



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

Condensed Interim Financial Statements
(Unaudited)

For the six-month periods ended September 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 September 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

November 28, 2018

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

		September 30	March 31
		2018	2018
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
ASSETS			
Current			
Cash		57 920	11 056
Accounts receivable	5	54 127	35 750
Tax credits receivable		9 818	53 234
Prepaid expenses		625	5 261
		122 490	105 301
Non-current assets			
Investment in a private company		1	1
Total assets		122 491	105 302
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	59 938	282 711
Provisions		258 744	252 850
		318 682	535 561
Non-current			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		-	1 282 695
Total liabilities		318 682	1 818 256
SHAREHOLDER'S DEFICIENCY			
Share capital		6 504 107	4 703 229
Warrants		-	58 866
Contributed surplus		992 946	862 080
Deficit		(7 693 244)	(7 337 129)
Total shareholder's deficiency		(196 191)	(1 712 954)
Total liabilities and shareholder's deficiency		122 491	105 302

Going concern

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



Jean-Claude Caron
President



René Guimond
Vice-President, Finance

SQUATEX ENERGY AND RESOURCES INC.

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Condensed Interim Statements of Profit or loss and Comprehensive Income

	Notes	Second quarters ended September 30		For the six-month periods ended September 30	
		2018 \$	2017 \$	2018 \$	2017 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	8	52 657	74 190	103 286	158 275
General and administrative expenses	9	107 760	106 092	168 081	193 844
Operating loss		(160 417)	(180 282)	(271 367)	(352 119)
Finance expenses	10	(32 422)	(46 440)	(84 748)	(91 464)
Stock-based compensation	7	-	(47 952)	-	(103 895)
Change in fair value of Canadian public companies shares		-	-	-	(568)
Net loss and comprehensive income for the period		(192 839)	(274 674)	(356 115)	(548 046)
Basic and diluted earnings per share		(0,0017)	(0,0026)	(0,0032)	(0,0052)
Weighted average of common shares outstanding		113 867 528	105 841 876	109 876 630	105 841 876

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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		-	-	-	(548 046)	-	(548 046)
Stock-based compensation		-	-	-	-	103 895	103 895
Waiver of payment from a company under common control	11	-	-	-	-	72 000	72 000
Balance as at September 30, 2017		105 841 876	4 703 229	-	(6 942 162)	679 895	(1 500 172)
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		-	-	-	(356 115)	-	(356 115)
Expiry of warrants	7	-	-	(58 866)	-	58 866	-
Issuance of common shares in settlement of debts	7	18 008 780	1 800 878	-	-	-	1 800 878
Waiver of payment from a company under common control	11	-	-	-	-	72 000	72 000
Balance as at September 30, 2018		123 850 656	6 504 107	-	(7 693 244)	992 946	(196 191)

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SQUATEX ENERGY AND RESOURCES INC.

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Condensed Interim Statements of Cash Flows

	For the six-month periods ended September 30	
	2018	2017
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(356 115)	(548 046)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	-	568
Stock-based compensation	-	103 895
Waiver of payment from a company under common control	72 000	72 000
Changes in working capital items :		
Accounts receivable	(18 377)	47 801
Tax credits receivable	43 416	(31 218)
Prepaid expenses	4 636	2 267
Trade payables and other payables	105 410	62 989
Provisions	5 894	5 893
Cash flows from operating activities	(143 136)	(283 851)
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	190 000	80 000
Cash flows from financing activities	190 000	80 000
NET DECREASE IN CASH	46 864	(193 267)
CASH AT BEGINNING OF YEAR	11 056	226 267
CASH AT END OF YEAR	57 920	33 000

During the six-month period ended September 30, 2018, the Company converted the amount due (\$1,472,695) and interest payable (\$328,183) to a company under common control totaling \$1,800,878 in 18,008,780 common shares. This transaction had no impact on cash flow.

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

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**September 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 November 28, 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 September 30, 2018, the Company had a \$196,192 negative working capital and a cumulated deficit of \$7,693,244.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**September 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.

(An oil and gas exploration company)

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

(Unaudited - in Canadian dollars)

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

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**September 30, 2018***(Unaudited - in Canadian dollars)***5. Receivables**

	<u>September 30</u>	<u>March 31</u>
	2018	2018
	\$	\$
Accounts receivable	42 787	26 359
Sales tax receivable	11 340	9 391
Receivables	54 127	35 750

6. Trade payables and other payables

	<u>September 30</u>	<u>March 31</u>
	2018	2018
	\$	\$
Accounts payable	59 938	33 211
Interest payable - company under common control	-	249 500
Trade payables and other payables	59 938	282 711

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**September 30, 2018***(Unaudited - in Canadian dollars)***7. Equity****7.1 Authorized share capital**

Unlimited number of common shares without par value.

7.2 Issued share capital

During the six-month period ended September 30, 2018, on August 21, 2018, the Company issued 18,008,780 common shares, at a price of \$0.10, to settle all debts totaling \$1,800,878. These securities are subject to a holding period of 4 months and 1 day.

7.3 Warrants

The following table shows the continuity of the outstanding warrants as at September 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 September 30, 2018	-	-	-

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**September 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
Forfeited	(400 000)	(0,35)
Balance as at September 30, 2018	600 000	0,35

Granted and exercisable options as at September 30, 2018:

Outstanding options	Exercisable options	Exercise price	Expiration date
600 000	600 000	\$ 0,35	June 2022
<u>600 000</u>	<u>600 000</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	

No stock-based compensation was recognized in earnings during the six-month period ending September 30, 2018 (\$ 103,895 in the six-month period ending September 30, 2017).

SQUATEX ENERGY AND RESOURCES INC.

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

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	13 000	-	13 000
Lower St.Lawrence/Gaspe	44 952	5 295	39 657
Total	57 952	5 295	52 657

For the three-month period ended
September 30, 2017

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	13 000	-	13 000
Lower St.Lawrence/Gaspe	74 875	13 685	61 190
Total	87 875	13 685	74 190

**For the six-month period ended
September 30, 2018**

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	26 000	-	26 000
Lower St.Lawrence/Gaspe	87 104	9 818	77 286
Total	113 104	9 818	103 286

For the six-month period ended
September 30, 2017

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	26 000	-	26 000
Lower St.Lawrence/Gaspe	163 493	31 218	132 275
Total	189 493	31 218	158 275

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Notes to the Condensed Interim Financial Statements**September 30, 2018***(Unaudited - in Canadian dollars)***8. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three- month period ended September 30 2018	For the three- month period ended September 30 2017
	\$	\$
Geology and geophysics	18 952	48 875
Technical consultation	39 000	39 000
Total	57 952	87 875
Tax credits, net	5 295	13 685
Exploration and evaluation expenditures net of tax credits	52 657	74 190

	For the six- month period ended September 30 2018	For the six- month period ended September 30 2017
	\$	\$
Geology and geophysics	35 144	111 493
Technical consultation	78 000	78 000
Total	113 144	189 493
Tax credits, net	9 818	31 218
Exploration and evaluation expenditures net of tax credits	103 326	158 275

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

Nature of the expenses	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2018 \$	2017 \$	2018 \$	2017 \$
Professional services	36 671	41 588	84 343	114 997
Management fees	6 000	6 000	12 000	12 000
Registration fees	15 172	8 248	19 030	13 860
Office expenses	220	-	220	-
Taxes and licenses	47 852	47 304	47 852	47 304
Representations and travel	-	190	0	190
Insurance	1 845	2 762	4 636	5 493
	107 760	106 092	168 081	193 844

10. Financial expenses

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2018 \$	2017 \$	2018 \$	2017 \$
Long-term interests due to a company under common control	29 333	43 412	78 683	85 416
Interest and other bank expenses	3 089	3 028	6 065	6 048
	32 422	46 440	84 748	91 464

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Notes to the Condensed Interim Financial Statements

September 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 September 30		For the six-month periods ended September 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	44 330	57 714	88 660	116 960
Professional services	21 000	33 000	42 000	66 000
Management fees	6 000	6 000	12 000	12 000
Financial expenses	29 333	43 412	78 683	85 416

As at September 30, 2018, there is an outstanding balance of \$24,078 (15,550 at March 31, 2018) resulting from these operations, plus interest payable of \$249,500 as at March 31, 2018 (nil as at September 30, 2018) 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 September 30, 2018. The value of these services is a total of \$36,000 (\$36,000 in 2017 for the three-month period ended September 30, 2016) and was recognized in contributed surplus.

11. Subsequent Events

On November 21, 2018, a company under common control has made additional advance of \$30,000, bearing interest at 15%. This additional advance will expire on September 30, 2020. This brings the due to a company under common control to a balance of \$30,000 as at November 29, 2018.