	Beloil	13.20
SQX-2010-02	2010	Beloil	8.70
SQX-2010-03	2010	Beloil	18.10
TOTAL			165.14

Following the partnership agreement in 2008 with Petrolympic Ltd earning a 30% interest in all permits, nine (9) seismic profiles totalling 125 km in length were acquired in the Chambly and Ste. Helene areas.

In November 2008, a farmout and joint operations agreement was signed between Squatex, Petrolympic Ltd and Canbriam Energy Inc. over a portion of permits 2009RS294 to 298. Within this agreement, Canbriam carried on an aeromagnetic survey and drill the Farnham N^o 1 well (A-271). This well reached a total depth of 2507 meters after having crossed a thick sequence of Lorraine and having hit Utica at 1987 meters. Trenton came at 2332 meters. Gas shows were observed and the well was completed and suspended in 2009. As of March 31, 2016, Canbriam hold a 60% interest between surface and the top Trenton over a 8,000 ha block within permits 2009RS296 and 2009RS298. Squatex retains its 70% interest below the top Trenton.

In 2010, Squatex carried out a geochemical sampling survey over a 10 km² surface over permits 2009RS291 to 293 located south of Montreal and acquired another 40 km of seismic (three profiles) recorded over the Chambly and St. Hyacinthe regions.

Since then and up to the end of the fiscal year ending on March 31, 2016, the works in the area remained very limited, bearing in mind the current condition created by the lifting of the statutory work obligations of and the weakness of the gas price in North America. Following the decision of Canbriam and its partners to abandon the A-271 well, the terrain was decontaminated with the

agreement of the MDDEFP and a cement plug was injected into the well in 2011. The MERN released an authorization for final abandonment on July 11, 2014 which was received by Squatex on December 15, 2014. Work for final abandonment was completed in September 2015 by Canbriam Energy Inc, the operator, according to rules standards.

6.7.4 Current and anticipated activities

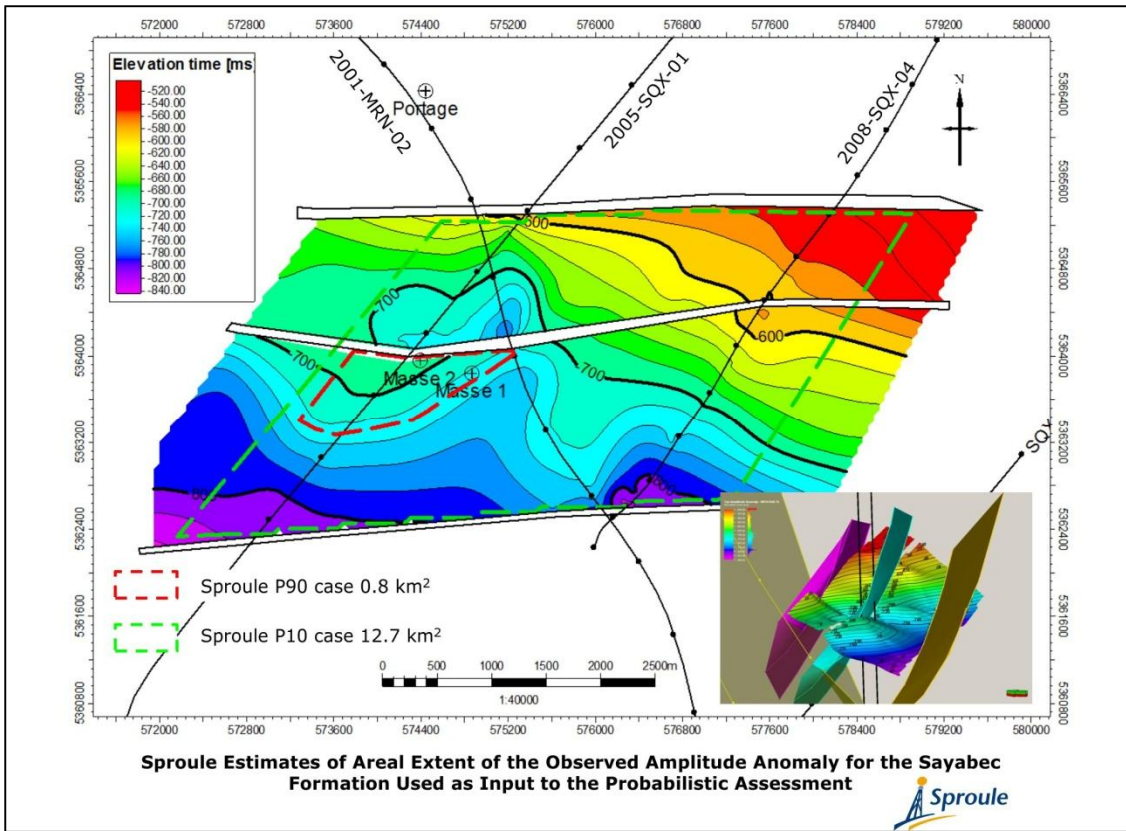
Following the encouraging results of the last two holes in the Massé township area and the revaluation of geological related data, Squatex intends to carry on its exploration efforts over the of Lower St-Lawrence/Gaspé permits and is actively searching for adequate financing to achieve it. The next phase of work will take into account funds available and at the same time the oil and gas outlook. The emphasis will be put mainly on the evaluation of the potential of the Massé structure. No other activity is foreseen in the short term in the St. Lawrence Lowlands.

7. DISCLOSURE OF THE UNRISKED UNDISCOVERED UNRECOVERABLE PETROLEUM INITIALLY-IN-PLACE FOR THE LOWER SILURIAN RESERVOIRS OF THE EASTERN MASSÉ STRUCTURE

In January 2016, Squatex mandated Sproule Associates Limited (Sproule) to assess the eastern sector of the Massé structure which was investigate by the drilling of the Massé N^o 1 and N^o 2 wells. Their study was carried over a territory of 25 km² delimited by the existing seismic lines showing similar anomalies (Figure 8).

Unlike the first well, a full suite of logs was run in Massé N^o 2. An in-house Squatex's study pointed out to that the lower St. Leon and the Sayabec Formations (Lower Silurian) could hold a higher volume of hydrocarbon than originally estimated. These data were made available to Sproule. Their study supports that gross unrisks undiscovered unrecoverable petroleum initially-in-place (PIIP) for the project could extend over an area between 0.8 km² (probability of 90%, or P90) and 12.7 km² (probability of 10% or P10). The potential is found in the Lower St. Lawrence Silurian Basin rocks over a thickness range of almost 540 meters in which the effective net pay can vary between 66 meters and 210 meters with a mean value of 130 meters.

The results of the study point out to a potential (100%) of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average surface of 5.2 km², for a total in oil equivalent of 61.1 million barrels (MMBOE) (Table 6). Squatex share (70%) stands for respectively 37.5 BCF of gas, 36.5 million barrels of oil and 42.8 million barrels in MMBOE.



(Source: Sproule report, modified)

Figure 8: Areal extent of assessment by Sproule near Massé No.1 and No.2 wells

Table 6: Gross unrisksed undiscovered unrecoverable petroleum Initially-in-place of the eastern Massé Structure

Table S-2 Summary of Project Gross Unrisksed Undiscovered Unrecoverable Petroleum Initially-in-Place (PIIP) of the Eastern Massé Structure, Lower St. Lawrence Area, Québec, Canada ^{1,2} Estimated by Sproule Associates Limited, As of April 30, 2016						
Structure	Formation		Low ⁴	Best ⁵	High ⁶	Mean ⁷
			(P ₉₀)	(P ₅₀)	(P ₁₀)	
Massé	St. Leon	Gas (BCF) ^{2,3}	0.2	1.0	3.8	1.6
		Oil (MMbbl) ^{2,3}	2.0	9.9	42.2	17.0
	Sayabec	Gas (BCF) ^{2,3}	4.4	24.0	119.7	49.0
		Oil (MMbbl) ^{2,3}	2.9	17.1	87.3	35.8
Total ⁷		Gas (BCF) ^{2,3}	5.7	26.8	127.6	53.6
		Oil (MMbbl) ^{2,3}	10.0	33.9	113.6	52.2
		MMBOE ^{2,3,7}				61.1

Notes:

1 Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable." Only the in-place volumes are presented here as a development project to recover any hydrocarbons discovered has not been defined. **There is no certainty that any portion of these unrisksed undiscovered PIIP will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.**

2 These are the project gross unrisksed undiscovered petroleum initially in place volumes (i.e. 100% project gross) estimated for the Sayabec Formation of the Eastern Massé Structure without any adjustments for working interest and before deduction of any royalties.

3 "BCF" is billions of cubic feet, "MMbbl" is millions of barrels of oil, "MMBOE" is millions of barrels of oil equivalent. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

4 Low Estimate is considered to be a conservative estimate of the quantity that will actually be in-place. It is likely that the actual remaining quantities in-place will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually in-place will equal or exceed the low estimate.

5 Best Estimate is considered to be the best estimate of the quantity that will actually be in-place. It is equally likely that the actual remaining quantities in-place will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually in-place will equal or exceed the best estimate.

6 High Estimate is considered to be an optimistic estimate of the quantity that will actually be in-place. It is unlikely that the actual remaining quantities in-place will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually in-place will equal or exceed the high estimate.

7 Statistical aggregation is the process of probabilistically aggregating distributions that represent estimates of resource quantities at the reservoir, prospect, or portfolio level. Arithmetic summation and statistical aggregation of the means yield similar results. Arithmetic summation of the Low Estimate, Best Estimate and High Estimate are not statistically appropriate. Both the statistical and arithmetic summation of the unrisksed prospects may be misleading because it assumes success for each of the prospect entities. The chance of this occurring is extremely unlikely. Actual recovery is likely to be less and may be zero.

SCHEDULE B

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE CORPORATION FOR THE
FISCAL YEAR ENDED MARCH 31, 2016**

(See document attached)



MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED MARCH 31, 2016

Prepared by:

**SQUATEX ENERGY AND RESSOURCES INC.
7055 Boul. Taschereau, Suite 500
Brossard, Québec, J4Z 1A7**

June 22, 2016

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Squatex Energy and Ressources Inc. ("Squatex" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended **March 31, 2016** 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 audited annual consolidated financial statements of the Company for the year ended March 31, 2016. The Company's consolidated financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") including comparative figures. The 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 from what is expressed or implied by them. 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. Therefore, the decision to invest in securities of Squatex should at no time be based on such statements. 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 Corporations. The exploration and development of oil and gas properties in the territory of Quebec are the major activities of the Company. As part of achieving its objectives, the Company is required to enter into partnership agreements to reduce the risks and costs of its projects.

Squatex could not determine until now whether its properties contain hydrocarbon reserves that could be economically recoverable. This oil and gas exploration work has a very high degree of risk and there is no assurance that current exploration programs will result in production operations profitable for the Company. The value of the Company's interests in its oil and gas properties is dependent upon the existence of economically recoverable reserves and the Squatex capacity to find adequate financing to develop these reserves and possibly have a profitable future production.

Squatex favors in exploration programs it develops, areas where the chances of success are higher to ensure short term profitability. In recent years, its activities have been focused on its Lower St. Lawrence-Gaspé exploration permits located between Rivière-du-Loup and Rimouski,

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

where it holds 24 licenses totaling 4 311.6 km² over Silurian-Devonian and Ordovician rocks to search for conventional oil and gas accumulations. Moreover, Squatex is hoping to reactivate its exploration in the St. Lawrence Lowlands area, where it holds 12 licenses totaling 2 249.33 km² on shale gas plays in the Utica / Lorraine and for the exploration of conventional traps within the Ordovician platform. As of March 31, 2016, the Company does not produce hydrocarbons. No proven reserves of oil or gas has been identified so far in the Squatex exploration permits.

OVERALL PERFORMANCE

Squatex and its 30% partner, Petrolympic, started in autumn 2012 a deep core drilling program in the Lower St. Lawrence area. After drilling the Redemption and Portage wells who had interesting oil shows, the Massé No.1 well was drilled over an AVO seismic anomaly (Amplitude vs. Offset) indicating the presence of fluids or porosity. The well met porous hydrothermal dolomites in the Sayabec Formation near the contact with "le Val Brillant". In the interval between 1750 m and total depth of 1874 m, strong indications of gas and condensate were obtained and the cores showed porosity values measured in laboratory up to 20.8% with permeability of 1624 mD. Following the analysis of results obtained in Massé No.1, Squatex issued a press release announcing the discovery of a reservoir that could hold a large amount of conventional natural gas. In July 2013, the Sayabec No.1 well targeting the Sayabec Formation limestones where a seismic amplitude anomaly was visible over a stratigraphic wedge, also met a dolomitized level with gas and oil shows before reaching a total depth of 759 m in the Cambrian-Ordovician rocks of the Quebec Group.

Following these encouraging results, Squatex reprocessed (AVO Processing) all regional seismic lines of the Massé area to highlight possible zones of porosity in the Sayabec limestones. Doing so, interpretation results identified nine other wells sites locations in the area to assess the possible extension of the dolomitization observed in the Massé Structure.

In April 2014, an independent study of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by the international firm Sproule and Associates that performed their own interpretation of seismic and data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by Squatex, indicating undiscovered possible gas initially in place in the Massé Structure between 3 and 26 BCF with a mean of 12 BCF.

In fall 2014, Squatex drilled the Massé No.2 well, located on the same structure as Massé No.1. The drilling equipment was then greatly improved to facilitate operations, increase safety and ensure to meet all environmental standards by opting for a closed loop drilling mud recirculation system. The drilling was completed in late November 2014 after reaching Cambrian-Ordovician rocks and recording a series of logs in the hole. The well was equipped with safety and measurement instruments to be suspended and pressure monitoring is recorded continuously. This data will provide valuable information about fluid migration dynamics and conditions at depth until Squatex proceeds with the programmed evaluation of the productivity of zones encountered while drilling. Regular visits to the drilling site are conducted to collect data and verify the integrity of all the components installed on the well.

Squatex issued a press release on February 19, 2015 announcing the interesting preliminary results obtained in the Massé No.2 stratigraphic well.

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On July 31, 2015, Squatex issued a new press release following a more complete analysis of the results of the Massé No.2 well.

In August 2015, Squatex announced the completion of an academic partnership with the Institut National de la Recherche Scientifique (" INRS ") to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the reservoir potential of the Sayabec Formation. This work will improve the knowledge of the stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region.

Further studies of all data acquired in the region, mainly those on logs recorded in the Massé No.2 well gave very interesting results that could change the estimate of hydrocarbon in place in the Massé Structure. Squatex decided in February 2016 to appeal again to the independent expertise of the international firm Sproule and Associates to verify and validate Squatex's results by doing their own interpretation of the same data. The final Sproule report was received on May 6, 2016, after the fiscal year, but the significant results are presented through an excerpt from the press release issued by Squatex May 17, 2016:

Ressources & Energy Squatex ("Squatex" or the "Company") and its partner Petrolympic Ltd. ("Petrolympic") (TSX.V: PCQ) are pleased to announce the results of a major reassessment of resources for the eastern part the Massé structure performed independently by Sproule Associates Limited ("Sproule"). The Massé structure is located in the Lower St. Lawrence permits, some 25 km southeast of Mont-Joli, in the Appalachian Basin of Quebec. Squatex owns a 70% interest in 656,093 hectares (1,621,241 acres) of exploration permits in Quebec over which it is the operator under a joint operation agreement with Petrolympic.

The resources reassessment reported by Sproule includes an authentication of in depth analysis performed by the Squatex's technical team on the Massé No.2 well logs. This new data complete and confirm the initial data previously acquired in the Massé No.1 well for the eastern part of the Massé structure. Sproule considers that the results of its resources simulations could extend over a probable average area of 5.2 km².

The potential resources evaluated by Sproule are related to porous levels in the St. Leon and Sayabec Formations encountered in the wells drilled in the eastern part of the Massé structure. The results of the study point out to a potential of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average area of 5.2 km², an oil equivalent total of 61.1 million barrels (MMBOE).

Resource volumes for Massé have been increased significantly compared to the previous estimate done in 2014 with the addition of a very important oil volume. Gas resources are also improved considerably following the analysis based on the logs recorded in the Massé No.2 well.

The gross pay of the Silurian basin rock of the Lower St. Lawrence extends up to a nearly 540m thick interval recognized by Sproule from the logs in which the net pay varies between 66m and 210m averaging, 130m in thickness. These porous zones are more than encouraging for further work and validate the potential of this region of the Lower St. Lawrence area.

Jean-Claude Caron, President and Chief Executive of Squatex, declares: « Results of the Sproule report make me believe that Massé could be one of the most important

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discoveries of conventional oil and gas reservoirs made to date in Quebec ». Indeed, the Sproule Report points out a probable presence of 10.3 BCF of gas and 10 MMbbl oil per square kilometer. According to an internal study of Squatex's technical team, the Massé structure could extend over more than 80km². Several porosity anomalies observed on seismic having close similarities the anomalies confirmed by the Massé No.1 and No. 2 wells were also highlighted further west within the property. The assessment done by Sproule does not take into account the presence of these seismic features, these ones being located in their view too far away from the drilled wells. Their occurrence nevertheless represents a significant potential for the Property. Results of the current Sproule study illustrate the rightful vision and efforts of Squatex and Petrolympic who pioneered the development of the oil and gas potential of the Lower St. Lawrence.

Squatex and its partner Petrolympic are currently setting up a new drilling program to further validate the potential of the Massé structure and they also intend to keep on with the coring exploration program to validate and test similar prospective structures that have been identified over their permits.

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

Results of the resource assessment over 5.2 Km² from the Sproule Report (May 6, 2016)

Structure	Formation		Low ⁴	Best ⁵	High ⁶	Mean ⁷
			(P ₉₀)	(P ₅₀)	(P ₁₀)	
Massé	St. Leon	Gas (BCF) ^{2,3}	0.2	1.0	3.8	1.6
		Oil (MMbbl) ^{2,3}	2.0	9.9	42.2	17.0
	Sayabec	Gas (BCF) ^{2,3}	4.4	24.0	119.7	49.0
		Oil (MMbbl) ^{2,3}	2.9	17.1	87.3	35.8
Total ⁷		Gas (BCF) ^{2,3}	5.7	26.8	127.6	53.6
		Oil (MMbbl) ^{2,3}	10.0	33.9	113.6	52.2
		MMBOE ^{2,3,7}				61.1

Notes:

1 Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable." Only the in-place volumes are presented here as a development project to recover any hydrocarbons discovered has not been defined. **There is no certainty that any portion of these unrisked undiscovered PIIP will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.**

2 These are the project gross unrisked undiscovered petroleum initially in place volumes (i.e. 100% project gross) estimated for the Sayabec Formation of the Eastern Massé Structure without any adjustments for working interest and before deduction of any royalties.

3 "BCF" is billions of cubic feet, "MMbbl" is millions of barrels of oil, "MMBOE" is millions of barrels of oil equivalent. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

4 Low Estimate is considered to be a conservative estimate of the quantity that will actually be in-place. It is likely that the actual remaining quantities in-place will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually in-place will equal or exceed the low estimate.

5 Best Estimate is considered to be the best estimate of the quantity that will actually be in-place. It is equally likely that the actual remaining quantities in-place will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually in-place will equal or exceed the best estimate.

6 High Estimate is considered to be an optimistic estimate of the quantity that will actually be in-place. It is unlikely that the actual remaining quantities in-place will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually in-place will equal or exceed the high estimate.

7 Statistical aggregation is the process of probabilistically aggregating distributions that represent estimates of resource quantities at the reservoir, prospect, or portfolio level. Arithmetic summation and statistical aggregation of the means yield similar results. Arithmetic summation of the Low Estimate, Best Estimate and High Estimate are not statistically appropriate. Both the statistical and arithmetic summation of the unrisked prospects may be misleading because it assumes success for each of the prospect entities. The chance of this occurring is extremely unlikely. Actual recovery is likely to be less and may be zero.

In 2008, in the St. Lawrence Lowlands, Squatex and its partner Petrolympic Ltd. ("Petrolympic") signed a joint operations agreement ("Agreement") with Canbriam Energy Inc. ("Canbriam") (collectively, the "Partners") with respect to farming out in a series of drilling options over some properties. Canbriam drilled a first well, Canbriam Farnham No.1 in 2009 and has earned a 60% interest over 8000 hectares within two licenses selected in the agreement. Canbriam did not exercise the other options provided before September 30, 2013 and the agreement has ended on that date.

During the year ended March 31, 2016, no exploration work was done in the Lowlands other than tracking records, since all exploration work obligations in this area are repelled in time. Since June 13, 2011, companies are exempted by the government of performing assessment work on their exploration permits (the holder must, however, pay the annual fee to retain its license). After this exemption period, the license expiration date will be extended accordingly to the exact duration of the latter. The Government reiterated in 2013 the work exemption by

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introducing a moratorium on shale gas exploration in Quebec, which caused a total freeze on any exploration of this territory, conventional exploration not being severable from shale gas exploration.

So Squatex and its partners do not plan to make any short-term exploration on its Lowlands permits, as long as conditions do not change. The partners decided to abandon the Canbriam Farnham No.1 well and to rehabilitate the site according to regulations. The government permit to do so was granted to Squatex dated December 15, 2014 and the abandonment was made in the summer of 2015 by the operator Canbriam Energy.

Squatex who renews all its exploration licenses in the St. Lawrence Lowlands and in the Lower St. Lawrence-Gaspé areas on 1 September 2009 (these were reverting to their first year of exploration), the company will be able to continue exploring until September 2019 provided that it fulfills the obligations connected therewith. In addition, Bill 18, passed in June 2011, came to extend the exploration period for three additional years to allow the holding of environmental studies initiated by the government.

The current strategy of the Company is to prepare for the resumption of exploration of its oil and gas exploration licenses in partnership with Petrolympic while continuing to look for other business opportunities. In August 2015, Squatex paid the annual fees (annuities) to thereby retain its license in accordance with the regulations of the oil and gas law and Squatex plans to fulfill its annual obligation again in 2016 retaining all its permits.

TRENDS

While general economic conditions continue to stagnate and relative stability seems to be emerging on the financial markets, significant uncertainty persists regarding the global outlook in the short and medium terms. In addition, various recent pronouncements about future Shale Gas exploitation in the Province of Quebec and the announcement of a strategic environmental study to be hold during up to three years, followed by the moratorium on exploration of shale gas will cause delays for the Company and / or its partners exploration work planned in the St. Lawrence Lowlands. The Management and the Board will monitor closely future developments on this and see their implications on the functioning of Squatex.

SUMMARY OF LAND POSITIONS

As of March 31, 2016, Squatex owns interests in a total of 6 560.93 km² (1,621,205 acres) of exploration oil and gas permits in the Appalachian Basin of Quebec over the St. Lawrence Lowlands and the Lower St. Lawrence-Gaspé areas (See attached map). The Company's properties in the St. Lawrence Lowlands is a 70% interest in 2 249.33 km² (555.809 acres) in partnership with Petrolympic and 28% interest from the surface to the Top of Trenton over 80.00 km² (19.768 acres) under an agreement with Canbriam, and 70% in the same block below the Top Trenton. These properties represent a significant position in unconventional targets in the Utica-Lorraine shales and in conventional plays within the Trenton-Black River carbonates. Squatex also owns properties in the Lower St. Lawrence-Gaspé area consisting in a 70% interest in 4 311.60 km² (1,065,396 acres) in partnership with Petrolympic. These property

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located between Rimouski and Rivière-du-Loup present plays for light oil and gas in reefs and in hydrothermal dolomites.

The following tables present the permits in force as of March 31, 2016 on which Squatex has an interest. For the location of the license, refer to the map:

ST. LAWRENCE LOWLANDS PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km ²)
2009RS287	01/09/2016	208.71
2009RS288	01/09/2016	179.90
2009RS289	01/09/2016	209.09
2009RS290	01/09/2016	72.48
2009RS291	01/09/2016	224.47
2009RS292	01/09/2016	188.27
2009RS293	01/09/2016	145.80
2009RS294	01/09/2016	216.64
2009RS295	01/09/2016	193.16
2009RS296 (part)	01/09/2016	203.39 *
2009RS297	01/09/2016	163.42
2009RS298 (part)	01/09/2016	244.00 *
Sub-total		2,249.33

* A 60% interest between the surface and the Top of Trenton over a 80.00 km² block have been transferred jointly by Squatex and Petrolympic Canbriam. Squatex retain 70% below the Top Trenton.

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ST. LAWRENCE LOWLANDS PERMITS - 28% OWNERSHIP: (FROM SURFACE TO TOP TRENTON):

Permit Number	Renewal	Area (km ²)
2009RS296 (part)	01/09/2016	203.39
2009RS298 (part)	01/09/2016	244.00
Sub-total		80.00 of 447.39

LOWER ST. LAWRENCE/GASPE PERMITS - 70% OWNERSHIP:

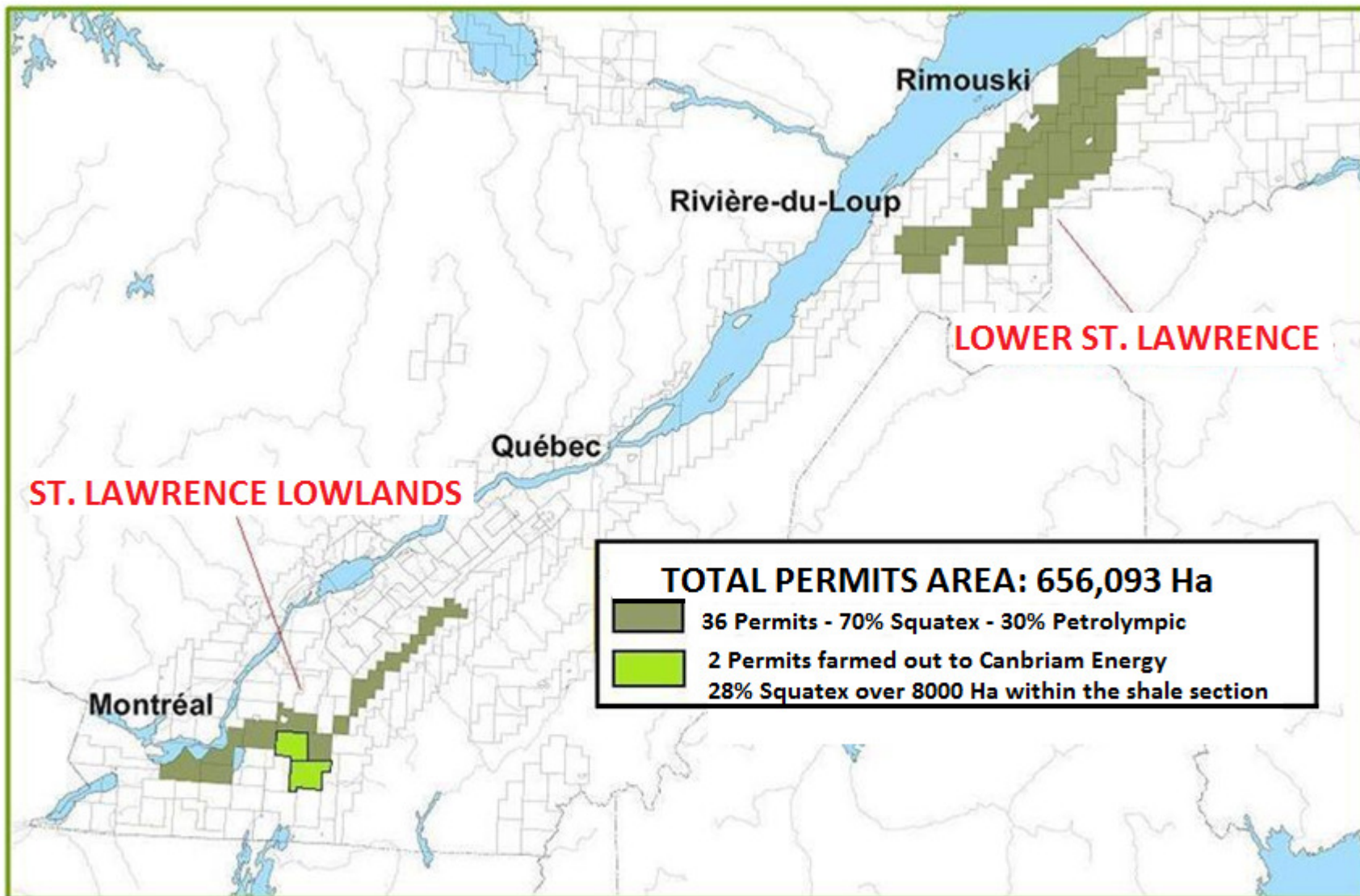
Permit Number	Renewal	Area (km ²)
2009RS299	01/09/2016	189.75
2009RS300	01/09/2016	207.04
2009RS301	01/09/2016	171.36
2009PG552	01/09/2016	102.67
2009PG553	01/09/2016	230.68
2009PG554*	01/09/2016	151.50
2009PG555	01/09/2016	164.38
2009PG556*	01/09/2016	236.66
2009PG557	01/09/2016	98.94
2009PG558	01/09/2016	194.20
2009PG559	01/09/2016	187.37
2009PG560	01/09/2016	198.17
2009PG561	01/09/2016	244.35
2009PG562	01/09/2016	198.47
2009PG563	01/09/2016	225.73
2009PG564	01/09/2016	143.77
2009PG565	01/09/2016	153.70
2009PG566	01/09/2016	214.54
2009PG567	01/09/2016	206.31
2009PG568	01/09/2016	206.68
2009PG569	01/09/2016	134.97
2009PG570	01/09/2016	76.08
2009PG571	01/09/2016	209.51
2009PG572	01/09/2016	164.77
Sub-total		4,311.60

* Gaspé area

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

SQUATEX'S EXPLORATION PERMITS LOCATION MAP:



EXPLORATION ACTIVITIES

LOWER ST. LAWRENCE-GASPE PERMITS

The compilation and integration in 2012 of all the encouraging results obtained in the area led to Squatex continuing its coring program on new zones of interest. In September 2012, a first deep core hole was spudded in the northeast part of the Lower St. Lawrence permits block.

The Massé No.1 well, located in the Municipality of Ste-Jeanne D'Arc, was equipped with a BOP mounted on a casing cemented to a depth of 150 meters (equal to 10% of the total planned depth) and was supervised by a team of five engineers/geologists. Drilling was stopped in late November at a depth of 1710 meters due to harsh winter conditions. The well began in very disturbed beds of the St. Leon Formation, then, at 800 meters, went through reefal carbonates sequences similar to the Sayabec and / or West Point Formations, followed by overlapping basal Silurian sequences showing a 15 meters thick porous dolomites sequence in Sayabec reefs. Both reef sequences gave shows of gas and condensate that were sampled. Monitoring of the suspended well and frequent fluids analysis measurements were performed at regular intervals to ensure the safety and environmental friendliness during winter before resuming drilling.

The well was re-entered (Massé No.1A) in 2013 to drill through an AVO seismic anomaly indicating the possibility of the presence of fluids or porosity. This objective was met by giving strong flows of natural gas (89% methane) in a very porous and permeable dolomite at the base of the Sayabec near the Val Brilliant sandstone between 1750 m and 1874 m. The main porous zone was encountered between 1790 m and 1874 m a thickness of 10 meters. Cores at 1847 m and deeper show porosities up to 20.8% and permeability up to 1624 mD. Due to the limitations of the mining drill used for coring, the Massé No.1 was abandoned and cemented to a total depth of 1874 m without being able to go across the 40 m remaining in the Val Brilliant.

Subsequently, the drill was moved about 15 kilometers further east to run a second well near the town of Sayabec. The Sayabec No.1 site was selected to verify the possibility of presence of dolomitization in the Sayabec Formation limestone. At this location, a seismic amplitude anomaly is visible over a stratigraphic wedge near the boundary of the permit. A porous dolomitized level was actually encountered near the base of Sayabec giving oil and gas shows before reaching total depth at 759 meters in Cambrian-Ordovician rocks of the Quebec Group.

Following the in-depth analysis of drilling results Massé No.1, Squatex issued November 20, 2013 a press release announcing the discovery of a reservoir which could contain a significant amount of conventional natural gas.

The new coring data acquired in 2013 helped to reinterpret the various cumulative data since 2001 on the territory of the Lower St. Lawrence-Gaspé to delimit areas with better hydrocarbon potential and target locations for future drilling.

In fall 2013, Squatex reprocessed the Massé region seismic profiles with a special software (AVO) to highlight possible areas of porosity in the Sayabec Formation. The interpretation of these results has identified nine additional drilling locations in the area showing seismic AVO porosity anomalies similar to that found in the Massé structure.

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An independent study of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by the international firm Sproule and Associates that performed their own interpretation of seismic and data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by Squatex. In April 2014, Squatex issued a press release announcing the results from the independent study of Sproule and Associates.

The structural interpretation of the seismic shows that the prospective AVO zone over the Massé Structure could span over some 40 km², which could result, using similar parameters measured in the well, by a reservoir having a volume likely to reach 100 BCF (over the three levels encountered). The independent report by Sproule and Associates determined that an average of 12 BCF of gas initially in place over an average area of 10 km² was limited to one porous level and an area limited to local seismic coverage without taking into account major regional structural lines. Further exploration work will be required in order to assess the reservoir in the Massé structure and to confirm its potential. Further exploration work will be required to fully evaluate the reservoir Massé structure and confirm its potential and its extensionstah could expand on over 300 km² as shown by AVO porosity anomalies observed on the reprocessed regional seismic lines.

In September 2014, Squatex spudded the Massé No.2 well after running a 210 meters casing to protect the groundwater environment. This new well is located on the same structure drilled by the Massé No.1 well. The drilling equipment was greatly improved to facilitate operations, increase safety and ensure to meet all environmental standards by opting for a closed loop drilling mud recirculation system, as it is usually required in the field oil.

On November 7, 2014, Squatex issued a press release stating that drilling operations were carried out smoothly as originally planned and that the main objective would be reached in the coming days.

Drilling operations were completed on November 28, 2014 on the Squatex Massé No.2 well after crossing the Val Brillant Formation and reaching Cambrian-Ordovician rocks and recording a full suite of logs in the hole. The wellhead was equipped with safety and measurement instruments and Squatex suspended the hole for the winter. The pressure data is being monitored continuously during the well suspension period and are analyzed and interpreted by combining the results of analyzes performed on fluids encountered. These data will provide valuable information about fluid migration dynamics and conditions at depth until Squatex proceeds with the programmed evaluation of the productivity of zones encountered while drilling. Regular visits to the drilling site are conducted to collect data and verify the integrity of all the components installed on the well.

Squatex issued a press release on February 19, 2015 announcing the interesting preliminary results obtained in the Massé No.2 stratigraphic well.

On July 31, 2015, Squatex issued a new press release following a more complete analysis of the results of the Massé No.2 well.

In August 2015, Squatex announced the completion of an academic partnership with the Institut National de la Recherche Scientifique (" INRS ") to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

reservoir potential of the Sayabec Formation. This work will improve the knowledge of the stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region. Geological field work and in depth cores analyses were performed during the fall and the study of results obtained are now in process.

An analytical review of all data acquired in the Massé region, including new geological field data acquired in autumn 2015 and the results in the well Massé No.2 was completed internally by Squatex to review and refining the hydrocarbon potential of the structure. These further studies mainly those on logs recorded in the Massé No.2 well gave very interesting results that could change the estimate hydrocarbon initially in place in the Massé Structure.

Squatex decided in February 2016 to appeal again to the independent expertise of the international firm Sproule and Associates to verify and validate Squatex's results by doing their own interpretation of the same data.

The final Sproule report was received on May 6, 2016. The results of this report are presented in the section "Overall Performance" presented above. The company is currently evaluating funding requirements to achieve further exploration.

ST. LAWRENCE LOWLANDS PERMITS

Due to the government's decision to hold a strategic environmental assessment on shales gas exploration and exploitation and restrictions and delays that the latter has made, followed by the moratorium on exploration of shale gas put into force by the government, Squatex and its partners do not plan to make any short-term exploration on its Lowlands permits, as long as conditions do not change. The partners decided to abandon the Canbriam Farnham No.1 well and to rehabilitate the site according to regulations. The government permit to do so was granted to Squatex dated December 15, 2014 and the abandonment, such as stipulated by law and regulations, was made in the summer of 2015 by the operator Canbriam Energy.

EXPLORATION EXPENSES INCURRED

The Company relies on the professional expertise of its team of geologists to manage and supervise its exploration programs. Management assesses the legitimate of proposed exploration programs and approves expenses judged useful and appropriate in order to progress knowledge in a prudent and necessary way. For the year ended March 31, 2016, Squatex spent \$ 307,261 (\$ 1,035,354 for the year ended March 31, 2015) on its unproved properties of oil and gas. On these amounts, Squatex received tax credits relating to resources of \$ 53,217 (\$ 245,481 for the year ended March 31, 2015), representing net exploration and evaluation expenses of \$ 254,044 for the period ended March 31, 2016 and of \$ 789,873 for the year ended March 31, 2015. Following the interesting results obtained with drilling Massé No.1 and Massé No.2, the Company is reviewing its financing of exploration expenses to conduct further geological work in the same environment. An exploration program over two years with several other core sampling has been defined in order to specify the extent of the level (s) of the reservoir and hydrocarbon potential of the area under license. Permit requests and various authorization were prepared in order to execute the work program provided promptly.

TECHNICAL DISCLOSURE

The technical disclosures appearing under the title "Overall Performance" and "Exploration Activities" were prepared by Paul Laroche, P. eng, P. geo, who is a qualified person under National Instrument 51-101.

OBLIGATIONS

In order to maintain its exploration licenses, Squatex must pay an annual rent of \$ 10.20 per km² and perform statutory work a minimum of \$ 50.00 per km² the first year, increasing to \$ 50.00 km² each subsequent year up to five years. At the end of this initial period, the Company has the option to renew the license for five years by paying an annual rent of \$ 51.00 per km² and by performing a minimum of work of \$ 250.00 per km². Additional credits to the minimum required for statutory expenses are granted by the government and serve to reduce subsequent obligations. Law 18, passed June 13, 2011, procures exemption to the obligations of performing minimum work during the conduct of the strategic environmental assessment. Nevertheless, Squatex continued doing work in the Lower St-Lawrence area. In August 2015, Squatex has met the payment requirements to all existing license and intends to renew it for the period 2016-2017.

ENVIRONMENTAL RESPONSIBILITY

The Company is subject to government laws and regulations concerning environmental protection. Environmental consequences are difficult to identify in terms of results, time and impact. To the best of its knowledge, Squatex conducts its operations with standard practices in order to be coherent with legislation and government regulations in an environmental matter.

RISKS AND UNCERTAINTIES

The oil and gas exploitation involves many risks, which can even withstand a combination of experience, knowledge and careful evaluation. The long-term commercial success of Squatex depends on its ability to find, acquire, develop and commercially exploit reserves of oil and natural gas. Without the continuous addition of new reserves, the ones that could hold Squatex at some point, and their potential for exploitation, could decrease over time. A future increase of the reserves owned by Squatex will depend not only on its ability to carry out exploration and development of properties it may hold from time to time, but also on its ability to select and acquire producing properties and appropriate possible productive areas. It is impossible to certify that Squatex will be able to identify acceptable properties for acquisition or participation. In addition, even if such acquisitions or participations opportunities are identified, Squatex may decide that based on current market conditions, terms of acquisition and participation or pricing meaning that such acquisitions or participations would be unprofitable. We can't ensure that

Squatex will manage to discover or acquire oil fields or natural gas. Even if Squatex manage to find these, we can't ensure that these resources are of commercial quantities.

STRATEGIC ENVIRONMENTAL STUDY AND MORATORIUM ON SHALE GAS

In 2011, Quebec government has given to the Bureau d'audiences publiques sur l'environnement ("BAPE") a mandate to conduct an inquiry and public hearings on sustainable development of Utica Shale in Quebec. The BAPE report led the Quebec government to conduct a Strategic Environmental Assessment ("SEA") whose results were finally released in January 2014. During this time period of almost three years where a moratorium on exploration of gas shale was established, the Company's exploration activities, like those of all the other Quebec's firms, have stopped completely on the territory of the Lowlands of the St-Lawrence, the obligations of work permits being suspended by law 18 passed June 13, 2011 and due to the high level of uncertainty raised by many citizen groups about the future of oil and gas exploration in Quebec. This period of uncertainty will continue as long as the government will not establish clear rules for the recovery of investment and exploration.

UNCERTAINTY AS OF THE ESTIMATED RESERVES OF NATURAL GAS AND CRUDE OIL

The estimated oil and gas reserves is a complex process that relies on a considerable number of decisions and assumptions for assessing the geological, geophysical, engineering and economic that are available for each reservoir. Therefore, these estimates are fundamentally imprecise. Actual data regarding the future production of petrol and gas, revenues and expenses of oil and gas may vary significantly. Each significant fluctuation in these assumptions could have a significant impact on the estimated quantities and the present values of the reserves. Furthermore, these reserves are subject to upward or downward revision in light of production history, results that will be obtained during exploration work and set value of the prevailing for oil and gas and other factors, many of which are beyond the control of Squatex. It is likely that real output and incomes, taxes, development of expenditures and operation expenses against reserves will vary from the current estimates and these variations could be material.

As of March 31, 2016, there is no reserve of oil and gas proved, likely or possible on land held by Squatex.

REGULATORY IMPACT

The oil and gas industry is subject to extensive controls and regulations put in place by the various levels of government targeting prices, royalties, ownership of land, production quotas, import and export of oil and gas and environmental protection. There is no way to forecast with certainty the impact of these controls or regulations on the operations of the Company or modifications to the following.

The oil and natural gas 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 oil and gas industry, which have impact on well and facilities location and the extent to which the exploration

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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 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.

PERMITS, LICENCES AND APPROVALS

In Quebec, those looking for oil or natural gas must hold an oil and gas exploration license issued under the Mining Act (Quebec). The permit is issued for a given territory, to anyone who meets the requirements and pays the annual fee prescribed by regulation. The validity period of a license is five years. It can be renewed for a period of one year, up to five times, for all or part of the territory which is subject to certain conditions specified in the Mining Act (Quebec).

The holder of a petroleum and natural gas exploration permit must perform, each year, in the given territory subject to the permit, work which nature and minimum cost are specified by regulation, including geological and geophysical studies or drilling. The minimum costs to be incurred vary according to the age of the permit.

Following the research permits granted by the Ministry of Natural Resources, the Company, in order to maintain the validity of its licences, must pay a rent of \$ 10.20 per km², and has to perform on the territory, minimum exploration expenses of \$ 50.00 per km², increasing of \$ 50.00 per km² each year to a maximum of \$ 250.00 per km². To be noted that duration of permits will be extended the equivalent time to holding the SEA with suspension of work obligations during this timeframe as long as the licensee pays its annual pension. The pension payments for the current year was made by Squatex in August 2015 and the Company intends to do the same for the following years in order to retain its permits.

PROPERTY TITLES

Even though the Company has taken reasonable measures to ensure proper title to its properties, there is no certainty that any shares of its properties will not be challenged or questioned. Third parties may have valid claims to portions underlying the interests of the Company. No appeal has been filed or brought to the attention of Squatex to date.

FUTURE NEEDS FUNDING AND GOING CONCERN

The Company will need additional financing in the future to continue its activities, especially its exploration programs and development. If financing is obtained by issuing new shares, control of Squatex may be affected and shareholders may suffer additional dilution. To the extent that financing is not available, this could affect the commitments of work which could result in the

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

inability of the Company to pursue, in totality or partly, its planned exploration and development program, property rights or revenue opportunities loss for the Company. To this end, the Company recently announced the appointment of an independent consultant acknowledged to the Cree First Nations in order to create business connexions and allow the progress of the oil and gas exploration project of Squatex in the Lower St. Lawrence.

DEPENDENCE OF KEY PERSONNEL

The succes of the Company depends largely on the quality of management. The loss of these people, or inability to interest equivalent qualify people could have a material adverse impact on operations and business prospects of the Company. The company has contracted a professional liability insurance on its directors and officers.

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 oil and natural gas have fluctuated greatly in the past. Oil prices are based on supply and demand at international level and political events, including the Middle East, may have an important influence on oil prices and supply globally. 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 for acquisition of future supplies of oil and gas. In addition, the marketing of production of the Company depends on the availability and capacity of gathering systems and pipelines, of the consequences of federal and provincial regulations and on the general economic conditions. All these factors are beyond control of the Company.

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.

RISK OF PROSECUTION

The Company may be liable because of pollution or other risks against which it could not be assured or against which it may elect not to insure, given the high cost of premiums or for other reasons. The payment of money to do so could result in the loss of elements of assets of the Company.

LAND CLAIMS

None of the properties in which the Company holds an interest is currently subject to any land claims by aboriginal nations. No assurance can be given, however, to the effect that this will not be the case in the future.

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

AVAILABILITY OF DRILLING EQUIPMENT AND ACCES

Exploration activities and oil and gas development depends on the ability to acquire drilling equipment and related equipment especially in areas where these activities are exercised. Demand for such limited equipment or restrictions on access may impact the Company's ability to acquire such equipment and may delay exploration activities and ressources development, if applicable.

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.

SELECTED FINANCIAL INFORMATION

FOR YEARS ENDED MARCH 31, 2016 AND 2015

	2016	2015
OPERATING	\$	\$
Net exploration and evaluation expenses	444,036	789,873
Net loss and comprehensive loss	(635,633)	(1,126,939)
Net loss per share, basic and diluted	(0.006)	(0.011)

	MARCH 31, 2016	MARCH 31, 2015
STATEMENT OF FINANCIAL POSITION		
Working capital (negative)	(244,496)	227,465
Total assets	181,241	335,570
Total liabilities	1,191,351	854,047

Squatex Energy and Ressources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

Shareholder's deficiency	(1,010,110)	(518,477)
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	2016	2015
CASH FLOW		
Cash flows from operating activities	(158,715)	(1,046,811)

RESULTS OF OPERATIONS

REVENUE

During the year ended March 31, 2016, no activity generated by Squatex has produced income beside some non-significant financial income.

NET PROFIT

Net loss and comprehensive loss for the year ended March 31, 2016 decreased from \$ 1,126,939 for the year ended March 31, 2015 to \$ 635,633 for the year ended March 31, 2016. This decrease in loss is mainly explained by lower exploration evaluation expenses in 2016 compared to 2015 for drilling operations on the well Massé No.2. Exploration expenditures are reduced because the Company is currently assessing the potential and the means of financing. Therefore, exploration and evaluation expenses went from \$ 1,035,354 in 2015 to \$ 307,261 in 2016, a decrease of \$ 728,093. The decrease in net loss and comprehensive loss is lower since \$ 189,992 provision was taken against tax credits that are applied against exploration and evaluation expenses to reflect notice of assessment received during a tax audit for resources funding.

STATEMENT OF FINANCIAL POSITION

The Company's working capital decreased by \$ 471,961 between March 31, 2015 and March 31, 2016 as the Company recorded a provision of \$ 221,341 in connection with the tax audit of credit resources 2012-2013 and 2014. In addition, the Company has accumulated payables during the year ended March 31, 2016, especially in terms of interest payable to a company under common control (increase of payable interest of \$ 72,986 between March 31, 2015 and March 31, 2016). The amount of receivables is also lower as of March 31, 2016 (\$ 98,989 at March 31, 2015, \$ 48,408 at March 31, 2016). Considering the fact that expenses for exploration and evaluation were lower, they are subject to a lower chargeback. Furthermore, cash balances have decreased since suppliers have been paid during the year. Therefore, there is a decrease of \$ 108,709 in cash that explains the remaining decrease in working capital.

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MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

LIQUIDITY

At March 31, 2016, the Company had \$ 70,357 in cash, a decrease of \$ 108,709 compared to \$ 179,066 presented in cash for the year ended March 31, 2015. The decrease in cash is mainly due to payment of current activities of the entity, which was refloated during the period from reception of tax credits for \$ 245,481 and a sum of \$ 50,000 from a company under common control. The fact that a company under common control waives the payment of services also enables the Company to maintain a positive cash balance. The company expects to be able to carry out the minimum development plans in the short term and minimum commitments mentioned in the financial statements. There is no risk of illiquidity arising from financial instruments.

However, the Company has not yet found a property containing oil and gas reserves economically recoverable and therefore, did not generate income or cash flow from operations up to date. At March 31, 2016, the Company had a working capital deficiency of \$ 244,496 and a deficit of \$ 5,914,660.

The ability of the Company to continue its operations depends on its ability to obtain new financing required for the continued exploration of its oil and gas properties and the continued support of suppliers. Although the Company was able to fund its exploration programs and operations in recent years, there is no guarantee that it will manage to obtain additional financing on acceptable terms in the future. These significant uncertainties raise significant doubt about the Company's ability to continue its operations and therefore 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 (issuance of common shares and flow-through share units during the year ended March 31, 2015 for a total of \$ 132,000), of due/temporarily advance to a company under common control and a director (for a total of \$ 500,000 at March 31, 2016), the waiver, by a company under common control, its fee for a total period of 33 months at March 31, 2016 and the refundable tax credit for resources.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company does not have any off-balance-sheet arrangements other than significant commitments related to statutory obligations for exploration licences it hold.

Squatex Energy and Ressources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEAR ENDED MARCH 31, 2016

RELATED PARTY TRANSACTIONS

Related party transactions were made with companies whose main leader is also a director or a principal officer of the Company. Total related party transactions for the year ended March 31, 2016 also includes transactions with key management.

	2016	2015
	\$	\$
Management fees	24,000	24,000
Professional services	88,800	118,429
Exploration and evaluation expenses, net of tax credits	141,136	184,563
Financial expenses	72,986	46,952

PROVISION

On October 23, 2015, the Company received notices of assessment from tax authorities for the years ended March 31, 2012, 2013 and 2014, refusing expenditures in the calculation of the resource credits. The assessment totals \$ 208,805, including \$ 26,163 in interest. The Company disagrees with the notice of assessment and initiated an objection to justify its claims. All without prejudice as to the entire objection process and judicial proceedings that may ensue, the Company believes that the maximum claim of refundable tax credits relating to resources already cashed by the Company would be an approximate total amount of \$ 189,992 as at March 31, 2016, excluding any applicable interest if the expenditure referred to in the notice of assessment are ultimately rejected.

SUBSEQUENT EVENT

On April 18, 2016 and June 1, 2016, a company under common control has made additional advances of \$ 50,000 on each of the dates. This brings the due to a company under common control (bearing interest at 15% payable August 19, 2017) to a balance of \$ 600,000.

FUTURE ACCOUNTING CHANGES

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments issued in July, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements including a more logical standard of classification and measurement of financial assets, a more prospective depreciation standard based on expected credit losses and a substantially modified hedge accounting model. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet determined the impact that this standard will have on its financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 describes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17") and related interpretations. All leases result in the lessee obtaining the right to use an asset from the beginning of the lease and, if lease payments are staggered over time, the tenant also gets financing. Therefore, IFRS 16 eliminates classification of leases as either operating leases or finance leases as required by IAS 17 and instead introduces a single accounting model for tenants. Applying that model, a lessee is required to recognize:

- (i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of little value; and
- (ii) depreciation of leased assets separately from its lease liabilities in the statement of profit or loss.

ADOPTION OF ACCOUNTING STANDARDS

The Company has not adopted new accounting standards during the year ended March 31, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value and fair value of Squatex's financial instruments are substantially the same given their short maturity, except where otherwise stated in the analysis below.

Squatex's financial assets classified as loans and receivables are: cash, accounts receivables (excluding sales tax) and the investment debenture. The shares of Canadian public companies and the conversion option of an investment to a debenture are classified as financial assets at fair value through profit or loss.

Squatex's financial liabilities consist of trade payables and other payables and due to a company under common control that are classified as financial liabilities measured at amortized cost.

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.

ADDITION INFORMATION

This MD&A is dated June 22, 2016. This same report and more information on the Company is available on SEDAR at www.sedar.com.

SCHEDULE C

**MANAGEMENT DISCUSSION AND ANALYSIS OF THE CORPORATION FOR THE
SIX MONTH PERIOD ENDED SEPTEMBER 30, 2016**

(See document attached)



**MANAGEMENT'S DISCUSSION
AND ANALYSIS
FOR THE SECOND TRIMESTER ENDED ON**

SEPTEMBER 30, 2016

Prepared by:

**RESSOURCES & ÉNERGIE SQUATEX INC
7055 Boul. Taschereau, Suite 500
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Novembre 29, 2016

Ressources & Énergie Squatex Inc

Management's Discussion and Analysis, Second Trimester ended on September 30, 2016

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Ressources & Énergie Squatex Inc ("Squatex" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended on **September 30, 2016** 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 non-audited six months ended on September 30, 2016 and with the audited annual consolidated financial statements of the Company for the year ended March 31, 2016. The Company's intermediate financial statements for the six months period ended on September 30, 2016 contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("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. Therefore, the decision to invest in securities of Squatex should at no time be based on such statements. 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 Corporations. The exploration and development of oil and gas properties in the territory of Quebec are the major activities of the Company. As part of achieving its objectives, the Company is required to enter into partnership agreements to reduce the risks and costs of its projects.

Squatex could not determine until now whether its properties contain hydrocarbon reserves that could be economically recoverable. This oil and gas exploration work has a very high degree of risk and there is no assurance that current exploration programs will result in production operations profitable for the Company. The value of the Company's interests in its oil and gas properties is dependent upon the existence of economically recoverable reserves and the Squatex capacity to find adequate financing to develop these reserves and possibly have a profitable future production.

Squatex favors in exploration programs it develops, areas where the chances of success are higher to ensure short term profitability. In recent years, its activities have been focused on its Lower St. Lawrence-Gaspé exploration permits located between Rivière-du-Loup and Rimouski, where it holds 24 licenses totaling 4 311.6 km² over Silurian-Devonian and Ordovician rocks to search for conventional oil and gas accumulations. Moreover, Squatex is hoping to reactivate its exploration in the St. Lawrence Lowlands area, where it holds 12 licenses totaling 2 249.33 km² on shale gas plays in the Utica / Lorraine and for the exploration of conventional traps within the

Ressources & Énergie Squatex Inc

Management's Discussion and Analysis, Second Trimester ended on September 30, 2016

Ordovician platform. As of September 30, 2016, the Company does not produce hydrocarbons. No proven reserves of oil or gas has been identified so far in the Squatex exploration permits.

OVERALL PERFORMANCE

Squatex and its 30% partner, Petrolympic, started in autumn 2012 a deep core drilling program in the Lower St. Lawrence area. After drilling the Redemption and Portage wells who had interesting oil shows, the Massé No.1 well was drilled over an AVO seismic anomaly (Amplitude vs. Offset) indicating the presence of fluids or porosity. The well met porous hydrothermal dolomites in the Sayabec Formation near the contact with the Val Brillant. In the interval between 1750 m and total depth of 1874 m, strong indications of gas and condensate were obtained and the cores showed porosity values measured in laboratory up to 20.8% with permeability of 1624 mD. Following the analysis of results obtained in Massé No.1, Squatex issued a press release announcing the discovery of a reservoir that could hold a large amount of conventional natural gas. In July 2013, the Sayabec No.1 well targeting the Sayabec Fm limestones where a seismic amplitude anomaly was visible over a stratigraphic wedge, also met a dolomitized level with gas and oil shows before reaching a total depth of 759 m in the Cambrian-Ordovician rocks of the Quebec Group.

Following these encouraging results, Squatex reprocessed (AVO Processing) all regional seismic lines of the Massé area to highlight possible zones of porosity in the Sayabec limestones. Doing so, interpretation results identified nine other wells sites locations in the area to assess the possible extension of the dolomitization observed in the Massé Structure.

In April 2014, an independent study of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by the international firm Sproule and Associates that performed their own interpretation of seismic and data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by Squatex, indicating undiscovered possible gas initially in place in the Massé Structure between 3 and 26 BCF with a mean of 12 BCF.

In fall 2014, Squatex drilled the Massé No.2 well, located on the same structure as Massé No.1. The drilling equipment was then greatly improved to facilitate operations, increase safety and ensure to meet all environmental standards by opting for a closed loop drilling mud recirculation system. The drilling was completed in late November 2014 after reaching Cambrian-Ordovician rocks and recording a series of logs in the hole. The well was equipped with safety and measurement instruments to be suspended and pressure monitoring is recorded continuously. These data will provide valuable information about fluid migration dynamics and conditions at depth until Squatex proceeds with the programmed evaluation of the productivity of zones encountered while drilling. Regular visits to the drilling site are conducted to collect data and verify the integrity of all the components installed on the well.

Squatex issued a press release on February 19, 2015 announcing the interesting preliminary results obtained in the Massé No.2 stratigraphic well. On July 31, 2015, Squatex issued a new press release following a more complete analysis of the results of the Massé No.2 well.

In August 2015, Squatex announced the completion of an academic partnership with the Institut National de la Recherche Scientifique (INRS) to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the reservoir potential of the Sayabec Formation. This work will improve the knowledge of the

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stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region.

Further studies of all data acquired in the region, mainly those on logs recorded in the Massé No.2 well gave very interesting results that could change the estimate of hydrocarbon in place in the Massé Structure. Squatex decided in February 2016 to appeal again to the independent expertise of the international firm Sproule and Associates to verify and validate Squatex's results by doing their own interpretation of the same data. The final Sproule report was received on May 6, 2016, after the fiscal year, but the significant results are presented through an excerpt from the press release issued by Squatex May 17, 2016:

Ressources & Energy Squatex ("Squatex" or the "Company") and its partner Petrolympic Ltd. ("Petrolympic") (TSX.V: PCQ) are pleased to announce the results of a major reassessment of resources for the eastern part the Massé structure performed independently by Sproule Associates Limited ("Sproule"). The Massé structure is located in the Lower St. Lawrence permits, some 25 km southeast of Mont-Joli, in the Appalachian Basin of Quebec. Squatex owns a 70% interest in 656,093 hectares (1,621,241 acres) of exploration permits in Quebec over which it is the operator under a joint operation agreement with Petrolympic.

The resources reassessment reported by Sproule includes an authentication of in depth analyzes performed by the Squatex's technical team on the Massé No.2 well logs. These new data complete and confirm the initial data previously acquired in the Massé No.1 well for the eastern part of the Massé structure. Sproule considers that the results of its resources simulations could extend over a probable average area of 5.2 km².

The potential resources evaluated by Sproule are related to porous levels in the St. Leon and Sayabec Formations encountered in the wells drilled in the eastern part of the Massé structure. The results of the study point out to a potential of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average area of 5.2 km², an oil equivalent total of 61.1 million barrels (MMBOE).

Resource volumes for Massé have been increased significantly compared to the previous estimate done in 2014 with the addition of a very important oil volume. Gas resources are also improved considerably following the analysis based on the logs recorded in the Massé No.2 well.

The gross pay of the Silurian basin rock of the Lower St. Lawrence extends up to a nearly 540m thick interval recognized by Sproule from the logs in which the net pay varies between 66m and 210m averaging, 130m in thickness. These porous zones are more than encouraging for further work and validate the potential of this region of the Lower St. Lawrence area.

Jean-Claude Caron, President and Chief Executive of Squatex, declares: « Results of the Sproule report make me believe that Massé could be one of the most important discoveries of conventional oil and gas reservoirs made to date in Quebec ». Indeed, the Sproule Report points out a probable presence of 10.3 BCF of gas and 10 MMbbl oil per square kilometer. According to an internal study of Squatex's technical team, the Massé structure could extend over more than 80km². Several porosity anomalies observed on seismic having close similarities the anomalies confirmed by the Massé No.1 and No. 2 wells were also highlighted further west within the property. The assessment done by

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Sroule does not take into account the presence of these seismic features, these ones being located in their view too far away from the drilled wells. Their occurrence nevertheless represents a significant potential for the Property. Results of the current Sroule study illustrate the rightful vision and efforts of Squatex and Petrolympic who pioneered the development of the oil and gas potential of the Lower St. Lawrence.

Squatex and its partner Petrolympic are currently setting up a new drilling program to further validate the potential of the Massé structure and they also intend to keep on with the coring exploration program to validate and test similar prospective structures that have been identified over their permits.

Results of the resource assessment over 5.2 Km2 from the Sroule Report (6 May 2016)

Structure	Formation		Low ⁴	Best ⁵	High ⁶	Mean ⁷
			(P ₉₀)	(P ₅₀)	(P ₁₀)	
Massé	St. Leon	Gas (BCF) ^{2,3}	0.2	1.0	3.8	1.6
		Oil (MMbbl) ^{2,3}	2.0	9.9	42.2	17.0
	Sayabec	Gas (BCF) ^{2,3}	4.4	24.0	119.7	49.0
		Oil (MMbbl) ^{2,3}	2.9	17.1	87.3	35.8
Total ⁷		Gas (BCF) ^{2,3}	5.7	26.8	127.6	53.6
		Oil (MMbbl) ^{2,3}	10.0	33.9	113.6	52.2
		MMBOE ^{2,3,7}				61.1

Notes:

- Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of undiscovered petroleum initially in place is referred to as "prospective resources," the remainder as "unrecoverable." Only the in-place volumes are presented here as a development project to recover any hydrocarbons discovered has not been defined. **There is no certainty that any portion of these unrisked undiscovered PIIP will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.**
- These are the project gross unrisked undiscovered petroleum initially in place volumes (i.e. 100% project gross) estimated for the Sayabec Formation of the Eastern Massé Structure without any adjustments for working interest and before deduction of any royalties.
- "BCF" is billions of cubic feet, "MMbbl" is millions of barrels of oil, "MMBOE" is millions of barrels of oil equivalent. BOE's may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- Low Estimate is considered to be a conservative estimate of the quantity that will actually be in-place. It is likely that the actual remaining quantities in-place will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually in-place will equal or exceed the low estimate.
- Best Estimate is considered to be the best estimate of the quantity that will actually be in-place. It is equally likely that the actual remaining quantities in-place will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually in-place will equal or exceed the best estimate.
- High Estimate is considered to be an optimistic estimate of the quantity that will actually be in-place. It is unlikely that the actual remaining quantities in-place will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually in-place will equal or exceed the high estimate.
- Statistical aggregation is the process of probabilistically aggregating distributions that represent estimates of resource quantities at the reservoir, prospect, or portfolio level. Arithmetic summation and statistical aggregation of the means yield similar results. Arithmetic summation of the Low Estimate, Best Estimate and High Estimate are not statistically appropriate. Both the statistical and arithmetic summation of the unrisked prospects may be misleading because it assumes success for each of the prospect entities. The chance of this occurring is extremely unlikely. Actual recovery is likely to be less and may be zero.

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In 2008, in the St. Lawrence Lowlands, Squatex and its partner Petrolympic Ltd. ("Petrolympic") signed a joint operations agreement ("Agreement") with Canbriam Energy Inc. ("Canbriam") (collectively, the "Partners") with respect to farming in a series of drilling options over some properties. Canbriam drilled a first well, Canbriam Farnham No.1 in 2009 and has earned a 60% interest over 8000 hectares within two licenses selected in the agreement. Canbriam did not exercise the other options provided before 30 September 2013 and the agreement has ended on that date.

During the current exercise ended September 30, 2016, no exploration work was done in the Lowlands other than tracking records, since all exploration work obligations in this area are repelled in time. Since June 13, 2011, companies are exempted by the government of performing assessment work on their exploration permits (the holder must, however, pay the annual fee to retain its license). After this exemption period, the license expiration date will be extended accordingly to the exact duration of the latter. The Government reiterated in 2013 the work exemption by introducing a moratorium on shale gas exploration in Quebec, which caused a total freeze on any exploration of this territory, conventional exploration not being severable from shale gas exploration.

So Squatex and its partners do not plan to make any short-term exploration on its Lowlands permits, as long as conditions do not change. The partners decided to abandon the Canbriam Farnham No.1 well and to rehabilitate the site according to regulations. The government permit to do so was granted to Squatex dated December 15, 2014 and the abandonment was made during summer of 2015 by the operator Canbriam Energy.

Squatex who rejuvenates all its exploration licenses in the St. Lawrence Lowlands and in the Lower St. Lawrence-Gaspé areas on 1 September 2009 (these were reverting to their first year of exploration), the company will be able to continue exploring until September 2019 provided that it fulfills the obligations connected therewith. In addition, Bill 18, passed in June 2011, came to extend the exploration period for three additional years to allow the holding of environmental studies initiated by the government.

The current strategy of the Company is to prepare for the resumption of exploration of its oil and gas exploration licenses in partnership with Petrolympic while continuing to look for other business opportunities. In August 2016, Squatex paid the annual fees (annuities) to thereby retain its licenses in accordance with the regulations of the oil and gas law and Squatex plans to fulfill its annual obligation again in 2017 retaining all its permits.

In order to have easier access to capital to be able to fulfill its exploration program in the Lower St. Lawrence, Squatex decided to take steps to be listed soon on the market.

TRENDS

While general economic conditions continue to stagnate and relative stability seems to be emerging on the financial markets, significant uncertainty persists regarding the global outlook in the short and medium terms. In addition, various recent pronouncements about future Shale Gas exploitation in the Province of Quebec and the announcement of a strategic environmental study to be hold during up to three years, followed by the moratorium on exploration of shale

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gas will cause delays for the Company and / or its partners exploration work planned in the St. Lawrence Lowlands. The Management and the Board will monitor closely future developments on this and see their implications on the functioning of Squatex.

SUMMARY OF LAND POSITIONS

As of September 30, 2016, Squatex owns interests in a total of 6 560.93 km² (1,621,205 acres) of exploration oil and gas permits in the Appalachian Basin of Quebec over the St. Lawrence Lowlands and the Lower St. Lawrence-Gaspé areas(See attached map). The Company's properties in the St. Lawrence Lowlands is a 70% interest in 2 249.33 km² (555.809 acres) in partnership with Petrolympic and 28% interest from the surface to the Top of Trenton over 80.00 km² (19.768 acres) under an agreement with Canbriam, and 70% in the same block below the Top Trenton. These properties represent a significant position in unconventional targets in the Utica-Lorraine shales and in conventional plays within the Trenton-Black River carbonates. Squatex also owns properties in the Lower St. Lawrence-Gaspé area consisting in a 70% interest in 4 311.60 km² (1,065,396 acres) in partnership with Petrolympic. These property located between Rimouski and Rivière-du-Loup present plays for light oil and gas in reefs and in hydrothermal dolomites.

The following tables present the permits in force as of September 30, 2016 on which Squatex has an interest. For the location of the license, refer to the map:

ST. LAWRENCE LOWLANDS PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km ²)
2009RS287	01/09/2016	208,71
2009RS288	01/09/2016	179,90
2009RS289	01/09/2016	209,09
2009RS290	01/09/2016	72,48
2009RS291	01/09/2016	224,47
2009RS292	01/09/2016	188,27
2009RS293	01/09/2016	145,80
2009RS294	01/09/2016	216,64
2009RS295	01/09/2016	193,16
2009RS296 (part)	01/09/2016	203,39 *
2009RS297	01/09/2016	163,42
2009RS298 (part)	01/09/2016	244,00 *
Sub-total		2 249,33

* A 60% interest between the surface and the Top of Trenton over a 80,00 km² block have been transferred jointly by Squatex and Petrolympic Canbriam. Squatex retain 70% below the Top Trenton.

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ST. LAWRENCE LOWLANDS PERMITS - 28% OWNERSHIP: (FROM SURFACE TO TOP TRENTON):

Permit Number	Renewal	Area (km ²)
2009RS296 (part)	01/09/2016	203,39
2009RS298 (part)	01/09/2016	244,00
Sub-total		80,00 of 447,39

LOWER ST. LAWRENCE/GASPE PERMITS - 70% OWNERSHIP:

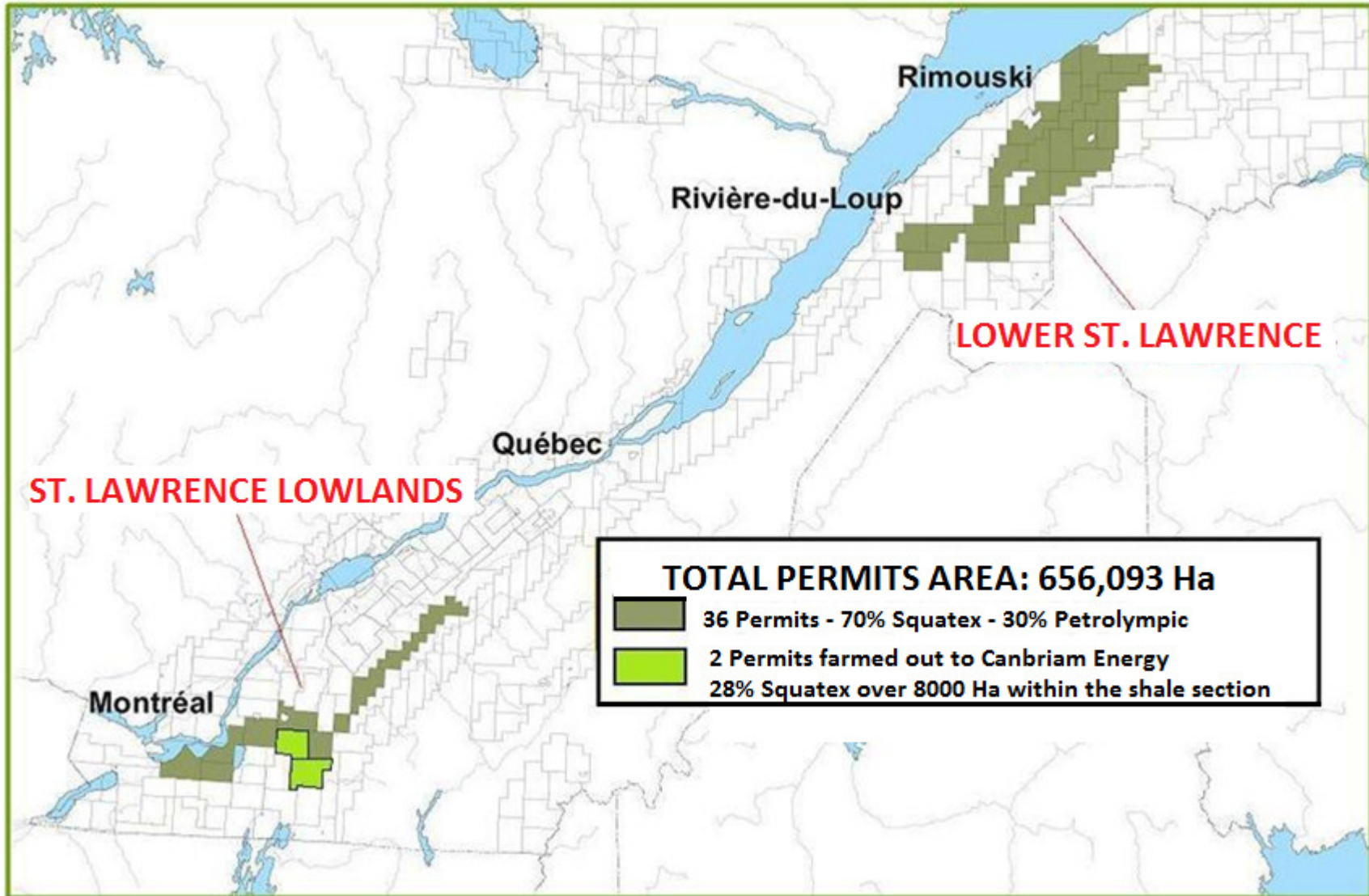
Permit Number	Renewal	Area (km ²)
2009RS299	01/09/2016	189,75
2009RS300	01/09/2016	207,04
2009RS301	01/09/2016	171,36
2009PG552	01/09/2016	102,67
2009PG553	01/09/2016	230,68
2009PG554*	01/09/2016	151,50
2009PG555	01/09/2016	164,38
2009PG556*	01/09/2016	236,66
2009PG557	01/09/2016	98,94
2009PG558	01/09/2016	194,20
2009PG559	01/09/2016	187,37
2009PG560	01/09/2016	198,17
2009PG561	01/09/2016	244,35
2009PG562	01/09/2016	198,47
2009PG563	01/09/2016	225,73
2009PG564	01/09/2016	143,77
2009PG565	01/09/2016	153,70
2009PG566	01/09/2016	214,54
2009PG567	01/09/2016	206,31
2009PG568	01/09/2016	206,68
2009PG569	01/09/2016	134,97
2009PG570	01/09/2016	76,08
2009PG571	01/09/2016	209,51
2009PG572	01/09/2016	164,77
Sub-total		4 311,60

* Gaspé area

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SQUATEX'S EXPLORATION PERMITS LOCATION MAP:



EXPLORATION ACTIVITIES

LOWER ST. LAWRENCE-GASPE PERMITS

The compilation and integration in 2012 of all the encouraging results obtained in the area led to Squatex continue its coring program on new zones of interest. In September 2012, a first deep core hole was spudded in the northeast part of the Lower St. Lawrence permits block.

The Massé No.1 well, located in the Municipality of Ste-Jeanne D'Arc, was equipped with a BOP mounted on a casing cemented to a depth of 150 meters (equal to 10% of the total planned depth) and was supervised by a team of five engineers/geologists. Drilling was stopped in late November at a depth of 1710 meters due to harsh winter conditions. The well began in very disturbed beds of the St. Leon Formation, then, at 800 meters, went through reefal carbonates sequences similar to the Sayabec and / or West Point Formations, followed by overlapping basal Silurian sequences showing a 15 meters thick porous dolomites sequence in Sayabec reefs. Both reef sequences gave shows of gas and condensate that were sampled. Monitoring of the suspended well and frequent fluids analysis measurements were performed at regular intervals to ensure the safety and environmental friendliness during winter before resuming drilling.

The well was re-entered (Massé No.1A) in 2013 to drill through an AVO seismic anomaly indicating the possibility of the presence of fluids or porosity. This objective was met by giving strong flows of natural gas (89% methane) in a very porous and permeable dolomite at the base of the Sayabec near the Val Brilliant sandstone between 1750 m and 1874 m. The main porous zone was encountered between 1790 m and 1874 m a thickness of 10 meters. Cores at 1847 m and deeper show porosities up to 20.8% and permeability up to 1624 mD. Due to the limitations of the mining drill used for coring, the Massé No.1 was abandoned and cemented to a total depth of 1874 m without being able to go across the 40 m remaining in the Val Brillant.

Subsequently, the drill was moved about 15 kilometers further east to run a second well near the town of Sayabec. The Sayabec No.1 site was selected to verify the possibility of presence of dolomitization in the Sayabec Formation limestone. At this location, a seismic amplitude anomaly is visible over a stratigraphic wedge near the boundary of the permit. A porous dolomitized level was actually encountered near the base of Sayabec giving oil and gas shows before reaching total depth at 759 meters in Cambrian-Ordovician rocks of the Quebec Group.

Following the in-depth analysis of drilling results Massé No.1, Squatex issued November 20, 2013 a press release announcing the discovery of a reservoir which could contain a significant amount of conventional natural gas. The new coring data acquired in 2013 helped to reinterpret the various cumulative data since 2001 on the territory of the Lower St. Lawrence-Gaspé to delimit areas with better hydrocarbon potential and target locations for future drilling.

In fall 2013, Squatex reprocessed the Massé region seismic profiles with a special software (AVO) to highlight possible areas of porosity in the Sayabec Formation. The interpretation of these results has identified nine additional drilling locations in the area showing seismic AVO porosity anomalies similar to that found in the Massé structure.

In April 2014, an independent study of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by the international firm Sproule and

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Associates that performed their own interpretation of seismic and data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by Squatex, indicating undiscovered possible gas initially in place in the Massé Structure between 3 and 26 BCF with a mean of 12 BCF.

The structural interpretation of the seismic shows that the prospective AVO zone over the Massé Structure could span over some 40 km², which could result, using similar parameters measured in the well, by a reservoir having a volume likely to reach 100 BCF (over the three levels encountered). The independent report by Sproule and Associates determined that an average of 12 BCF of gas initially in place over an average area of 10 km² was limited to one porous level and an area limited to local seismic coverage without taking into account major regional structural lines. Further exploration work will be required in order to assess the reservoir in the Massé structure and to confirm its potential. Reservoir extensions could expand on over 300 km² as shown by AVO porosity anomalies observed on the reprocessed regional seismic lines.

In September 2014, Squatex spudded the Massé No.2 well after running a 210 meters casing to protect the groundwater environment. This new well is located on the same structure drilled by the Massé No.1 well. The drilling equipment was greatly improved to facilitate operations, increase safety and ensure to meet all environmental standards by opting for a closed loop drilling mud recirculation system.

On 7 November 2014, Squatex issued a press release stating that drilling operations were carried out smoothly as originally planned and that the main objective would be reached in the coming days.

Drilling operations were completed on November 28, 2014 on the Squatex Massé No.2 well after crossing the Val Brillant Formation and reaching Cambrian-Ordovician rocks and recording a full suite of logs in the hole. The wellhead was equipped with safety and measurement instruments and Squatex suspended the hole for the winter. The pressure data is being monitored continuously during the well suspension period and are analyzed and interpreted by combining the results of analyzes performed on fluids encountered. These data will provide valuable information about fluid migration dynamics and conditions at depth until Squatex proceeds with the programmed evaluation of the productivity of zones encountered while drilling. Regular visits to the drilling site are conducted to collect data and verify the integrity of all the components installed on the well.

Squatex issued a press release on February 19, 2015 announcing the interesting preliminary results obtained in the Massé No.2 stratigraphic well. On July 31, 2015, Squatex issued a new press release following a more complete analysis of the results of the Massé No.2 well.

In August 2015, Squatex announced the completion of an academic partnership with the Institut National de la Recherche Scientifique (INRS) to carry out geoscientific studies of importance in the Lower St. Lawrence area. The studies will provide a 3D modeling and determining the reservoir potential of the Sayabec Formation. This work will improve the knowledge of the stratigraphy and structure of this complex geological system and will validate the hydrocarbon potential of this region. Geological field work and in depth cores analyses were performed during the fall and the study of results obtained are now in process.

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Squatex accomplished further studies of all data acquired in the Massé region, mainly those on logs recorded in the Massé No.2 well gave very interesting results that could change the estimate of hydrocarbon initially in place in the Massé Structure.

Squatex decided in February 2016 to appeal again to the independent expertise of the international firm Sproule and Associates to verify and validate Squatex's results by doing their own interpretation of the same data. The final Sproule report was received on May 6, 2016, after the fiscal year, but the significant results are presented through an excerpt from the press release issued by Squatex May 17, 2016 in the Overall Performance section of the present report. The company is currently evaluating funding requirements to achieve further exploration.

In order to have easier access to capital to be able to fulfill its exploration program in the Lower St. Lawrence, Squatex decided to take steps to be listed soon on the market.

ST. LAWRENCE LOWLANDS PERMITS

Due to the government's decision to hold a strategic environmental assessment on shales gas exploration and exploitation and restrictions and delays that the latter has made, followed by the moratorium on exploration of shale gas put into force by the government, Squatex and its partners do not plan to make any short-term exploration on its Lowlands permits, as long as conditions do not change. The partners decided to abandon the Canbriam Farnham No.1 well and to rehabilitate the site according to regulations. The government permit to do so was granted to Squatex dated December 15, 2014 and the abandonment was made in the summer of 2015 by the operator Canbriam Energy.

EXPLORATION EXPENSES INCURRED

The Company relies on the professional expertise of its team of geologists to manage and supervise its exploration programs. Management assesses the legitimate of proposed exploration programs and approves expenses judged useful and appropriate in order to progress knowledge in a prudent and necessary way. For the six months period ended September 30, 2016, Squatex spent 131 316 \$ (143 503 \$ for the six months period ended September 30, 2015) on its unproved properties of oil and gas. On these amounts, Squatex will receive tax credits relating to resources of 22 367 \$ (28 421 \$ for the same period ended September 30, 2015), representing net exploration and evaluation expenses of 108 949 \$ for the period ended September 30, 2016 and of 115 082 \$ for the same period ended September 30, 2015. Following the interesting results obtained with drilling Massé No.1 and No.2, the Company is reviewing its financing of exploration expenses to conduct further geological work in the same environment. An exploration program over two years with several other core sampling has been defined in order to specify the extent of the level (s) of the reservoir and hydrocarbon potential of the area under license. Permit requests and various authorization were prepared in order to execute the work program provided promptly.

TECHNICAL DISCLOSURE

The technical disclosures appearing under the title "Overall Performance" and "Exploration Activities" were prepared by Paul Laroche, P. eng, P. geo, who is a qualified person under National Instrument 51-101.

OBLIGATIONS

In order to maintain its exploration licenses, Squatex must pay an annual rent of \$ 10.20 per km² and perform statutory work a minimum of \$ 50.00 per km² the first year, increasing to \$ 50.00 km² each subsequent year up to five years. At the end of this initial period, the Company has the option to renew the license for five years by paying an annual rent of \$ 51.00 per km² and by performing a minimum of work of \$ 250.000 per km². Additional credits to the minimum required for statutory expenses are granted by the government and serve to reduce subsequent obligations. Law 18, passed June 13, 2011, procures exemption to the obligations of performing minimum work during the conduct of the strategic environmental assessment. Nevertheless, Squatex continued doing work in the Lower St-Lawrence area. In August 2015, Squatex has met the payment requirements to all existing license and intends to renew it for the period 2016-2017.

ENVIRONMENTAL RESPONSIBILITY

The Company is subject to government laws and regulations concerning environmental protection. Environmental consequences are difficult to identify in terms of results, time and impact. To the best of his knowledge, Squatex conducts its operations with standard practices in order to be coherent with legislation and government regulations in an environmental matter.

RISKS AND UNCERTAINTIES

The oil and gas exploitation involves many risks, which can even withstand a combination of experience, knowledge and careful evaluation. The long-term commercial success of Squatex depends on its ability to find, acquire, develop and commercially exploit reserves of oil and natural gas. Without the continual addition of new reserves, the ones that could hold Squatex at some point, and their potential for exploitation, could decrease over time. A future increase of the reserves owned by Squatex will depend not only on its ability to carry out exploration and development of properties it may hold from time to time, but also on its ability to select and acquire producing properties and appropriate possible productive areas. It is impossible to certify that Squatex will be able to identify acceptable properties for acquisition or participation. In addition, even if such acquisitions or participations opportunities are identified, Squatex may decide that based on current market conditions, terms of acquisition and participation or pricing meaning that such acquisitions or participations would be unprofitable. We can't ensure that Squatex will manage to discover or acquire oil fields or natural gas. Even if Squatex manage to find these, we can't ensure that these resources are of commercial quantities.

STRATEGIC ENVIRONMENTAL STUDY AND MORATORIUM ON SHALE GAS

In 2011, Quebec government has given to the Bureau d'Audiences Publiques sur l'Environnement ("BAPE") a mandate to conduct an inquiry and public hearings on sustainable development of Utica Shale in Quebec. The BAPE report led the Quebec government to conduct a Strategic Environmental Assessment ("SEA") whose results were finally released in January 14. During this time period of almost three years where a moratorium on exploration of gas shale was established, the Company's exploration activities, like those of all the other Quebec's firms,

have stopped completely on the territory of the Lowlands of the St-Lawrence, the obligations of work permits being suspended by law 18 passed June 13, 2011 and due to the high level of uncertainty raised by many citizen groups about the future of oil and gas exploration in Quebec. This period of uncertainty will continue as long as the government will not establish clear rules for the recovery of investment and exploration and set future value of

UNCERTAINTY AS OF THE ESTIMATED RESERVES OF NATURAL GAS AND CRUDE OIL

The estimated oil and gas reserves is a complex process that relies on a considerable number of decisions and assumptions for assessing the geological, geophysical, engineering and economic that are available for each reservoir. Therefore, these estimates are fundamentally imprecise. Actual data regarding the future production, revenue and expense of oil and gas may vary significantly. Each significant fluctuation in these assumptions could have a significant impact on the estimated quantities and the present values of the reserves. Furthermore, these reserves are subject to upward or downward revision in light of production history, results that will be obtained during exploration work and set value of the prevailing for oil and gas and other factors, many of which are beyond the control of Squatex. It is likely that real output and income, taxes, development of expenditures and operation expenses against reserves will vary from the current estimates and these variations could be material.

As of September 30, 2016, there is no reserve of oil and gas proved, likely or possible on land held by Squatex.

REGULATORY IMPACT

The oil and gas industry is subject to extensive controls and regulations put in place by the various levels of government targeting prices, royalties, ownership of land, production quotas, import and export of oil and gas and environmental protection. There is no way to forecast with certainty the impact of these controls or regulations on the operations of the Company or modifications to the following.

The oil and natural gas 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 oil and gas industry, which have impact on well and 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 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.

PERMITS, LICENCES AND APPROVALS

In Quebec, those looking for oil or natural gas must hold an oil and gas exploration license issued under the Mining Act (Quebec). The permit is issued for a given territory, to any person who meets the requirements and pays the annual fee prescribed by regulation. The period of

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Rapport de gestion pour le deuxième trimestre terminé le 30 septembre 2016

validity of a given licence is 5 years. It can be renewed for a period of one year, up to five times, for all or part of the territory which is subject to certain conditions specified in the Mining Act (Quebec).

The holder of a petroleum and natural gas exploration permit must perform each year, in the given territory subject to the permit, work which nature and minimum cost are specified by regulation, including geological and geophysical studies or drilling. The minimum costs to be incurred vary according to the age of the permit.

Following the exploration permits granted by the Ministry of Natural Resources, the Company, in order to maintain the validity of its licences, must pay a rent of \$ 10.20 per km², and has to perform on the territory, minimum exploration expenses of \$ 50.00 per km², increasing of \$ 50.00 per km² each year to a maximum of \$ 250.00 per km². To be noted that duration of permits will be extended the equivalent time to holding the SEA with suspension of work obligations during this timeframe as long as the licensee pays its annual rent. The rent payments for the current year was made by Squatex in August 2016 and the Company intends to do the same for the following years in order to retain its permits.

PROPERTY TITLES

Even though the Company has taken reasonable measures to ensure proper title to its properties, there is no certainty that any shares of its properties will not be challenged or questioned. Third parties may have valid claims to portions underlying the interests of the Company. No appeal has been filed or brought to the attention of Squatex to date.

FUTURE FUNDING NEEDS CONCERN

The Company will need additional financing in the future to continue its activities, especially its exploration programs and development. If financing is obtained by issuing new shares, control of Squatex may be affected and shareholders may suffer additional dilution. To the extent that financing is not available, this could affect the commitments of work which could result in the inability of the Company to pursue, in totality or partly, its planned exploration and development program, property rights or revenue opportunities loss for the Company. To this end, the Company recently announced the appointment of an independent consultant acknowledged to the Cree First Nations in order to create business connexions and allow the progress of the oil and gas exploration project of Squatex in the Lower St. Lawrence.

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 company has contracted a professional liability insurance on its directors and officers.

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 oil and natural gas have fluctuated greatly in the past. Oil prices are based on supply and demand at international level and political events, including the Middle East, may have an important influence on oil prices and

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supply globally. 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 for acquisition of future supplies of oil and gas. In addition, the marketing of production of the Company depends on the availability and capacity of gathering systems and pipelines, of the consequences of federal and provincial regulations and on the general economic conditions. All these factors are beyond control of the Company.

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.

RISK OF PROSECUTION

The Company may be liable because of pollution or other risks against which it could not be assured or against which it may elect not to insure, given the high cost of premiums or for other reasons. The payment of money to do so could result in the loss of assets of the Company.

LAND CLAIMS

None of the properties in which the Company holds an interest is currently subject to any official land claims by Aboriginal nations. No assurance can be given, however, to the effect that this will not be the case in the future.

AVAILABILITY OF DRILLING EQUIPMENT AND ACCESS

Oil and gas exploration and production activities depend on the ability to have access to drilling equipment and other related equipment especially in areas where these activities are exercised. Limited demand for such equipment or restrictions on land access may impact the Company's ability to acquire and use such equipment and may delay exploration activities or the eventual production of the resource.

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.

SELECTED FINANCIAL INFORMATION

FOR THE SIX MONTHS PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
EXPLOITATION	\$	\$
Net exploration and evaluation expenses	108 949	115 082
Net income and total comprehensive income	(371,457)	(355 092)
Net and comprehensive income per basic and diluted share	(0,0036)	(0,0034)

	ON SEPTEMBER 30 2016	ON MARCH 31 2016
STATEMENT OF FINANCIAL POSITION		
Working capital (negative)	(180 548)	(244 496)
Total assets	110 672	181 241
Total liabilities	1 420 239	1 191 351
Shareholder's equity (deficiency)	(1 309 567)	(1 010 110)

	2016	2015
CASH FLOW		
Cash flows from operating activities	(213 033)	21 974

RESULTS OF OPERATIONS

REVENUE

During the six months period ended September 30, 2016, no activity generated by Squatex has produced income beside some non-significant financial income.

NET PROFIT

Net and comprehensive loss for the six months period ended September 30, 2016 increased from \$ 355 092 for the six months period ended September 30, 2015 to \$ 371 457 for the six months period ended September 30, 2016. This minor increase in loss is mainly explained by higher expenses for professional services (increase of \$ 10 273 compared to the previous equivalent semester in 2015) and for office expenses (increase of \$ 4 400 compared to the previous equivalent semester in 2015) used in steps taken to obtain additional financing. Also, interests on loan from a company under common control increased by \$ 11 914 from 2015 to 2016. The Company being currently evaluating potential and financing avenues, a decrease of exploration expenses of \$ 5 712 has resulted between 2015 and 2016.

STATEMENT OF FINANCIAL POSITION

The Company's working capital increased by \$ 63 948 between March 31, 2016 and September 30, 2016 because amounts in cash are lower, accounts receivable and tax credit receivable have decreased and trade payables and other payables also have decreased, particularly in the case of interest payable to a company under common control that were converted into a promissory note at 15% interest payable on September 30, 2019. Cash on hand has decreased because trade payables have been paid. The amount of receivables is also lower because steps have been taken to diminish delays for receipt of payment.

LIQUIDITY

As at March 31, 2016, the Company had \$ 70 357 in cash. As at September 30, 2016, the Company had \$ 47,324 in cash, a decrease of \$ 23,033. The decrease in cash is mainly attributable to the payment of the entity's current operations, which was refloated during the period by collecting \$ 190 000 from a company under common control and bearing interest at the rate of 15%. The fact that a company under common control renounces to the payment of its services also allows the Company to maintain a positive cash balance. The Company believes it is in a position to carry out the minimum short-term development plans and minimum commitments referred to in the financial statements. There is no liquidity risk related to financial instruments.

However, the Company has not yet found a property containing oil and gas reserves economically recoverable and therefore, did not generate income or cash flow from operations up to date. At September 30, 2016, the Company had a working capital deficiency of \$ 180 548 and a deficit of \$ 6 283 889.

The ability of the Company to continue its operations depends on its ability to obtain new financing required for the continued exploration of its oil and gas properties and the continued support of suppliers. Although the Company was able to fund its exploration programs and operations in recent years, there is no guarantee that it will manage to obtain additional financing on acceptable terms in the future. These significant uncertainties raise significant doubt about the Company's ability to continue its operations and therefore the appropriateness of the use of IFRS applicable to entities operating in a situation of continuity.

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The financial statements have not been adjusted as would be required to 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 were not appropriate. These adjustments could be material.

FUNDING SOURCES

The main source of funding comes from the investment of the equity holders (issuance of common shares and flow-through share units during the year ended March 31, 2015 for a total of \$ 132,000), of due/temporarily advance to a company under common control and an administrator (for a total of \$ 863 195 at September 30, 2016), the waiver, by a company under common control, its fee for a total period of 39 months at September 30, 2016 and the refundable tax credit for resources.

OFF-STATEMENT ARRANGEMENT

The Company does not have any off balance sheet settlement other than significant commitments related to statutory obligations for exploration licences it hold.

RELATED PARTY TRANSACTIONS

Related party transactions were made with companies whose main leader is also a director or a principal officer of the Company. Total related party transactions for the six months period ended September 30, 2016 also includes transactions with key management.

	2016	2015
	\$	\$
Management fees	12 000	12 000
Professional services	52 400	44 400
Net exploration and evaluation expenses for tax credits	72 586	70 342
Financial expenses	45 756	33 842

PROVISION

On October 23, 2015, the Company received a notice of assessment of tax authorities for the years ended March 31, 2012, 2013 and 2014, declining certain expenses in the resource calculation credits. The contribution totals \$ 208,805, including \$ 26,163 on interest. The Company disagrees with the notice of assessment and initiated a process of opposition to justify its claims. All without prejudice as to the entire objection process and judicial proceedings that may ensue, the Company believes that the maximum exposure is a claim of the refundable tax

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credits relating to resources already cashed which would amount an approximate total of \$ 189,992 at September 30, 2016, excluding any applicable interest if the expenses referred in the notice of assessment projects are ultimately rejected.

SUBSEQUENT EVENT

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.

FUTURE ACCOUNTING CHANGES

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments issued in July , 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements including a more logical standard of classification and measurement of financial assets , a more prospective depreciation standard based on expected credit losses and a substantially modified hedge accounting model. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently reviewing the impact that this standard will have on its financial statements.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 describes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17") and related interpretations. All leases result in the lessee obtaining the right to use an asset from the beginning of the lease and, if lease payments are staggered over time, the tenant also gets financing. Therefore, IFRS 16 eliminates classification of leases as either operating leases or finance leases as required by IAS 17 and instead introduces a single accounting model for tenants. Applying that model, a lessee is required to recognize :

- (i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of little value; and
- (ii) depreciation of leased assets separately from its lease liabilities in the statement of profit or loss.

ADOPTION OF ACCOUNTING STANDARDS

The Company has not adopted new accounting standards during the six months period ended September 30, 2016.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value and fair value of Squatex's financial instruments are substantially the same given their short maturity, except where otherwise stated in the analysis below.

Squatex's financial assets classified as loans and receivables are: cash, accounts receivables (excluding sales tax) and the investment debenture. The shares of Canadian public companies and the investment conversion option in a debenture are classified as financial assets at fair value through profit or loss.

Squatex's financial liabilities consist of debts to suppliers and other payables and due to a company under common control that are classified as financial liabilities measured at amortized cost.

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.

ADDITION INFORMATION

This MD&A is dated November 29, 2016. This same report and more information on the Company is available on SEDAR at www.sedar.com.

SCHEDULE D

AUDITED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE FISCAL
YEARS ENDED MARCH 31, 2016, 2015 AND 2014

(See document attached)



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

FINANCIAL STATEMENTS

AS AT MARCH 31 2016



June 22, 2016

Independent Auditor's Report

To the Shareholders of Squatex Energy and Resources Inc.

We have audited the accompanying financial statements of Squatex Energy and Resources Inc., which comprise the statement of financial position as at March 31, 2016 and the statements of comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Squatex Energy and Resources Inc. as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: 514 205 5000, F: 514 876 1502, www.pwc.com/ca*



Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Squatex Resources and Energy Inc's ability to continue as a going concern.

Other matter

The financial statements of Squatex Energy and Resources Inc. as at March 31, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on June 26, 2015.

PricewaterhouseCoopers LLP¹

¹ CPA Auditor, CA, public accountancy permit No. 123642

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

As at March 31, 2016

	Notes	March 31	
		2016	2015
		\$	\$
<i>(audited - in Canadian dollars)</i>			
ASSETS			
Current			
Cash		70,357	179,066
Canadian public companies shares		2,827	4,715
Accounts receivable	6	48,408	98,989
Tax credits receivable		53,217	46,247
Prepaid expenses		6,221	6,252
		181,030	335,269
Non-current assets			
Investment in a private company	7	1	1
Property and equipment		210	300
		211	301
Total assets		181,241	335,570
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	8	196,185	107,804
Provisions	9	229,341	-
		425,526	107,804
Non-current			
Due to a company under common control , bearing interest at the rate of 15 %, payable on August 19, 2017		500,000	450,000
Deferred tax liability	15	265,825	296,243
		765,825	746,243
Total liabilities		1,191,351	854,047
SHAREHOLDER'S DEFICIENCY			
Share capital	10	4,542,322	4,542,322
Contributed surplus	17	360,000	216,000
Deficit		(5,912,432)	(5,276,799)
Total shareholder's deficiency		(1,010,110)	(518,477)
Total liabilities and shareholder's deficiency		181,241	335,570
Going concern	2		
Commitments	20		
Subsequent events	21		

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



Jean-Claude Caron
President



René Guimond
Vice President Finance

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Comprehensive Loss

March 31, 2016

	Notes	Years ended March 31	
		2016	2015
<i>(audited - in Canadian dollars)</i>		\$	\$
Exploration and evaluation expenses	12	444,036	789,873
General and administrative expenses	13	314,645	356,007
Operating loss		(758,681)	(1,145,880)
Finance expenses	14	(104,716)	(49,102)
Other income		-	6,581
Change in fair value of Canadian public companies shares		(1,888)	33,270
Loss before income taxes		(865,285)	(1,155,131)
Deferred income tax recovery	15	229,652	28,192
Income tax recovery		229,652	28,192
Net loss and comprehensive loss		(635,633)	(1,126,939)
Net loss per share, basic and diluted⁽¹⁾	16	(0.006)	(0.011)
Weighted average number of common shares outstanding		104,629,244	104,036,566

⁽¹⁾ All data on earnings per share and shares reflect the impact of the stock split of one share for two conducted on September 16, 2015.

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Changes in Equity

March 31, 2016

<i>(audited - in Canadian dollars)</i>	Note	Share capital \$	Deficit \$	Contributed surplus \$	Total Shareholders' deficiency \$
Balance as at April 1, 2014		4,216,903	(4,149,860)	72,000	139,043
Net loss and comprehensive loss		-	(1,126,939)	-	(1,126,939)
Waiver of payment from a company under common control	17	-	-	144,000	144,000
Conversion of temporary advances from a company under common control and a director into common shares	10	200,000	-	-	200,000
Shares and units issued by private placement	10	125,419	-	-	125,419
Balance as at March 31, 2015		4,542,322	(5,276,799)	216,000	(518,477)
Net loss and comprehensive loss		-	(635,633)	-	(635,633)
Waiver of payment from a company under common control	17	-	-	144,000	144,000
Balance as at March 31, 2016		4,542,322	(5,912,432)	360,000	(1,010,110)

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Cash Flows

March 31, 2016

	Years ended March 31	
	2016	2015
	\$	\$
<i>(audited - in Canadian dollars)</i>		
Operating activities		
Net loss	(635,633)	(1,126,939)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	1,888	(33,270)
Depreciation of property and equipment	90	129
Financial income	(6)	(879)
Other income	-	(6,581)
Waiver of payment from a company under common control	144,000	144,000
Deferred income tax	(229,652)	(28,192)
Changes in working capital items :		
Accounts receivable	50,581	(26,549)
Tax credits receivable	192,264	(8,743)
Prepaid expenses	31	(2,182)
Trade payables and other payables	88,381	42,395
Provision	229,341	-
Cash flows from operating activities	(158,715)	(1,046,811)
Investing activities		
Term deposits disposal	-	132,932
Disposal of equity investments of Canadian public companies	-	103,844
Financial income received	6	2,382
Cash flows from investing activities	6	239,158
Financing activities		
Issuance of shares and units	-	132,000
Temporary advances from a company under common control and a director	-	200,000
Due to a company under common control	50,000	250,000
Cash flows from financing activities	50,000	582,000
NET DECREASE IN CASH	(108,709)	(225,653)
CASH AT BEGINNING OF YEAR	179,066	404,719
CASH AT END OF YEAR	70,357	179,066
Interest payed	31,736	704

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to Financial Statements

(in Canadian dollars)

1. Nature of Operations

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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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 for the year ended on March 31, 2016 were approved and authorized for publication by the Board of Directors on June 22, 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.

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 March 31, 2016, the Company had a \$244,496 negative working capital and a cumulated deficit of \$5,912,432.

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.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to Financial Statements

(in Canadian dollars)

3. Significant accounting policies**3.1 Generality**

The principal accounting policies used in the preparation of these financial statements are summarized below.

These accounting policies have been used for all periods presented in the financial statements.

3.2 Basis of evaluation

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

3.3 Exploration licences jointly owned

The licences jointly owned with Pétrolympic Ltd. does not involve joint control according to IFRS 11. In sight of the agreement signed between parties, the Company has control over the licences owned and share the results with Pétrolympic Ltd. which holds a 30% participation.

Regarding its participation in licenses held jointly, the Company recognizes in the financial statements its share of assets held jointly, classified according to the nature of the assets, its share of any liabilities that it jointly contracted with Petrolympic Ltd. It also records its proportionate share of any proceeds from the sale or the use of its share of the production of the assets jointly owned as well as its share of any expenses incurred for the assets held jointly and any expenses incurred in respect of its interest in the assets held jointly.

3.4 Farm-out Agreement

On disposal of interests with respect to option agreements, the Company does not recognize exploration and evaluation expenditures incurred on the property by the purchaser. In addition, the consideration received in cash or in the acquirer's shares are recorded as a gain on disposal of exploration and evaluation assets in the net profit.

3.5 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to Financial Statements

(in Canadian dollars)

3. Significant accounting policies (cont'd)

3.5 Financial instruments (cont'd)

Assets and financial liabilities are initially measured at fair value plus transaction costs, except for financial assets and liabilities carried at fair value through profit or loss who are initially measured at fair value.

The financial assets and liabilities are evaluated subsequently as presented below.

Financial assets

For subsequent evaluation purposes, the financial assets of the Company will be classified in the following categories at the time of the initial recognition:

- Loans and receivables;
- Financial assets at fair value through profit or loss;
- Available for sale financial assets

The category determines the subsequent measurement and the accounting either in net profit or in other comprehensive income. All income and expenses related to financial assets included in net profit are presented in the financial charges, if any, or in financial income, with the exception of changes in fair value of equity investments of Canadian public companies which are presented separately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Discounting is omitted when the effect is immaterial.

Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss include the financial assets classified as owned for transaction purposes or that respect some conditions. They are designed to be at fair value through profit or loss at the time of the initial recognition.

The financial assets classified in this category are evaluated at fair value. The profits and losses resulting from the variations of the fair value are presented in the comprehensive income, in the period in which they occur.

Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not qualified to be in any of the other categories.

The interest is calculated with the effective interest rate method and the dividends are recognized in the net profit as finance income.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to Financial Statements

(in Canadian dollars)

3. Significant accounting policies (cont'd)

3.5 Financial instruments (cont'd)

The Company has classified its financial instruments as follows:

Financial assets	Categorization
Cash	Loans and receivables
Accounts receivable (with the exception of sales taxes)	Loans and receivables
Debenture	Loans and receivables
Canadian public company shares and conversion option of an investment into a debenture.	Financial assets at fair value through profit or loss

Impairment of financial assets

All the financial assets, except those that are evaluated at fair value through profit or loss, are subject to an impairment test at least at each reporting date. The financial assets are impaired when objective indications exist that a financial asset or a group of financial assets have suffered a loss of value.

An objective indication of impairment could include:

- Important financial difficulties by the issuer or the debtor;
- A breach of contract, like the non-payment of the interests or the capital; or
- The rising probability of a bankruptcy or other financial restructuring of the borrower.

The significant debtors are subject to an impairment test when they are overdue or objective indications exist that one party in particular will not meet its obligations. Impairment of the debtors are presented in profit or loss in the general and administrative expenses when applicable.

Financial liabilities

The financial liabilities include trade payables and other payables and the due to a company under common control.

The financial liabilities are subsequently measured at amortized cost using the effective interest method.

The interest expenses are presented in the finance costs.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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3. Significant accounting policies (cont'd)**3.6 Basic and diluted income per share**

The basic net income per share is calculated by dividing the profit or loss attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting earnings attributable to common shares of the Company, and the weighted average number of shares outstanding, to reflect the impact of all dilutive potential ordinary shares. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, the issuance date of the potential common shares.

3.7 Tax credits receivable

The Company is entitled to a refundable tax credit for oil and gas exploration expenditures. The eligible exploration expenses may qualify for a 28% repayment in Quebec. This tax credit is recorded as a decrease in the exploration and evaluation expenditures. The Company accounts for tax credits when there is reasonable assurance that the credits will be recovered and that the Company will comply with their conditions.

3.8 Exploration and evaluation expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for oil and gas deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal rights to undertake exploration and evaluation activities have been obtained, all costs related to the acquisition of oil and gas rights, expenses related to the exploration and evaluation of oil and gas properties, net of tax credits related to these expenses are charged to profit or loss. Expenses related to exploration and evaluation include geological and geophysical studies, exploration drilling, sampling and activities related to the evaluation of the technical feasibility and commercial viability of extracting oil and gas resources. Costs are recognized in the statement of profit or loss until the technical feasibility and the commercial viability of extracting oil and gas resource is proven.

If technical feasibility and commercial viability of extracting oil and gas resources are demonstrated, all subsequent costs related to construction, installations and completion of equipment and facilities are capitalized in the "Oil and gas assets under construction" category. Once the development stage is complete, all the assets included in the "Oil and gas assets under construction" category are transferred in the "Oil and gas assets" category. To date, neither the technical feasibility nor the commercial viability of the extraction of oil and gas resources have been demonstrated.

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3. Significant accounting policies (cont'd)**3.9 Provisions and contingent liabilities**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be reliably estimated. The timing or the amount of the outflow can be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning liabilities, restoration and similar liabilities or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. In case of a large number of similar obligations, the likelihood that an outflow will be required to settle these obligations is determined by considering the classification of obligations as a whole. Provisions are discounted when the time value of money is significant.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

3.10 Income tax

The income tax expense recognized in profit or loss corresponds to the amount of deferred income tax and current income tax that are not recognized directly in equity.

The calculation of the current income tax is based on the tax rate and the tax rules that have been adopted at the end of the financial information presentation period. The deferred income tax is calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the tax loss and underlying deductible temporary differences will be used to offset future taxable income. This is assessed based on the Company's expectations about future operating results, which are adjusted for expenses and non-taxable goods and significant loss utilization limits or unused tax credits.

Usually, deferred tax liabilities are recognized in full, although IAS 12 *Income taxes* specifies a limited number of exemptions.

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3. Significant accounting policies (cont'd)**3.11 Equity**

Share capital is the amount received on the issuance of shares minus issuance costs net of all income tax benefit on the underlying result in the issuance costs.

The deficit includes all current and prior period undistributed profit or loss.

The contributed surplus includes the payment waiver from a company under common control.

3.12 Flow-through shares

The Company finances a portion of its exploration expenses through the issuance of units including flow-through shares and common shares. The Company renounces to tax deductions for expenses related to resources to investors in accordance with tax legislation. The Company adopted an accounting method that considers the substance of flow-through shares as a) the issuance of a common share and b) the sale of a tax deduction. According to the residual value method, the distribution between the common shares offering and sale of tax benefits is based on the difference between the fair value of common shares and the amount that the investor pays for the flow-through shares. At the time of the issuance of flow-through shares, the sale of tax deductions is deferred and presented in liabilities. When the Company fulfills its obligation, (when the Company incurred eligible expenses and has the intention of renouncing to the tax deduction) the liability is reduced and the sale is recognized in profit or loss (in other income).

3.13 Segment reporting

The Company presents and discloses segment information based on information that is regularly reviewed by the key operating decision makers, i.e. the President and the Board of Directors. Key decision makers have the joint responsibility of allocating resources to the Company's operating segments and assessing their performance. Management considers that the Company operates in a single industry or segment, which is exploration and evaluation of oil and gas resources in Canada.

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4. 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.

Information on new standards and interpretations and new changes that may be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been published, but the management does not expect that they will have a material impact on the Company's financial statements.

IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments issued in July, 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements including a more logical standard of classification and measurement of financial assets, a more prospective depreciation standard based on expected credit losses and a substantially modified hedge accounting model. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet determined the impact that this standard will have on its financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 describes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17") and related interpretations. All leases result in the lessee obtaining the right to use an asset from the beginning of the lease and, if lease payments are staggered over time, the tenant also gets financing. Therefore, IFRS 16 eliminates classification of leases as either operating leases or finance leases as required by IAS 17 and instead introduces a single accounting model for tenants. Applying that model, a lessee is required to recognize:

- (i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of little value; and
- (ii) depreciation of leased assets separately from its lease liabilities in the statement of profit or loss.

The Company has not yet determined the impact that this standard will have on its financial statements.

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5. 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 is presented below.

Estimation uncertainty

5.1 Tax credits receivable

The calculation of refundable tax credits on the eligible exploration expenses incurred involves a certain degree of estimation and judgement with respect to certain items including the tax treatment that can't be determined with certainty until a tax assessment has been issued by the relevant tax authorities and until a payment has been received.

Discrepancies arising between the actual results following the final resolution of some of these factors and assumptions may require adjustments to the tax credits receivable, exploration and evaluation expenditure and provisions should potentially be accounted for credits previously received by the Company. It may take considerable time before the tax administration reports its decisions on issues related to tax credits. The amounts recognized in the financial statements are established based on the Company's best estimates and judgment. However, given the uncertainty in obtaining the approval of the tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid and the timing of such recovery or payment could differ from accounting estimates, which could affect the financial position and cash flows.

On October 23, 2015, the Company received notices of assessment from tax authorities for the years ended March 31, 2012, 2013 and 2014, refusing expenditures in the calculation of the resource credits. The assessment totals \$ 208,805, including \$ 26,163 in interest. The Company disagrees with the notice of assessment and initiated an objection to justify its claims. All without prejudice as to the entire objection process and judicial proceedings that may ensue, the Company believes that the maximum claim of refundable tax credits relating to resources already cashed by the Company would be an approximate total amount of \$ 189,992 as at March 31, 2016, excluding any applicable interest if the expenditure referred to in the notice of assessment are ultimately rejected.

At March 31, 2016, the Company recorded a specific provision of \$ 221,341 in the statement of financial position (Note 9) despite its disagreement with the assessment since the tax credits for the periods presented have been collected by the Company. In addition, the Company recorded a provision in the amount of \$ 7,056 against its refundable tax credits for resources receivable due to the uncertainties mentioned above, although it disagrees with the assessment as it deems that these credits are still receivable by the Company.

Significant judgments

5.2 Going concern

The assessment of the Company's ability to continue on as a going concern basis, to obtain sufficient funds to cover current operations expenses and meet its obligations for the coming year and obtain financing for planned exploration and evaluation programs involves significant judgment based on past experience and other factors, including the probability of future events that are considered reasonable in the light of circumstances. Refer to note 2 for more information.

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6. Receivables

	2016	2015
	\$	\$
Accounts receivable	39,287	60,728
Sales tax receivable	9,121	38,261
Receivables	48,408	98,989

7. Investment in a private company

	2016	2015
	\$	\$
Debenture, 10.00 %, maturing on September 8, 2019.	1	1

On September 4, 2014, the Company approved the buyback of common shares owned by a private company at a cost of \$500,000, effective on September 9, 2014, and payable by the issuance of a debenture of a nominal value of \$500,000 bearing interest at an annual rate of 10.00%, payable or capitalized semi-annually, maturing on September 8, 2019. The debenture includes a conversion option of the principal and accrued interests at the date of conversion into common shares of the private company at the price of \$0.20 per share. Upon issuance and at March 31, 2016 and 2015, the fair value of the debenture and the conversion option was set at \$1.

8. Trade payables and other payables

	2016	2015
	\$	\$
Accounts payable	68,747	53,352
Interest payable - company under common control	127,438	54,452
Trade payables and other payables	196,185	107,804

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9. Provisions

	Refundable tax credits related to resources	Total
	\$	\$
As at March 31, 2015	-	-
Additions	229,341	229,341
As at March 31, 2016	229,341	229,341
Current	229,341	229,341
Non-current	-	-

As at March 31, 2016, the Company recognized a specific provision of 221,341 \$ (nil in 2015) in the statement of financial position (note 5) which resulted in an increase in exploration and evaluation expenses of \$189,992 in the the statement of comprehensive loss, while the net tax credits amounted to \$136,775 for the year ended March 31, 2016 (note 12).

As at March 31, 2016, the Company recognized a specific provision of \$ 8,000 (nil in 2015) in the statement of financial position in connection with an account payable currently under negotiation with a supplier.

10. Equity

10.1 Authorized share capital

Unlimited number of common shares without par value.

10.2 Issued share capital

Issued and payed:

	March 31, 2016		March 31, 2015	
	Quantity	\$	Quantity	\$
Balance on April 1st	104,629,244	4,542,322	103,544,546	4,216,903
Conversion of temporary advances of a company under common control and a director into common shares.	-	-	666,668	200,000
Issued shares and units by private placements	-	-	418,030	125,419
Balance on March 31	104,629,244	4,542,322	104,629,244	4,542,322

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10. Equity (cont'd)**10.2 Issued share capital (cont'd)***Stock split*

On September 16, 2015, the Company amended its articles to provide for the split of the 52,314,622 common shares issued and outstanding of the Company into 104,629,244 common shares of the Company, representing a ratio of 1 to 2. All data on earnings per share and shares contained in these financial statements and notes reflect the impact of the stock split.

Private placements

On November 26, 2014 and November 28, 2014, the Company completed non-brokered private placements resulting in gross proceeds of \$ 132,000. The placement consisted in the issuance of 154,810 common shares at a price of \$ 0.30 per share as well as 263,220 flow-through common shares at a price of \$ 0.325 per share. No finder's fees were paid by the Company in connection with this private placement.

The Company renounced to its tax deductions related to issued flow-through shares, which reduced the share capital for a total of \$ 6,581 and the counterpart was recognized as other liabilities. The other liability on flow-through shares has been reduced and the counterpart was recognized in the statement of comprehensive loss during the year, when exploration expenditures were incurred. The total amount of eligible expenditure waived by the Company is \$ 85,547.

Equity conversion

On July 3, 2014, an advance of \$ 200,000 was made to the Company by a company under common control, including a temporary advance of \$ 100,000, bearing no interest, which is convertible into shares at the next private placement at a price which is determined during the placement. The second tranche of \$ 100,000 bears interest at 15% and is repayable on August 19, 2016. On September 22, 2014, the Company approved the conversion of the temporary advance by the issuance of 333,334 common shares at a price of \$ 0.30 per share for a total of \$100,000.

On July 25, 2014, a temporary advance of \$ 100,000, bearing no interest, was made to the Company by a director. This advance is convertible into shares at a price which was determined during the private placement. On September 22, 2014, the Company approved the conversion of the temporary advance of \$100,000 through the issuance of 333,334 common shares through a private placement at a price of \$ 0.30 per share for a total of \$100,000.

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11. Financial assets and liabilities
Categories of financial assets and liabilities

The carrying value and the fair value of the financial instruments presented in the statement of financial position are as follows:

	At March 31, 2016		At March 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Financial assets				
Loans and receivables				
Cash	70,357	70,357	179,066	179,066
Receivables (with the exception of sales taxes receivable)	39,287	39,287	60,728	60,728
Debenture	1	1	1	1
	<u>109,645</u>	<u>109,645</u>	<u>239,795</u>	<u>239,795</u>
Financial assets at fair value through profit or loss				
Canadian public companies shares	2,827	2,827	4,715	4,715
Financial liabilities				
Financial liabilities evaluated at amortized cost				
Trade payables and other payables	196,185	196,185	107,804	107,804
Provisions	229,341	229,341	-	-
Due to a company under common control	500,000	500,000	450,000	450,000
	<u>925,526</u>	<u>925,526</u>	<u>557,804</u>	<u>557,804</u>

Categories of financial assets and liabilities

The carrying value of cash, accounts receivable (excluding sales taxes receivable), trade and other payables is considered a reasonable approximation of fair value due to the short term maturities of these financial instruments.

The fair value of Canadian public companies shares was determined based on the bid price on the closing date and are classified as Level 1. The fair value of the conversion option on the debenture investment in a private company has not been determined because there is no active market and fair value can not be measured reliably.

The fair value of a due to a company under common control and the debenture is determined using a discounted cash flows method based on interest rates observable in the market for similar instruments with a similar risk (level 2).

Note 4.5 contains a description of accounting policies for each financial instruments category. Notes 18 and 19 provide a description of the Company's risk management methods and goals related to financial instruments.

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Notes to Financial Statements*(in Canadian dollars)***11. Financial assets and liabilities (cont'd)****Financial instruments measured at fair value and financial instruments measured at amortized cost for which fair value is disclosed**

Assets and liabilities measured at fair value in the statement of financial position and those measured at amortized cost for which fair value is disclosed are presented according to the fair value hierarchy. This hierarchy classifies financial assets and liabilities into three levels depending on the observability of the inputs used in measuring fair value of financial assets and liabilities. Hierarchy levels of fair value measurements are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities at the date of financial information presentation;

Level 2: Data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Data for the asset or liability that are not based on observable market data.

The level in which the financial liability or asset is classified is determined according to the lowest level data available which is significant in relation to the measurement of fair value.

There were no transfers between levels during periods of presentation of financial information. The method and valuation techniques used for the assessment of the fair values were unchanged compared to that of the reporting period of the previous financial information.

12. Exploration and evaluation expenditures

Exploration and evaluation expenditures by region are detailed as follows:

	2016		
	Additions	Net tax credits (notes 5 and 9)	Net balance
	\$	\$	\$
St.Lawrence Lowlands	45,400	63,051	108,451
Lower St.Lawrence/Gaspe	261,861	73,724	335,585
Total	307,261	136,775	444,036
	2015		
	Additions	Tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	38,294	(2,492)	35,802
Lower St.Lawrence/Gaspe	997,060	(242,989)	754,071
Total	1,035,354	(245,481)	789,873

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12. Exploration and evaluation expenditure (cont'd)

Exploration and evaluation expenditures by nature are detailed as follows:

	2016	2015
	\$	\$
Geology and geophysics	195,061	926,154
Technical consultation	112,200	109,200
Total	307,261	1,035,354
Tax credits, net	136,775	(245,481)
Exploration and evaluation expenditures net of tax credits	444,036	789,873

St.Lawrence Lowlands

(i) The Company holds 12 exploration permits totaling 224,933 hectares.

(ii) In November 2008, the Company signed a farmout and Joint Operating Agreement with Petrolympic Ltd. ("Petrolympic") and Canbriam Energy Inc. ("Canbriam"), a private company based in Calgary, Alberta. This agreement provides for exploration work on two (2) licenses held by Squatex and Petrolympic and enables Canbriam to earn a 60% participation for a total of 2,249.33 km².

Canbriam did not do the planned work within the agreed period and as a result, the farmout agreement was terminated. Notwithstanding the foregoing, Canbriam maintains its 60% already earned on the 8,000 hectares selected in two (2) license jointly held by the Company and Petrolympic Ltd. The remaining 40% is jointly owned by the Company and Petrolympic Ltd. under the terms of the existing agreement, which represents 28% and 12% respectively.

Lower St.Lawrence/Gaspe

(i) The Company holds 24 exploration permits totaling 4,311.60 km².

13. General and administrative expenses

Nature of the expenses	2016	2015
	\$	\$
Professional services	211,088	245,563
Management fees	24,000	24,000
Representations and travel	7,420	4,765
Insurance	11,532	10,746
Regulations and licensing	46,386	47,807
Associations	3,640	6,428
Taxes and licenses	85	284
Office expenses	10,404	14,185
Donation	-	2,100
Depreciation of property and equipment	90	129
	314,645	356,007

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14. Financial expenses

	2016	2015
	\$	\$
Long-term interests due to a company under common control	72,986	46,952
Interest and other bank expenses	31,736	704
Investment management fees	-	2,325
	104,722	49,981
Financial income	(6)	(879)
	104,716	49,102

15. Income taxes**Important components of the income tax recovery**

Important components of the income tax recovery are as follows :

	2016	2015
	\$	\$
Income tax recovery	-	-
Total Income tax recovery	-	-

	2016	2015
	\$	\$
Deferred income tax recovery		
Creation and reversal of temporary differences	229,652	255,580
Unrecognized variation of temporary differences	0	(227,388)
Total deferred tax recovery	229,652	28,192
Total tax recovery	229,652	28,192

Reconciliation between the tax recovery on the expected income and tax recovery of the statement of comprehensive loss

The relation between the income tax recovery calculated using the combined federal and provincial rates in Canada and the tax recovery recorded in the statement of comprehensive loss is reconciled as follows :

	2016	2015
	\$	\$
Net loss before income tax	(865,285)	(1,155,131)
Income tax calculated using the combined canadian federal and provincial rate of 26.9% (26.9% in 2015)	(232,762)	(310,730)
Increase (decrease) in income tax resulting from the following:		
Non-deductible unrealized loss (Gain) (non-taxable)	254	3,473
Change in unrecognized temporary differences	0	227,388
Miscellaneous	(1,174)	51,677
	(233,682)	(28,192)

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15. Income taxes (cont'd)

Deferred tax assets and liabilities and changes in amounts recognized during the year.

As at March 31, 2016, the Company has the following temporary differences for which no deferred tax asset has been recognized:

	Federal	Provincial
Exploration and evaluation expenditures	1,175,170	1,665,016
Non-capital losses	1,535,030	1,534,870

As at March 31, 2016, the Company has deductible capital losses of \$106,021 (\$105,077 in 2015) of which \$41,222 are unrealized (\$40,278 in 2015) that can be applied against future taxable capital gains and may be carried forward indefinitely.

The deferred tax liability arises from differences between the tax value and the carrying value of the following :

	April 1st 2015	Recognized in profit and loss	March 31 2016
Net exploration and evaluation expenditures	(296,166)	30,391	(265,775)
Property and equipment	(77)	27	(50)
	(296,243)	30,418	(265,825)

The Company's non-capital losses will expire between 2032 and 2036.

	April 1st 2014	Recognized in profit and loss	March 31 2015
	\$	\$	\$
Net exploration and evaluation expenditures	(324,328)	28,162	(296,166)
Property and equipment	(107)	30	(77)
	(324,435)	28,192	(296,243)

16. Earnings per share

Basic earnings per share is calculated using the net profit or loss for the period divided by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as there are no potentially dilutive items on March 31, 2016 and 2015.

There have been no other transactions involving ordinary shares between the reporting date and the approval date for the publication of these financial statements.

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17. 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:

	2016	2015
	\$	\$
Exploration and evaluation expenditures net of tax credits	141,136	184,563
Professional services	88,800	118,429
Management fees	24,000	24,000
Financial expenses	72,986	46,952

As at March 31, 2016, there is an outstanding balance of \$ 24,000 (\$ 21,314 at March 31, 2015) resulting from these operations plus interest payable disclosed in Note 8.

A company under common control waived payment of its services, which are services for the President, for the year ended March 31, 2016. The value of these services is a total of \$144,000 (\$144,000 in 2015) and was recognized in contributed surplus.

18. Policies and capital management processes

In its capital management operations, the Company seeks to provide the necessary capital enabling it to continue its partnership strategy for the development of its oil and gas properties, maintaining a flexible capital structure enabling the Company to keep its land position, to continue its exploration activities and to maintain the necessary liquidity to address risks that could affect its financial position. The board of directors did not establish quantitative criteria for the management of capital, but it relies on the expertise of the Company's management to sustain future growth of the Company.

The Company manages its capital on the basis of the carrying value of equity. The capital for the current year is presented in Note 10 and in the statements of changes in equity.

The Company is not subject to any externally imposed capital requirement.

The Company determines the amount of capital in proportion to its overall financing structure, namely its equity and financial liabilities. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk of the underlying assets. To maintain or adjust the capital structure, the Company may be required to return capital to shareholders, issue new shares or sell assets.

When financing conditions are not optimal, the Company may sign option agreements or other agreements in order to continue its exploration activities or may slow its activities until funding conditions improve.

No changes were made in terms of objectives, procedures or capital management processes during the periods of financial information presentation.

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19. Risks related to financial instruments

The Company is exposed to various financial risks. Note 11 summarizes the Company's financial assets and liabilities by category. The Company is exposed to the market risk, credit risk and liquidity risk.

The Company does not conclude financial instruments contracts, including financial derivatives, for speculative purposes.

No change has been made in terms of objectives, policies or procedures related to risk management arising from financial instruments throughout the periods that have been taken into consideration for the presentation of the financial information.

The main financial risks that the Company is exposed to are described below.

19.1 Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk and price risk. The Company's objectives are to ensure short and medium-term cash inflows while reducing exposure to capital markets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fluctuations in interest rates may affect the fair value of the financial assets and liabilities bearing interest at fixed rates. As the due to a company under common control is recognized at amortized cost, fair value changes have no impact on the net profit.

Price risk

The Company is exposed to market price fluctuations of its equity investments in Canadian public companies. The maximum risk that the securities face is equal to their fair value. An increase or a decrease of over 10% would have an insignificant impact on the fair value of securities.

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19. Risks related to financial instruments (cont'd)

19.2 Credit risk

Credit risk is the risk that the other party to a financial instrument fails to discharge an obligation which consequently leads the Company to incur a financial loss.

The maximum exposure of the Company to credit risk is limited to the carrying value of the following financial assets at the date of presentation of financial information, net of applicable provisions :

	2016	March 31 2015
	\$	\$
Cash	70,357	179,066
Receivables (with the exception of sales taxes receivable)	39,287	60,728
Book value	109,644	239,794

The Company's credit risk is mainly related to receivables. The Company does not require collateral. Accounts receivable are managed and analyzed on an ongoing basis therefore the Company's exposure to bad debts is not significant.

The Company's management believes that the credit quality is good for all financial assets described above that are not impaired or past due for each date of presentation of financial information.

No financial assets are overdue, no provision or correction for impairment was recognized for the periods presented.

Credit risk on cash is considered negligible as these financial instruments are held in a reputable financial institution whose external credit rating is good.

19.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties honouring commitments related to financial liabilities that are settled with cash or another financial asset.

Management of liquidity risk ensures sufficient cash and cash equivalents are maintained and that the Company has the necessary funds required for its activities. To this end, annual cashflow forecasts and budgets are established by the Company.

At March 31, 2016, the Company has \$ 70,357 (\$ 179,066 as at March 31, 2015) in cash to meet its current liabilities of \$ 425,526 (\$ 107,804 as at March 31 2015). Any shortfall may be met in various ways in the future, including, without limitation, the issuance of new equity securities, further measures to reduce spending, signed agreement with external creditors or other measures. Despite the fact that management has managed to obtain funding in the past, there is no guarantee of success for the future. There is no guarantee that these sources of funding or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. If management does not obtain new funds, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements. See Note 2 on going concern.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to Financial Statements

(in Canadian dollars)

20. Commitments

On March 31, 2016, the commitments of the Company are suspended by the Minister of Sustainable Development for an indefinite period. However, the statutory obligations that had previously been established by the Ministry of Natural Resources have already been met by the Company.

When exploration activities return to normal, the total commitments of the Company for the full period of the licenses will be approximately \$ 1,836,363. The commitments for the four (4) subsequent years will be as follows:

At March 31	Statutory obligations
2017	\$ 11,257
2018	\$ 755,216
2019	\$ 755,216
2020	\$ 314,673

Exploration expenditures already submitted for the Basses-Terres du St-Laurent cover all obligations for the duration of the license. After 4 years (remaining term of the license), the surplus is approximately \$ 797,131 as of March 31, 2016 (\$ 795,311 at March 31, 2015).

21. Subsequent Event

On April 18, 2016 and June 1, 2016, a company under common control has made additional advances of \$ 50,000 on each of the dates. This brings the due to a company under common control (bearing interest at 15% payable August 19, 2017) to a balance of \$ 600,000.



RESSOURCES & ÉNERGIE SQUATEX INC.
(UNE SOCIÉTÉ D'EXPLORATION GAZIÈRE ET PÉTROLIÈRE)

ÉTATS FINANCIERS

31 mars 2015



Raymond Chabot Grant Thornton

Rapport de l'auditeur indépendant

Aux actionnaires de
Ressources & Énergie Squatex Inc.

Raymond Chabot Grant Thornton
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Nous avons effectué l'audit des états financiers ci-joints de la société Ressources & Énergie Squatex Inc., qui comprennent les états de la situation financière aux 31 mars 2015 et 2014 et les états du résultat global, les états des variations des capitaux propres (négatifs) et les tableaux des flux de trésorerie pour les exercices terminés à ces dates, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction pour les états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux Normes internationales d'information financière (IFRS), ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers, sur la base de nos audits. Nous avons effectué nos audits selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifions et réalisons l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'entité portant sur la préparation et la présentation fidèle des états financiers afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'entité. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère

raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers.

Nous estimons que les éléments probants que nous avons obtenus dans le cadre de nos audits sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers donnent, dans tous leurs aspects significatifs, une image fidèle de la situation financière de la société Ressources & Énergie Squatex Inc. aux 31 mars 2015 et 2014 ainsi que de sa performance financière et de ses flux de trésorerie pour les exercices terminés à ces dates, conformément aux Normes internationales d'information financière (IFRS).

Observation

Sans pour autant modifier notre opinion, nous attirons l'attention sur la note 2 des états financiers qui indique l'existence d'une incertitude significative susceptible de jeter un doute important sur la capacité de la société à poursuivre son exploitation.

*Raymond Chabot Grant Thornton S.E. N.C. R. L.*¹

Montréal
Le 26 juin 2015

¹ CPA auditeur, CA permis de comptabilité publique n° A115879

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

États de la situation financière

31 mars 2015

	Notes	aux 31 mars	
		2015	2014
<i>(audité - en dollars canadiens)</i>		\$	\$
ACTIF			
Courant			
Encaisse		179 066	404 719
Dépôts à terme	7	-	132 932
Actions de sociétés publiques canadiennes	8	4 715	75 289
Débiteurs	9	98 989	73 943
Crédit d'impôt à recevoir		46 247	37 504
Frais payés d'avance		6 252	4 070
		335 269	728 457
Non courant			
Placement dans une société privée	10	1	1
Immobilisations corporelles		300	429
		301	430
Total de l'actif		335 570	728 887
PASSIF ET CAPITAUX PROPRES			
PASSIF			
Courant			
Dettes fournisseurs et autres créditeurs	11	107 804	65 409
		107 804	65 409
Non courant			
Dû à une société sous contrôle commun, portant intérêt au taux de 15%, remboursable le 19 août 2016		450 000	200 000
Passif d'impôts différés	17	296 243	324 435
		746 243	524 435
Total du passif		854 047	589 844
CAPITAUX PROPRES (NÉGATIFS)			
Capital social	12	4 542 322	4 216 903
Surplus d'apport	19	216 000	72 000
Déficit		(5 276 799)	(4 149 860)
Total des capitaux propres (négatifs)		(518 477)	139 043
Total du passif et des capitaux propres		335 570	728 887

Les notes complémentaires font partie intégrante des états financiers.

Les états financiers ont été approuvés et autorisés pour publication par le conseil d'administration le 26 juin 2015.



Jean-Claude Caron
Président



René Guimond
Vice-président finances

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

États du résultat global

31 mars 2015

	Notes	Exercices terminés les	
		2015	2014
		\$	\$
<i>(audité - en dollars canadiens)</i>			
Dépenses d'exploration et d'évaluation	14	789 873	499 414
Frais généraux et frais d'administration	15	356 007	296 751
Résultat opérationnel		(1 145 880)	(796 165)
Charges financières	16	(49 102)	(2 758)
Autres produits		6 581	-
Variation de la juste valeur des actions de sociétés publiques canadiennes		33 270	(3 719)
Perte avant impôts sur les bénéfices		(1 155 131)	(802 642)
Produit (Charge) d'impôts différés	17	28 192	(184 397)
Recouvrement d'impôts exigibles	17	-	111 933
Recouvrement (charge) d'impôt		28 192	(72 464)
Résultat net et total du résultat global		(1 126 939)	(875 106)
Résultat de base et dilué par action	18	(0,022)	(0,017)
Nombre moyen pondéré d'actions ordinaires en circulation		52 018 283	51 772 273

Les notes complémentaires font partie intégrante des états financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

États des variations des capitaux propres (négatifs)

31 mars 2015

<i>(audité - en dollars canadiens)</i>	Note	Capital social \$	Déficit \$	Surplus d'apport \$	Total des capitaux propres (négatifs) \$
Solde au 1er avril 2014		4 216 903	(4 149 860)	72 000	139 043
Résultat net et total du résultat global		-	(1 126 939)	-	(1 126 939)
Renonciation d'une société sous contrôle commun au paiement de ses services	19	-	-	144 000	144 000
Conversion des avances temporaires d'une société sous contrôle commun et d'un administrateur en actions ordinaires	12	200 000	-	-	200 000
Émission d'actions et d'unités par des placements privés	12	125 419	-	-	125 419
Solde au 31 mars 2015		4 542 322	(5 276 799)	216 000	(518 477)
Solde au 1er avril 2013		4 216 903	(3 274 754)	-	942 149
Résultat net et total du résultat global		-	(875 106)	-	(875 106)
Renonciation d'une société sous contrôle commun au paiement de ses services	19	-	-	72 000	72 000
Solde au 31 mars 2014		4 216 903	(4 149 860)	72 000	139 043

Les notes complémentaires font partie intégrante des états financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Tableaux des flux de trésorerie

31 mars 2015

	Exercices terminés les 31 mars	
	2015	2014
	\$	\$
<i>(audité - en dollars canadiens)</i>		
ACTIVITÉS OPÉRATIONNELLES		
Résultat net	(1 126 939)	(875 106)
Ajustements:		
Variation de la juste valeur des actions cotées de sociétés publiques canadiennes	(33 270)	3 719
Amortissement des immobilisations corporelles	129	184
Produits financiers	(879)	(5 118)
Autres produits	(6 581)	-
Renonciation d'un actionnaire au paiement de ses services	144 000	72 000
Impôts encaissés	-	278 361
Recouvrement d'impôts exigibles	-	(111 933)
Impôts différés	(28 192)	184 397
Variation nette du fonds de roulement:		
Débiteurs	(26 549)	861
Crédit d'impôt à recevoir	(8 743)	78 149
Frais payés d'avance	(2 182)	3 452
Dettes fournisseurs et autres créditeurs	42 395	(1 980)
Flux de trésorerie provenant des activités opérationnelles	(1 046 811)	(373 014)
ACTIVITÉS D'INVESTISSEMENT		
Cession de dépôts à terme	132 932	500 000
Disposition de placements en actions de sociétés publiques canadiennes	103 844	-
Produits financiers reçus	2 382	711
Flux de trésorerie provenant des activités d'investissement	239 158	500 711
ACTIVITÉS DE FINANCEMENT		
Émission d'actions et d'unités	132 000	-
Avances temporaires d'une société sous contrôle commun et d'un administrateur	200 000	-
Dû à une société sous contrôle commun	250 000	200 000
Flux de trésorerie provenant des activités de financement	582 000	200 000
(DIMINUTION) AUGMENTATION NETTE DE L'ENCAISSE	(225 653)	327 697
ENCAISSE AU DÉBUT DE L'EXERCICE	404 719	77 022
ENCAISSE À LA FIN DE L'EXERCICE	179 066	404 719

Les notes complémentaires font partie intégrante des états financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

1. Nature des activités

Ressources et Énergie Squatex inc (ci-après la «Société») se spécialise dans l'exploration gazière et pétrolière dans des sites pétroliers situés dans les Basses-Terres du St-Laurent et le Bas St-Laurent et la Gaspésie.

2. Continuité d'exploitation

Les états financiers ont été établis conformément aux Normes internationales d'information financière (IFRS) incluant l'hypothèse de la continuité d'exploitation, laquelle prévoit que la Société sera en mesure de réaliser ses actifs et d'acquitter ses dettes dans le cours normal de ses activités.

Étant donné que la Société n'a pas encore trouvé une propriété qui contient des réserves de pétrole et de gaz économiquement exploitables, la Société n'a pas généré de revenus ni de flux de trésorerie de son exploitation jusqu'à maintenant. Au 31 mars 2015, la Société présentait un déficit de 5 276 799 \$ (4 149 860 \$ au 31 mars 2014). Ces incertitudes significatives jettent un doute important relativement à la capacité de la Société de poursuivre ses activités.

La capacité de la Société de poursuivre ses activités dépend de l'obtention de nouveaux financements nécessaires à la poursuite de l'exploration de ses propriétés gazières et pétrolières ainsi que du support continu des fournisseurs. Même si la Société a réussi à financer ses programmes d'exploration durant la dernière année, rien ne garantit qu'elle réussisse à obtenir d'autres financements dans l'avenir.

Les états financiers n'ont pas subi les ajustements qu'il serait nécessaire d'apporter aux valeurs comptables des actifs et des passifs, aux produits et aux charges et au classement utilisé dans l'état de la situation financière si l'hypothèse de la continuité d'exploitation ne convenait pas. Ces ajustements pourraient être significatifs.

3. Généralités et conformité aux IFRS

Les états financiers de la Société ont été établis conformément aux Normes internationales d'information financière (IFRS).

Ressources et Énergie Squatex inc est constituée en vertu de la *Loi canadienne sur les sociétés par actions*.

Le siège social, qui est aussi l'établissement principal, est situé au 7055 boulevard Taschereau, Bureau 500, Brossard, Québec, Canada, J4Z 1A7.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

4. Application des Normes internationales d'information financière (IFRS) nouvelles et modifiées

4.1 Application des IFRS nouvelles et modifiées

Un certain nombre de normes nouvelles et modifiées sont en vigueur pour les exercices ouverts à compter du 1er janvier 2014. L'information sur la nouvelle norme applicable à la Société est présentée ci-dessous:

IFRIC 21 – Droits ou taxes

En mai 2013, l'IASB a publié IFRIC 21, *Droits ou taxes*, une interprétation qui porte sur la comptabilisation du passif au titre d'un droit ou d'une taxe exigible dans le cas où ce passif entre dans le champ d'application d'IAS 37, *Provisions, passifs éventuels et actifs éventuels*. L'interprétation indique que le fait générateur d'obligation qui crée un passif au titre d'un droit ou d'une taxe exigible est l'activité qui rend le droit ou la taxe exigible, tel qu'il est prévu dans les dispositions légales ou réglementaires. De plus, le passif au titre d'un droit ou d'une taxe exigible est comptabilisé de manière progressive si le fait générateur d'obligation se produit au fil du temps. Si cette activité se produit à une date précise, l'obligation entière est alors comptabilisée à cette date. L'IFRIC 21 s'applique sur les exercices ouverts à compter du 1er janvier 2014. Cette norme a été appliquée rétrospectivement, conformément aux dispositions transitoires, et n'a pas eu d'incidence importante sur les états financiers de la Société pour les périodes présentées.

4.2 Normes existantes qui ne sont pas encore en vigueur

À la date d'autorisation de ces états financiers, de nouvelles normes et interprétations des normes existantes et de nouvelles modifications ont été publiées, mais ne sont pas encore en vigueur, et la Société ne les a pas adoptées de manière anticipée. La direction prévoit que l'ensemble des prises de position seront adoptées dans les méthodes comptables de la Société au cours du premier exercice débutant après la date d'entrée en vigueur de celles-ci.

L'information sur les nouvelles normes et interprétations et les nouvelles modifications qui sont susceptibles d'être pertinentes pour les états financiers de la Société est fournie ci-dessous. Certaines autres nouvelles normes et interprétations ont été publiées, mais la direction ne s'attend pas à ce qu'elles aient une incidence importante sur les états financiers de la Société.

IFRS 9 – Instruments financiers

En juillet 2014, l'IASB a publié IFRS 9 laquelle remplace IAS 39 *Instruments financiers : comptabilisation et évaluation* (IAS 39). IFRS 9 introduit des améliorations comprenant un modèle plus logique de classification et d'évaluation des actifs financiers, un modèle unique de dépréciation plus prospectif, fondé sur les pertes de crédit attendues et un modèle de comptabilité de couverture substantiellement modifié. Cette norme s'applique aux exercices ouverts à compter du 1^{er} janvier 2018, l'adoption anticipée étant permise. La Société n'a pas encore déterminé l'incidence de l'adoption de cette norme sur ses états financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

5. Principales méthodes comptables

5.1 Généralités

Les principales méthodes comptables ayant servi à la préparation des présents états financiers sont résumées ci-dessous.

Ces méthodes comptables ont été utilisées pour tous les exercices présentés dans les états financiers.

5.2 Base d'évaluation

Les présents états financiers ont été préparés selon la méthode du coût historique, sauf en ce qui concerne la réévaluation de certains instruments financiers à la juste valeur.

5.3 Permis d'exploration et d'évaluation détenus conjointement

Les permis détenus conjointement avec Pétrolympic Ltd. n'impliquent pas le contrôle conjoint selon les dispositions d'IFRS 11. En vertu de l'entente signée entre les parties, la Société détient le contrôle sur les permis détenus et partage les résultats avec Pétrolympic Ltd. qui détient une participation de 30%.

En ce qui concerne sa participation dans des permis détenus conjointement, la Société comptabilise dans les états financiers sa quote-part des actifs détenus conjointement, classés selon la nature des actifs, sa quote-part de tout passif qu'elle contracte conjointement avec Pétrolympic Ltd., et elle enregistre sa quote-part de tout produit de la vente ou de l'utilisation de sa quote-part de la production de l'actif détenu conjointement ainsi que sa quote-part de toute charge engagée pour l'actif détenu conjointement et toute charge engagée au titre de sa participation dans l'actif détenu conjointement.

5.4 Ententes d'amodiation ("Farm-out Agreement")

Lors de cessions d'intérêt relativement à des conventions d'option, la Société ne comptabilise pas les dépenses d'exploration et d'évaluation engagées sur les propriétés par l'acquéreur. De plus, les contreparties reçues en trésorerie ou en actions de l'acquéreur sont comptabilisées comme un profit sur la cession d'actifs d'exploration et d'évaluation en résultat net.

5.5 Instruments financiers

Les actifs et les passifs financiers sont comptabilisés lorsque la Société devient une partie aux dispositions contractuelles de l'instrument financier.

Les actifs financiers sont décomptabilisés lorsque les droits contractuels sur les flux de trésorerie liés à l'actif financier arrivent à expiration ou ont été transférés et que la Société a transféré la quasi-totalité des risques et avantages inhérents à la propriété de l'actif.

Un passif financier est décomptabilisé en cas d'extinction, de résiliation, d'annulation ou d'expiration.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.5 Instruments financiers (suite)

Les actifs et les passifs financiers sont initialement évalués à la juste valeur majorée des coûts de transaction, à l'exception des actifs et des passifs financiers comptabilisés à la juste valeur par le biais du résultat net qui sont initialement évalués à la juste valeur.

Les actifs et les passifs financiers sont évalués ultérieurement comme il est indiqué ci-après.

Actifs financiers

Aux fins de l'évaluation ultérieure, les actifs financiers de la Société sont classés dans les catégories suivantes au moment de la comptabilisation initiale:

- Prêts et créances;
- Actifs financiers à la juste valeur par le biais du résultat net;
- Actifs financiers disponibles à la vente.

La catégorie détermine la méthode d'évaluation ultérieure et la comptabilisation soit en résultat net, soit en autres éléments du résultat global des produits et des charges qui en résulteront. Tous les produits et charges se rapportant aux actifs financiers comptabilisés en résultat net sont présentés dans les charges financières, le cas échéant, ou dans les produits financiers, à l'exception des variations de juste valeur des placements en actions de sociétés publiques canadiennes qui sont présentés distinctement.

Prêts et créances

Les prêts et créances sont des actifs financiers non dérivés à paiements fixes ou déterminables, qui ne sont pas cotés sur un marché actif. Après leur comptabilisation initiale, les prêts et créances sont évalués au coût amorti selon la méthode du taux d'intérêt effectif, diminué d'une provision pour pertes de valeur. L'actualisation est omise si son effet est non significatif.

Actifs financiers à la juste valeur par le biais du résultat net

Les actifs financiers à la juste valeur par le biais du résultat net comprennent les actifs financiers classés comme détenus à des fins de transaction ou qui respectent certaines conditions et qui sont désignés comme étant à la juste valeur par le biais du compte de résultat net au moment de la comptabilisation initiale.

Les actifs financiers classés dans cette catégorie sont évalués à la juste valeur. Les profits et les pertes résultant des variations de la juste valeur sont présentés dans l'état du résultat global, dans la période au cours de laquelle ils se produisent.

Actifs financiers disponibles à la vente

Les actifs financiers disponibles à la vente sont des actifs financiers non dérivés qui sont désignés dans cette catégorie ou qui ne se qualifient pas pour la classification dans aucune autre catégorie d'actifs financiers.

L'intérêt calculé selon la méthode du taux d'intérêt effectif et les dividendes sont comptabilisés en résultat net dans les produits financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.5 Instruments financiers (suite)

Les actifs financiers de la Société sont composés des éléments suivants:

Actifs financiers	Classement
Encaisse	Prêts et créances
Dépôts à terme	Prêts et créances
Débiteurs (à l'exception des taxes de vente)	Prêts et créances
Débeture	Prêts et créances
Actions dans une société privée	Actifs financiers disponibles à la vente
Actions de sociétés publiques canadiennes et option de conversion du placement dans une débeture	Actifs financiers à la juste valeur par le biais du résultat net

Dépréciation des actifs financiers

Tous les actifs financiers, sauf ceux qui sont évalués à la juste valeur par le biais du résultat net, sont sujets à un test de dépréciation, au moins à chaque date de clôture. Les actifs financiers sont dépréciés lorsqu'il existe des indications objectives qu'un actif financier ou un groupe d'actifs financiers a subi une perte de valeur.

Une indication objective de dépréciation pourrait notamment inclure :

- des difficultés financières importantes de la part de l'émetteur ou du débiteur;
- une rupture de contrat telle un défaut de paiement des intérêts ou du principal; ou
- la probabilité croissante de faillite ou autre restructuration financière de l'emprunteur.

Les débiteurs individuellement significatifs sont soumis à un test de dépréciation lorsqu'ils sont en souffrance ou qu'il existe des indications objectives qu'une contrepartie en particulier ne respectera pas ses obligations. Les pertes de valeur des débiteurs, sont présentées, lorsqu'applicable, au résultat net dans les frais généraux et frais d'administration.

Passifs financiers

Les passifs financiers comprennent les dettes fournisseurs et autres créditeurs et le dû à une société sous contrôle commun.

Les passifs financiers sont évalués ultérieurement au coût amorti selon la méthode du taux d'intérêt effectif.

Les charges d'intérêts sont présentées dans les frais financiers.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.6 Résultat de base et dilué par action

Le résultat de base par action est calculé en divisant le résultat attribuable aux porteurs d'actions ordinaires par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. Le résultat dilué par action est calculé en ajustant le résultat attribuable aux porteurs d'actions ordinaires ainsi que le nombre moyen pondéré d'actions ordinaires en circulation et des effets de toutes les actions ordinaires potentielles dilutives. Il faut considérer que les actions ordinaires potentielles dilutives ont été converties en actions ordinaires au début de l'exercice ou à la date d'émission des actions ordinaires potentielles si elle est ultérieure.

5.7 Crédits d'impôt à recevoir

La Société est admissible au crédit d'impôt remboursable relatif à des dépenses d'exploration pétrolière et gazière. Les dépenses d'exploration admissibles peuvent donner droit à un remboursement de 28 % depuis le 5 juin 2014 (35% avant le 5 juin 2014) au Québec. Ce crédit d'impôt est comptabilisé en diminution des dépenses d'exploration et d'évaluation. La Société comptabilise les crédits d'impôt lorsqu'il existe une assurance raisonnable que les crédits seront recouverts et accordés et que la Société respectera les conditions connexes.

5.8 Dépenses d'exploration et d'évaluation

Les dépenses d'exploration et d'évaluation sont les coûts engagés dans la recherche initiale pour des réserves pétrolières et gazières ayant un potentiel économique. Les coûts engagés avant l'acquisition des servitudes légales d'exploration et d'évaluation sont comptabilisées au résultat net au moment où ils sont engagés.

Une fois les servitudes légales d'exploration et d'évaluation obtenues, tous les coûts liés à l'acquisition des droits pétroliers ou gaziers, les dépenses liées à l'exploration et à l'évaluation des propriétés pétrolières et gazières, diminuées des crédits d'impôt liés à ces dépenses, sont imputées au résultat net. Les dépenses liées à l'exploration et à l'évaluation incluent notamment les études géologiques et géophysiques, les forages d'exploration, l'échantillonnage ainsi que les activités en liaison avec l'évaluation de la faisabilité technique et de la viabilité commerciale de l'extraction d'une ressource pétrolière ou gazière. Les différents coûts sont imputés en résultat net jusqu'à ce que la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource pétrolière et gazière soit démontrée.

Si la faisabilité technique et la viabilité commerciale de l'extraction d'une ressource pétrolière ou gazière peuvent être démontrées, tous les coûts subséquents de construction, d'installation et d'achèvement de l'équipement et des infrastructures sont capitalisés dans la catégorie « Actifs pétroliers ou gaziers en construction ». Une fois l'étape de développement complétée, tous les actifs inclus dans la catégorie « Actifs pétroliers ou gaziers en construction » sont alors transférés dans la catégorie « Actifs pétroliers ou gaziers ». Jusqu'à maintenant, aucune faisabilité technique et aucune viabilité commerciale de l'extraction d'une ressource pétrolière ou gazière n'a été démontrée.

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Notes complémentaires

(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.8 Dépenses d'exploration et d'évaluation (suite)

Bien que la Société ait pris des mesures conformes aux pratiques de l'industrie pour le stade d'exploration actuel de telles propriétés afin d'obtenir les titres de propriété des propriétés pétrolières ou gazières dans lesquelles elle détient un intérêt financier, ces procédures ne garantissent toutefois pas la validité du titre de propriété. Les titres de propriété des propriétés pétrolières ou gazières peuvent être assujettis à des ententes préalables non enregistrées et au non-respect de dispositions réglementaires.

5.9 Provisions et passifs éventuels

Les provisions sont comptabilisées lorsque les obligations actuelles, résultant d'un événement passé, se traduiront probablement par une sortie de ressources représentatives d'avantages économiques de la Société et que les montants peuvent être estimés de manière fiable. L'échéance ou le montant de la sortie peuvent être incertains. Une obligation actuelle découle de la présence d'obligations juridiques ou implicites résultant d'événements passés, comme des litiges, des passifs relatifs au démantèlement, à la remise en état et autres passifs similaires, ou des contrats onéreux.

L'évaluation des provisions correspond aux dépenses estimées nécessaires à l'extinction de l'obligation actuelle, en fonction des éléments probants les plus fiables disponibles à la date de présentation de l'information financière, incluant les risques et les incertitudes liés à l'obligation actuelle. Lorsqu'il existe un grand nombre d'obligations similaires, la probabilité qu'une sortie de ressources sera nécessaire à l'extinction de ces obligations est déterminée en considérant la catégorie d'obligation comme un tout. Les provisions sont actualisées lorsque la valeur temps de l'argent est significative.

Les provisions sont revues à chaque date de présentation de l'information financière et ajustées pour refléter les meilleures estimations actuelles à cette date.

Lorsqu'une sortie possible de ressources représentatives d'avantages économiques résultant d'une obligation actuelle est considérée comme étant improbable ou de probabilité faible, aucun passif n'est comptabilisé.

Les activités de la Société sont régies par des lois et règlements gouvernementaux concernant la protection de l'environnement. Les conséquences environnementales sont difficilement identifiables, qu'il s'agisse des montants, de l'échéance ou de l'impact. La Société estime qu'elle exerce actuellement ses activités en conformité avec les lois et règlements présentement en vigueur. Tout paiement pouvant résulter de la restauration des propriétés pétrolières et gazières, s'il y a lieu, sera comptabilisé au coût des propriétés pétrolières et gazières au moment où il sera possible d'en faire une estimation raisonnable.

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(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.10 Impôt sur le résultat

La charge d'impôt comptabilisée en résultat net correspond à la somme de l'impôt différé et de l'impôt exigible qui ne sont pas comptabilisés directement aux capitaux propres.

Le calcul de l'impôt exigible est fondé sur les taux d'imposition et les réglementations fiscales, qui ont été adoptées à la fin de la période de présentation de l'information financière. L'impôt différé est calculé selon la méthode du passif fiscal.

Les actifs d'impôt différé sont comptabilisés dans la mesure où il est probable que la perte fiscale ou la différence temporaire déductible sous-jacente sera utilisée pour compenser un bénéfice imposable futur. Cela est évalué en fonction des prévisions de la Société quant aux résultats opérationnels futurs, lesquelles sont ajustées pour tenir compte des charges et des produits significatifs non imposables ainsi que des limites d'utilisation des pertes ou des crédits fiscaux non utilisés.

Habituellement, les passifs d'impôt différé sont comptabilisés en totalité, bien qu'IAS 12 *Impôts sur les résultats* précise un nombre limité d'exemptions.

5.11 Capitaux propres

Le capital social représente le montant reçu à l'émission des actions moins les frais d'émission net de tout avantage d'impôt sur le résultat sous-jacent à ces frais d'émission.

Le déficit comprend l'ensemble des profits et pertes non distribués de l'exercice en cours et des exercices antérieurs.

Le surplus d'apport comprend la renonciation d'une société sous contrôle commun au paiement de ses services.

5.12 Actions accréditives

La Société finance une partie de ses dépenses d'exploration par l'émission d'unités comprenant des actions accréditives et des actions ordinaires. La Société renonce aux déductions fiscales pour frais relatifs à des ressources au profit des investisseurs conformément à la législation fiscale. La Société a adopté une méthode comptable qui considère la substance de l'émission d'actions accréditives comme a) l'émission d'une action ordinaire et b) la vente d'une déduction fiscale. La répartition entre le placement d'actions ordinaires et la vente d'avantages fiscaux est fondée sur la différence entre la juste valeur des actions ordinaires et le montant que l'investisseur paie pour les actions accréditives, selon la méthode de la valeur résiduelle. Au moment de l'émission des actions accréditives, la vente de déduction fiscale est reportée et présentée dans le passif. Lorsque la Société s'acquitte de son obligation, c'est-à-dire lorsque la Société a engagé les dépenses admissibles et qu'elle a l'intention d'y renoncer, le passif est réduit et la vente est comptabilisée au résultat net (dans les autres produits).

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(en dollars canadiens)

5. Principales méthodes comptables (suite)

5.13 Information sectorielle

La Société présente et divulgue l'information sectorielle selon les informations examinées régulièrement par les principaux décideurs opérationnels, i.e. le président et le conseil d'administration. Au sein de la Société, les principaux décideurs opérationnels ont la responsabilité d'affecter les ressources et d'évaluer la performance des secteurs et ils sont d'avis que la Société opère dans un seul secteur, soit l'exploration et l'évaluation des ressources gazières et pétrolières au Canada.

6. Jugements, estimations et hypothèses

Lorsqu'elle prépare les états financiers, la direction pose un certain nombre de jugements, d'estimations et d'hypothèses quant à la comptabilisation et à l'évaluation des actifs, des passifs, des produits et des charges. Les résultats réels peuvent différer des jugements, des estimations et des hypothèses posés par la direction et ils seront rarement identiques aux résultats estimés. L'information sur les jugements, les estimations et les hypothèses significatifs qui ont la plus grande incidence sur la comptabilisation et l'évaluation des actifs, des passifs, des produits et des charges est présentée ci-après.

Incertitudes relatives aux estimations

6.1 Crédits d'impôt à recevoir

Le calcul des crédits d'impôt remboursables sur les frais d'exploration admissibles engagés implique un certain degré d'estimation et de jugement en ce qui a trait à certains éléments dont le traitement fiscal ne peut être déterminé avec certitude jusqu'à ce qu'un avis de cotisation ait été émis par les autorités fiscales dont ils relèvent et qu'un paiement ait été reçu.

Des écarts survenant entre le résultat réel suivant la résolution finale de certains de ces éléments et les hypothèses retenues pourraient nécessiter des ajustements au crédit d'impôt à recevoir, aux dépenses d'exploration et d'évaluation et aux charges d'impôts exigibles. Se reporter à la note 5.7 pour plus d'informations.

Jugements significatifs

6.2 Continuité d'exploitation

L'évaluation de la capacité de la Société de poursuivre sur une base de continuité d'exploitation, d'obtenir suffisamment de fonds pour couvrir ses dépenses d'opérations en cours, de remplir ses obligations pour l'année à venir, et d'obtenir du financement pour les programmes d'exploration et d'évaluation prévus, implique une grande part de jugement basé sur l'expérience passée et sur d'autres facteurs, incluant la probabilité d'événements futurs qui sont considérés comme raisonnables en tenant compte des circonstances. Se reporter à la note 2 pour de plus amples informations.

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7. Dépôts à terme

	2015	2014
	\$	\$
Dépôt à terme, 1.00% en 2014, échéant en juin 2014	-	14 669
Dépôt à terme, 1.00% en 2014, échéant en août 2014	-	118 263
	-	132 932

8. Actions de sociétés publiques canadiennes

	2015	2014
	\$	\$
GASTEM INC	5	800
JUNEX INC (vendues au cours de l'exercice)	-	27 000
QUESTERRE ENGY CORP	4 710	19 939
TALISMAN ENGY INC (vendues au cours de l'exercice)	-	27 550
	4 715	75 289

La Société détient moins de 0.01% des actions pour chacune des sociétés publiques canadiennes, donc elle n'exerce aucune influence notable sur les décisions prises par ces sociétés canadiennes.

9. Débiteurs

	2015	2014
	\$	\$
Comptes à recevoir	60 728	60 907
Intérêts à recevoir	-	1 503
Taxes de vente à recevoir	38 261	11 533
Débiteurs	98 989	73 943

10. Placement dans une société privée

	2015	2014
	\$	\$
Actions dans une société privée	-	1
Débeture, 10.00 %, échéant le 8 septembre 2019	1	-

Le 4 septembre 2014, la Société a approuvé une transaction de rachat des actions ordinaires détenues dans une société privée ayant un coût de 500 000 \$, effective le 9 septembre 2014, et payable par l'émission d'une débeture d'une valeur nominale de 500 000 \$, portant intérêts à un taux annuel de 10,00 %, payables ou capitalisables semestriellement, échéant le 8 septembre 2019. La débeture est assortie d'une option de conversion du principal et des intérêts courus à la date de conversion en actions ordinaires de la société privée au prix de 0.20 \$ l'action. À l'émission, la juste valeur de la débeture et de l'option de conversion a été établie à 1 \$.

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Notes complémentaires

(en dollars canadiens)

11. Dettes fournisseurs et autres créditeurs

	2015	2014
	\$	\$
Dettes fournisseurs	53 352	57 909
Intérêts à payer	54 452	7 500
Dettes fournisseurs et autres créditeurs	107 804	65 409

12. Capitaux propres**12.1 Capital social autorisé**

Nombre illimité d'actions ordinaires, sans valeur nominale.

12.2 Capital social émis

Émis et payés:

	au 31 mars 2015		au 31 mars 2014	
	Nombre	\$	Nombre	\$
Solde au 1er avril	51 772 273	4 216 903	51 772 273	4 216 903
Conversion des avances temporaires d'une société sous contrôle commun et d'un administrateur en actions ordinaires	333 334	200 000	-	-
Émission d'actions et d'unités par des placements privés	209 015	125 419	-	-
Solde au 31 mars	52 314 622	4 542 322	51 772 273	4 216 903

Au 31 mars 2015, il n'y a aucune de ces actions qui sont sous écrou (13 110 827 actions au 31 mars 2014).

Placement privé

Le 26 novembre 2014 et le 28 novembre 2014, la société a complété des placements privés sans l'intermédiaire d'un agent ou d'un courtier pour un produit brut de 132 000 \$. Le placement consistait en l'émission de 77 405 actions ordinaires au prix de 0,60 \$ par action ainsi que 131 610 actions ordinaires accréditatives au prix de 0,65 \$ par action. Aucun frais d'intermédiation n'a été payé par la société dans le cadre de ce placement privé.

La Société a renoncé aux déductions fiscales reliées aux actions accréditatives émises, ce qui a réduit le capital-actions pour un total de 6 581 \$ et la contrepartie a été comptabilisée à titre d'autre passif. L'autre passif sur les actions accréditatives a été réduit et la contrepartie a été comptabilisée à l'état des résultats au cours de l'exercice, lorsque les dépenses d'exploration ont été engagées. Le total des dépenses admissibles engagées auquel la société a renoncé est de 85 547 \$.

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12. Capitaux propres (suite)

12.2 Capital social émis (suite)

Conversion en actions

Le 3 juillet 2014, une avance de 200 000 \$ est faite à la Société par une société sous contrôle commun, dont une avance temporaire de 100 000 \$, ne portant pas intérêts, est convertible en actions lors du prochain placement privé au prix qui a été déterminé lors de ce placement. La seconde tranche de 100 000 \$ porte intérêts au taux de 15 % et est remboursable le 19 août 2016. Le 22 septembre 2014, la société a approuvé la conversion de l'avance temporaire par l'émission de 166 667 actions ordinaires par un placement privé, au prix de 0,60 \$ chacune pour un total de 100 000 \$.

Le 25 juillet 2014, une avance temporaire de 100 000 \$, ne portant pas intérêts, a été faite à la Société par un administrateur. Cette avance est convertible en actions au prix qui a été déterminé lors de ce placement privé. Le 22 septembre 2014, la société a approuvé la conversion de l'avance temporaire de 100 000 \$ par l'émission de 166 667 actions ordinaires par un placement privé, au prix de 0,60 \$ chacune pour un total de 100 000 \$.

13. Actifs et passifs financiers

Catégories d'actifs et de passifs financiers

La valeur comptable et la juste valeur des instruments financiers présentés dans l'état de la situation financière se détaillent comme suit:

	au 31 mars 2015		au 31 mars 2014	
	Valeur comptable	Juste valeur	Valeur comptable	Juste valeur
	\$	\$	\$	\$
Actifs financiers				
Prêts et créances				
Encaisse	179 066	179 066	404 719	404 719
Dépôts à terme	-	-	132 932	132 932
Débiteurs (à l'exception des taxes de vente à recevoir)	60 728	60 728	62 410	62 410
Débenture	1	1	-	-
	239 795	239 795	600 061	600 061
Actifs financiers disponibles à la vente				
Actions dans une société privée	-	-	1	N/D
Actifs financiers à la juste valeur par le biais du résultat net				
Actions de sociétés publiques canadiennes	4 715	4 715	75 289	75 289
Passifs financiers				
Passifs financiers évalués au coût amorti				
Dettes fournisseurs et autres créditeurs	107 804	107 804	65 409	65 409
Dû à une société sous contrôle commun	450 000	450 000	200 000	200 000
	557 804	557 804	265 409	265 409

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Notes complémentaires

(en dollars canadiens)

13. Actifs et passifs financiers (suite)

Catégories d'actifs et de passifs financiers

La valeur comptable de l'encaisse, des dépôts à terme, des débiteurs (à l'exception des taxes de ventes à recevoir) et des dettes fournisseurs et autres créditeurs est considérée comme une approximation raisonnable de la juste valeur en raison des échéances à court terme de ces instruments financiers.

La juste valeur des actions de sociétés publiques canadiennes a été déterminée en fonction du cours acheteur à la date de clôture et sont classées sous le niveau 1. La juste valeur du placement en actions et de l'option de conversion sur le placement dans une débenture d'une société privée n'a pas été déterminée puisqu'il n'existe aucun marché actif et que la juste valeur ne peut être évaluée de manière fiable.

La juste valeur du dû à une société sous contrôle commun et de la débenture est déterminée à l'aide d'une méthode d'actualisation des flux de trésorerie, fondée sur des taux d'intérêts observables sur le marché pour des instruments similaires présentant un risque similaire (niveau 2).

La note 5.5 contient une description des méthodes comptables utilisées pour chaque catégorie d'instruments financiers. Les notes 20 et 21 fournissent une description des objectifs et des méthodes de la Société en matière de gestion des risques relativement aux instruments financiers.

Instrument financiers évalués à la juste valeur et instruments financiers évalués au coût amorti pour lesquels une juste valeur est divulguée

Les actifs et les passifs financiers évalués à la juste valeur à l'état de la situation financière et ceux évalués au coût amorti pour lesquels une juste valeur est divulguée sont présentés selon la hiérarchie des évaluations à la juste valeur. Cette hiérarchie regroupe les actifs et les passifs financiers en trois niveaux selon l'observabilité des données utilisées dans l'évaluation de la juste valeur des actifs et des passifs financiers. Les niveaux de hiérarchie des évaluations à la juste valeur sont les suivants :

Niveau 1: Prix cotés (non rajustés) sur des marchés actifs pour des actifs et des passifs identiques à la date de présentation de l'information financière;

Niveau 2: Données, autres que les prix cotés visés au niveau 1, observables pour l'actif ou le passif, directement ou indirectement;

Niveau 3: Données relatives à l'actif ou au passif qui ne sont pas fondées sur des données de marché observables.

Le niveau dans lequel le passif ou l'actif financier est classé est déterminé selon la donnée du niveau le plus bas qui a une importance par rapport à l'évaluation de la juste valeur.

Il n'y a pas eu de transfert entre les niveaux durant les périodes de présentation de l'information financière. La méthode et les techniques d'évaluation utilisées pour l'évaluation des justes valeurs sont demeurées inchangées comparativement à celle de la période de présentation de l'information financière précédente.

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Notes complémentaires*(en dollars canadiens)***14. Dépenses d'exploration et d'évaluation**

Les dépenses d'exploration et d'évaluation par région se détaillent comme suit:

	2015		
	Entrées	Crédits d'impôt	Solde net
	\$	\$	\$
Basses-Terres du Saint-Laurent	38 294	2 492	35 802
Bas Saint-Laurent-Gaspé	997 060	242 989	754 071
Total	1 035 354	245 481	789 873

	2014		
	Entrées	Crédits d'impôt	Solde net
	\$	\$	\$
Basses-Terres du Saint-Laurent	65 418	15 896	49 522
Bas Saint-Laurent-Gaspé	670 734	220 842	449 892
Total	736 152	236 738	499 414

Les dépenses d'exploration et d'évaluation par nature se détaillent comme suit:

	2015	2014
	\$	\$
Géologie et géophysique	926 154	553 152
Consultation technique	109 200	183 000
Total	1 035 354	736 152
Crédits d'impôt	245 481	236 738
Dépenses d'exploration et d'évaluation au net des crédits d'impôt	789 873	499 414

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14. Dépenses d'exploration et d'évaluation (suite)**Basses-Terres du Saint-Laurent**

(i) La Société détient 12 permis d'exploration qui totalisent 224 933 hectares.

(ii) En novembre 2008, la Société a signé un « Farmout and Joint Operating Agreement » avec Petrolympic Ltd. («Petrolympic») et Canbriam Energy Inc. (« Canbriam »), une société privée établie à Calgary en Alberta, visant des travaux d'exploration sur deux (2) des permis détenus par Squatex et Petrolympic et permettant à Canbriam de gagner une participation de 60% pour un total de 32 000 hectares.

Canbriam n'ayant pas fait les travaux prévus dans les délais convenus, l'entente de Farmout a pris fin. Nonobstant ce qui précède, Canbriam conserve sa participation de 60% déjà gagnée sur les 8 000 hectares sélectionnés à travers 2 permis détenus conjointement par la Société et Petrolympic Ltd. La participation restante de 40% est détenue conjointement par la Société et Petrolympic Ltd selon les termes de l'entente existante, ce qui représente 28% et 12% respectivement.

Bas Saint-Laurent-Gaspé

(i) La Société détient 24 permis d'exploration qui totalisent 431 160 hectares.

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Notes complémentaires*(en dollars canadiens)***15. Frais généraux et frais d'administration**

Nature des frais	2015	2014
	\$	\$
Services professionnels	245 563	207 774
Honoraires de gestion	24 000	24 000
Représentations et déplacements	4 765	4 639
Assurances	10 746	11 448
Règlements et permis	47 807	45 927
Associations	6 428	-
Taxes et permis	284	83
Frais de bureau	14 185	2 696
Don	2 100	-
Amortissement des immobilisations corporelles	129	184
	356 007	296 751

16. Charges financières

	2015	2014
	\$	\$
Intérêts du dû à une société sous contrôle commun, à long terme	46 952	7 500
Intérêts et autres frais bancaires	704	376
Frais de gestion de placements	2 325	-
	49 981	7 876
Revenus financiers	879	5 118
	49 102	2 758

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Notes complémentaires*(en dollars canadiens)***17. Impôt sur le résultat****Composantes importantes du recouvrement (de la charge) d'impôt**

Les composantes importantes du recouvrement (de la charge) d'impôt se détaillent comme suit:

	2015	2014
	\$	\$
Recouvrement (charge) d'impôts exigibles		
Recouvrement d'impôts exigibles résultant de l'application d'une perte fiscale à une période antérieure non comptabilisé	-	111 933
Total du recouvrement d'impôts exigibles	-	111 933
	2015	2014
	\$	\$
Recouvrement (charge) d'impôts différés		
Naissance et renversement de différences temporaires	255 580	39 581
Variation des différences temporaires non constatées	(227 388)	(223 978)
Total du produit (de la charge) d'impôts différés	28 192	(184 397)
Total du recouvrement (de la charge) d'impôt	28 192	(72 464)

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

17. Impôt sur le résultat (suite)**Relation entre le recouvrement d'impôt sur le résultat attendu et le recouvrement d'impôt au compte de résultat**

La relation entre le recouvrement d'impôt sur le résultat attendu calculée sur la base du taux combiné fédéral et provincial au Canada et le recouvrement d'impôt présenté à l'état du résultat global se rapproche comme suit:

	2015 \$	2014 \$
Résultat avant impôts sur les bénéfices	(1 155 131)	(802 642)
Impôts sur les bénéfices selon le taux d'imposition combiné fédéral et provincial au Canada de 26,9 % (26,9 % en 2014)	(310 730)	(215 911)
Augmentation (diminution) des impôts sur les bénéfices résultant des éléments suivants :		
(Gain) Perte non réalisé(e) (non imposable) non déductible	3 473	500
Variation des différences temporaires non constatées	227 388	223 978
Divers	51 677	63 897
	(28 192)	72 464

Actifs et passifs d'impôts différés et variation des montants comptabilisés durant l'exercice

Au 31 mars 2015, la Société dispose des différences temporaires suivantes pour lesquelles aucun actif d'impôt différés n'a été constaté:

	Fédéral	Provincial
Dépenses d'exploration et d'évaluation	2 042 633	2 501 235

Au 31 mars 2015, la Société dispose de pertes en capital déductibles de 105 077 \$ (120 550 \$ en 2014) qui peuvent être appliquées en réduction de gains en capital imposables futurs et peuvent être reportées sur une période indéterminée.

Le passif d'impôts différés provient des écarts entre la valeur fiscale et la valeur comptable des éléments suivants:

	1er avril 2014	Comptabilisé en résultat net	31 mars 2015
Dépenses nettes d'exploration et d'évaluation	(324 328)	28 162	(296 166)
Immobilisations	(107)	30	(77)
	(324 435)	28 192	(296 243)

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

17. Impôt sur le résultat (suite)

Actifs et passifs d'impôts différés et variation des montants comptabilisés durant l'exercice (suite)

	1er avril 2013	Comptabilisé en résultat net	31 mars 2014
	\$	\$	\$
Dépenses nettes d'exploration et d'évaluation	(139 891)	(184 437)	(324 328)
Immobilisations	(147)	40	(107)
	(140 038)	(184 397)	(324 435)

18. Résultat par action

Le calcul du résultat de base par action est effectué à partir du résultat net de l'exercice divisé par le nombre moyen pondéré d'actions ordinaires en circulation au cours de l'exercice. Le résultat dilué par action est le même puisqu'il n'y a aucun élément potentiellement dilutif aux 31 mars 2015 et 2014.

Il n'y a pas eu d'autres transactions concernant des actions ordinaires entre la date de clôture et la date de l'autorisation de publication de ces états financiers.

19. Transactions entre parties liées

Les parties liées de la Société comprennent les principaux dirigeants et les sociétés contrôlées par ceux-ci, comme il est expliqué ci-dessous.

Sauf indication contraire, aucune des transactions ne comporte de caractéristiques ni conditions spéciales, et aucune garantie n'a été donnée ou reçue. Les soldes sont généralement réglés en trésorerie.

Transactions avec les principaux dirigeants

Les principaux dirigeants comprennent les administrateurs (membres du comité de direction ou non) et les dirigeants seniors. Il n'y a aucune rémunération versée ou payable aux principaux dirigeants, à l'exception des honoraires chargés par ces derniers ou à une société contrôlée par ceux-ci, pour leurs services en tant qu'employés qui est présentée ci-dessous:

	2015	2014
	\$	\$
Dépenses d'exploration et d'évaluation nettes des crédits d'impôt	184 563	214 394
Services professionnels	118 429	151 800
Honoraires de gestion	24 000	24 000

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

19. Transactions entre parties liées (suite)

Au 31 mars 2015, il résulte de ces opérations un solde à payer de 21 314 \$ (nil au 31 mars 2014).

Les transactions avec les parties liées se font dans le cours normal des affaires et sont comptabilisées à la valeur d'échange, qui est le montant de la contrepartie établie et acceptée par les parties apparentées, sauf indication contraire.

Une société sous contrôle commun, a renoncé au paiement de ses services, pour les services du président, pour l'exercice terminé le 31 mars 2015. La valeur de ces services est d'un montant total de 144 000 \$ (72 000 \$ en 2014) et a été comptabilisée au surplus d'apport.

20. Politiques et procédés de gestion du capital

Dans ses opérations de gestion du capital, la Société vise à dégager le capital nécessaire lui permettant de poursuivre sa stratégie de partenariat pour la mise en valeur de ses propriétés pétrolières et gazières, maintenir une structure de capital souple lui permettant de maintenir sa position de terrains et de poursuivre ses activités d'exploration et maintenir les liquidités nécessaires afin de faire face aux risques susceptibles d'affecter sa situation financière. Le conseil d'administration n'a pas établi de critères quantitatifs pour la gestion du capital, mais il repose sur l'expertise des dirigeants de la Société pour maintenir le développement futur de l'entreprise.

La Société gère son capital sur la base de la valeur comptable des capitaux propres. Le capital pour l'exercice en cours est présenté à la note 12 et à l'état des variations des capitaux propres.

La Société n'est soumise à aucune exigence en matière de capital imposée de l'extérieur.

La Société détermine le montant du capital proportionnellement à sa structure globale de financement, c'est-à-dire les capitaux propres et les passifs financiers. La Société gère sa structure de capital et y apporte des ajustements en fonction des changements qui touchent la conjoncture économique et les caractéristiques de risque des actifs sous-jacents. Afin de maintenir ou de rajuster sa structure de capital, la Société peut être amenée à rembourser du capital aux actionnaires, à émettre des nouvelles actions ou à vendre des actifs.

Lorsque les conditions de financement ne sont pas optimales, la Société peut signer des conventions d'options ou autres ententes pour être en mesure de continuer ses activités d'exploration ou peut ralentir ses activités jusqu'à ce que les conditions de financement s'améliorent.

Aucun changement n'a été effectué en matière d'objectifs, de procédures ou de processus de gestion de capital durant les périodes de présentation de l'information financière.

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

21. Risques découlant des instruments financiers

La Société est exposée à différents risques relativement aux instruments financiers. Les actifs et passifs financiers de la Société sont résumés, par catégorie, à la note 13. Les principaux types de risques auxquels la Société est exposée sont le risque de marché, le risque de crédit et le risque de liquidité.

La Société ne conclut pas de contrats visant des instruments financiers, incluant des dérivés financiers, à des fins spéculatives.

Aucun changement n'a été effectué en matière d'objectifs, de politiques ou de procédures liés à la gestion des risques découlant des instruments financiers au cours des périodes de présentation de l'information financière considérées.

Les principaux risques financiers auxquels la Société est exposé sont décrits ci-après.

21.1 Risques de marché

Le risque de marché est le risque que la juste valeur ou les flux de trésorerie futurs d'un instrument financier fluctuent en raison des variations des prix du marché. La société est exposée au risque de taux d'intérêt et au risque de prix. Les objectifs poursuivis par la Société visent à s'assurer des entrées de trésorerie à court et à moyen terme tout en réduisant l'exposition aux marchés des capitaux.

Sensibilité au taux d'intérêt

Le risque de taux d'intérêt est le risque que la juste valeur ou les flux de trésorerie futurs d'un instrument financier fluctuent en raison des variations des taux d'intérêts du marché.

Les fluctuations des taux d'intérêt peuvent affecter la juste valeur des actifs et passifs financiers portant intérêt à taux fixe. Puisque les dépôts à terme et le dû à une société sous contrôle commun sont comptabilisés au coût amorti, les variations de juste valeur n'ont aucun impact sur le résultat net.

Sensibilité au risque de prix

La Société est exposée aux fluctuations des prix du marché de ses placements en actions de sociétés publiques canadiennes. Le risque maximal auquel sont exposés les titres est égal à leur juste valeur. Une augmentation, ou une baisse du cours de 10 % aurait un impact non significatif sur la juste valeur des titres (7 529 \$ en 2014).

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

21. Risques découlant des instruments financiers (suite)

21.2 Risque de crédit

Le risque de crédit est le risque qu'une autre partie à un instrument financier manque à une de ses obligations et, de ce fait, amène la Société à subir une perte financière.

L'exposition maximale de la Société au risque de crédit est limitée à la valeur comptable des actifs financiers suivants à la date de présentation de l'information financière, après déduction des provisions applicables par postes:

	31 mars	
	2015	2014
	\$	\$
Encaisse	179 066	404 719
Dépôts à terme	-	132 932
Débiteurs (à l'exception des taxes de vente à recevoir)	60 728	62 410
Valeur comptable	239 794	600 061

Le risque de crédit de la Société provient principalement des débiteurs. La Société n'exige pas de garantie. Le solde des débiteurs est géré et analysé de façon continue et, de ce fait, l'exposition de la Société aux créances douteuses n'est pas importante.

La direction de la Société estime que la qualité du crédit de tous les actifs financiers décrits ci-dessus qui ne sont pas dépréciés ou en souffrance, à chaque date de présentation de l'information financière, est bonne.

Aucun actif financier n'est en souffrance, aucune provision pour perte de valeur ou correction pour perte de valeur n'a été comptabilisée pour les périodes présentées.

Le risque de crédit relatif à l'encaisse et aux dépôts à terme est considéré comme négligeable étant donné que ces instruments financiers sont détenus dans une institution financière réputée dont la notation externe de crédit est de bonne qualité.

21.3 Risque de liquidité

Le risque de liquidité est le risque que la Société éprouve des difficultés à honorer des engagements liés à des passifs financiers qui sont à régler par la remise de trésorerie ou d'un autre actif financier.

La gestion du risque de liquidité vise à maintenir un montant suffisant de trésorerie et d'équivalents de trésorerie et à s'assurer que la Société dispose de sources de financement nécessaires à ses activités. À cette fin, elle établit annuellement des prévisions budgétaires et de trésorerie.

Au 31 mars 2015, les passifs financiers de la Société sont les dettes fournisseurs et autres créditeurs qui viennent tous à échéance dans moins de trois mois et le dû à une société sous contrôle commun, remboursable le 19 août 2016.

Les intérêts sur le dû à une société sous contrôle commun totalisent 93 575 \$ sur la durée de l'emprunt et sont payables annuellement jusqu'à l'échéance. Le tableau ci-dessous illustre les échéances contractuelles relatives à ces intérêts:

2016	67 500
2017	26 075

RESSOURCES ET ÉNERGIE SQUATEX INC.

(Une société d'exploration pétrolière et gazière)

Notes complémentaires

(en dollars canadiens)

22. Engagements contractuels

Au 31 mars 2015, les engagements de la Société sont suspendus par le ministre du Développement durable pour une période indéterminée. Toutefois, les obligations statutaires qui avaient été préalablement établies par le Ministère des Ressources naturelles, ont déjà été rencontrées par la Société.

Lorsque les travaux d'exploration reprendront leur cours normal, les engagements totaux de la Société pour la période complète des permis seront d'environ 2 036 744 \$. Les engagements pour les 5 prochains exercices seront de:

Aux 31 mars	Obligations statutaires
2016	-
2017	213 296
2018	754 530
2019	754 530
2020	314 388

Les dépenses d'exploration déjà soumises pour les Basses-Terres du St-Laurent couvrent toutes les obligations pour la durée du permis. Après 5 ans (durée restante des permis), l'excédent est d'environ 795 311 \$ en date du 31 mars 2015 (786 911 \$ au 31 mars 2014).

Les opérations de la Société sont régies par des lois et règlements gouvernementaux concernant la protection de l'environnement. Les conséquences environnementales sont difficilement identifiables, que ce soit sur le plan de la résultante, de son échéance ou de son impact. À la meilleure connaissance de ses dirigeants, les activités de la Société sont en conformité avec les lois et les règlements en vigueur.

23. Éventualités

La société est financée en partie par l'émission d'actions accréditatives et, en vertu de règles fiscales relatives à ce type de financement, la Société s'est engagée à réaliser des travaux d'exploration minière. Cependant, il n'y a aucune garantie que les fonds dépensés par la Société seront admissibles comme frais d'exploration canadiens, même si la Société s'est engagée à prendre toutes les mesures nécessaires à cet effet. Le refus de certaines dépenses par les autorités fiscales aurait un impact fiscal négatif pour les investisseurs.

En outre, les règles fiscales concernant les financements accréditifs établissent des délais pour la réalisation des travaux d'exploration, qui doivent être entrepris au plus tard à la première des dates suivantes:

- Deux ans suivant le financement accréditif;
- Un an après avoir renoncé aux déductions fiscales liées aux travaux d'exploration.

Au cours de la période de présentation de l'information financière, la Société a reçu un montant de 85 547 \$ à la suite de placements accréditifs pour lesquels elle a renoncé aux déductions fiscales. La direction de la Société est tenue de remplir ses engagements dans le délai prévu d'un an à partir de la date de renonciation, engagements qui ont été remplis au cours de l'exercice.

SCHEDULE E

UNAUDITED FINANCIAL STATEMENTS OF THE CORPORATION FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2016

(See document attached)



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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

September 30, 2016

		<u>September 30</u>	<u>March 31</u>
		2016	2016
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
ASSETS			
Current			
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
		110,671	181,030
Non-current assets			
Investment in a private company		1	1
Property and equipment		-	210
		1	211
Total assets		110,672	181,241
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	61,878	196,185
Provisions		229,341	229,341
		291,219	425,526
Non-current			
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
		1,129,020	765,825
Total liabilities		1,420,239	1,191,351
SHAREHOLDER'S DEFICIENCY			
Share capital		4,542,322	4,542,322
Contributed surplus		432,000	360,000
Deficit		(6,283,889)	(5,912,432)
Total shareholder's deficiency		(1,309,567)	(1,010,110)
Total liabilities and shareholder's deficiency		110,672	181,241

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
Operating loss		(166,310)	(183,106)	(326,812)	(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)
Net loss and comprehensive income for the period		(190,287)	(201,266)	(371,457)	(355,092)
Basic and diluted earnings per share		(0.0018)	(0.0019)	(0.0036)	(0.0034)
Weighted average of common shares outstanding		104,629,244	104,629,244	104,629,244	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 \$
Balance April 1, 2015		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
Balance September 30, 2015		4,542,322	(5,631,891)	288,000	(801,569)
Balance April 1, 2016		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
Balance September 30, 2016		4,542,322	(6,283,889)	432,000	(1,309,567)

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

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

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
Receivables	33,135	48,408

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
Trade payables and other payables	61,878	196,185

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
Total	66,358	11,823	54,535

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
Total	78,804	18,705	60,099

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
Total	131,316	22,367	108,949

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
Total	143,503	28,421	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)***7. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

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

	For the six month period ended September 30 2016	For the six month period ended September 30 2015
	\$	\$
Geology and geophysics	76,716	85,903
Technical consultation	54,600	57,600
Total	131,316	143,503
Tax credits, net	22,367	28,421
Exploration and evaluation expenditures net of tax credits	108,949	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	-
	111,775	123,007	217,863	204,159

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
	25,002	17,218	45,905	34,130
Financial income	-	-	-	(6)
	25,002	17,218	45,905	34,124

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:

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