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

**Condensed Interim Financial Statements**  
(Unaudited)

**For the nine-month periods ended December 31, 2017 and 2016**

## 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, 2017 and 2016 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

February 21, 2018

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

		<b>December 31</b>	March 31
		<b>2017</b>	2017
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		44,458	226,267
Canadian public companies shares		-	11,152
Accounts receivable	5	76,266	127,822
Tax credits receivable		38,882	34,491
Prepaid expenses		3,493	6,046
		<b>163,099</b>	<b>405,778</b>
<b>Non-current assets</b>			
Investment in a private company		1	1
<b>Total assets</b>		<b>163,100</b>	<b>405,779</b>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	268,453	169,509
Provisions		249,952	241,096
		<b>518,405</b>	<b>410,605</b>
<b>Non-current</b>			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		1,253,195	1,123,195
<b>Total liabilities</b>		<b>1,771,600</b>	<b>1,533,800</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	7	4,703,229	4,703,229
Warrants		58,866	58,866
Contributed surplus		747,862	504,000
Deficit		(7,118,457)	(6,394,116)
<b>Total shareholder's deficiency</b>		<b>(1,608,500)</b>	<b>(1,128,021)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>163,100</b>	<b>405,779</b>

Going concern

2

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**

	Notes	Third quarters ended		For the nine-month periods ended	
		December 31		December 31	
		2017	2016	2017	2016
<i>(unaudited - in Canadian dollars)</i>		\$	\$	\$	\$
Exploration and evaluation expenses	8	47,006	23,084	205,281	132,033
General and administrative expenses	9	48,264	96,933	242,108	314,795
<b>Operating loss</b>		<b>(95,270)</b>	(120,017)	<b>(447,389)</b>	(446,828)
Finance expenses	10	(49,058)	(43,191)	(140,522)	(89,096)
Stock-based compensation	7	(31,967)	0	(135,862)	0
Change in fair value of Canadian public companies shares		-	9,626	(568)	10,886
<b>Loss before income taxes</b>		<b>(176,295)</b>	(153,582)	<b>(724,341)</b>	(525,038)
Recovery of deferred income taxes		-	265,825	-	265,825
<b>Net loss and comprehensive loss for the period</b>		<b>(176,295)</b>	112,243	<b>(724,341)</b>	(259,213)
<b>Basic and diluted earnings per share</b>		<b>(0.0017)</b>	0.0011	<b>(0.0068)</b>	(0.0025)
<b>Weighted average of common shares outstanding</b>		<b>105,841,876</b>	104,774,233	<b>105,841,876</b>	104,677,749

*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**

<i>(Unaudited - in Canadian dollars)</i>	Note	Number of shares Number	Share capital \$	Warrants \$	Deficit \$	Contributed surplus \$	Total shareholders' deficiency \$
<b>Balance as at April 1, 2016</b>		104,629,244	4,542,322	-	(5,912,432)	360,000	(1,010,110)
Net loss and comprehensive loss		-	-	-	(269,840)	-	(269,840)
Units issued by private placement	12	1,212,632	168,687	61,713	-	-	230,400
Units issuance costs	12	-	(7,780)	(2,847)	-	-	(10,627)
Waiver of payment from a company under common control	11	-	-	-	-	108,000	108,000
<b>Balance December 31, 2016</b>		<b>105,841,876</b>	<b>4,703,229</b>	<b>58,866</b>	<b>(6,182,272)</b>	<b>468,000</b>	<b>(952,177)</b>
<b>Balance as at April 1, 2017</b>		105,841,876	4,703,229	58,866	(6,394,116)	504,000	(1,128,021)
Net loss and comprehensive loss		-	-	-	(724,341)	-	(724,341)
Stock-based compensation	7	-	-	-	-	135,862	135,862
Waiver of payment from a company under common control	11	-	-	-	-	108,000	108,000
<b>Balance December 31, 2017</b>		<b>105,841,876</b>	<b>4,703,229</b>	<b>58,866</b>	<b>(7,118,457)</b>	<b>747,862</b>	<b>(1,608,500)</b>

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

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statements of Cash Flows**

	<b>For the nine month periods ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<i>(Unaudited - in Canadian dollars)</i>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(724,341)</b>	(269,840)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	<b>568</b>	(10,886)
Loss on write-off of property and equipment	-	210
Stock-based compensation	<b>135,862</b>	-
Waiver of payment from a company under common control	<b>108,000</b>	108,000
Recovery of deferred income taxes	-	(265,825)
Changes in working capital items :		
Accounts receivable	<b>51,556</b>	(65,142)
Tax credits receivable	<b>(4,391)</b>	24,660
Prepaid expenses	<b>2,553</b>	(2,526)
Trade payables and other payables	<b>98,944</b>	183,353
Provisions	<b>8,856</b>	8,857
<b>Cash flows from operating activities</b>	<b>(322,393)</b>	(289,139)
<b>INVESTING ACTIVITIES</b>		
Disposition of Canadian public company shares	<b>10,584</b>	-
<b>Cash flows from investing activities</b>	<b>10,584</b>	-
<b>FINANCING ACTIVITIES</b>		
Increase of the share capital		230,400
Due to a company under common control	<b>130,000</b>	250,000
<b>Cash flows from financing activities</b>	<b>130,000</b>	480,400
<b>NET DECREASE IN CASH</b>	<b>(181,809)</b>	191,261
<b>CASH AT BEGINNING OF YEAR</b>	<b>226,267</b>	70,357
<b>CASH AT END OF YEAR</b>	<b>44,458</b>	261,618

During the nine-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****December 31, 2017**

*(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, 2017, 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, 2017. The annual financial statements of the Company are available on the SEDAR website at: [www.sedar.com](http://www.sedar.com).

The Company is incorporated under the Canadian Business Corporations Act.

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

These financial statements were approved and authorized for publication by the Board of Directors on February 21, 2018.

**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, 2017, the Company had a \$355,306 negative working capital and a cumulated deficit of \$7,118,457.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017**

*(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, 2017.



SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**December 31, 2017**

(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, 2017.

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>	March 31
	2017	2017
	\$	\$
Accounts receivable	66,460	102,992
Sales tax receivable	9,806	24,830
Receivables	<b>76,266</b>	127,822

**6. Trade payables and other payables**

	<u>December 31</u>	March 31
	2017	2017
	\$	\$
Accounts payable	65,723	98,232
Interest payable - company under common control	202,730	71,277
Trade payables and other payables	<b>268,453</b>	169,509

**7. Equity**

**7.1 Authorized share capital**

Unlimited number of common shares without par value.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**December 31, 2017**

*(Unaudited - in Canadian dollars)*

**7. Equity (cont'd)**

**7.2 Issued share capital**

There were no changes in the issued share capital during the nine-month period ended December 31, 2017.

**7.3 Warrants**

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

	Number of warrants Number	Weighted average exercise price \$	Fair value allocated \$
Balance as at April 1, 2017	1,212,632	0.19	61,713
<b>Balance as at December 31, 2017</b>	<b>1,212,632</b>	<b>0.19</b>	<b>61,713</b>

The weighted average contractual life of the warrants as at December 31, 2017 is 6 months.

**7.4 Stock options**

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.

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(Unaudited - in Canadian dollars)***7. Equity (cont'd)****7.4 Stock options (cont'd)**

A summary of changes in the Company's share purchase options is as follows:

	Number of stock options Number	weighted average exercise price \$
Balance as at April 1, 2017	-	-
Granted	1,000,000	0.35
<b>Balance as at December 31, 2017</b>	<b>1,000,000</b>	<b>0.35</b>

Granted and exercisable options as at December 31, 2017:

Granted options	Exercisable options	Exercise price	Expiration date
1,000,000	1,000,000	\$ 0.35	June 2022
<u>1,000,000</u>	<u>1,000,000</u>		

The average fair value of share purchase options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Average share price at grant date	\$	0.30	
Risk-free interest rate		1.39	%
Expected volatility		67.84	%
Expected life (in years)		5.00	years
Expected dividend		-	%
Average exercise price at grant date	\$	0.35	
Fair value of options granted at market value	\$	0.1598	

Stock-based compensation cost recognized in earnings amounts to \$135,862 during the nine-month period ending December 31, 2017 (nil in 2016).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(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,  
2017

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	9,100	-	9,100
Lower St.Lawrence/Gaspe	45,569	7,663	37,906
<b>Total</b>	<b>54,669</b>	<b>7,663</b>	<b>47,006</b>

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
<b>Total</b>	<b>29,275</b>	<b>6,191</b>	<b>23,084</b>

For the nine-month period ended December 31,  
2017

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	35,100	-	35,100
Lower St.Lawrence/Gaspe	209,062	38,881	170,181
<b>Total</b>	<b>244,162</b>	<b>38,881</b>	<b>205,281</b>

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
<b>Total</b>	<b>160,591</b>	<b>28,558</b>	<b>132,033</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(Unaudited - in Canadian dollars)***8. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	<b>For the three-month period ended December 31</b>	
	2017	2016
	\$	\$
Geology and geophysics	27,369	29,275
Technical consultation	27,300	0
<b>Total</b>	<b>54,669</b>	<b>29,275</b>
<b>Tax credits, net</b>	<b>7,663</b>	<b>6,191</b>
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>47,006</b>	<b>23,084</b>
	<b>For the nine-month period ended December 31</b>	
	2017	2016
	\$	\$
Geology and geophysics	138,862	105,991
Technical consultation	105,300	54,600
<b>Total</b>	<b>244,162</b>	<b>160,591</b>
<b>Tax credits, net</b>	<b>38,881</b>	<b>28,558</b>
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>205,281</b>	<b>132,033</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Professional services	33,247	79,966	148,244	218,913
Management fees	6,000	6,000	18,000	18,000
Registration fees	3,215	-	17,075	-
Office expenses	4,582	5,571	4,582	19,000
Taxes and licenses	88	574	47,392	47,505
Representations and travel	315	2,082	505	2,740
Insurance	817	2,740	6,310	8,427
Loss on write-off of property and equipment	-	-	-	210
	<b>48,264</b>	<b>96,933</b>	<b>242,108</b>	<b>314,795</b>

**10. Financial expenses**

	For the three-month periods ended		For the nine-month periods ended	
	December 31		December 31	
	2017	2016	2017	2016
	\$	\$	\$	\$
Long-term interests due to a company under common control	46,045	34,255	131,461	80,011
Interest and other bank expenses	3,013	8,936	9,061	9,085
	<b>49,058</b>	<b>43,191</b>	<b>140,522</b>	<b>89,096</b>

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**December 31, 2017**

(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	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	<b>40,473</b>	(2,160)	<b>157,433</b>	70,426
Professional services	<b>33,000</b>	21,400	<b>99,000</b>	73,800
Management fees	<b>6,000</b>	6,000	<b>18,000</b>	18,000
Financial expenses	<b>46,045</b>	34,255	<b>131,461</b>	80,011

As at December 31, 2017, there is an outstanding balance of \$41,442 (\$ 52,425 at March 31, 2017) 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, 2017. The value of these services is a total of \$36,000 (\$36,000 in 2016 for the three-month period ended December 31, 2016) and was recognized in contributed surplus.

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(Unaudited - in Canadian dollars)***12. Adjustment of comparative figures**

During the fourth quarter ended March 31, 2017, the Company adjusted the value of its share capital to value the warrants issued in the private placement on December 21, 2016 and to present against the share capital and the warrants, the issuance costs. The Company has adjusted the comparative figures to reflect this adjustment.

This change had the following impacts on the comparative condensed interim financial statements:

	For the three-month period ended December 31, 2016		
	Amount presented previously	Impact of adjustment	Total after adjustment
	\$	\$	\$
<b>Reconciliation of net income and total comprehensive income</b>			
General and administrative expenses	107,560	(10,627)	96,933
<b>Net income and total comprehensive income</b>	<b>101,616</b>	<b>10,627</b>	<b>112,243</b>

	For the three-month period ended December 31, 2016		
	Amount presented previously	Impact of adjustment	Total after adjustment
	\$ per share	\$ per share	\$ per share
<b>Reconciliation of net income per share, basic and diluted</b>			
Net income per share, basic and diluted	0.0010	0.0001	0.0011

	For the nine-month period ended December 31, 2016		
	Amount presented previously	Impact of adjustment	Total after adjustment
	\$	\$	\$
<b>Reconciliation of net loss and comprehensive loss</b>			
General and administrative expenses	325,422	(10,627)	314,795
<b>Net loss and comprehensive loss</b>	<b>(269,840)</b>	<b>10,627</b>	<b>(259,213)</b>

	For the nine-month period ended December 31, 2016		
	Amount presented previously	Impact of adjustment	Total after adjustment
	\$ per share	\$ per share	\$ per share
<b>Reconciliation of net loss per share, basic and diluted</b>			
Net loss per share, basic and diluted	(0.0026)	(0.0001)	(0.0027)



## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2017***(Unaudited - in Canadian dollars)***12. Adjustment of comparative figures (cont'd)**For the nine-month period ended  
December 31, 2016

	Amount presented previously	Impact of adjustment	Total after adjustment
	\$	\$	\$
<b>Reconciliation of share capital</b>			
Units issued by private placement	230,400	(69,493)	160,907
<b>Share capital</b>	<b>4,772,722</b>	<b>(69,493)</b>	<b>4,703,229</b>

For the nine-month period ended  
December 31, 2016

	Amount presented previously	Impact of adjustment	Total after adjustment
	\$	\$	\$
<b>Reconciliation of warrants</b>			
Units issued by private placement	-	58,866	58,866
<b>Warrants</b>	<b>-</b>	<b>58,866</b>	<b>58,866</b>