RESSOURCES ET ÉNERGIE
SQUATEX

FORM 51-101F1

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION FOR FISCAL YEAR ENDED MARCH 31st 2018

June 26th 2018

REPORT SQX-2018-01_EN

Note: This document was translated from the original document edited in French « FORMULAIRE 51-101 F1 - RELEVÉ DES DONNÉES RELATIVES AUX RÉSERVES ET AUTRES INFORMATION CONCERNANT LE PÉTROLE ET LE GAZ AU 31 MARS 2018»*. In the event of any apparent discrepancy between the English and the French versions, the French version shall prevail.*

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1. DATE OF STATEMENT

The present statement of reserves data and other oil and gas information was completed on June 26, 2018. The effective date of the information provided is March 31, 2018 and the preparation date of the information provided is June 26, 2018.

The report is based on data and reports of the company, on various public documents available through the internet site from the Ministère de l'Énergie et des Ressources naturelles (MERN) or from the Ministère du Développement durable, Environnement et de la Lutte contre les Changements climatiques (MDDELCC) du Québec as well as geological publications related to the studied areas.

The data complies with the requirements of National Instrument 51-101, S*tandards of Disclosure for Oil and Gas Activities*. Additional information that is pertinent, but not required by NI 51-101, is provided in order to promote a better understanding.

2. DISCLOSURE OF RESERVES DATA

As of **March 31st 2018**, Ressources & Energy Squatex (Squatex) does not produce any hydrocarbons. The company has not established any oil and gas reserves over its exploration permits. Consequently, such as the rule allows it, the Company did not engage an independent evaluator to review its reserves.

In 2016, Squatex has mandated Sproule Associates Limited (Sproule) to update its estimated of unrisked undiscovered hydrocarbon initially-in-place (undiscovered, non recoverable) for the lower Silurian reservoirs of the eastern part of the Massé structure located in Lower St. Lawrence area, by using new data from the Massé No.2 well. The Sproule assessment report summary is presented in section 7 of this report.

3. PRICING ASSUMPTIONS

No object.

4. RECONCILIATION OF CHANGES IN RESERVES

No object.

5. ADDITIONAL INFORMATION RELATING TO RESERVES DATA

No object.

6. OTHER OIL AND GAS INFORMATION

6.1 OIL AND GAS PROPERTIES AND WELLS

No drilling activities for the research of oil and gas and for the acquisition of stratigraphic knowledge occurred on Squatex exploration permits during the concerned period ended **March 31 st 2018**.

Squatex holds an interest in the Canbriam Farnham No.1 well drilled near Farnham over permit 2009RS298 located to the south-est of Montreal in the St. Lawrence Lowlands area. The well drilled in 2009 reached a total depth of 2507 meters with gas shows and the well was cased. The partners decided to abandon the well and the work was carried out by Canbriam in September 2015 according to the standards of the regulations. The inspection of the site by MERN staff after the work indicates no contamination or gas seepage near the site.

Squatex also holds a majority interest in the Lower St. Lawrence on permits and in a stratigraphic well with oil and gas shows that was suspended to be tested, Squatex Massé No.2, located on license 2009PG556. The Massé structure could contain significant quantities of oil and gas and Squatex intends to focus its exploration efforts on it in the coming years.

During the year ended March 31, 2018, representatives of the MERN and the MDDELCC carried out inspections of all sites of old wells and stratigraphic boreholes made by Squatex in the Lower St. Lawrence, including the Massé No.2 well. The MERN Energy Directorate's report dated November 2017 indicates that no breaches were found on Squatex's sites.

6.2 PROPERTIES WITH NO ATTRIBUTED RESERVES

6.2.1 Permits

All Squatex oil and gas exploration permits are located onshore in the province of Quebec to the south of the St-Lawrence River into two distinct areas and extend over a total of 6560.93 Km^2 (Figure 1).

These permits, issued September 1, 2009, could be renewed annually and remain in effect for two consecutive periods of five years provided they meet the basic requirements as stipulated by the Mines Act and its regulations i.e the payment by the owner of annual rentals and the completion of minimum annual statutory work required by the law as still in effect on March 31st 2018.

As we will see it at the end of this section (6.2.1), a law (Bill 18), which came effective on June 13rd, 2011, issued that the holder of the licence is exempted to carry out

necessary work under the terms of the Law over a period of 3 years maximum (June 13nd, 2014) to overcome the problem caused by delays for the deposit of the Committee of strategic environmental Evaluation (CSES) report. This committee was created by the government following the Bureau d'Audiences publiques sur l'Environnement (BAPE) (Office of public hearing on environment) reports on shale gas. Because the studies requested by the BAPE were not completed on June 13rd, 2014, the end of the period of exploration work exemption was renewed for an indefinite period of time and it is still in force.

Following a partnership agreement signed in 2008, Petrolympic Ltd holds an interest of 30% on all exploration permits of Squatex.

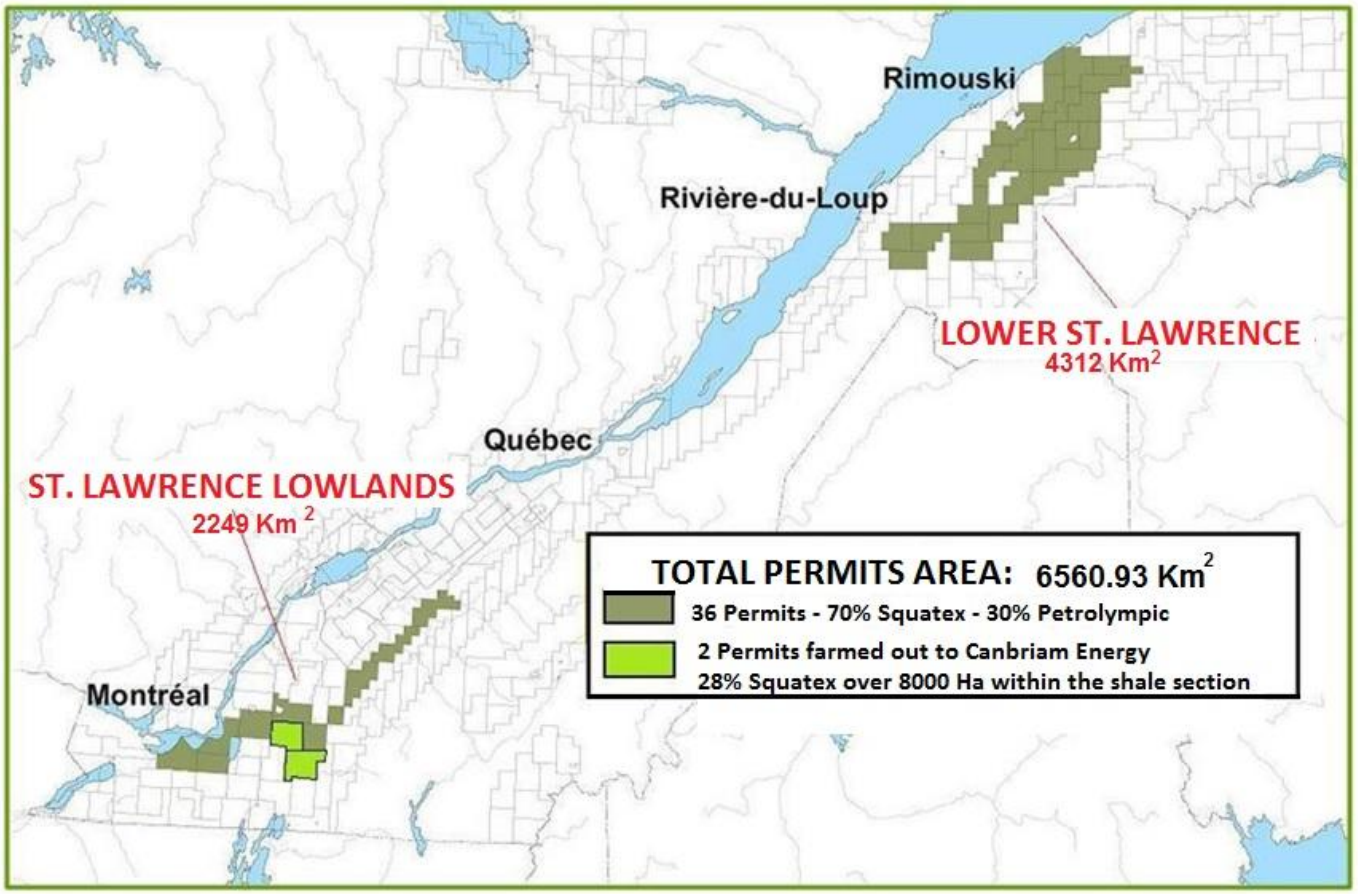

Figure 1: Squatex permits over the Province of Québec

A first block of permits is situated in the Lower St. Lawrence/Gaspé (LSL) area between Témiscouata and Matapédia (Figure 2). These permits encompass a surface of 44311.6 Km^2 (3018.12 Km^2 Net). Table 1 is listing permit numbers, the date of renewal as well as the total surface in term of Km^2.

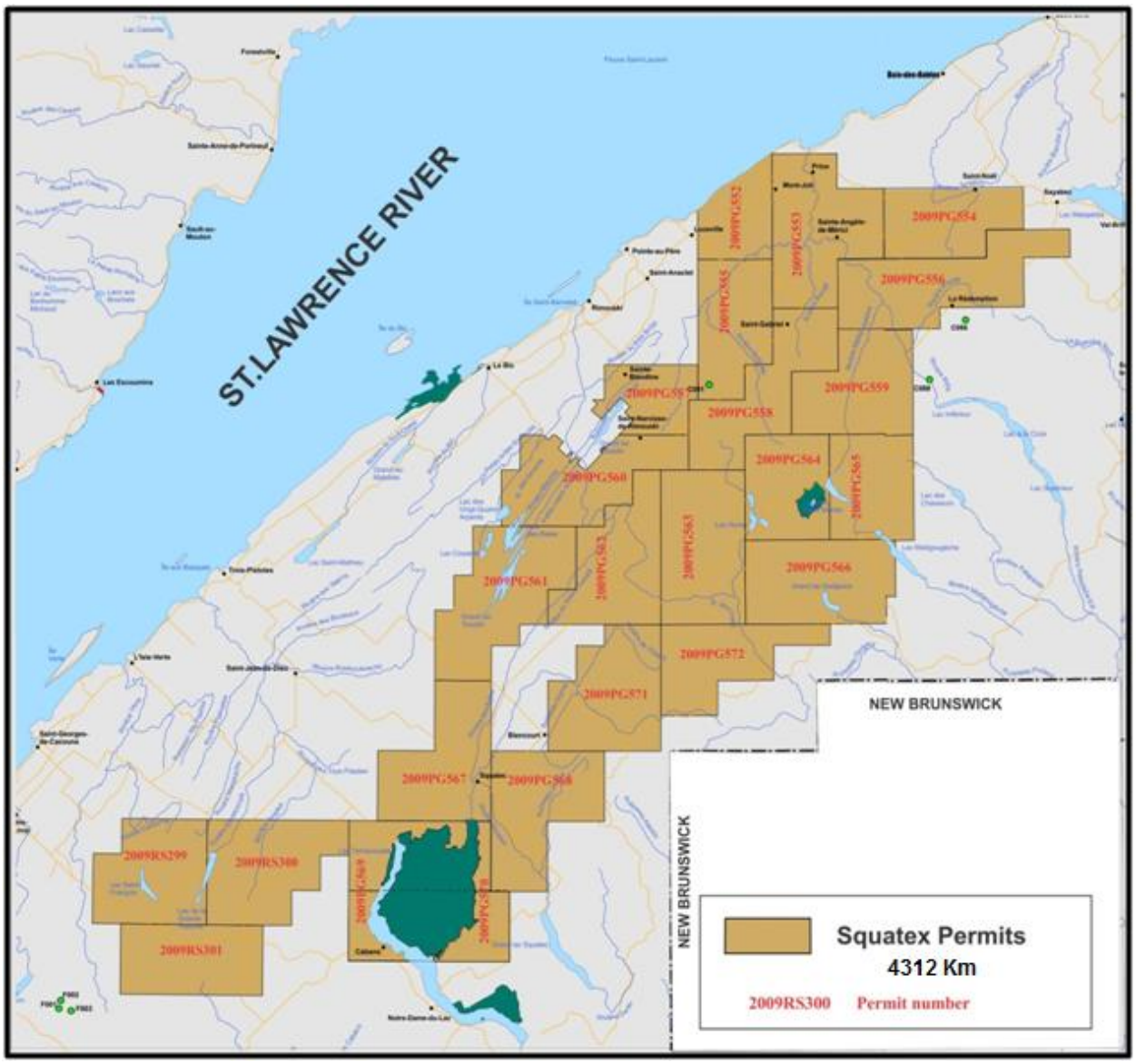

Figure 2: Squatex permits in the Lower St. Lawrence/Gaspé area

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

Permit Number	Renewal Date	Area (Km^2)
2009RS299	01/09/2018	189.75
2009RS300	01/09/2018	207.04
2009RS301	01/09/2018	171.36
2009PG552	01/09/2018	102.67
2009PG553	01/09/2018	230.68
2009PG554*	01/09/2018	151.50
2009PG555	01/09/2018	164.38
2009PG556*	01/09/2018	236.66
2009PG557	01/09/2018	98.94
2009PG558	01/09/2018	194.20
2009PG559	01/09/2018	187.37
2009PG560	01/09/2018	198.17
2009PG561	01/09/2018	244.35
2009PG562	01/09/2018	198.47
2009PG563	01/09/2018	225.73
2009PG564	01/09/2018	143.77
2009PG565	01/09/2018	153.70
2009PG566	01/09/2018	214.54
2009PG567	01/09/2018	206.31
2009PG568	01/09/2018	206.68
2009PG569	01/09/2018	134.97
2009PG570	01/09/2018	76.08
2009PG571	01/09/2018	209.51
2009PG572	01/09/2018	164.77
Subtotal		**4311.60**

***** Gaspé Area

Figure 3 shows Squatex's permits located in the St. Lawrence Lowlands (SLL) area. Two blocks of permits stand out. The first one is located east of Montreal over a zone sited between Longueuil, St-Hilaire and Farnham to the south. The second block consists of a band which spreads over a territory located south of highway 20 between the previous permits and the town of Victoriaville. These permits cover a total surface of 2249.33 Km^2 (see Table 2).

Following a farmout to Canbriam Energy in 2008 and the drilling of a well 2009, the former acquired an interest of 60% from surface to the top of Trenton on a 80.0 Km^2 block within permits 2009RS298 and 2009RS296. Therefore, on this block, Squatex retains a 28% interest between the surface and the top Trenton and Petrolympic Ltd a 12% interest. The deeper portion as well as all the remainder of the permits remains at 70% Squatex and 30% Petrolympic Ltd.

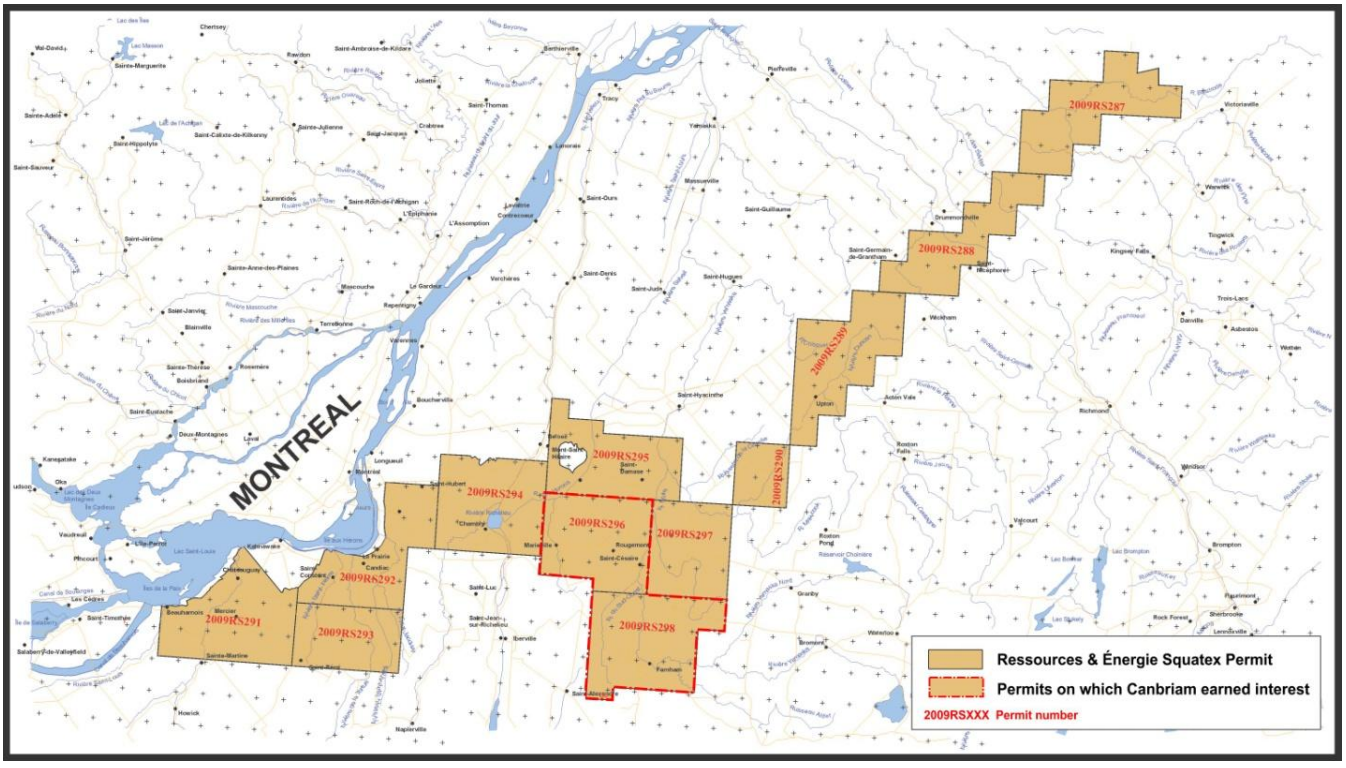

Figure 3: Squatex permits in St. Lawrence Lowlands area

Table 2: Permits in the St. Lawrence Lowlands area

70% INTEREST PERMITS WITHIN THE ST. LAWRENCE LOWLANDS

Permit Number	Renewal Date	Area (Km^2)
2009RS287	01/09/2018	208.71
2009RS288	01/09/2018	179.90
2009RS289	01/09/2018	209.09
2009RS290	01/09/2018	72.48
2009RS291	01/09/2018	224.47
2009RS292	01/09/2018	188.27
2009RS293	01/09/2018	145.80
2009RS294	01/09/2018	216.64
2009RS295	01/09/2018	193.16
2009RS296 (part)	01/09/2018	203.39 *
2009RS297	01/09/2018	163.42
2009RS298 (part)	01/09/2018	244.00 *
Subtotal		**2249.33**

*60% of interests between the surface and the top of Trenton on a block of 80.0 Km^2 were transferred jointly by Squatex and Petrolympic Ltd according to the Agreement to Canbriam on these two licences. Squatex retains 70% below the top of Trenton.

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

Permit Number	Renewal Date	Area (Km^2)
2009RS296 (part)	01/09/2018	Part of 203.39
2009RS298 (part)	01/09/2018	Part of 244.00
Subtotal		**80.0 of 447.39**

Following citizens' disputes over oil and gas exploration in Quebec in the fall of 2010, several public consultations have since taken place and led to the filing in April 2016 of the *Politique Énergétique 2030*. The final strategic environmental Evaluations reports were made public in May 2016 to be used as a support for the new laws and rules related to the exploration and the exploitation of oil and gas over the Province of Quebec. A draft regulation was made public in Summer 2016. Bill 106 concerning the implementation of the 2030 Energy Policy was sanctioned in December 2016 (Bill 35). This law will be fully effective when the revised and adapted regulations are finalized.

Bill 18 (June 2011) was exempting permits owners the work commitment until a date to be determined by the ministry, which would not exceed on June 13th, 2014. Bill 5 sanctioned the same date was extending the period of exemption until a later date to be determined by the government. The exemption is still in force on **March 31th 2018**. As a result, the period of validity of the licences are suspended. The expiry date of the permits will be extended to the end of the period of completion of the work that will remain after the lifting of the suspension.

6.2.2 Statutory obligations

As mentioned above, Bills 18 and 5 passed in 2014 exempted work obligations until a later date, which will be determined by the government and the period of validity of permits is still suspended as of **March 31th 2018**.

The annual rentals required are, for the current year, 10,30$/km^2 for the first 5 years and thereafter 51,50$/km^2 for the 5 following years. These fees will be raised when this period of exemption of work is lifted to respectively 50$/km^2 and 150$/km^2. These amounts will be indexed annually to take into account of the rate of inflation.

Current minimum work requirement to keep the permits is 50$/km^2 the first year with an increase in 50$/year until year 5 (250$/km^2). Thereafter, for the 5 remaining years, the amounts remain the same as for year 5. The entire excess amounts spent during a year can be transferred to following years for the first 5 years, but only 50% of it can be deferred for the 5 remaining years. As for the rentals, these amounts will be raised. The MERN will disclose the terms and conditions later on.

6.3 FORWARD CONTRACTS

No object.

6.4 OTHER INFORMATION RELEVANT TO THE ABANDONMENT COST AND FIELD REHABILITATION

The costs of abandonment of the Farnham No.1 well were paid in 2015 by the operator, Canbriam Energy Inc, accordingly to the agreement between the partners.

6.5 TAX HORIZON

No object.

6.6 COSTS INCURRED

Squatex exploration work expenses for the current fiscal year ending on **March 31st, 2018**, consist of geological and geophysical compilations, interpretations, stratigraphic wells maintenance works and field work, exploration and development programs preparation. Most of these expenses were allowed as statutory work over permits in the St. Lawrence Lowlands and mainly in the Lower St. Lawrence/Gaspé.

Table 3 is detailing expenses carried out by Squatex as of **March 31st 2018**. During the fiscal year, Squatex invested as expenditures work $244,922 (net of re-invoicing to partner Petrolympic Ltd. and tax excluded). In addition, a total of $67,578 (net of re-invoicing to partner Petrolympic Ltd. and tax excluded) was disbursed to pay rentals over all the permits. Thus, with its partner Petrolympic Ltd, a total amount of $412,500 was invested during the fiscal year to explore all the Squatex permits including rentals.

Table 3: Exploration expenditure per area in 2017-2018

ALLOCATION OF THE EXPLORATION EXPENDITURE PER AREA FROM APRIL 1, 2017 TO MARCH 31, 2018 (TAX EXCLUDED)						
CATEGORY OF EXPENSES	**Rentals**	**Geol + Geoph Works**	**Geol + Geoph Consultants**	**Professionnal Fees**	**TOTAL OF WORKS EXPENDITURES**	**TOTAL EXPENDITURES**
AREA	**LOWER ST.LAWRENCE/GASPE**					
Expenditures incurred	$ 45 052	$ 32 933	$ 155 989	$ 104 000	$ 292 922	$ 337 974
Expenditures rebilled to partner Petrolympic	$ 13 516	$ 1 800	$ 16 852	$ 7 800	$ 26 452	$ 39 968
Net balance of expenditures	$ 31 536	$ 31 133	$ 139 137	$ 96 200	$ 266 470	$ 298 006
AREA	**ST.LAWRENCE LOWLANDS**					
Expenditures incurred	$ 22 526	$ -	$ -	$ 52 000	$ 52 000	$ 74 526
Expenditures rebilled to partner Petrolympic	$ 6 758	$ -	$ -	$ 3 900	$ 3 900	$ 10 658
Net balance of expenditures	$ 15 768	$ -	$ -	$ 48 100	$ 48 100	$ 63 868
TOTAL EXPENDITURES INCURRED	**$ 67 578**	**$ 32 933**	**$ 155 989**	**$ 156 000**	**$ 344 922**	**$ 412 500**
TOTAL EXPENDITURES REBILLED	$ 20 274	$ 1 800	$ 16 852	$ 11 700	$ 30 352	$ 50 626
NET BALANCE OF EXPENDITURES	**$ 47 304**	**$ 31 133**	**$ 139 137**	**$ 144 300**	**$ 314 570**	**$ 361 874**

6.7 EXPLORATION AND DEVELOPMENT ACTIVITIES

6.7.1 Introduction

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

6.7.2 Permits in the Lower St. Lawrence/Gaspé area

Beginning in 2002, Squatex acquired significant permit coverage in the Lower St. Lawrence/Gaspé acreage totalling, as of March 31st, 2018, a gross area of 4311.6 Km^2 (3018.12 Km^2 Nets Squatex). Figure 4 shows the perimeter of the permits block, the localisation of seismic lines acquired since 2002 by Squatex, MERN lines bought and core holes drilled between 2011 and 2014.

Following acquisition by the Ministry for the Energy and the natural Resources (MERN) of a series of seismic profiles in the Matapedia area, Squatex decided to use the same equipment to record 20 km of seismic in the area in 2002. It also purchased and reprocessed a portion of MERN public lines. Interpretation of those profiles showed that seismic anomalies and zones of interest were present over the eastern part of Squatex's permits.

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

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

In 2011, two other wells were drilled near the village of La Rédemption (La Redemption No.1) and on the Mitis River bank(Portage No.1), to respective total depths of 447 and 600 meters. These holes were aimed at getting a better understanding of the Lower Silurian stratigraphy, calibrating seismic profiles and more specifically, knowing the distribution of the porous zones within the limestone levels. Portage No.1 exhibited oil shows (light oil of API 50^o in the Sayabec Formation).

In 2012, with the previous year results, the structural interpretation of the regional seismic lines was revised and led to the selection of a new location for a deeper stratigraphic well near Ste. Jeanne d'Arc and sited at 2,5 km to the south of the Portage well. The drilling of the stratigraphic well Squatex Massé No.1 began on October 2012, aiming at getting a better understanding of the stratigraphic sequence and to find out the cause of a porosity anomaly on an AVO (amplitude vs offset) seismic processing done by Squatex in 2004 on line MRN 2001-02. This type of anomaly is often related to the occurrence of a fluid or porosity.

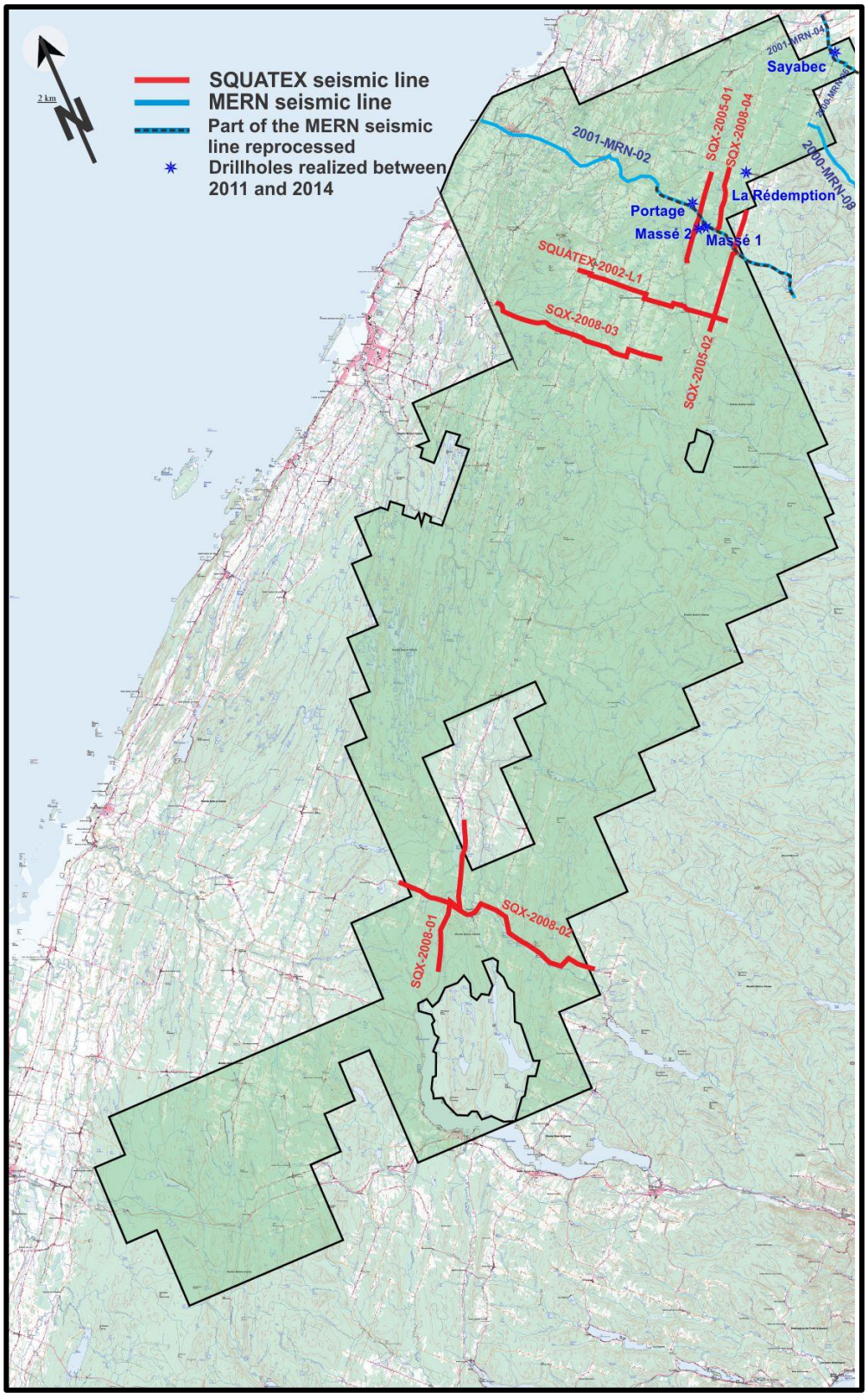

Figure 4: Squatex Lower St. Lawrence/Gaspé permits location map

Drilling operations were suspended at a depth of 1710 meters in November due to the severe weather conditions. The operations resumed on June 2013 and the well ended at a total depth of 1874 meters after having drilled trough the Val-Brilliant sandstone. A porous dolomitized limestone was intersected from 1650 to 1669 meters. Gas shows were observed over the course of drilling and were sampled and analyzed. A very permeable and porous zone in a dolomitized limestone was encountered at a depth of 1847 meters where gas reached surface pointing out an overpressure zone. Mud was weighed up in order to offset the gas and to decrease the well pressure, but in order to avoid the risks to lose control of the well without the suitable equipment, Squatex decided to stop drilling and to run cement at the end of June 2013. Near the base of the Sayabec Fm., core samples exhibited porosities of less than 5% to more than 20% over a 10 meters thickness.

In July 2013, the Sayabec No.1 well was spud near Sayabec to sample all formations present within the Lake Matapédia Syncline. Total depth was reached at 759 meters after having crossed the Silurian formations followed by 22 meters of sterile bedrock of the Supergroup of Quebec. Gas shows were observed at the base of the Sayabec formation within a dolomitized zone. The well allowed concluding that the Lake Matapédia syncline rests directly over cambrian-ordovician bedrock.

Following the encouraging results of the Squatex Massé No.1 stratigraphic well, the prospect was revalued and led to an appraisal well, the Squatex Massé No.2 located approximately 400 meters north of the first well (Figure 5).

The Squatex Massé No.2 stratigraphic hole began after running a surface casing cemented down to 210 meters to prevent contamination of ground water. A recirculation mud system in closed loop comparable of those ones used on oil type drillings rig was used on the well to minimize the impact on environment.

The well was entirely cored up to a total depth of 1970.4 meters reached on November 28th, 2014. After having crossed the entire sequence of the slightly deformed St-Leon, Sayabec limestones were reached at 1534 meters and the Val-Brilliant sandstones at 1800 meters, as anticipated, higher than in the Massé No.1 well. The cambrian-ordovician bedrock was drilled only over 11 meters and the drilling operations had to be stopped due to mechanical problems. A complete suite of logs was then recorded in the hole. A wellhead was set over the casing in order to monitor pressure readings and to record the level of water. Distinctive fractured zones were encountered in the St-Leon and in the Val-Brilliant. The gas analyses exhibit natural gas liquid (C2 with C8) about 100 ml/m^3 without hydrogen sulphide (H_2S). Oil shows were observed in the mud tank and the analyses are giving a density of $19,85^o$ API with less than 1% sulphur.

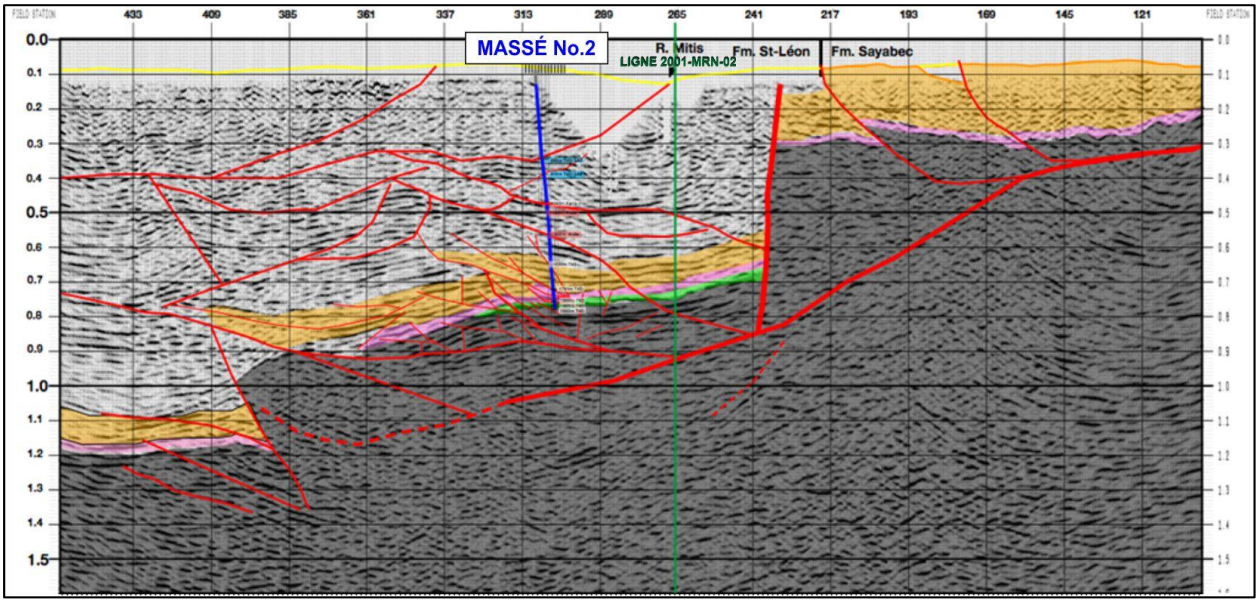

Figure 5: Interpreted seismic line through the Massé No.2 well

Within the framework of an agreement reached with the INRS-ETE in 2015, Squatex carried out a field geology mapping over the Lower St. Lawrence permits. This field work, principally aimed at the study of the Sayabec Formation, gathered several samples of rocks which were analyzed. A general review report was submitted at the end of 2016. The conclusions relate to the 3D facies distribution and development and the occurrence of associated porosity which will be of great value for the next phase of exploration.

In 2016, in-depth analysis of well logs of the Squatex Massé No. 2 well has allowed Squatex to target a promising gas and oil potential in the St-Léon and Sayabec formations. The results of this analysis were made available to Sproule & Associates Ltd (« Sproule ») to review the hydrocarbon potential of the Massé Structure. The result of this study is summarized in Section 7 of this report.

In 2017, Squatex thoroughly re-evaluated Lower St. Lawrence geosciences data. This study has led to a much deeper interpretation of the geological, tectonic and geochemical models of the region by incorporating data from the latest drilling and AVO reprocessing performed on the seismic lines. Nine additional prospects have thus been identified between St-Anaclet and Sayabec.

6.7.3 Permits over the St. Lawrence Lowlands

Squatex became involved in the St. Lawrence Lowlands in 2006 to look for hydrothermal dolomite reservoirs within the Ordovician platform. Squatex acquired 12 exploration permits totalling 2253.7 Km^2. This acquisition was very favorable since this region became in 2008 the most active in Quebec until the end of 2010, following the enthusiasm of investors for the gas potential of the Utica. Figure 6 shows the Squatex's permits, the location of seismic lines acquired in the field by Squatex since 2008 and the Canbriam Farnham No.1 well done in partnership in 2009.

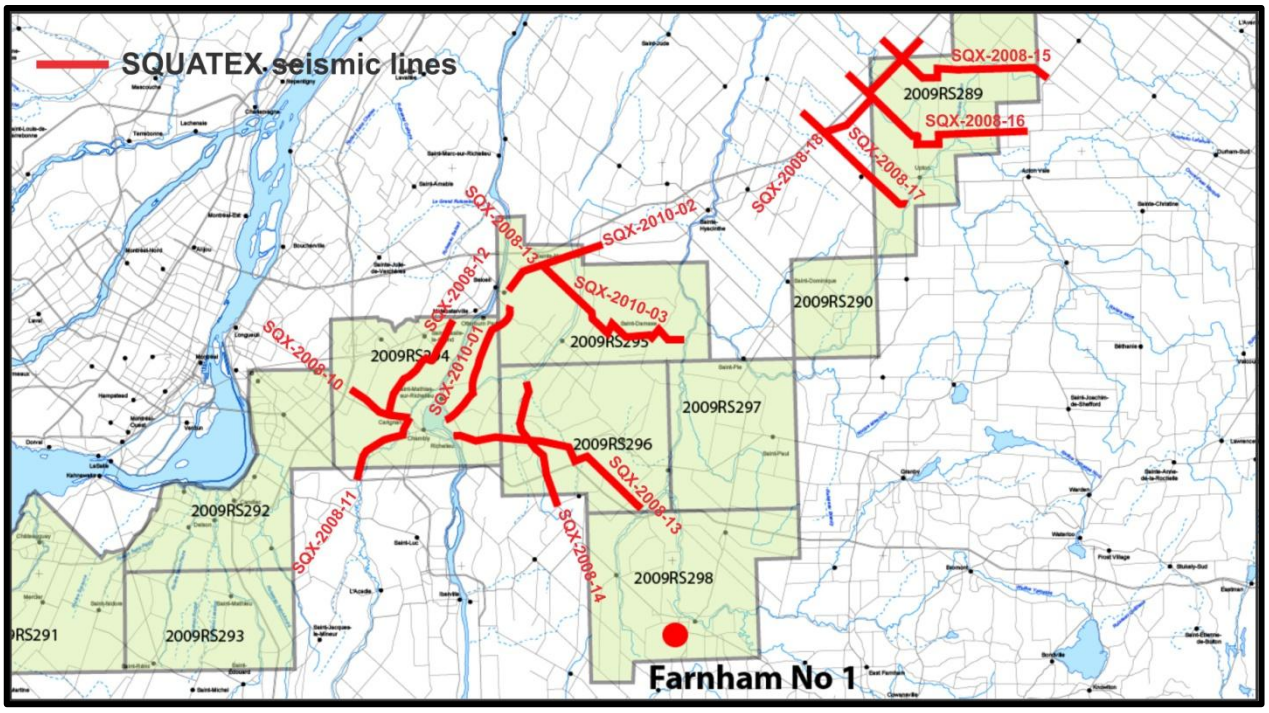

Figure 6: St. Lawrence Lowlands permits location map

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

A second farmout and joint operations agreement was signed between Squatex, Petrolympic Ltd and Canbriam Energy Inc. in November 2008 over a portion of permits 2009RS294 to 298. Within this agreement, Canbriam carried on an aeromagnetic survey and drill the Farnham No.1 well (A-271) which reached a total depth of 2507 meters after having crossed a thick sequence of Lorraine and having hit Utica at 1987 meters. Trenton came at 2332 meters. Gas shows were observed and the well was suspended in 2009. The well abandonned by the operator, Canbriam during fall 2015.

As of March 31th, 2018, Canbriam hold a 60% interest between surface and the top Trenton over a 80.0Km^2 block within permits 2009RS296 and 2009RS298. Squatex retains its 70% interest below the top Trenton. In 2010, Squatex carried out a geochemical sampling survey over a 10 km^2 surface over permits 2009RS291 to 293 located south of Montreal and acquired another 40 km of seismic (three profiles) recorded over the Chambly and St. Hyacinthe regions.

During the year ended March 31, 2018, activities remained minimal in the Lowlands, given the situation created by the lifting of statutory work obligations.

6.7.4 Current and anticipated activities

Since April 3rd 2107, Squatex's common shares are traded on the Canadian Securities Exchange (CSE) under the stock symbol “SQX”.

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

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

In 2016, Squatex mandated Sproule Associates Limited (Sproule) to assess the eastern sector of the Massé structure which was investigate by the drilling of the Massé No.1 and No.2 wells. Their study was carried over a territory of 25 km^2 delimited by the existing seismic lines showing similar anomalies (Figure 7).

Sproule used the full suite of logs that was run in the Massé No.2 well. Their study supports that gross unrisked undiscovered unrecoverable petroleum initially-in-place (PIIP) for the project could extend over an area between 0.8 km^2 (probability of 90%, or P90) and 12.7 km^2 (probability of 10% or P10). The potential hydrocarbons are found in the silurian limestones over a thickness range of almost 540 meters in which the effective net pay can vary between 66 meters and 210 meters with a mean value of 130 meters.

The results of the study point out to a potential PIIP (100%) of 53.6 BCF of gas and 52.2 million barrels of oil over a probable average surface of 5.2 km^2, for a total in oil equivalent of 61.1 million barrels (MMBOE) (Table 4).

Table 4: Gross unrisked undiscovered unrecoverable petroleum Initially-in-place of the eastern Massé Structure

Table S-2
Summary of Project Gross Unrisked Undiscovered Unrecoverable Petroleum Initially-in-Place (PIIP) of the Eastern Massé Structure, Lower St. Lawrence Area, Québec, Canada[1,2]
Estimated by Sproule Associates Limited, As of April 30, 2016

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

Notes:

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

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

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

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

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

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

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

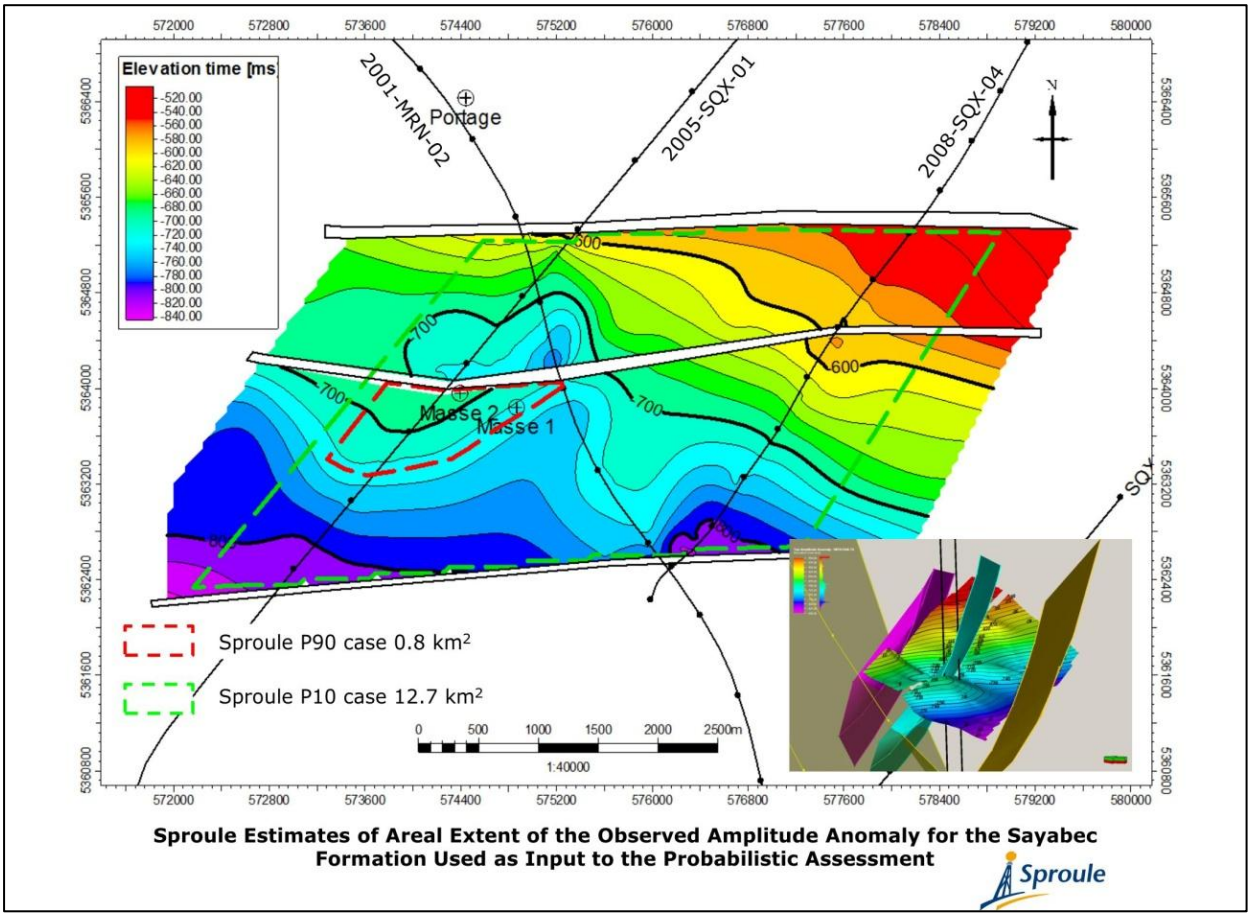

Figure 7: Areal extent of assessment by Sproule near Massé No.1 and No.2 wells