



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

Condensed Interim Financial Statements
(Unaudited)

For the nine-month periods ended December 31, 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 December 31, 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

February 26, 2019

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

		December 31	March 31
		2018	2018
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
	Notes		
ASSETS			
Current			
Cash		213 003	11 056
Accounts receivable	5	50 493	35 750
Tax credits receivable		14 831	53 234
Prepaid expenses		7 605	5 261
		285 932	105 301
Non-current assets			
Investment in a private company		1	1
Total assets		285 933	105 302
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	39 201	282 711
Provisions		261 706	252 850
		300 907	535 561
Non-current			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2020 (on September 30, 2019 for the promissory note as of March 31, 2018)		240 000	1 282 695
Total liabilities		540 907	1 818 256
SHAREHOLDER'S DEFICIENCY			
Share capital		6 504 107	4 703 229
Warrants		-	58 866
Contributed surplus		1 028 946	862 080
Deficit		(7 788 027)	(7 337 129)
Total shareholder's deficiency		(254 974)	(1 712 954)
Total liabilities and shareholder's deficiency		285 933	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 December 31		For the nine-month periods ended December 31	
		2018 \$	2017 \$	2018 \$	2017 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	8	51 891	47 006	155 177	205 281
General and administrative expenses	9	39 051	48 264	207 132	242 108
Operating loss		(90 942)	(95 270)	(362 309)	(447 389)
Finance expenses	10	(3 841)	(49 058)	(88 589)	(140 522)
Stock-based compensation	7	-	(31 967)	-	(135 862)
Change in fair value of Canadian public companies shares		-	-	-	(568)
Net loss and comprehensive income for the period		(94 783)	(176 295)	(450 898)	(724 341)
Basic and diluted earnings per share		(0,0008)	(0,0017)	(0,0039)	(0,0068)
Weighted average of common shares outstanding		123 850 656	105 841 876	114 551 577	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		-	-	-	(724 341)	-	(724 341)
Stock-based compensation		-	-	-	-	135 862	135 862
Waiver of payment from a company under common control	11	-	-	-	-	108 000	108 000
Balance as at December 31, 2017		105 841 876	4 703 229	-	(7 118 457)	747 862	(1 608 500)
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		-	-	-	(450 898)	-	(450 898)
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	-	-	-	-	108 000	108 000
Balance as at December 31, 2018		123 850 656	6 504 107	-	(7 788 027)	1 028 946	(254 974)

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Condensed Interim Statements of Cash Flows

	For the nine-month periods ended December 31	
	2018	2017
<i>(Unaudited - in Canadian dollars)</i>	\$	\$
OPERATING ACTIVITIES		
Net loss	(450 898)	(724 341)
Adjustments:		
Change in fair value of listed shares of Canadian public companies	-	568
Stock-based compensation	-	135 862
Waiver of payment from a company under common control	108 000	108 000
Changes in working capital items :		
Accounts receivable	(14 743)	51 556
Tax credits receivable	38 403	(4 391)
Prepaid expenses	(2 344)	2 553
Trade payables and other payables	84 673	98 944
Provisions	8 856	8 856
Cash flows from operating activities	(228 053)	(322 393)
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	430 000	130 000
Cash flows from financing activities	430 000	130 000
NET DECREASE IN CASH	201 947	(181 809)
CASH AT BEGINNING OF YEAR	11 056	226 267
CASH AT END OF YEAR	213 003	44 458

During the nine-month period ended December 31, 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.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 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 February 26, 2019.

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, 2018, the Company had a \$14,975 negative working capital and a cumulated deficit of \$7,788,027.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 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**December 31, 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**December 31, 2018***(Unaudited - in Canadian dollars)***5. Receivables**

	<u>December 31</u>	<u>March 31</u>
	2018	2018
	\$	\$
Accounts receivable	41 675	26 359
Sales tax receivable	8 818	9 391
Receivables	50 493	35 750

6. Trade payables and other payables

	<u>December 31</u>	<u>March 31</u>
	2018	2018
	\$	\$
Accounts payable	38 461	33 211
Interest payable - company under common control	740	249 500
Trade payables and other payables	39 201	282 711

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements

December 31, 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 nine-month period ended December 31, 2018, on August 21, 2018, the Company issued 18,008,780 common shares, at a unit price of \$0.10, to settle all debts and interest to paid totaling \$1,800,878 at the conversion date. 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 December 31, 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 December 31, 2018	-	-	-

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 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	(550 000)	(0,35)
Balance as at December 31, 2018	450 000	0,35

Granted and exercisable options as at December 31, 2018:

Outstanding options	Exercisable options	Exercise price	Expiration date
450 000	450 000	\$ 0,35	June 2022
<u>450 000</u>	<u>450 000</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 neuf-month period ending December 31, 2018 (\$ 135,862 in the neuf-month period ending September 30, 2017).

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 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 December 31,
2018**

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	13 000	-	13 000
Lower St.Lawrence/Gaspe	43 904	5 013	38 891
Total	56 904	5 013	51 891

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
Total	54 669	7 663	47 006

**For the nine-month period ended
December 31, 2018**

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	39 000	-	39 000
Lower St.Lawrence/Gaspe	131 008	14 831	116 177
Total	170 008	14 831	155 177

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
Total	244 162	38 881	205 281

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Notes to the Condensed Interim Financial Statements**December 31, 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 December 31 2018	For the three- month period ended December 31 2017
	\$	\$
Geology and geophysics	17 904	27 369
Technical consultation	39 000	27 300
Total	56 904	54 669
Tax credits, net	5 013	7 663
Exploration and evaluation expenditures net of tax credits	51 891	47 006

	For the nine- month period ended December 31 2018	For the nine- month period ended December 31 2017
	\$	\$
Geology and geophysics	53 008	138 862
Technical consultation	117 000	105 300
Total	170 008	244 162
Tax credits, net	14 831	38 881
Exploration and evaluation expenditures net of tax credits	155 177	205 281

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2018***(Unaudited - in Canadian dollars)***9. General and administrative expenses**

Nature of the expenses	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018 \$	2017 \$	2018 \$	2017 \$
Professional services	23 875	33 247	108 218	148 244
Management fees	6 000	6 000	18 000	18 000
Registration and publication fees	5 868	3 215	24 898	17 075
Office expenses	2 683	4 582	2 903	4 582
Taxes and licenses	-	88	47 852	47 392
Representations and travel	-	315	0	505
Insurance	625	817	5 261	6 310
	39 051	48 264	207 132	242 108

10. Financial expenses

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2018 \$	2017 \$	2018 \$	2017 \$
Long-term interests due to a company under common control	740	46 045	79 423	131 461
Interest and other bank expenses	3 101	3 013	9 166	9 061
	3 841	49 058	88 589	140 522

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements

December 31, 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 December 31		For the nine-month periods ended December 31	
	2018	2017	2018	2017
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	46 567	40 473	135 227	157 433
Professional services	21 000	33 000	63 000	99 000
Management fees	6 000	6 000	18 000	18 000
Financial expenses	740	46 045	79 423	131 461

As at December 31, 2018, there is an outstanding balance of \$17,792 (15,550 at March 31, 2018) resulting from these operations, plus interest payable of \$740 (\$249,500 as at March 31, 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 December 31, 2018. The value of these services is a total of \$36,000 (\$33,000 for the three-month period ended December 31, 2017) and was recognized in contributed surplus.

11. Subsequent Events

On January 1st, 2019, a company under common control has made additional advances of \$55,600, bearing interest at 15%. These additional advances will expire on September 30, 2020. This brings the due to a company under common control to a balance of \$295,600 as at February 26, 2019. On January 8, 2019, the Company and its partner Petrolympic paid, on protest, the sum of \$255,616 as an adjustment to the annual fees for exploration licenses under the Hydrocarbons Act.