



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

Condensed Interim Financial Statements
(Unaudited)

For the nine month periods ended December 31, 2016 and 2015

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

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

The accompanying condensed interim financial statements of the Company for the interim periods ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards. The accompanying condensed interim financial statements are the responsibility of the Company's management.

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



President



Vice-President, Finance

March 1, 2017

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

December 31, 2016

		<u>December 31</u>	<u>March 31</u>
		2016	2016
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
	Notes		
ASSETS			
Current			
Cash		261,618	70,357
Canadian public companies shares		13,713	2,827
Accounts receivable	5	113,550	48,408
Tax credits receivable		28,557	53,217
Prepaid expenses		8,747	6,221
		426,185	181,030
Non-current assets			
Investment in a private company		1	1
Property and equipment		-	210
		1	211
Total assets		426,186	181,241
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	206,343	196,185
Provisions		238,198	229,341
		444,541	425,526
Non-current			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		923,195	500,000
Deferred tax liability		-	265,825
		923,195	765,825
Total liabilities		1,367,736	1,191,351
SHAREHOLDER'S DEFICIENCY			
Share capital	7	4,772,722	4,542,322
Contributed surplus		468,000	360,000
Deficit		(6,182,272)	(5,912,432)
Total shareholder's deficiency		(941,550)	(1,010,110)
Total liabilities and shareholder's deficiency		426,186	181,241

Going concern

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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.

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

December 31, 2016

	Notes	Third quarters ended		For the nine month periods ended	
		December 31		December 31	
		2016	2015	2016	2015
<i>(unaudited - in Canadian dollars)</i>		\$	\$	\$	\$
Net exploration and evaluation expenses	8	23,084	53,070	132,033	168,152
General and administrative expenses	9	107,560	58,476	325,422	262,635
Operating loss		(130,644)	(111,546)	(457,455)	(430,787)
Finance expenses	10	(43,191)	(17,065)	(89,096)	(51,189)
Change in fair value of Canadian public companies shares		9,626	(162)	10,886	(1,889)
Loss before income taxes		(164,209)	(128,773)	(535,665)	(483,865)
Recovery of deferred income taxes		265,825	219,424	265,825	219,424
Net profit (loss) and comprehensive income (loss) for the period		101,616	90,651	(269,840)	(264,441)
Basic and diluted earnings per share		0.0010	0.0009	(0.0026)	(0.0025)
Weighted average of common shares outstanding		104,774,233	104,629,244	104,677,749	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

December 31, 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 loss and comprehensive loss		-	(264,441)	-	(264,441)
Waiver of payment from a company under common control		-	-	108,000	108,000
Balance December 31, 2015		4,542,322	(5,541,240)	324,000	(674,918)
Balance April 1, 2016		4,542,322	(5,912,432)	360,000	(1,010,110)
Net loss and comprehensive loss		-	(269,840)	-	(269,840)
Issued shares		230,400	-	-	230,400
Waiver of payment from a company under common control		-	-	108,000	108,000
Balance December 31, 2016		4,542,322	(6,182,272)	468,000	(941,550)

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

SQUATEX ENERGY AND RESOURCES INC.

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Condensed Interim Statements of Cash Flows

December 31, 2016

	For the nine month periods ended December 31	
	2016	2015
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(269,840)	(264,441)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	(10,886)	1,889
Depreciation of property and equipment	-	67
Loss on write-off of property and equipment	210	-
Financial income	-	(6)
Waiver of payment from a company under common control	108,000	108,000
Income tax collected	-	199,234
Recovery of deferred income taxes	(265,825)	(219,424)
Changes in working capital items :		
Accounts receivable	(65,142)	57,409
Tax credits receivable	24,660	5,355
Prepaid expenses	(2,526)	(2,836)
Trade payables and other payables	183,353	30,522
	8,857	-
Cash flows from operating activities	(289,139)	(84,231)
INVESTING ACTIVITIES		
Financial income received	-	6
Cash flows from investing activities	-	6
FINANCING ACTIVITIES		
Increase of the share capital	230,400	-
Due to a company under common control	250,000	50,000
Cash flow from financing activities	480,400	50,000
NET CHANGE IN CASH	191,261	(34,225)
CASH AT BEGINNING OF YEAR	70,357	179,066
CASH AT END OF YEAR	261,618	144,841

During the nine month period ended December 31, 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 December 31, 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.

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Notes to the Condensed Interim Financial Statements

December 31, 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 March 1, 2017.

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 December 31, 2016, the Company had a \$18,536 negative working capital and a cumulated deficit of \$6,182,272.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 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

December 31, 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>December 31</u>	<u>March 31</u>
	2016	2016
	\$	\$
Accounts receivable	88,499	39,287
Sales tax receivable	4,151	9,121
Subscription receivable	20,900	-
Receivables	113,550	48,408

6. Trade payables and other payables

	<u>December 31</u>	<u>March 31</u>
	2016	2016
	\$	\$
Accounts payable	172,088	68,747
Interest payable - company under common control	34,255	127,438
Trade payables and other payables	206,343	196,185

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2016***(Unaudited - in Canadian dollars)***7. Equity****7.1 Authorized share capital**

Unlimited number of common shares without par value.

7.2 Issued share capital

Issued and payed

	Quantity	\$
Balance on April 1, 2016	104,629,244	4,542,322
Issued shares	1,212,632	230,400
Balance on December 31, 2016	105,841,876	4,772,722

	Quantity	\$
Balance on April 1, 2015	52,314,622	4,216,903
Stock split	52,314,622	-
Balance on December 31, 2015	104,629,244	4,216,903

Private placement

On December 21 2016, the Company has completed a non-brokered private placement of 1,212,632 units of the Company at a price of \$0.19 per unit, for aggregate gross proceeds of \$230,400. Each units consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of \$0.19 per common share for a periode of 18 months following the closing of the private placement. These shares are subject to a holding period until April 22, 2017. The Company has used the residual value method by granting a zero value to the warrant to recognize the issuance of this private placement.

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2016***(Unaudited - in Canadian dollars)***8. Exploration and evaluation expenditures**

Exploration and evaluation expenditures by region are detailed as follows:

For the three month period ended December 31,
2016

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	-	-	-
Lower St.Lawrence/Gaspe	29,275	6,191	23,084
Total	29,275	6,191	23,084

For the three month period ended December 31,
2015

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	9,100	588	8,512
Lower St.Lawrence/Gaspe	56,441	11,883	44,558
Total	65,541	12,471	53,070

For the nine month period ended December 31,
2016

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	18,200	-	18,200
Lower St.Lawrence/Gaspe	142,391	28,558	113,833
Total	160,591	28,558	132,033

For the nine month period ended December 31,
2015

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	28,300	2,044	26,256
Lower St.Lawrence/Gaspe	180,744	38,848	141,896
Total	209,044	40,892	168,152

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2016***(Unaudited - in Canadian dollars)***8. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three month period ended December 31 2016	For the three month period ended December 31 2015
	\$	\$
Geology and geophysics	29,275	38,241
Technical consultation	-	27,300
Total	29,275	65,541
Tax credits, net	6,191	12,471
Exploration and evaluation expenditures net of tax credits	23,084	53,070

	For the nine month period ended December 31 2016	For the nine month period ended December 31 2015
	\$	\$
Geology and geophysics	105,991	124,144
Technical consultation	54,600	84,900
Total	160,591	209,044
Tax credits, net	28,558	40,892
Exploration and evaluation expenditures net of tax credits	132,033	168,152

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2016***(Unaudited - in Canadian dollars)***9. General and administrative expenses**

Nature of the expenses	For the three month periods ended		For the nine month periods ended	
	December 31		December 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Professional services	90,593	40,975	229,540	169,649
Management fees	6,000	6,000	18,000	18,000
Office expenses	5,571	679	19,000	7,347
Taxes and licenses	574	-	47,505	46,471
Representations and travel	2,082	5,098	2,740	7,272
Conference fees	-	2,265	-	3,640
Insurance	2,740	2,898	8,427	8,664
Mail fees	-	539	-	1,525
Depreciation of property and equipment	-	22	-	67
Loss on write-off of property and equipment	-	-	210	-
	107,560	58,476	325,422	262,635

10. Financial expenses

	For the three month periods ended		For the nine month periods ended	
	December 31		December 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Long-term interests due to a company under common control	34,255	17,014	80,011	50,856
Interest and other bank expenses	8,936	51	9,085	339
	43,191	17,065	89,096	51,195
Financial income	-	-	-	(6)
	43,191	17,065	89,096	51,189

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements

December 31, 2016

(Unaudited - in Canadian dollars)

11. 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 periods ended		For the nine month periods ended	
	December 31		December 31	
	2016	2015	2016	2015
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	(2,160)	35,059	70,426	105,401
Professional services	21,400	22,200	73,800	66,600
Management fees	6,000	6,000	18,000	18,000
Financial expenses	34,255	17,014	80,011	50,856

As at December 31, 2016, there is an outstanding balance of \$ 56,164 (\$ 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 December 31, 2016. The value of these services is a total of \$36,000 (\$36,000 in 2015 for the three month period ended December 31, 2015) and was recognized in contributed surplus.