



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

Condensed Interim Financial Statements
(Unaudited)

For the three-month periods ended June 30, 2019 and 2018

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, 2019 and 2018 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 27, 2019

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

		June 30	March 31
		2019	2019
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
ASSETS			
Current			
Cash		7 725	28 263
Accounts receivable	5	54 827	57 929
Tax credits receivable		23 324	19 197
Prepaid expenses		11 873	7 479
Investment in a private company		1	1
		97 750	112 869
Total assets		97 750	112 869
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	69 301	44 696
Provisions		267 535	264 605
		336 836	309 301
Non-current			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2020		330 600	295 600
Total liabilities		667 436	604 901
SHAREHOLDER'S DEFICIENCY			
Share capital	7	6 504 107	6 504 107
Contributed surplus		1 100 946	1 064 946
Deficit		(8 174 739)	(8 061 085)
Total shareholder's deficiency		(569 686)	(492 032)
Total liabilities and shareholder's deficiency		97 750	112 869

Going concern 2

Subsequents events 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	
		2019	2018
<i>(unaudited - in Canadian dollars)</i>		\$	\$
Net exploration and evaluation expenses	8	43 615	50 629
General and administrative expenses	9	55 511	60 321
Operating loss		(99 126)	(110 950)
Financial expenses	10	(14 528)	(52 326)
Net profit (loss) and comprehensive income (loss) for the period		(113 654)	(163 276)
Basic and diluted earnings per share		(0,0009)	(0,0015)
Weighted average of common shares outstanding		123 850 656	105 841 876

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

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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, 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)
Balance as at April 1, 2019		123 850 656	6 504 107	-	(8 061 085)	1 064 946	(492 032)
Net loss and comprehensive loss		-	-	-	(113 654)	-	(113 654)
Waiver of payment from a company under common control	11	-	-	-	-	36 000	36 000
Balance as at June 30, 2019		123 850 656	6 504 107	-	(8 174 739)	1 100 946	(569 686)

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

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Condensed Interim Statements of Cash Flows

	For the three-month periods ended June 30	
	2019	2018
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(113 654)	(163 276)
Adjustments:		
Waiver of payment from a company under common control	36 000	36 000
Changes in working capital items :		
Accounts receivable	3 102	(13 881)
Tax credits receivable	(4 127)	(4 523)
Prepaid expenses	(4 394)	2 791
Trade payables and other payables	24 605	77 120
Provision	2 930	2 931
Cash flows from operating activities	(55 538)	(62 838)
FINANCING ACTIVITIES		
Due to a company under common control	35 000	60 000
Cash flow from financing activities	35 000	60 000
NET CHANGE IN CASH	(20 538)	(2 838)
CASH AT BEGINNING OF YEAR	28 263	11 056
CASH AT END OF YEAR	7 725	8 218

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SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2019**

(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, 2019, 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, 2019. 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 27, 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 June 30, 2019, the Company had a negative working capital of \$ 239,086 and a cumulated deficit of \$ 8,174,739.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2019**

(Unaudited - in Canadian dollars)

2. Going concern (cont'd)

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.

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**Standard adopted during the period*****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.

Management has determined that this new standard have no impact on its condensed interim financial statements.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

June 30, 2019

(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 condensed interim 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.

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, 2019.

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
	2019	2019
	\$	\$
Accounts receivable	51 128	49 658
Sales tax receivable	3 699	8 271
Receivables	54 827	57 929

6. Trade payables and other payables

	June 30	March 31
	2019	2019
	\$	\$
Accounts payable	46 072	33 046
Interest payable - company under common control	23 229	11 650
Trade payables and other payables	69 301	44 696

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Notes to the Condensed Interim Financial Statements

June 30, 2019

(Unaudited - in Canadian dollars)

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, 2019.

7.3 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, 2019	450 000	0,35
Expired	(150 000)	(0,35)
Balance as at June 30, 2019	300 000	0,35

Granted and exercisable options as at June 30, 2019:

	Granted options	Exercisable options	Exercise price	Expiration date
	300 000	300 000	\$ 0,35	June 2022
	<u>300 000</u>	<u>300 000</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	

No stock-based compensation was recognized in earnings during the three-month period ended June 30, 2019 (nil during the three-month period ended June 30, 2018).

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**June 30, 2019***(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, 2019

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	11 000	-	11 000
Lower St.Lawrence/Gaspe	36 742	4 127	32 615
Total	47 742	4 127	43 615

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

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three-month periods ended	
	June 30	June 30
	2019	2018
	\$	\$
Geology and geophysics	14 742	16 152
Technical consultation	33 000	39 000
Total	47 742	55 152
Tax credits, net	4 127	4 523
Exploration and evaluation expenditures net of tax credits	43 615	50 629

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Notes to the Condensed Interim Financial Statements**June 30, 2019***(Unaudited - in Canadian dollars)***9. General and administrative expenses**

Nature of the expenses	For the three-month periods ended June 30	
	2019	2018
	\$	\$
Professional services	43 489	47 672
Management fees	6 000	6 000
Registration fees	3 022	3 858
Associations	3 000	-
Insurance	-	2 791
	55 511	60 321

10. Financial expenses

	For the three-month periods ended June 30	
	2019	2018
	\$	\$
Interests due to a company under common control	11 579	49 350
Interest and other bank expenses	2 949	2 976
	14 528	52 326

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Notes to the Condensed Interim Financial Statements

June 30, 2019

(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	
	2019	2018
	\$	\$
Exploration and evaluation expenditures net of tax credits	40 614	44 430
Professional services	7 000	21 000
Management fees	6 000	6 000
Financial expenses	11 579	49 350

As at June 30, 2019, there is an outstanding balance of \$ 4,053 (\$ 15,550 at March 31, 2019) resulting from these operations plus interest payable of \$ 23,229 (\$ 11,650 at March 31, 2019). The promissory note to a company under common control of \$ 330,600 (\$ 295,600 at March 31, 2019) 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, 2019. The value of these services is a total of \$36,000 (\$36,000 in 2018 for the three-month period ended June 30, 2018) and was recognized in contributed surplus.

12. Subsequents events

On July 15, 2019, a company under common control has made an additional advance of \$ 20,000. As at August 13, 2019, a company under common control had made an additional advance of \$ 25,000. This brings the due to a company under common control (bearing interest at 15% payable September 30, 2020) to a balance of \$375,600.