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

**Condensed Interim Financial Statements**  
(Unaudited)

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

February 27, 2020

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

		<b>December 31</b>	March 31
		<b>2019</b>	2019
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		<b>33 898</b>	28 263
Accounts receivable	5	<b>53 113</b>	57 929
Tax credits receivable		<b>30 429</b>	19 197
Prepaid expenses		<b>28 170</b>	7 479
Investment in a private company		<b>1</b>	1
		<b>145 611</b>	112 869
<b>Total assets</b>		<b>145 611</b>	112 869
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	<b>74 687</b>	44 696
Provisions		<b>273 428</b>	264 605
Promissory note to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2019		<b>440 600</b>	-
		<b>788 715</b>	309 301
<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>788 715</b>	604 901
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	7	<b>6 504 107</b>	6 504 107
Contributed surplus		<b>1 172 946</b>	1 064 946
Deficit		<b>(8 320 157)</b>	(8 061 085)
<b>Total shareholder's deficiency</b>		<b>(643 104)</b>	(492 032)
<b>Total liabilities and shareholder's deficiency</b>		<b>145 611</b>	112 869

Going concern

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



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 Jean-Claude Caron  
 President




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 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	For the three-month periods ended December 31		For the nine-month periods ended December 31	
		2019 \$	2018 \$	2019 \$	2018 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	8	37 614	51 891	121 885	155 177
General and administrative expenses	9	11 072	39 051	87 126	207 132
<b>Operating loss</b>		<b>(48 686)</b>	(90 942)	<b>(209 011)</b>	(362 309)
Finance expenses	10	(18 926)	(3 841)	(50 061)	(88 589)
<b>Net loss and comprehensive income for the period</b>		<b>(67 612)</b>	(94 783)	<b>(259 072)</b>	(450 898)
<b>Basic and diluted earnings per share</b>		<b>(0,0005)</b>	(0,0008)	<b>(0,0021)</b>	(0,0039)
<b>Weighted average of common shares outstanding</b>		<b>123 850 656</b>	123 850 656	<b>123 850 656</b>	114 551 577

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		-	-	-	(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
<b>Balance as at December 31, 2018</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>-</b>	<b>(7 788 027)</b>	<b>1 028 946</b>	<b>(254 974)</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		-	-	-	(259 072)	-	(259 072)
Waiver of payment from a company under common control	11	-	-	-	-	108 000	108 000
<b>Balance as at December 31, 2019</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>-</b>	<b>(8 320 157)</b>	<b>1 172 946</b>	<b>(643 104)</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**

	<b>For the nine-month periods ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<i>(Unaudited - in Canadian dollars)</i>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(259 072)</b>	(450 898)
Adjustments:		
Waiver of payment from a company under common control	<b>108 000</b>	108 000
Changes in working capital items :		
Accounts receivable	<b>4 816</b>	(14 743)
Tax credits receivable	<b>(11 232)</b>	38 403
Prepaid expenses	<b>(20 691)</b>	(2 344)
Trade payables and other payables	<b>29 991</b>	84 673
Provisions	<b>8 823</b>	8 856
<b>Cash flows from operating activities</b>	<b>(139 365)</b>	(228 053)
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	<b>145 000</b>	430 000
<b>Cash flows from financing activities</b>	<b>145 000</b>	430 000
<b>NET DECREASE IN CASH</b>	<b>5 635</b>	201 947
<b>CASH AT BEGINNING OF YEAR</b>	<b>28 263</b>	11 056
<b>CASH AT END OF YEAR</b>	<b>33 898</b>	213 003

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, 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 February 27, 2020.

**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 generated any income or cash flows from its operations. As at September 30, 2019, the Company had a \$643,104 negative working capital and a cumulated deficit of \$8,320,157.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 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****Adopted standard 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****December 31, 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.

**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**

**December 31, 2019**

*(Unaudited - in Canadian dollars)*

**5. Receivables**

	<u>December 31</u>	<u>March 31</u>
	2019	2019
	\$	\$
Accounts receivable	51 128	49 658
Sales tax receivable	1 985	8 271
<b>Receivables</b>	<b>53 113</b>	<b>57 929</b>

**6. Trade payables and other payables**

	<u>December 31</u>	<u>March 31</u>
	2019	2019
	\$	\$
Accounts payable	21 859	33 046
Interest payable - company under common control	52 828	11 650
<b>Trade payables and other payables</b>	<b>74 687</b>	<b>44 696</b>

**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 nine-month period ended December 31, 2019.

**7.3 Warrants**

There are no warrants outstanding as of December 31, 2019.

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 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 December 31, 2019</b>	<b>300 000</b>	<b>0,35</b>

Granted and exercisable options as at December 31, 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 nine-month period ending December 31, 2019 (nil during the nine-month period ended December 31, 2018).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	10 000	-	10 000
Lower St.Lawrence/Gaspe	30 575	2 961	27 614
<b>Total</b>	<b>40 575</b>	<b>2 961</b>	<b>37 614</b>

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
<b>Total</b>	<b>56 904</b>	<b>5 013</b>	<b>51 891</b>

**For the nine-month period ended  
December 31, 2019**

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	31 000	-	31 000
Lower St.Lawrence/Gaspe	102 117	11 232	90 885
<b>Total</b>	<b>133 117</b>	<b>11 232</b>	<b>121 885</b>

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
<b>Total</b>	<b>170 008</b>	<b>14 831</b>	<b>155 177</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 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 December 31 2019</b>	For the three- month period ended December 31 2018
	\$	\$
Geology and geophysics	10 575	17 904
Technical consultation	30 000	39 000
<b>Total</b>	<b>40 575</b>	<b>56 904</b>
Tax credits, net	2 961	5 013
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>37 614</b>	<b>51 891</b>

	<b>For the nine- month period ended December 31 2019</b>	For the nine- month period ended December 31 2018
	\$	\$
Geology and geophysics	40 117	53 008
Technical consultation	93 000	117 000
<b>Total</b>	<b>133 117</b>	<b>170 008</b>
Tax credits, net	11 232	14 831
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>121 885</b>	<b>155 177</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2019***(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	
	2019 \$	2018 \$	2019 \$	2018 \$
Professional services	1 002	23 875	49 421	108 218
Management fees	6 000	6 000	18 000	18 000
Registration fees	3 980	5 868	16 588	24 898
Associations	-	-	3 000	-
Office expenses	-	2 683	27	2 903
Taxes and licenses	90	-	90	47 852
Insurance	-	625	-	5 261
	<b>11 072</b>	<b>39 051</b>	<b>87 126</b>	<b>207 132</b>

**10. Financial expenses**

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2019 \$	2018 \$	2019 \$	2018 \$
Long-term interests due to a company under common control	15 974	740	41 178	79 423
Interest and other bank expenses	2 952	3 101	8 883	9 166
	<b>18 926</b>	<b>3 841</b>	<b>50 061</b>	<b>88 589</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

	<b>For the three-month periods ended December 31</b>		<b>For the nine-month periods ended December 31</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$</b>	\$	<b>\$</b>	\$
Exploration and evaluation expenditures net of tax credits	<b>37 614</b>	46 567	<b>117 444</b>	157 433
Professional services	-	21 000	<b>7 000</b>	99 000
Management fees	<b>6 000</b>	6 000	<b>18 000</b>	18 000
Financial expenses	<b>15 974</b>	740	<b>41 178</b>	131 461

As at December 31, 2019, there is an outstanding balance of \$8,106 (\$15,550 at March 31, 2019) resulting from these operations, plus interest payable of \$52,828 (\$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 December 31, 2019. The value of these services is a total of \$36,000 (\$36,000 for the three-month period ended December 31, 2018) and was recognized in contributed surplus.