MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED

MARCH 31, 2019

Prepared by:

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INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Ressources & Énergie Squatex Inc ("Squatex" or the "Company") constitutes the management's review of factors that affected the Company's financial performance for the year ended on **March 31, 2019** in comparison with data from the same period last year. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended March 31, 2019. The Company's financial statements for the year ended on March 31, 2019 contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") including comparative figures. Results are reported in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This report contains statements that are to be considered forward-looking statements. Such statements relate to future events or future economic performance of Squatex and involve risks, uncertainties and other known and unknown factors that may appreciably affect the results, performance or achievements against this or implications Squatex statements. Actual events or results could differ. Forward-looking statements include words or phrases such as "anticipates", "believes", "plans" or other words or phrases suggesting future outcomes of the infringement. Therefore, the decision to invest in securities of Squatex should at no time be based on such statements. Squatex disclaims any intention and undertakes no obligation to update such statements unless otherwise required by law.

DESCRIPTION OF BUSINESS

Squatex is incorporated under the Canada Business Corporations Act Corporations. Since April 3, 2017, Squatex's shares has been listed on the Canadian Stock Exchange ("CSE") under the symbol "SQX". The exploration and development of oil and gas properties in the territory of Quebec are the major activities of the Company. As part of achieving its objectives, the Company is required to enter into partnership agreements to reduce the risks and costs of its projects.

Squatex could not determine until now whether its properties contain hydrocarbon reserves that could be economically recoverable. This oil and gas exploration work has a very high degree of risk and there is no assurance that current exploration programs will result in production operations profitable for the Company. The value of the Company's interests in its oil and gas properties is dependent upon the existence of economically recoverable reserves and the Squatex capacity to find adequate financing to develop these reserves and possibly have a profitable future production.

Squatex favors in exploration programs it develops, areas where the chances of success are higher to ensure short term profitability. In recent years, its activities have been focused on its Lower St. Lawrence-Gaspé exploration permits located between Rivière-du-Loup and Rimouski, where it holds 24 licenses totaling 4 311.6 km^2 over Silurian-Devonian and Ordovician rocks to search for conventional oil and gas accumulations. Moreover, Squatex is hoping to reactivate its exploration in the St. Lawrence Lowlands area, where it holds 12 licenses totaling 2 249.33 km^2 on shale gas plays in the Utica / Lorraine and for the exploration of conventional traps within the Ordovician platform.

As of March 31, 2019 and as of the date of this report, the Company does not produce hydrocarbons. No proven reserves of oil or gas has been identified so far in the Squatex exploration permits.

OVERALL PERFORMANCE

Following regional geological and geophysical work in the Lower St. Lawrence region, Squatex with its partner Petrolympic (30%) began a program of deeper stratigraphic coring in the fall of 2012. After obtaining interesting oil shows in two shallow wells La Redemption and Portage, the first deep core drilling, Massé No. 1 was aimed at a predicted seismic anomaly (Amplitude vs Offset) having a potential for fluids or porosity. It actually met very porous hydrothermal dolomites in the Sayabec Formation near the contact with the Val Brillant. Between 1750 m and 1874 m, strong gas and condensate shows were obtained and the cores showed measured porosity up to 20.8% with a permeability reaching 1624 MD. In 2013, the Sayabec No. 1 well, which aimed at similar objectives, also encountered a dolomitized zone giving gas and oil shows in the same Formations and reached a total depth of 759 m. Following these very interesting initial results, Squatex reprocessed the seismic data in the region and was able to determine nine additional borehole locations on nearby anomalies similar to that of Massé to assess the potential and extent of the porous dolomitized zones observed in the structure.

In 2014, Squatex drilled the Massé No. 2 well about half a kilometre from the Massé No.1 discovery well. The drilling equipment was then improved by opting for a closed loop drilling mud recirculation system with a BOP like a conventional oil drill to facilitate operations, increase safety and meet environmental standards The well ended at a depth of 1970m in Cambrian-Ordovician rocks after crossing nearly 1000 meters of porous zones with the presence of gas and oil. After recording a series of logs in the hole, the well was suspended pending the necessary permits to assess the productivity of the zones of interest encountered.

An independent expertise of the international firm Sproule and Associates verified and validated in 2016 the potential of the Massé Structure using the logs of the Massé No. 2 well. Sproule's results are significant and indicate a potential in place for gas of 53.6 BCF and for oil of 52.2 million barrels over a probable average area of 5.2 km^2.

In addition, Squatex has been pursuing a university partnership agreement with the Institut National de la Recherche Scientifique (INRS) to conduct important geosciences studies in the Lower St. Lawrence region. The 3D modeling studies and the determination of the reservoir potential of the Sayabec Formation are progressing to improve the understanding of this complex geological system hitherto unknown to Quebec from a stratigraphic and structural point of view and to validate its potential for hydrocarbons.

In the St. Lawrence Lowlands, Squatex and its partner Petrolympic Ltd. signed in 2008 a joint operations agreement with Canbriam Energy Inc. ("Canbriam") with respect to farming in a series of drilling options over two licenses. Canbriam drilled a first well, Canbriam Farnham No.1 in 2009 and has earned a 60% interest over 8000 hectares within two licenses selected in the agreement. Canbriam did not exercise the other options provided before 30 September 2013 and the agreement has ended on that date. The abandonment of the Canbriam Farnham No.1 well and the rehabilitation of the site according to regulations was made in 2015 by Canbriam.

During the period ended March 31, 2019, Squatex did not carry out exploration work on its licences, other than tracking records under the new Existing Act. The company was exempted until September 2018 by the Government of statutory work obligations on its exploration permits. Squatex does not plan to conduct short-term exploration of its licences while it is in the business of fulfilling its many new obligations under the new Hydrocarbons Act which came into force on 20 September 2018. Previous work expenses incurred on permits will cover the current year's work obligations under the new Act.

The company stands ready for the resumption of exploration on its oil and gas research permits in partnership with Petrolympic while continuing to look for other business opportunities. Squatex has been listed on the stock markets since April 2017 under the symbol "SQX" in order to have easier access to capital to carry out its exploration programs.

In August 2018, Squatex paid the annual fees (annuities) to thereby retain all of its licences for the year 2018-19 in accordance with the regulations of the former mining law. In November 2018, the MERN required and received retroactive payment of $ 255,616, on protest, an increase of 500% in the annuity under the new Hydrocarbons Act. As provided for in the transitional measures of the Act, Squatex notified in December 2018 all the MRC and all the landowners located within its territories under licence of its activities and is proceeding to the formation of all the local Monitoring Committees requested by the new law intended to increase transparency about exploration projects.

TRENDS

While general economic conditions continue to stagnate in the oil sector while relative stability appears to be emerging in the financial markets, significant uncertainty still persists for the future of exploration Oil in Quebec. The introduction of the new oil Law on September 20, 2018, gives a hope for a resumption of Oil and Gas exploration work in the Province of Quebec. However, certain regulations of the new law will cause new difficulties for oil operations. The management and the board of Directors will carefully follow developments on this subject and see their implications on the functioning of Squatex.

SUMMARY OF LAND POSITIONS

As of March 31, 2019, Squatex owns interests in a total of 6 560.93 km^2 (1,621,205 acres) of exploration oil and gas permits in the Appalachian Basin of Quebec over the St. Lawrence Lowlands and the Lower St. Lawrence-Gaspé areas (See attached map). The Company's properties in the St. Lawrence Lowlands is a 70% net interest in 2 249.33 km^2 (555.809 acres) in partnership with Petrolympic and 28% net interest from the surface to the Top of Trenton over 80.00 km^2 (19.768 acres) under an agreement with Canbriam, and 70% net in the same block below the Top Trenton. These properties represent a significant position in unconventional targets in the Utica-Lorraine shales and in conventional plays within the Trenton-Black River carbonates. Squatex also owns properties in the Lower St. Lawrence-Gaspé area consisting in a 70% net interest in 4 311.60 km^2 (1,065,396 acres) in partnership with Petrolympic. These property located between Rimouski and Rivière-du-Loup present interesting plays for oil and gas in Silurian reefs and in hydrothermal dolomites.

The following tables present the permits in force as of March 31, 2019 on which Squatex has an interest. For the location of the license, refer to the map.

ST. LAWRENCE LOWLANDS PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km^2)
2009RS287	01/09/2019	208,71
2009RS288	01/09/2019	179,90
2009RS289	01/09/2019	209,09
2009RS290	01/09/2019	72,48
2009RS291	01/09/2019	224,47
2009RS292	01/09/2019	188,27
2009RS293	01/09/2019	145,80
2009RS294	01/09/2019	216,64
2009RS295	01/09/2019	193,16
2009RS296 (part)	01/09/2019	203,39 *
2009RS297	01/09/2019	163,42
2009RS298 (part)	01/09/2019	244,00 *
Sub-total		**2 249,33**

* A 60% interest between the surface and the Top of Trenton over a 80,00 km^2 block have been transferred jointly by Squatex and Petrolympic Canbriam. Squatex retain 70% below the Top Trenton.

ST. LAWRENCE LOWLANDS PERMITS - 28% OWNERSHIP: (FROM SURFACE TO TOP TRENTON):

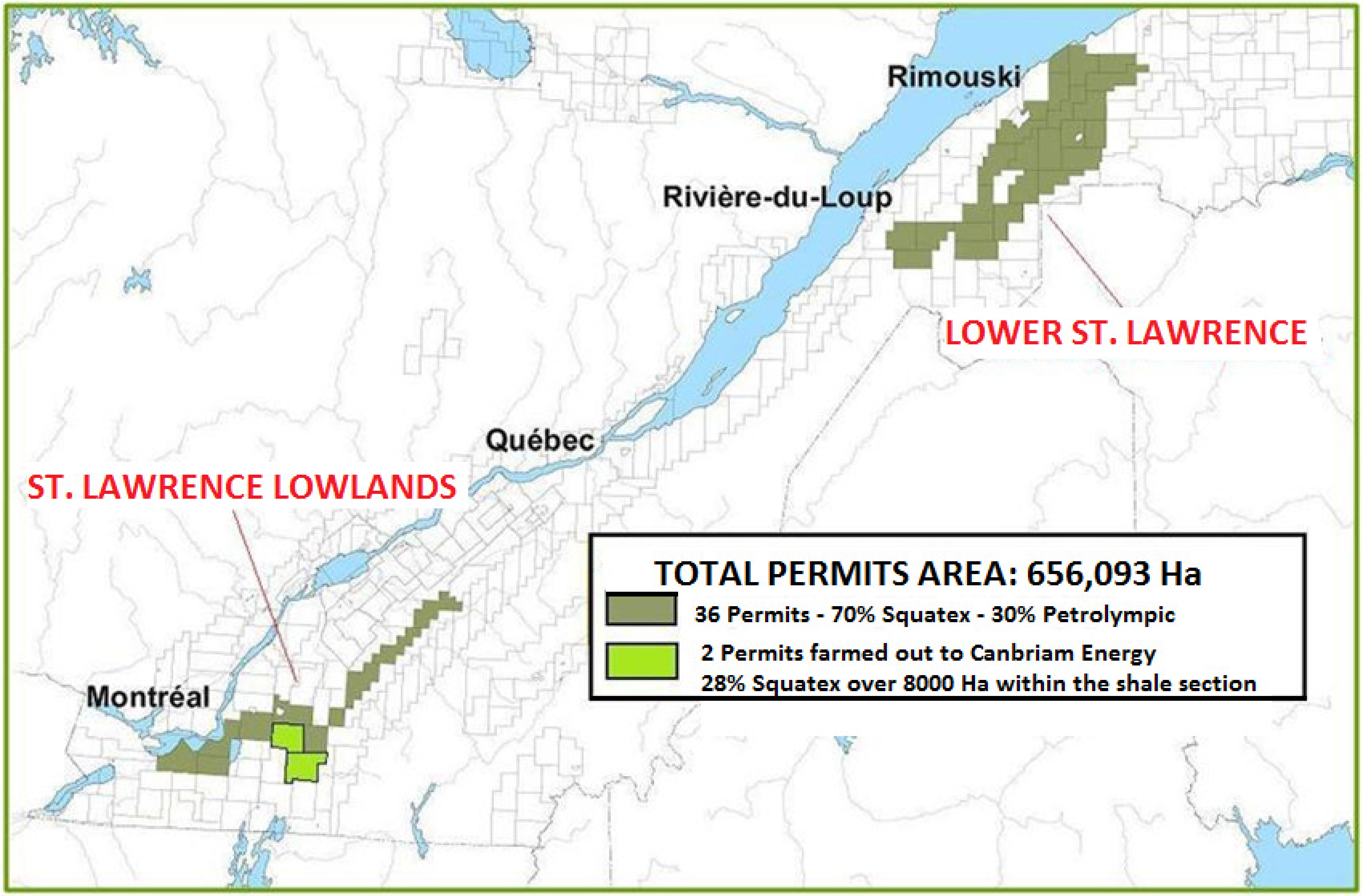
Permit Number	Renewal	Area (km^2)
2009RS296 (part)	01/09/2019	203,39
2009RS298 (part)	01/09/2019	244,00
Sub-total		**80,00 of 447,39**

LOWER ST. LAWRENCE/GASPE PERMITS - 70% OWNERSHIP:

Permit Number	Renewal	Area (km^2)
2009RS299	01/09/2019	189,75
2009RS300	01/09/2019	207,04
2009RS301	01/09/2019	171,36
2009PG552	01/09/2019	102,67
2009PG553	01/09/2019	230,68
2009PG554*	01/09/2019	151,50
2009PG555	01/09/2019	164,38
2009PG556*	01/09/2019	236,66
2009PG557	01/09/2019	98,94
2009PG558	01/09/2019	194,20
2009PG559	01/09/2019	187,37
2009PG560	01/09/2019	198,17
2009PG561	01/09/2019	244,35
2009PG562	01/09/2019	198,47
2009PG563	01/09/2019	225,73
2009PG564	01/09/2019	143,77
2009PG565	01/09/2019	153,70
2009PG566	01/09/2019	214,54
2009PG567	01/09/2019	206,31
2009PG568	01/09/2019	206,68
2009PG569	01/09/2019	134,97
2009PG570	01/09/2019	76,08
2009PG571	01/09/2019	209,51
2009PG572	01/09/2019	164,77
Sub-total		**4 311,60**

*Gaspé area

SQUATEX'S EXPLORATION PERMITS LOCATION MAP



EXPLORATION ACTIVITIES

LOWER ST. LAWRENCE-GASPE PERMITS

The compilation and integration in 2012 of all the encouraging results obtained by the exploratory work in the region led Squatex to continue the drilling of new interest targets. In September 2012, a first deep core drilling was spudded in the northeastern part of the lower St. Lawrence permit block.

The Massé No.1 well, located in the Municipality of Ste-Jeanne D'Arc, was equipped with a BOP mounted on a casing cemented to a depth of 150 meters (equal to 10% of the total planned depth) and was supervised by a team of five engineers/geologists. Drilling was stopped in late November at a depth of 1710 meters due to harsh winter conditions. The well began in very disturbed beds of the St. Leon Formation, then, at 800 meters, went through reefal carbonates sequences similar to the Sayabec and / or West Point Formations, followed by overlapping basal Silurian sequences showing a 15 meters thick porous dolomites sequence in Sayabec reefs. Both reef sequences gave shows of gas and condensate that were sampled. Monitoring of the suspended well and frequent fluids analysis measurements were performed at regular intervals to ensure the safety and environmental friendliness during winter before resuming drilling.

The well was re-entered (Massé No.1A) in 2013 to drill through an AVO seismic anomaly indicating the possibility of the presence of fluids or porosity. This objective was met by giving strong flows of natural gas (89% methane) in a very porous and permeable dolomite at the base of the Sayabec near the Val Brilliant sandstone between 1750 m and 1874 m. The main porous zone was encountered between 1790 m and 1874 m a thickness of 10 m. Cores at 1847 m and deeper show porosities up to 20.8% and permeability up to 1624 m. The Massé No.1 was abandoned and cemented to a total depth of 1874 m without being able to go across the 40 m remaining in the Val Brillant.

The Sayabec No.1 well aimed at a seismic amplitude anomaly above a stratigraphic wedge indicating the possibility of dolomitic limestone in the Sayabec Formation was subsequently implanted near the eastern boundary of Permitted. A porous dolomitized level was actually encountered near the base of the Sayabec giving oil and gas shows before reaching total depth at 759 meters in Cambrian-Ordovician rocks of the Quebec Group.

Following the in-depth analysis of drilling results of Massé No.1, Squatex issued a press release on November 20, 2013 announcing the discovery of a reservoir which could contain a significant amount of conventional natural gas. The new coring data acquired in 2013 helped to revise interpretation of the various cumulative data since 2001 over the Lower St. Lawrence-Gaspé to delimit areas with better hydrocarbon potential and to target locations for future drilling.

In fall 2013, Squatex reprocessed the Massé region seismic profiles with a special software (AVO) to highlight possible areas of porosity in the Sayabec Formation. The interpretation of these results has identified nine additional drilling locations in the area showing seismic AVO porosity anomalies similar to that found in the Massé structure.

In April 2014, an independent study of undiscovered possible petroleum initially in place that could contain the Massé Structure was conducted by the international firm Sproule and

Associates that performed their own interpretation of seismic with data obtained from the Massé No. 1 well. The report confirmed the preliminary volume assessment made by Squatex and results were presented by Squatex in a press release.

The structural interpretation of the seismic shows that the prospective AVO zone over the Massé Structure could span over some 40 km^2, which could result, using similar parameters measured in the well, by a reservoir having a volume likely to reach 100 BCF (over the three levels encountered). The independent report by Sproule and Associates determined that an average of 12 BCF of gas initially in place over an average area of 10 km^2 was considering a single porous level and an area limited to local seismic coverage without taking into account major regional structural lines. According to Squatex, reservoir extensions could expand on over 300 km^2 as shown by AVO porosity anomalies observed on the reprocessed regional seismic lines.

In September 2014, Squatex spudded the Massé No.2 well after running a 210 m casing to protect the groundwater environment. This new well is located on the same structure drilled by the Massé No.1 well. The drilling equipment was greatly improved to facilitate operations, increase safety and ensure to meet all environmental standards by opting for a closed loop drilling mud recirculation system.

Drilling operations were completed on November 28, 2014 on the Squatex Massé No.2 well after crossing the Sayabec and the Val Brillant Formations and reaching Cambrian-Ordovician rocks. A full suite of logs was recorded in the hole and the wellhead was equipped with safety and measurement instruments before the hole was suspended while waiting for the necessary permits to assess the productivity of the porous zones encountered in the borehole.

Squatex issued a press release on February 19, 2015 announcing the interesting preliminary results obtained in the Massé No.2 stratigraphic well. On July 31, 2015, Squatex issued a new press release following a more complete analysis of the results of the Massé No.2 well.

In August 2015, Squatex announced the conclusion of a university partnership agreement with the Institut National de la Recherche Scientifique (¨ INRS ¨) to conduct major geosciences studies in the Lower St. Lawrence area. The 3D modeling studies and the determination of the reservoir potential of the Sayabec Formation are progressing to improve the understanding of this complex geological system hitherto unknown to Quebec from a stratigraphic and structural point of view and to validate its potential for hydrocarbons. These studies are still underway.

A systematic review of the data acquired on and around the Massé structure was carried out by Squatex in 2015-16 in order to review and refine the hydrocarbon potential of the structure. This further study of the data, especially the logs recorded in the Massé No.2 well, yielded very interesting results that could significantly influence the estimation of hydrocarbon resources in the Massé structure. Squatex therefore appeal again in February 2016 to the expertise of Sproule and Associates in order to verify and validate the results obtained by performing their own interpretation of the data. The significant results of the Sproule report were the subject of a press release issued by Squatex on 17 May 2016.

In November 2016, Squatex mobilized a fully equipped drilling rig at the Massé No.2 site to carry some maintenance work. The hole was rimmed and cleaned to ensure of its integrity and to verify its ability to withstand the proposed additional work planned in the exploration program. The well was suspended again and secured.

The company is currently reassessing its funding requirements and is actively involved in the search for an investment to resume its exploration work planned. Squatex's shares are now listed on the Canadian Stock Exchange ("CSE") since April 3, 2017 under the symbol "SQX".

ST. LAWRENCE LOWLANDS PERMITS

Squatex with its partner do not foresee short-term field exploration activities on its Lowland permits, although the new Oil Act came into effect on September 20, 2018. Canbriam Energy, proceeded as operator in 2015 to the abandonment of the well Canbriam Farnham No. 1 as stipulated by the Act and the regulations that are in force.

EXPLORATION EXPENSES INCURRED

The Company relies on the professional expertise of its team of geologists to manage and supervise its exploration programs. Management assesses the legitimacy of proposed exploration programs and approves expenses judged useful and appropriate in order to progress knowledge in a prudent and necessary way. For the three-month period ended on March 31, 2019, Squatex spent $ 54,553 ($ 70,408 for the three-month period ended March 31, 2018) on its unproved properties of oil and gas. On these amounts, Squatex will receive tax credits relating to resources of $ 4,366 ($ 14,353 for the quarter ended March 31, 2018), representing net exploration and evaluation expenses of $ 50,187 for the quarter ended March 31, 2019 and $ 56,055 for the quarter ended March 31, 2018. Exploration and evaluation expenses, net of tax credits, for the period ended March 31, 2019 are $ 205,364 compared to $ 261,336 for the same period last year. Following the interesting results obtained with drilling Massé No.1 and No.2, the Company is reviewing its financing of exploration expenses to conduct further geological work in the same environment, while analyzing the new rules to be respected according to the new law.

TECHNICAL DISCLOSURE

The technical disclosures appearing under the title "Overall Performance" and "Exploration Activities" were prepared by Paul Laroche, P. eng, P. geo, who is a qualified person under National Instrument 51-101.

OBLIGATIONS

Since the regulations of the new law came into force on September 20, 2018, the work obligation exemption is lifted and rents are increased. Squatex must henceforth meet the following requirements:

The annual fees payable by the holder of an exploration licence are:

1 ° For the first period of validity of the licence, \$51.50 per km^2;
2 ° The renewal of the licence made pursuant to section 49, of \$103 the km^2;
3 ° The renewal of the licence made pursuant to section 50, of \$257.50 the km^2.

The amount of the minimum statutory work that the holder of an exploration licence must carry out each year shall be:

1 ° for the first year of validity of the licence, the highest between \$ 100 per km^2 or \$ 6,000
2 ° for the second year of validity of the licence, the highest between \$ 200 per km^2 or \$ 12,000
3 ° for the third year of validity of the licence, the highest between \$ 300 per km^2 or \$ 18,000
4 ° for the fourth year of validity of the licence, the highest between \$ 400 per km^2 or \$ 24,000
5 ° for the fifth year of validity of the licence, the highest between \$ 500 per km^2 or \$ 30,000
6 °from the first renewal of the licence made pursuant to article 49, the highest between \$ 500 per km^2 or \$ 40,000.

Additional statutory expenditure credits to the minimum required are granted by the Government and will be used to reduce subsequent obligations. In August 2018, Squatex paid the annual fee (annuities) to retain all of its licenses in 2018-19 in accordance with the regulations of the former mining law. In November 2018, the MERN required and received from Squatex the retroactive payment of \$ 255,616, on protest, an increase of 500% in the annuity under the new Hydrocarbons Act. As indicated in the transitional measures of the Act, Squatex also had to advised of its activities in December 2018 all MRC, Municipalities and all landowners of its territories under permit and will proceed to the formation of all the local follow-up committees as requested by the new Act which, according to the government, is a means of increasing transparency regarding exploration projects.

ENVIRONMENTAL RESPONSIBILITY

The Company is subject to government laws and regulations concerning environmental protection. Environmental consequences are difficult to identify in terms of results, time and impact. To the best of his knowledge, Squatex conducts its operations with standard practices in order to be coherent with legislation and government regulations in an environmental matter.

RISKS AND UNCERTAINTIES

The oil and gas exploitation involves many risks, which can even withstand a combination of experience, knowledge and careful evaluation. The long-term commercial success of Squatex depends on its ability to find, acquire, develop and commercially exploit reserves of oil and natural gas. Without the continual addition of new reserves, the ones that could hold Squatex at some point, and their potential for exploitation, could decrease over time. A future increase of the reserves owned by Squatex will depend not only on its ability to carry out exploration and development of properties it may hold from time to time, but also on its ability to select and acquire producing properties and appropriate possible productive areas. It is impossible to certify that Squatex will be able to identify acceptable properties for acquisition or participation. In addition, even if such acquisitions or participations opportunities are identified, Squatex may decide that based on current market conditions, terms of acquisition and participation or pricing meaning that such acquisitions or participations would be unprofitable. We can't ensure that Squatex will manage to discover or acquire oil fields or natural gas. Even if Squatex manage to find these, we can't ensure that these resources are of commercial quantities.

ENTRY INTO FORCE OF THE OIL ACT (CHAPTER H 4.2)

The new Hydrocarbons Act came into force on September 20, 2018, bringing many changes and obligations for licensees. Transitional measures have been provided for licensees who already have permits under the former mining law. Among other things, according to these rules, Squatex had to notify the MRC, the municipalities and all landowners on the territories affected by its exploration permits. In addition, the company is currently working as requested to form eight (8) different independent monitoring committees each concerned by 5 contiguous permits (maximum number that can be grouped together).

The new regulations of the Act are prohibiting fracking, which amount to banning the production of shale gas in the St. Lawrence lowlands in Quebec, but does not preclude the exploration of conventional reservoirs as proposed by Squatex's exploration programs. Some regulations also limit considerably the territories on which drilling can be done, particularly in and near water environments. Squatex is studying in depth the impact of these new regulations on the exploration programs it had planned so far and see if it can still be accomplished as planned.

UNCERTAINTY AS OF THE ESTIMATED RESERVES OF NATURAL GAS AND CRUDE OIL

The estimated oil and gas reserves is a complex process that relies on a considerable number of decisions and assumptions for assessing the geological, geophysical, engineering and economic that are available for each reservoir. Therefore, these estimates are fundamentally imprecise. Actual data regarding the future production, revenue and expense of oil and gas may vary significantly. Each significant fluctuation in these assumptions could have a significant impact on the estimated quantities and the present values of the reserves. Furthermore, these reserves are subject to upward or downward revision in light of production history, results that will be obtained during exploration work and set value of the prevailing for oil and gas and other factors, many of which are beyond the control of Squatex. It is likely that real output and income, taxes, development of expenditures and operation expenses against reserves will vary from the current estimates and these variations could be material.

As of March 31, 2019, there is no reserve of oil and gas proved, likely or possible on land held by Squatex.

REGULATORY IMPACT

The oil and gas industry is subject to extensive controls and regulations put in place by the various levels of government targeting prices, royalties, ownership of land, production quotas, import and export of oil and gas and environmental protection. There is no way to forecast with certainty the impact of these controls or regulations on the operations of the Company or modifications to the following.

The oil and natural gas industry is currently subject to environmental regulation pursuant to various federal and provincial laws. The laws include restrictions and prohibitions on the issue or the release of various substances produced or used for certain operations of the oil and gas industry, which have impact on well and facilities location and the extent to which the exploration and development are allowed. In addition, the legislation requires the resignation and revaluation of wells and facilities to be carried out to the satisfaction of provincial authorities. Violation of these laws can result in fines and penalties, suspension or revocation of permits and authorizations necessary for the operation of a business and liability for damage caused by pollution. In Quebec, environmental compliance matters are governed, since September 21, 1972, by law, entitled Environmental Quality Act (the “Quebec Act Environmental Protection“). The Quebec law on environmental protection imposes requirements of environmental protection, information and surveillance. In addition, it sets up a process of impact assessment and wider public consultation on matters of environmental assessment and enforcement.

PROPERTY TITLES

Even though the Company has taken reasonable measures to ensure proper title to its properties, there is no certainty that any shares of its properties will not be challenged or questioned. Third parties may have valid claims to portions underlying the interests of the Company. No appeal has been filed or brought to the attention of Squatex to date.

FUTURE FUNDING NEEDS AND GOING CONCERN

The Company will need additional financing in the future to continue its activities, especially its exploration programs and development. If financing is obtained by issuing new shares, control of Squatex may be affected and shareholders may suffer additional dilution. To the extent that financing is not available, this could affect the commitments of work which could result in the inability of the Company to pursue, in totality or partly, its planned exploration and development program, property rights or revenue opportunities loss for the Company.

DEPENDENCE OF KEY PERSONNEL

The success of the Company depends largely on the quality of management. The loss of these people, or inability to interest equivalent qualified people could have a material adverse impact on operations and business prospects of the Company.

MARKETING

The Company operates in a competitive environment where raw materials prices depends of many factors that are beyond control of the Company. The prices of oil and natural gas have fluctuated greatly in the past. Oil prices are based on supply and demand at international level and political events, including the Middle East, may have an important influence on oil prices and supply globally. Any decrease in the price of oil and natural gas could have a material adverse effect on future operations and financial position of the Company and the level of expenses for acquisition of future supplies of oil and gas. In addition, the marketing of production of the Company depends on the availability and capacity of gathering systems and pipelines, of the consequences of federal and provincial regulations and on the general economic conditions. All these factors are beyond control of the Company.

The price of natural gas sold in interprovincial and international trade is determined by negotiation between buyers and sellers. The price received by a natural gas producer depends, partly, on the prices of competing fuels, like natural gas produced, the access to downstream transport, the length of contracts, the climatic conditions and the balance of supply and demand.

RISK OF PROSECUTION

The Company may be liable because of pollution or other risks against which it could not be assured or against which it may elect not to insure, given the high cost of premiums or for other reasons. The payment of money to do so could result in the loss of assets of the Company.

LAND CLAIMS

None of the properties in which the Company holds an interest is currently subject to any official land claims by Aboriginal nations. No assurance can be given, however, to the effect that this will not be the case in the future.

AVAILABILITY OF DRILLING EQUIPMENT AND ACCESS

Oil and gas exploration and production activities depend on the ability to have access to drilling equipment and other related equipment especially in areas where these activities are exercised. Limited demand for such equipment or restrictions on land access may impact the Company's ability to acquire and use such equipment and may delay exploration activities or the eventual production of the resource.

GROWTH MANAGEMENT

The Company may be subject to risks associated to its growth, including restraints and pressure on its internal systems and controls. The ability of the Company to conduct an effective growth management will require to implement and continuously improve its operating systems and financial reporting and to enhance, develop and manage his basic labor. The inability of the Company to face growth could have a material adverse impact on its business, operations and prospects.

SELECTED FINANCIAL INFORMATION

FOR THE PERIOD ENDED MARCH 31, 2019 AND 2018

	2019	2018
EXPLOITATION	**$**	**$**
Net exploration and evaluation expenses	205,364	261,336
Net loss and total comprehensive loss	- 723,956	- 943,013
Net and comprehensive loss per basic and diluted share	- 0.0062	- 0.0089

QUARTERLY INFORMATIONS

	Year ended on March 31, 2019				Year ended on March 31, 2018			
	T4 $	T3 $	T2 $	T1 $	T4 $	T3 $	T2 $	T1 $
Revenue	—	—	—	—	—	—	—	—
Net results	-$ 273,058	-$ 94,783	$ -192,839	- $ 163,276	- $ 183,124	- $ 176,295	- $ 274,674	- $ 273,372
Total assets	$ 112,869	$ 285,933	$ 122,491	$ 118,077	$ 105,302	$ 163,100	$ 182,510	$ 309,214
Total liabilities	$ 604,901	$ 540,907	$ 318,682	$ 1,958,307	$ 1,818,256	$ 1,771,600	$ 1,682,682	$ 1,618,664
Basic and diluted earnings per share	- $ 0.0022	- $ 0.0008	- $ 0.0017	- $ 0.0015	- $ 0.0017	- $ 0.0017	- $ 0.0026	- $ 0.0026

OPERATING RESULTS

REVENUE

During the period ended March 31, 2019, no activity generated by Squatex has produced income beside some non-significant financial income.

NET PROFIT

The net and overall loss decreased from $ 943,013 for the period ended March 31, 2018 to $ 723,956 for the period ended March 31, 2019. This decrease in the loss is mainly due to a reduction in expenses to a minimum. As a result, net exploration and evaluation expenses decreased by $ 55,972 and general and administrative expenses by $ 74,726 mainly due to the decrease in professional services fees of $ 39,390 (explained by the resignation in January 2018 of the Director of development) and the fact that stock options were not granted during the fiscal year ended March 31, 2019 and, therefore, that there was no compensation expense based on shares, which explains a decrease of $ 214,080 in expenses. However, Squatex had to pay $

178,931 to the Department as an adjustment to the annual rent on the licenses held. This sum represents the net expense of the invoicing to its partner Petrolumpic Ltd, reinvoicing of the order of 30%. This explains an increase in expenses. There was also a decrease in interest on the due to a company under common control of $ 87,890 compared to the same period of 2018, since the due to a common controlled company was converted, on August 21, 2018, into 18,008,780 common shares of the Company.

For the quarter ended March 31, 2019, the net loss increased from $ 183,124 to $ 273,058, an increase of $ 89,934 which is explained by the additional license expense explained above of $ 178,931, which is offset by the recognition, during the last quarter of the year ended March 31, 2018, of a stock-based compensation expense of $ 78,218.

	ON MARCH 31 2019	ON MARCH 31, 2018	ON MARCH 31, 2017
STATEMENT OF FINANCIAL POSITION			
Working capital (negative)	- 196,433	- 430,260	- 4,827
Total assets	112,869	105,302	405,779
Total liabilities	604,901	1,818,256	1,533,800
Shareholder’s equity (deficiency)	- 492,032	- 1,712,954	- 1,128,021

STATEMENT OF FINANCIAL POSITION

The Company's working capital improved by $ 233,827 between March 31, 2018 and March 31, 2019, as interest payable on the amount due to a company under common control amounted to $ 249,500 as at March 31, 2018, were converted into common shares on August 21, 2018.

	2019	2018	2017
CASH FLOW			
Cash flows from operating activities	-468,393	-380 795	-513,863
Cash flows from investing activities	-	10,584	-
Cash flows from financing activities	485,600	155,000	669,773

LIQUIDITY

As at March 31, 2018, the Company had $ 11,056 in cash. As at March 31, 2019, the Company had $ 28,263 in cash, an increase of $ 17,207. The increase in cash is mainly due to the fact that a company under common control injected funds for the payment of the adjustment of the annual fees for exploration licenses. The fact that a company under common control waives the payment of its services and that a company under common control awards advances to Squatex also allows the Company to maintain a positive cash balance. The cash flow from operating activities deteriorated between the two periods ended March 31, 2019 and March 31, 2018, despite the decrease in expenses to a bare minimum, as the Company incurred additional expense related to the adjustment on retroactive annuities on licenses held.

However, the Company has not yet found a property that contains economically mineable oil and gas reserves and therefore has not generated any revenue or cash flow from its operations to date.

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 March 31, 2019, the Company had a negative working capital of $196,433 and a cumulated deficit of $8,061,085.

Furthermore, there is uncertainty about the future of oil exploration in Quebec. Since 2011, a moratorium on shale gas exploration has been imposed in Quebec. This moratorium was lifted when the new Hydrocarbons Law (the "Law") was put in place in September 2018. This allows the resumption of work soon in the province of Quebec, but some regulations of this new law cause additional difficulties for oil operations. Following the tabling of this new law, the work obligations were also reviewed. Refer to note 21 for these obligations in connection with exploration permits.

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.

FUNDING SOURCES

The main source of funding comes from the investment of the equity holders, the due to a company under common control, the waiver, by a company under common control, of its fees for a total period of 72 months as at March 31, 2019 and the refundable tax credit for resources.

OFF-STATEMENT ARRANGEMENT

As of March 31, 2019, the Company does not have any off balance sheet settlement other than significant commitments related to statutory obligations for exploration licences it hold.

The annual fees payable by the holder of an exploration license are:

1° for the first period of validity of the license, \$51.50 per km^2;

2° at the renewal of the license made under section 49, \$103 per km^2;

3° at the renewal of the license made under section 50, \$257,50 per km^2.

The amount of statutory minimum work that the holder of an exploration license must perform each year is:

1° for the first year of validity of the license, the greater of \$100 per km^2 or \$6,000;

2° for the second year of validity of the license, the greater of \$200 per km^2 or \$12,000;

3° for the third year of validity of the license, the greater of \$300 per km^2 or \$18,000;

4° for the fourth year of validity of the license, the greater of \$400 per km^2 or \$24,000;

5° for the fifth year of validity of the license, the greater of \$500 per km^2 or \$30,000;

6° from the first renewal of the license under section 49, the greater of \$500 per km^2 or \$40,000.

RELATED PARTY TRANSACTIONS

Related party transactions were made with companies whose main leader is also a director or a principal officer of the Company. Total related party transactions for the period ended March 31, 2019 also includes transactions with key management.

	2019	2018
	$	**$**
Management fees	24,000	24,000
Professional services	84,000	120,000
Stock-based compensation	-	214,080
Net exploration and evaluation expenses for tax credits	179,556	203,202
Financial expenses	90,333	178,223

PROVISION

On October 23, 2015, the Company received a notice of assessment of tax authorities for the years ended March 31, 2012, 2013 and 2014, declining certain expenses in the resource calculation credits. The contribution totals $ 208,805, including $ 26,163 on interest. The Company disagrees with the notice of assessment and initiated a process of opposition to justify its claims. All without prejudice as to the entire objection process and judicial proceedings that may ensue, the Company believes that the maximum exposure is a claim of the refundable tax credits relating to resources already cashed which would amount an approximate total of $ 189,992 as at March 31, 2019, excluding any applicable interest if the expenses referred in the notice of assessment projects are ultimately rejected.

ADOPTION OF ACCOUNTING STANDARDS

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 financial statements.

IFRS 9 – Financial instruments

Effective April 1st, 2018, the Company has adopted IFRS 9 on a retrospective basis with the restatement of the comparative periods according to the transitional provision in IFRS 9. IFRS 9 establishes the requirements for recognizing financial assets and liabilities and replaces IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). No reclassification of financial assets and liabilities was required following the adoption of IFRS 9. The adoption of IFRS 9 had no impact on carrying amounts and therefore no adjustment was required to the comparative data following this change in accounting policy.

FUTURE ACCOUNTING CHANGES

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16. IFRS 16 describes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases ("IAS 17") and related interpretations. All leases result in the lessee obtaining the right to use an asset from the beginning of the lease and, if lease payments are staggered over time, the tenant also gets financing. Therefore, IFRS 16 eliminates classification of leases as either operating leases or finance leases as required by IAS 17 and instead introduces a single accounting model for tenants. Applying that model, a lessee is required to recognize:

(i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of little value; and

(ii) depreciation of leased assets separately from its lease liabilities in the statement of profit or loss.

This standard applies to fiscal years beginning on or after January 1, 2019.

The Company has not yet determined the impact that this standard will have on its financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Categories of financial assets and liabilities

The carrying value and the fair value of the financial instruments presented in the statement of financial position are as follows:

	At March 31, 2019		At March 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
	$	**$**	$	$
Financial assets				
Financial assets evaluated at amortized cost				
Cash	**28 263**	**28 263**	11 056	11 056
Receivables (with the exception of sales taxes receivable)	**49 658**	**49 658**	26 359	26 359
Debenture	**1**	**1**	1	1
	77 922	**77 922**	37 416	37 416
Financial assets at fair value through profit or loss				
Canadian public companies shares	**-**	**-**	-	-
Financial liabilities				
Financial liabilities evaluated at amortized cost				
Trade payables and other payables	**44 696**	**44 696**	282 711	282 711
Provisions	**264 605**	**264 605**	252 850	252 850
Due to a company under common control	**295 600**	**295 600**	1 282 695	1 282 695
	604 901	**604 901**	1 818 256	1 818 256

The carrying value of cash, accounts receivable (excluding sales taxes receivable), trade and other payables and provisions is considered a reasonable approximation of fair value due to the short term maturities of these financial instruments (level 3).

The fair value of the due to a company under common control and the debenture is determined using a discounted cash flows method based on interest rates observable in the market for similar instruments with a similar risk (level 2).

Financial instruments measured at fair value and financial instruments measured at amortized cost for which fair value is disclosed

Assets and liabilities measured at fair value in the statement of financial position and those measured at amortized cost for which fair value is disclosed are presented according to the fair value hierarchy. This hierarchy classifies financial assets and liabilities into three levels depending on the observability of the inputs used in measuring fair value of financial assets and liabilities. Hierarchy levels of fair value measurements are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities at the date of financial information presentation;

Level 2: Data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: Data for the asset or liability that are not based on observable market data.

The level in which the financial liability or asset is classified is determined according to the lowest level data available which is significant in relation to the measurement of fair value.

There were no transfers between levels during periods of presentation of financial information. The method and valuation techniques used for the assessment of the fair values were unchanged compared to that of the reporting period of the previous financial information.

OUTSTANDING SHARES AND SECURITIES

The following table shows the number of outstanding shares as at July 25, 2019 and the total number of outstanding securities:

Common shares	123,850,656
Stock options	300,000

ADDITION REQUIREMENTS FOR EMERGING ISSUERS WITHOUT SIGNIFICANT OPERATING PRODUCTS

The principal activity of the Company is oil and gas exploration and the assessment of work conducted by the Company is presented in the 51-101 report which can be found on SEDAR.

ADDITION INFORMATION

This MD&A is dated July 25, 2019. This same report and more information on the Company is available on SEDAR at www.sedar.com.