SQUATEX ENERGY AND RESOURCES INC.

(AN OIL AND GAS EXPLORATION COMPANY)

FINANCIAL STATEMENTS

AS AT MARCH 31 2017 and MARCH 31 2016

June 21, 2017

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 statements of financial position as at March 31, 2017 and 2016 and the statements of comprehensive loss, changes in equity and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audits 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 audits are sufficient and appropriate to provide a basis for our audit opinion.

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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, 2017 and 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Energy and Resources Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] CPA Auditor, CA, public accountancy permit No. A123642

SQUATEX ENERGY AND RESOURCES INC.
(An oil and gas exploration company)

Statements of Financial Position

As at March 31, 2017

(audited - in Canadian dollars)	Notes	March 31 **2017** **$**	2016 $
ASSETS			
Current			
Cash		**226,267**	70,357
Canadian public companies shares		**11,152**	2,827
Accounts receivable	6	**127,822**	48,408
Tax credits receivable		**34,491**	53,217
Prepaid expenses		**6,046**	6,221
		405,778	181,030
Non-current assets			
Investment in a private company	7	**1**	1
Property and equipment		**-**	210
		1	211
Total assets		**405,779**	181,241
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	8	**169,509**	196,185
Provisions	9	**241,096**	229,341
		410,605	425,526
Non-current			
Due to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		**1,123,195**	500,000
Deferred tax liability	15	**-**	265,825
		1,123,195	765,825
Total liabilities		**1,533,800**	1,191,351
SHAREHOLDER'S DEFICIENCY			
Share capital	10	**4,703,229**	4,542,322
Warrants	10	**58,866**	-
Contributed surplus	17	**504,000**	360,000
Deficit		**(6,394,116)**	(5,912,432)
Total shareholder's deficiency		**(1,128,021)**	(1,010,110)
Total liabilities and shareholder's deficiency		**405,779**	181,241

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, 2017

(audited - in Canadian dollars)	Notes	Years ended March 31 **2017** **$**	 2016 $
Exploration and evaluation expenses	12	**202,141**	444,036
General and administrative expenses	13	**424,619**	314,645
Operating loss		**(626,760)**	(758,681)
Finance expenses	14	**(129,074)**	(104,716)
Change in fair value of Canadian public companies shares		**8,325**	(1,888)
Loss before income taxes		**(747,509)**	(865,285)
Deferred income tax recovery	15	**265,825**	229,652
Income tax recovery		**265,825**	229,652
Net loss and comprehensive loss		**(481,684)**	(635,633)
Net loss per share, basic and diluted[(1)]	16	**(0.0046)**	(0.0061)
Weighted average number of common shares outstanding		**104,774,233**	104,629,244

[(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, 2017

(audited - in Canadian dollars)	Note	Number of shares Number	Share capital $	Warrants $	Deficit $	Contributed surplus $	Total Shareholders' deficiency $
Balance as at April 1, 2015		104,629,244	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		**104,629,244**	**4,542,322**	**-**	**(5,912,432)**	**360,000**	**(1,010,110)**
Net loss and comprehensive loss		-	-	-	(481,684)	-	(481,684)
Waiver of payment from a company under common control	17	-	-	-	-	144,000	144,000
Units issued by private placement	10	1,212,632	168,687	61,713	-		230,400
Units issuance costs		-	(7,780)	(2,847)	-		(10,627)
Balance as at March 31, 2017		**105,841,876**	**4,703,229**	**58,866**	**(6,394,116)**	**504,000**	**(1,128,021)**

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, 2017

	Years ended March 31	
	2017	2016
(audited - in Canadian dollars)	**$**	$
Operating activities		
Net loss	**(481,684)**	(635,633)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	**(8,325)**	1,888
Depreciation of property and equipment	**-**	90
Financial income	**-**	(6)
Loss on write-off of property, plant and equipment	**210**	-
Waiver of payment from a company under common control	**144,000**	144,000
Deferred income tax	**(265,825)**	(229,652)
Changes in working capital items :		
Accounts receivable	**(79,414)**	50,581
Tax credits receivable	**18,726**	192,264
Prepaid expenses	**175**	31
Trade payables and other payables	**146,519**	88,381
Provision	**11,755**	229,341
Cash flows from operating activities	**(513,863)**	(158,715)
Investing activities		
Financial income received	**-**	6
Cash flows from investing activities	**-**	6
Financing activities		
Issuance of shares and units	**230,400**	-
Issuance costs of units	**(10,627)**	-
Due to a company under common control	**450,000**	50,000
Cash flows from financing activities	**669,773**	50,000
NET DECREASE IN CASH	**155,910**	(108,709)
CASH AT BEGINNING OF YEAR	**70,357**	179,066
CASH AT END OF YEAR	**226,267**	70,357
Interest payed	**-**	-

During the year, the Company capitalized interest accrued on due to a company under common control as of 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 financial statements.

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. Since April 3, 2017, the Company has been listed on the Canadian Stock Exchange, under the symbol SQX.

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 were approved and authorized for publication by the Board of Directors on June 21, 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.

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, 2017, the Company had a negative working capital of $4,827 and a cumulated deficit of $6,394,116.

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. 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.

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 inital 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.

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 each at reporting date.The financial assets are impaired when objective indications exists that a financial asset or a group of financial assets have suffered a loss of value.

An objective indication of impairnent 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 restructuration 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.

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.

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. Significant accounting policies (cont'd)

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.

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. Significant accounting policies (cont'd)

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.

4. Application of International Financial Reporting Standards (IFRS) new and modified

Standard adopted during the year

In December 2014, the IASB issued the amendments to IAS 1 Presentation of Financial Statements to provide details of materiality, order of schedule notes, disclosure of accounting policies and Consolidation and breakdown of items presented in the statements of financial position, statements of net and comprehensive income. These amendments have been applied for the fiscal year beginning on or after April 1, 2016 and have not materially affected the information provided in the Company's financial statements.

Existing standards not yet in force

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

Information on new standards and interpretations and changes that are likely to be relevant to the Corporation's financial statements is provided below. Certain other new standards and interpretations have been issued but management does not expect them to have a material impact on the Company's financial statements.

IFRS 2 - Share-based payments

In June 2016, the IASB issued an amendment according to IFRS 2 to clarify how to measure cash-settled share-based payments and how to record a change to convert a cash-settled allocation in an allocation settled in equity instruments. The amendment to IFRS 2 is mandatory for fiscal years beginning on or after January 1, 2018. Management does not anticipate that the application of the amendments will have a material impact on the financial statements since the Company has not yet share-based payment agreements.

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.

4. Application of International Financial Reporting Standards (IFRS) new and modified (cont'd)

Existing standards not yet in force (cont'd)

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.

This standard applies to fiscal years beginning on or after January 1, 2019.

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

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 and March 31, 2017, excluding any applicable interest if the expenditure referred to in the notice of assessment are ultimately rejected.

As at March 31, 2017, the Company recorded a specific provision of $ 233,096 ($ 221,341 as at March 31, 2016) 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 as at March 31, 2016 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.

Notes to Financial Statements

(in Canadian dollars)

6. Receivables

	2017	2016
	$	$
Accounts receivable	**102,992**	39,287
Sales tax receivable	**24,830**	9,121
Receivables	**127,822**	48,408

7. Invesment in a private company

	2017	2016
	$	$
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, 2017 and 2016, the fair value of the debenture and the conversion option was set at $1.

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Notes to Financial Statements

(in Canadian dollars)

8. Trade payables and other payables

	2017	2016
	$	$
Accounts payable	**98,232**	68,747
Interest payable - company under common control	**71,277**	127,438
Trade payables and other payables	**169,509**	196,185

9. Provisions

	Account to be paid in negotiation	**Refundable tax credits related to resources**	**Total**
	$	**$**	**$**
As at March 31, 2016	**8,000**	**221,341**	**229,341**
Additions	**-**	**11,755**	**11,755**
As at March 31, 2017	**8,000**	**233,096**	**241,096**
Current	**8,000**	**233,096**	**241,096**
Non-current	**-**	**-**	**-**

As at March 31, 2016, the Company recognized a specific provision of 221,341 $ 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). An additional $ 11,755 was added to this allowance in the year ended March 31, 2017 to reflect interest accruing from the passage of time.

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

Notes to Financial Statements

(in Canadian dollars)

10. Equity

10.1 Authorized share capital

Unlimited number of common shares without par value.

10.2 Issued share capital

Private placement
On December 21, 2016, the Company completed a private placement without an agent or broker for gross proceeds of $ 230,400. The offering consisted of the issuance of 1,212,632 units at a price of $ 0.19 including one common share and one common share purchase warrant, each warrant entitling its holder to purchase one common share at a price of $ 0.19 per share for a period of 18 months. Securities issued are subject to a holding period until April 22, 2017. The fair value of the warrants is estimated at $ 0.051 per warrant using the Black-Scholes valuation model, assuming no expected dividend payments, expected volatility of 97.7%, a risk-free interest rate of 0.83% and an expected warrant life of 18 months. An amount of $ 61,713 was charged to the warrants and deducted from the share capital. The Company currently estimates the volatility of the market price of its common shares based on comparable information derived from transactions carried out by public companies in a situation similar to its own and taking into account the expected life of the warrants.

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 by 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 shown in these financial statements and the notes reflect the impact of this stock split.

10.3 Warrants

The following table shows the continuity of the outstanding warrants as at March 31, 2017:

	Number of warrants	Weighted average exercise price	Fair value allocated
	Number	$	$
Balance as at March 31, 2015 and March 31, 2016	-	-	-
Issued by private placement	**1,212,632**	**0.19**	**61,713**
Balance as at March 31,2017	**1,212,632**	**0.19**	**61,713**

The weighted average contractual life of the warrants as at March 31, 2017 is 15 months.

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(in Canadian dollars)

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, 2017		At March 31, 2016	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Financial assets				
Loans and receivables				
Cash	**226,267**	**226,267**	70,357	70,357
Receivables (with the exception of sales taxes receivable)	**102,992**	**102,992**	39,287	39,287
Debenture	**1**	**1**	1	1
	329,260	**329,260**	109,645	109,645
Financial assets at fair value through profit or loss				
Canadian public companies shares	**11,152**	**11,152**	2,827	2,827
Financial liabilities				
Financial liabilities evaluated at amortized cost				
Trade payables and other payables	**169,509**	**169,509**	196,185	196,185
Provisions	**241,096**	**241,096**	229,341	229,341
Due to a company under common control	**1,123,195**	**1,123,195**	500,000	500,000
	1,533,800	**1,533,800**	925,526	925,526

11. Financial assets and liabilities (cont'd)

Categories of financial assets and liabilities (cont'd)

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 3.5 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.

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.

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12. Exploration and evaluation expenditures

Exploration and evaluation expenditures by region are detailed as follows:

			2017
	Additions	**Net tax credits**	**Net balance**
	$	**$**	**$**
St.Lawrence Lowlands	**31,200**	**0**	**31,200**
Lower St.Lawrence/Gaspe	**205,432**	**(34,491)**	**170,941**
Total	**236,632**	**(34,491)**	**202,141**

			2016
	Additions	Tax credits	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

Exploration and evaluation expenditures by nature are detailed as follows:

	2017	2016
	$	$
Geology and geophysics	**143,032**	195,061
Technical consultation	**93,600**	112,200
Total	**236,632**	307,261
Tax credits, net	**(34,491)**	136,775
Exploration and evaluation expenditures net of tax credits	**202,141**	444,036

12. Exploration and evaluation expenditure (cont'd)

St.Lawrence Lowlands

(i) The Company holds 12 exploration permits totaling 2 249,33 km^2.

(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 32,000 hectares.

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 km^2.

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13. General and administrative expenses

Nature of the expenses	**2017**	2016
	$	$
Professional services	**296,710**	211,088
Management fees	**24,000**	24,000
Registration fees	**17,816**	-
Representations and travel	**2,599**	7,420
Insurance	**11,130**	11,532
Regulations and licensing	**47,505**	46,471
Associations	**4,785**	3,640
Office expenses	**17,864**	10,404
Donation	**2,000**	-
Depreciation of property and equipment	**-**	90
Loss on write-off of property, plant and equipment	**210**	-
	424,619	314,645

14. Financial expenses

	2017	2016
	$	$
Long-term interests due to a company under common control	**117,033**	72,986
Interest and other bank expenses	**12,041**	31,736
	129,074	104,722
Financial income	**-**	(6)
	129,074	104,716

Notes to Financial Statements

(in Canadian dollars)

15. Income taxes

Important components of the income tax recovery

Important components of the income tax recovery are as follows :

	2017	2016
	$	$
Income tax recovery		
Total Income tax recovery	**-**	-

	2017	2016
	$	$
Deferred income tax recovery		
Creation and reversal of temporary differences	**265,825**	229,652
Total deferred tax recovery	**265,825**	229,652
Total tax recovery	**265,825**	229,652

(in Canadian dollars)

15. Income taxes (cont'd)

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 :

	2017	2016
	$	$
Net loss before income tax	**(747,509)**	(865,285)
Income tax calculated using the combined canadian federal and provincial rate of 26.9% (26.9% in 2016)	**(201,080)**	(232,762)
Increase (decrease) in income tax resulting from the following:		
Non-deductible unrealized loss (Gain) (non-taxable)	**(1,120)**	254
Difference between deferred and statutory tax rates	**11,422**	-
Change in unrecognized temporary differences	**(99,431)**	4,030
Miscellaneous	**24,384**	(1,174)
	(265,825)	(229,652)

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

As at March 31, 2017, the Company has the following temporary differences for which no deferred tax asset has been recognized:

	Federal	Provincial
Exploration and evaluation expenditures	716,148	716,148
Units issuance costs	8,502	8,502
Non-capital losses	2,026,470	2,026,311

As at March 31, 2017, the Company has deductible capital losses of $101,859 ($106,021 in 2016) of which $37,059 are unrealized ($41,222 in 2016) 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 2016	Recognized in profit and loss	**March 31 2017**
Net exploration and evaluation expenditures	(265,775)	265,775	**-**
Property and equipment	(50)	50	**-**
	(265,825)	265,825	**-**

The Company's non-capital losses will expire between 2034 and 2037.

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15. Income taxes (cont'd)

Deferred tax assets and liabilities and changes in amounts recognized during the year (cont'd)

	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)

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, 2017 and 2016.

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

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.

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:

	2017	2016
	$	$
Exploration and evaluation expenditures net of tax credits	**150,531**	141,136
Professional services	**122,800**	88,800
Management fees	**24,000**	24,000
Financial expenses	**117,033**	72,986

17. Transactions with related parties (cont'd)

As at March 31, 2017, there is an outstanding balance of $ 52,425 ($ 24,000 at March 31, 2016) 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, 2017. The value of these services is a total of $ 144,000 ($ 144,000 in 2016) 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.

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.

(in Canadian dollars)

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 :

	March 31	
	2017	2016
	$	$
Cash	**226,267**	70,357
Receivables (with the exception of sales taxes receivable)	**102,992**	39,287
Book value	**329,259**	109,644

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, 2017, the Company has $ 226,267 ($ 70,357 as at March 31, 2016) in cash to meet its current liabilities of $ 410,605 ($ 425,526 as at March 31 2016). 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.

(in Canadian dollars)

20. Commitments

On March 31, 2017, 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 $ 1,921,882. The commitments for the three (3) subsequent years will be as follows:

At March 31	Statutary obligations	
2018	$	851,993
2019	$	755,216
2020	$	314,673

Exploration expenditures already submitted for the St.Lawrence Lowlands cover all obligations for the duration of the license. After 3 years (remaining term of the license), the surplus is approximately $ 805,531 as of March 31, 2017 ($ 797,131 at March 31, 2016).

21. Subsequent Events

On May 23, 2017, the Company signed commitment to pay an annual amount of $ 8,500 to a news and market information company in the coming year in return for its services. This contract is automatically renewable for subsequent periods of one year.

On June 5, 2017, the Board of Directors of the Company adopted a stock option plan (the "plan") under which the members of the Board of Directors may from time to time allot options allowing its directors, officers, employees and consultants to acquire common shares. The terms and exercise price of each option are determined by the members of the board of directors.

The plan provides that the maximum number of common shares in the Company's capital that may be reserved for allocation under the plan represents 10% of the shares issued upon grant of the options, representing 10,584,187 common shares as at the date of the adoption of the plan. The maximum number of common shares reserved for the grant of one-holder options during a 12-month period may not exceed 5% of the shares outstanding on the date of grant and for consultants or persons who provide investor relations services, it may not exceed 2% of the outstanding shares on the date of grant. The maturity date of the options is the date set by the board of directors, provided that such date does not exceed the fifth anniversary of the grant date of the option. The options granted may be exercised in the following manner in the case of a director, officer, employee and consultant: 35% at the time of grant; 30% after the end of the 3rd month following the grant; 20% after the end of the 6th month following the grant and 15% after the end of the 9th month following the grant. For individuals who provide investor relations services: 10% at the time of grant, 15% after the end of the 3rd month following the grant, 25% after the end of the 6th month following the grant, 25% after the end of the 9th month following the grant and 25% after the end of the 12th month following the grant.

The exercise price of each option is determined by the members of the board of directors and may not be lower than the market value of the common shares on the day prior to the grant.

On June 6, 2017, the Company granted a total of 1,000,000 stock options to the directors with an exercise price of $ 0.35 per share and a maturity date of June 5, 2022 .