



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

Condensed Interim Financial Statements
(Unaudited)

For the three-month periods ended June 30, 2018 and 2017

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 June 30, 2018 and 2017 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

August 20, 2018

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

		June 30	March 31
		2018	2018
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
	Notes		
ASSETS			
Current			
Cash		8 218	11 056
Accounts receivable	5	49 631	35 750
Tax credits receivable		57 757	53 234
Prepaid expenses		2 470	5 261
		118 076	105 301
Non-current assets			
Investment in a private company		1	1
		118 077	105 302
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	359 831	282 711
Provisions		255 781	252 850
		615 612	535 561
Non-current			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		1 342 695	1 282 695
		1 958 307	1 818 256
SHAREHOLDER'S DEFICIENCY			
Share capital	7	4 703 229	4 703 229
Warrants	7	-	58 866
Contributed surplus		956 946	862 080
Deficit		(7 500 405)	(7 337 129)
Total shareholder's deficiency		(1 840 230)	(1 712 954)
Total liabilities and shareholder's deficiency		118 077	105 302

Going concern 2

Subsequent event 12

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

Jean-Claude Caron
President

René Guimond
Vice-President, Finance

SQUATEX ENERGY AND RESOURCES INC.

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

	Notes	For the three-month periods ended	
		2018	2017
<i>(unaudited - in Canadian dollars)</i>		\$	\$
Net exploration and evaluation expenses	8	50 629	84 085
General and administrative expenses	9	60 321	87 752
Operating loss		(110 950)	(171 837)
Financial expenses	10	(52 326)	(45 024)
Stock-based compensation	7	-	(55 943)
Change in fair value of Canadian public companies shares		-	(568)
Net profit (loss) and comprehensive income (loss) for the period		(163 276)	(273 372)
Basic and diluted earnings per share		(0,0015)	(0,0026)
Weighted average of common shares outstanding		105 841 876	105 841 876

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

SQUATEX ENERGY AND RESOURCES INC.
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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 \$
Balance as at April 1, 2017		105 841 876	4 703 229	58 866	(6 394 116)	504 000	(1 128 021)
Net loss and comprehensive loss		-	-	-	(273 372)	-	(273 372)
Stock-based compensation	7	-	-	-	-	55 943	55 943
Waiver of payment from a company under common control	11	-	-	-	-	36 000	36 000
Balance as at June 30, 2017		105 841 876	4 703 229	58 866	(6 667 488)	595 943	(1 309 450)
Balance as at April 1, 2018		105 841 876	4 703 229	58 866	(7 337 129)	862 080	(1 712 954)
Net loss and comprehensive loss		-	-	-	(163 276)	-	(163 276)
Expiration of warrants	7	-	-	(58 866)	-	58 866	-
Waiver of payment from a company under common control	11	-	-	-	-	36 000	36 000
Balance as at June 30, 2018		105 841 876	4 703 229	-	(7 500 405)	956 946	(1 840 230)

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SQUATEX ENERGY AND RESOURCES INC.

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Condensed Interim Statements of Cash Flows

	For the three-month periods ended June 30	
	2018	2017
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(163 276)	(273 372)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	-	568
Stock-based compensation	-	55 943
Waiver of payment from a company under common control	36 000	36 000
Changes in working capital items :		
Accounts receivable	(13 881)	62 614
Tax credits receivable	(4 523)	(17 533)
Prepaid expenses	2 791	2 731
Trade payables and other payables	77 120	81 934
Provision	2 931	2 930
Cash flows from operating activities	(62 838)	(48 185)
INVESTING ACTIVITIES		
Disposition of Canadian public company shares	-	10 584
Cash flows from investing activities	-	10 584
FINANCING ACTIVITIES		
Due to a company under common control	60 000	-
Cash flow from financing activities	60 000	-
NET CHANGE IN CASH	(2 838)	(37 601)
CASH AT BEGINNING OF YEAR	11 056	226 267
CASH AT END OF YEAR	8 218	188 666

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SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**June 30, 2018**

(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, 2018, 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, 2018. The annual financial statements of the Company are available on the SEDAR website at: www.sedar.com.

The Company is incorporated under the Canadian Business Corporations Act.

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

These financial statements were approved and authorized for publication by the Board of Directors on August 20, 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 June 30, 2018, the Company had a \$497,536 negative working capital and a cumulated deficit of \$7,500,405.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2018**

(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**Adapted standard during the period*****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. The Company has concluded that these changes have no impact on its interim financial statements as no share-based payment has occurred during this period.

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. Management has not yet determined the impact that this standard will have on its financial statements. The Company has concluded that the adoption of this standard does not have a significant impact on its interim financial statements.

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements

June 30, 2018

(Unaudited - in Canadian dollars)

IFRS 9 – Financial instruments (cont'd)

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, 2018.

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, 2018.

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

	June 30	March 31
	2018	2018
	\$	\$
Accounts receivable	34 318	26 359
Sales tax receivable	15 313	9 391
Receivables	49 631	35 750

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**June 30, 2018***(Unaudited - in Canadian dollars)***6. Trade payables and other payables**

	June 30	March 31
	2018	2018
	\$	\$
Accounts payable	60 981	33 211
Interest payable - company under common control	298 850	249 500
Trade payables and other payables	359 831	282 711

7. Equity**7.1 Authorized share capital**

Unlimited number of common shares without par value.

7.2 Issued share capital

There were no changes in the issued share capital during the three-month period ended June 30, 2018.

7.3 Warrants

The following table shows the continuity of the outstanding warrants as at June 30, 2018:

	Number of warrants Number	Weighted average exercise price \$	Fair value allocated \$
Balance as at April 1, 2018	1 212 632	0,19	58 866
Expired	(1 212 632)	(0,19)	(58 866)
Balance as at June 30, 2018	-	-	-

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Notes to the Condensed Interim Financial Statements**June 30, 2018***(Unaudited - in Canadian dollars)***7. Equity (cont'd)****7.4 Stock options**

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, 2018	1 000 000	0,35
Granted	-	-
Balance as at June 30, 2018	1 000 000	0,35

Granted and exercisable options as at June 30, 2018:

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		97,70	%
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	\$	0,2141	

Stock-based compensation recognized in earnings amounts to \$ nil for the three months period ended June 30, 2018 (2017 - \$55,943).

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**June 30, 2018***(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 June 30, 2018

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	13 000	-	13 000
Lower St.Lawrence/Gaspe	42 152	4 523	37 629
Total	55 152	4 523	50 629

For the three-month period ended June 30, 2017

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	13 000	-	13 000
Lower St.Lawrence/Gaspe	88 618	17 533	71 085
Total	101 618	17 533	84 085

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three-month periods ended	
	June 30	June 30
	2018	2017
	\$	\$
Geology and geophysics	16 152	62 618
Technical consultation	39 000	39 000
Total	55 152	101 618
Tax credits, net	4 523	17 533
Exploration and evaluation expenditures net of tax credits	50 629	84 085

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Notes to the Condensed Interim Financial Statements**June 30, 2018***(Unaudited - in Canadian dollars)***9. General and administrative expenses**

Nature of the expenses	For the three-month periods ended June 30	
	2018	2017
	\$	\$
Professional services	47 672	73 409
Management fees	6 000	6 000
Registration fees	3 858	5 612
Insurance	2 791	2 731
	60 321	87 752

10. Financial expenses

	For the three-month periods ended June 30	
	2018	2017
	\$	\$
Long-term interests due to a company under common control	49 350	42 004
Interest and other bank expenses	2 976	3 020
	52 326	45 024

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Notes to the Condensed Interim Financial Statements

June 30, 2018

(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 June 30	
	2018	2017
	\$	\$
Exploration and evaluation expenditures net of tax credits	44 430	59 246
Professional services	21 000	33 000
Stock based compensation	-	55 943
Management fees	6 000	6 000
Financial expenses	49 350	42 004

As at June 30, 2018, there is an outstanding balance of \$ 15,550 (\$ 15,550 at March 31, 2018) resulting from these operations plus interest payable of \$ 295,850 (\$ 249,500 at March 31, 2018). The promissory note to a company under common control of \$ 1,342,695 (\$ 282,695 at March 31, 2018) is also considered a related party transaction.

A company under common control waived payment of its services, which are services for the President, for the three-month period ended June 30, 2018. The value of these services is a total of \$36,000 (\$36,000 in 2017 for the three-month period ended June 30, 2017) and was recognized in contributed surplus.

12. Subsequent event

On August 3rd, 2018, a company under common control has made two additional advances totaling \$130,000. This brings the due to a company under common control (bearing interest at 15% payable September 30, 2019) to a balance of \$1,472,695.