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

**Condensed Interim Financial Statements**  
**(Unaudited)**

**For the six-month periods ended September 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 September 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

November 27, 2019

SQUATEX ENERGY AND RESOURCES INC.  
(An oil and gas exploration company)

**Statements of Financial Position**

		September 30	March 31
		2019	2019
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		5 476	28 263
Accounts receivable	5	58 966	57 929
Tax credits receivable		27 468	19 197
Prepaid expenses		28 170	7 479
Investment in a private company		1	1
		<b>120 081</b>	<b>112 869</b>
<b>Total assets</b>		<b>120 081</b>	<b>112 869</b>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	85 475	44 696
Provisions		270 498	264 605
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		375 600	-
		<b>731 573</b>	<b>309 301</b>
<b>Non-current</b>			
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		-	295 600
<b>Total liabilities</b>		<b>731 573</b>	<b>604 901</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	7	6 504 107	6 504 107
Contributed surplus		1 136 946	1 064 946
Deficit		<b>(8 252 545)</b>	<b>(8 061 085)</b>
<b>Total shareholder's deficiency</b>		<b>(611 492)</b>	<b>(492 032)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>120 081</b>	<b>112 869</b>

Going concern 2

*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.

(An oil and gas exploration company)

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

	Notes	Second quarters ended September 30		For the six-month periods ended September 30	
		2019 \$	2018 \$	2019 \$	2018 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	8	40 656	52 657	84 271	103 286
General and administrative expenses	9	20 543	107 760	76 054	168 081
<b>Operating loss</b>		<b>(61 199)</b>	(160 417)	<b>(160 325)</b>	(271 367)
Finance expenses	10	<b>(16 607)</b>	(32 422)	<b>(31 135)</b>	(84 748)
<b>Net loss and comprehensive income for the period</b>		<b>(77 806)</b>	(192 839)	<b>(191 460)</b>	(356 115)
<b>Basic and diluted earnings per share</b>		<b>(0,0006)</b>	(0,0017)	<b>(0,0015)</b>	(0,0032)
<b>Weighted average of common shares outstanding</b>		<b>123 850 656</b>	113 867 528	<b>123 850 656</b>	109 876 630

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**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 \$
<b>Balance as at April 1, 2018</b>		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
<b>Balance as at September 30, 2018</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>-</b>	<b>(7 693 244)</b>	<b>992 946</b>	<b>(196 191)</b>
<b>Balance as at April 1, 2019</b>		123 850 656	6 504 107	-	(8 061 085)	1 064 946	(492 032)
Net loss and comprehensive loss		-	-	-	(191 460)	-	(191 460)
Waiver of payment from a company under common control	11	-	-	-	-	72 000	72 000
<b>Balance as at September 30, 2019</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>-</b>	<b>(8 252 545)</b>	<b>1 136 946</b>	<b>(611 492)</b>

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

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statements of Cash Flows**

	For the six-month periods ended September 30	
	2019	2018
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
<b>OPERATING ACTIVITIES</b>		
Net loss	(191 460)	(356 115)
Adjustments:		
Waiver of payment from a company under common control	72 000	72 000
Changes in working capital items :		
Accounts receivable	(1 037)	(18 377)
Tax credits receivable	(8 271)	43 416
Prepaid expenses	(20 691)	4 636
Trade payables and other payables	40 779	105 410
Provisions	5 893	5 894
<b>Cash flows from operating activities</b>	<b>(102 787)</b>	<b>(143 136)</b>
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	80 000	190 000
<b>Cash flows from financing activities</b>	<b>80 000</b>	<b>190 000</b>
<b>NET DECREASE IN CASH</b>	<b>(22 787)</b>	<b>46 864</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>28 263</b>	<b>11 056</b>
<b>CASH AT END OF YEAR</b>	<b>5 476</b>	<b>57 920</b>

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.

(An oil and gas exploration company)

### Notes to the Condensed Interim Financial Statements

September 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](http://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 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 September 30, 2019, the Company had a \$611,492 negative working capital and a cumulated deficit of \$8,252,545.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

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

*(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, 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 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, 2019.

**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.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 30, 2019**

(Unaudited - in Canadian dollars)

**5. Receivables**

	<u>September 30</u>	March 31
	<b>2019</b>	2019
	\$	\$
Accounts receivable	<b>51 128</b>	49 658
Sales tax receivable	<b>7 838</b>	8 271
<b>Receivables</b>	<b>58 966</b>	57 929

**6. Trade payables and other payables**

	<u>September 30</u>	March 31
	<b>2019</b>	2019
	\$	\$
Accounts payable	<b>48 621</b>	33 046
Interest payable - company under common control	<b>36 854</b>	11 650
<b>Trade payables and other payables</b>	<b>85 475</b>	44 696

**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 six-month period ended September 30, 2019.

**7.3 Warrants**

There are no warrants outstanding as of September 30, 2019.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 30, 2019**

(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, 2019	450 000	0,35
Expired	(150 000)	(0,35)
<b>Balance as at September 30, 2019</b>	<b>300 000</b>	<b>0,35</b>

Granted and exercisable options as at September 30, 2019:

Outstanding 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 six-month period ending September 30, 2019 (nil during the six-month period ended September 30, 2018).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	10 000	-	10 000
Lower St.Lawrence/Gaspe	34 800	4 144	30 656
<b>Total</b>	<b>44 800</b>	<b>4 144</b>	<b>40 656</b>

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
<b>Total</b>	<b>57 952</b>	<b>5 295</b>	<b>52 657</b>

For the six-month period ended  
September 30, 2019

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	21 000	-	21 000
Lower St.Lawrence/Gaspe	71 542	8 271	63 271
<b>Total</b>	<b>92 542</b>	<b>8 271</b>	<b>84 271</b>

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
<b>Total</b>	<b>113 104</b>	<b>9 818</b>	<b>103 286</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2019***(Unaudited - in Canadian dollars)***8. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	<b>For the three- month period ended September 30 2019 \$</b>	For the three- month period ended September 30 2018 \$
Geology and geophysics	14 800	18 952
Technical consultation	30 000	39 000
<b>Total</b>	<b>44 800</b>	<b>57 952</b>
Tax credits, net	4 144	5 295
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>40 656</b>	<b>52 657</b>

	<b>For the six- month period ended September 30 2019 \$</b>	For the six- month period ended September 30 2018 \$
Geology and geophysics	29 542	35 144
Technical consultation	63 000	78 000
<b>Total</b>	<b>92 542</b>	<b>113 144</b>
Tax credits, net	8 271	9 818
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>84 271</b>	<b>103 326</b>

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 30, 2019**

(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	
	2019 \$	2018 \$	2019 \$	2018 \$
Professional services	4 930	36 671	48 419	84 343
Management fees	6 000	6 000	12 000	12 000
Registration fees	9 586	15 172	12 608	19 030
Associations	-	-	3 000	-
Office expenses	27	220	27	220
Taxes and licenses	-	47 852	0	47 852
Insurance	-	1 845	0	4 636
	<b>20 543</b>	<b>107 760</b>	<b>76 054</b>	<b>168 081</b>

**10. Financial expenses**

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Long-term interests due to a company under common control	13 625	29 333	25 204	78 683
Interest and other bank expenses	2 982	3 089	5 931	6 065
	<b>16 607</b>	<b>32 422</b>	<b>31 135</b>	<b>84 748</b>

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 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 September 30		For the six-month periods ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	39 216	44 330	79 830	88 660
Professional services	0	21 000	7 000	42 000
Management fees	6 000	6 000	12 000	12 000
Financial expenses	13 625	29 333	25 204	78 683

As at September 30, 2019, there is an outstanding balance of \$10,578 (\$15,550 at March 31, 2019) resulting from these operations, plus interest payable of \$36,854 (\$11,650 as at March 31, 2019) 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, 2019. The value of these services is a total of \$36,000 (\$36,000 for the three-month period ended September 30, 2018) and was recognized in contributed surplus.

**12. Subsequent Events**

On October 1st, 2019, October 21, 2019 and November 26, 2019, a company under common control made additional advances totaling \$ 65,000, bearing interest at a rate of 15%. These additional advances will mature on September 30, 2020. This brings the note payable to a company under common control to a balance of \$440,600 as at November 27, 2019.