



**MANAGEMENT'S DISCUSSION
AND ANALYSIS
FOR THE THIRD QUARTER ENDED**

DECEMBER 31, 2019

Prepared by:

**SQUATEX ENERGY AND RESSOURCES INC
7055 Boul. Taschereau, Suite 500
Brossard, Quebec, J4Z 1A7**

February 27, 2020

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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 three-month period ended on December 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 non-audited condensed interim financial statements for the period ended on December 31, 2019 and with the audited annual financial statements of the Company for the year ended March 31, 2019. The Company's unaudited condensed interim financial statements for the period ended on December 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 Squatex's securities should not be based solely on these forward-looking 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 favors exploring territories with the highest chance of success in order to ensure its profitability in the short term. In recent years, his activities have focused on his exploration licenses in the Lower St. Lawrence-Gaspé to explore the rocks of the Silurian-Devonian and the Ordovician in order to search for conventional accumulations of oil and gas. Squatex also has an exploration territory in the St. Lawrence Lowlands for unconventional search of shale gas in the Utica/Lorraine.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

HIGHLIGHTS

During the quarter ended December 31, 2019, the management of Squatex Energy Resources Inc, in conjunction with its partner Petrolympic Inc, announced in a press release on October 31 that, through its attorneys, a lawsuit against the Government of Quebec was filed in Superior Court, Quebec Judicial District. Through this procedure, Squatex and its partner are asking the Minister of Energy and Natural Resources to return the annual fees it has collected without duty since 2011, in connection with the hydrocarbon exploration licences of which they own since September 1, 2009. The licences period have been suspended since the *Oil and Gas Limiting Act* came into force on June 13, 2011, so that annual fees were, according to Squatex, not and still are not payable. As these continued to be collected by the Minister, Squatex and his partner are now demanding the return of the sums paid, plus interest.

Squatex also wanted to clarify in the press release to its shareholders that further legal proceedings could be considered against the Government in order to enforce its rights. Indeed, government and ministerial action in recent years has greatly harmed oil and gas exploration and development in Quebec by reducing the ability to finance itself in the markets. Squatex's management would like to reassure its shareholders that it is taking all necessary measures to maintain the company's operating capabilities.

So far, in the Lower St. Lawrence, Squatex, with its partner Petrolympic (30%), has focused the exploration of its permits on the limestone sequences of Silurian-age rocks. Numerous geological and geophysical surveys were carried out in the field to locate these sequences in depth and in 2010, a series of shallow stratigraphic coreholes have identified areas having a better potential. From 2011, deeper drilling was therefore carried out to target AVO (Amplitude vs. Offset) seismic anomalies that showed the possibility of naturally fractured porous areas that had been dolomitized by the circulation of fluids. In 2013, Squatex made a discovery of gas in the Massé No.1 well in very porous hydrothermal dolomites of the Sayabec Formation near the contact with the Val-Brillant Formation. In 2014, a 1970-metre-deep drilling, Massé No.2, located on the same structure confirmed and substantially increased the initial discovery. In this well, nearly 1000 meters of porous zones with the presence of gas and oil were encountered.

The independent expertise of Sproule and Associates verified and validated in 2016 the potential of the Massé Structure from the electric logs run in the Massé No.2 well. The results of Sproule's report are significant as they indicate the likelihood of the potential presence in place of 53.6 BCF of gas and 52.2 million barrels of oil over a likely average area of 5.2 km².

In the St. Lawrence Lowlands, a partnership between Squatex, Petrolympic Ltd and Canbriam Energy Inc. was concluded in 2008 to drill the Canbriam Farnham No.1 well. Canbriam earned a 60% stake on 8,000 hectares over the two permits of the partnership. The final abandonment of the Canbriam Farnham No.1 well and the reclamation of the site were carried out according to the standards in 2015 by Canbriam.

During the quarter ended December 31, 2019, there was no field exploration work on the permits. Squatex continued its detailed study of the new law and regulations and tracked the files. The new regulations that came into force in September 2018, which, among other things, set the principle of banning drilling in water environments and within one kilometre of such a medium, call into question the work that squatex planned in the Lower St. Lawrence. As we

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

already had a dozen targeted locations for drilling, the calculations and study of seismic profiles and geology need to be reassessed under the new regulations.

Holders of exploration licences, including Squatex, have been exempted by the government from statutory work obligations since 2011. However, Squatex continued its exploration program by drilling three additional wells between 2011 and 2015. Expenses for previous work during the exemption period will fully cover work obligations when the exemption is lifted.

TRENDS

While general economic conditions continue to stagnate in the oil sector and relative stability appears to be emerging in financial markets, significant uncertainty still persists over the future of oil exploration Quebec. The sanction of the new Hydrocarbons Act in 2016 initially gave hope for an imminent resumption of work. However, since September 2018, some regulations of the new Act have created additional difficulties in allowing oil operations. The Management and the Board of Directors will closely monitor developments in this area and see their implications for the operation of Squatex.

SUMMARY OF LAND POSITIONS

As of December 31, 2019, Squatex owns 36 licenses totaling 6,560.93 km² (1,621,205 acres) for oil and gas exploration in the Quebec Appalachian Basin over the St. Lawrence Lowlands and the St. Lower St. Lawrence-Gaspé areas(See map). The Company's properties in the St. Lawrence Lowlands consist of 2,249.33 km² (555,809 acres) of licenses that constitute a significant position in the Utica-Lorraine's unconventional targets. Squatex also owns properties in the Lower St. Lawrence-Gaspé region that consist of 4,311.60 km² (1,065,396 acres) of licenses between Rimouski and Rivière-du-Loup that are prospective for oil and gas in Silurian reef targets and in areas of hydrothermal dolomites.

Squatex has as its exploration partner Petrolympic Ltd (30% interest) on all of its 36 exploration licenses. Canbriam Ltd earned a 60% interest over an area of 80.0 km² (19,768 acres) straddling two Squatex licenses in the St. Lawrence Lowlands.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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

ST. LAWRENCE LOWLANDS PERMITS

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 *
Subtotal		2 249,33

* A 60% interest between the surface and the Top of Trenton over a 80,00 km² block have been transferred jointly by Squatex and Petrolympic Canbriam. Squatex retain 70% below the Top Trenton.

PERMITS PARTIALLY AT 28% IN THE ST. LAWRENCE LOWLANDS (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
Subtotal		80,00 of 447,39

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

LOWER ST. LAWRENCE/GASPE PERMITS

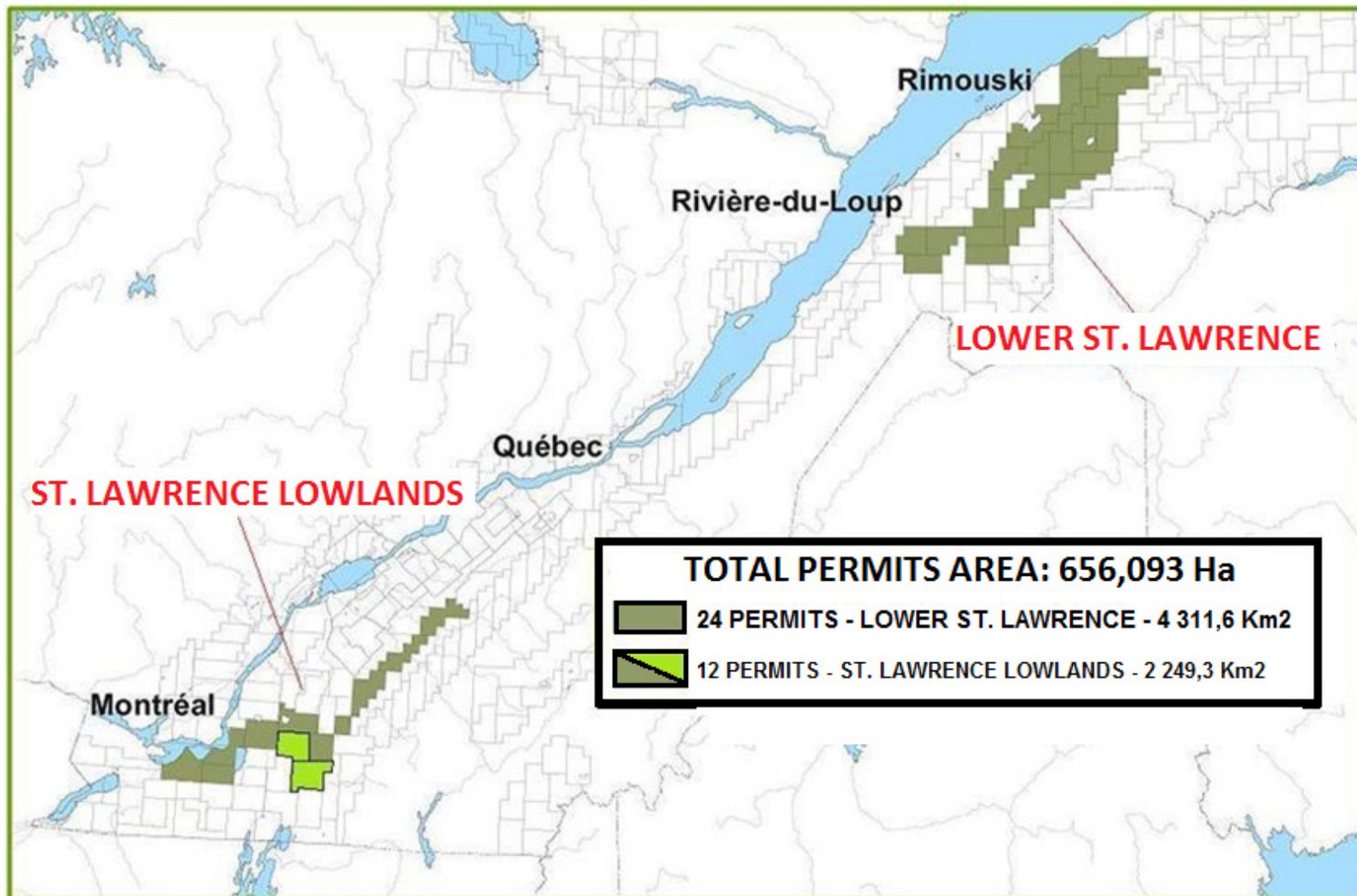
Permit Number	Renewal	Area (km ²)
2009RS299	01/09/2019	189,75
2009RS300	01/09/2019	207,04
2009RS301	01/09/2019	171,36
2009PG552	01/09/2019	102,67
2009PG553	01/09/2019	230,68
2009PG554*	01/09/2019	151,50
2009PG555	01/09/2019	164,38
2009PG556*	01/09/2019	236,66
2009PG557	01/09/2019	98,94
2009PG558	01/09/2019	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
Subtotal		4 311,60

* Gaspé area

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

SQUATEX'S EXPLORATION PERMITS LOCATION MAP



EXPLORATION ACTIVITIES

LOWER ST. LAWRENCE-GASPE PERMITS

The compilation and integration in 2012 of all the encouraging results of exploratory work in the region, particularly those of the last two drillings in 2011, led Squatex to continue the drilling of new interest targets. In September 2012, deeper coreholes were drilled in the northeastern part of the Lower St. Lawrence permit block on the Massé structure.

The Massé No.1 well, located in the Municipality of Ste-Jeanne-D'Arc, was equipped with a BOP mounted on a cemented casing of 150 meters in length. The core was temporarily suspended at the end of November at a depth of 1710 metres due to difficult winter conditions. Drilling, supervised by a team of five engineers and geologists, began in highly disturbed beds in the St. Leon Formation, then went through sequences similar to the reefal carbonates sequences similar to the Sayabec and/or West Point Formations at about 800 metres, followed by overlapping basal Silurian sequences showing a 15 meters thick porous dolomites sequence in Sayabec reefs. Both reef sequences showed evidence of gas and condensate. 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 Massé No.1 well was re-entered in 2013 to drill through an AVO seismic anomaly showing a possibility of fluids or porosity. This objective was met by giving strong flows of natural gas (89% Methane) in a very porous and permeable dolomite of the base of the Sayabec as well as in a sandstone of the Brilliant Valley between 1750 m and 1874 m. The porous zone was encountered between 1790 m and 1874 m. Cores at 1847 m show over 10 m porosities reaching 20.8% with a permeability of 1624 mD. The Massé No.1 well was abandoned and cemented to a total depth of 1874 m without being tested.

The Sayabec No.1 well was subsequently located near the eastern permit limit. It aimed at a possible dolomitization in the limestones of the Sayabec Formation shown by a seismic amplitude anomaly above a stratigraphic wedge. A porous dolomitized zone was actually encountered near the base of the Sayabec giving oil and gas shows. The well reached a total depth of 759 metres in Cambrian-Ordovician rocks of the Quebec Group.

Following a detailed analysis of the drilling results of the Massé No.1 well, Squatex issued a press release on November 20, 2013 announcing the discovery of a reservoir that could contain a significant amount of natural gas in a conventional trap. The new coring data acquired in 2013 allowed us to reinterpret the various data accumulated since 2001 over this Lower St. Lawrence-Gaspé area and to delimit areas with similar hydrocarbon potential and to target locations of 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. Interpretation of these results has identified nine additional drilling locations in the area showing seismic AVO porosity anomalies similar the one seen over the Massé structure.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

In April 2014, Squatex issued a press release announcing results of an independent study made by Sproule and Associates on the undiscovered possible hydrocarbons initially in place that could contain the Massé Structure. Sproule performed its own interpretation of seismic and used data obtained in the Massé No. 1 well. Sproule determined an average of 12 BCF of gas in place over an average area of 10 km², in considering a single level existing over local seismic profiles only, without taking into account the broad structural regional outlines. Squatex's structural interpretation of regional seismic shows that the prospective area of the AVO anomaly on Massé appears to extend over at least 40 km², which could result, using the parameters measured during drilling, by a reservoir that could hold a volume of up to 100 BCF. According to Squatex, reservoir extensions could expand on over 300 km² as shown by various 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 cemented surface casing with a BOP to protect the groundwater environment. 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 suspending the hole while waiting for necessary permits to carry out stem production tests to assess the zones encountered in the borehole in order to prove hydrocarbon resources encountered.

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 geoscientific studies in the Lower St. Lawrence region. The 3D modeling studies and the determination of the reservoir potential of the Sayabec Formation have greatly improved the understanding of this complex geological system hitherto unknown to Quebec from the stratigraphic and structural point of view to validate its hydrocarbon potential.

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 logging recorded in the Massé No.2 well, yielded results that could significantly influence the estimation of the hydrocarbon resources of the Massé structure. Squatex therefore used Sproule and Associates' independent expertise again in February 2016 to verify and validate the results obtained by making their own interpretation of the data. The results of Sproule's report were the subject of a press release issued by Squatex on May 17, 2016. The results of the logging study are significant and indicate an unproven potential for the presence of 53.6 BCF of gas and 52.2 million barrels of oil over a likely average area of 5.2 km². In order to prove the quantities of hydrocarbons that could be commercially exploited on the structure, a well will need to be drilled to test the level of production of the porous zones encountered in previous wells.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

ST. LAWRENCE LOWLANDS PERMITS

Squatex with its partner do not foresee short-term field exploration activities on its Lowland permits since the new Hydrocarbons Act and regulations came into force in September 2018. Canbriam Energy proceeded in 2015 to the abandonment of the Canbriam Farnham No. 1 well as stipulated by the law and regulations.

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 December 31, 2019, Squatex spent \$ 40,575 (\$ 56,904 for the three-month period ended December 31, 2018) on its unproved properties of oil and gas. On these amounts, Squatex will receive tax credits relating to resources of \$ 2,961 (\$ 5,013 for the quarter ended December 31, 2018), representing net exploration and evaluation expenses of \$ 37,614 for the quarter ended December 31, 2019 and \$ 51,891 for the quarter ended December 31, 2018.

TECHNICAL DISCLOSURE

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

OBLIGATIONS

Since 2011, the validity of exploration licences for any exploration licensee has been suspended, including the validity period of Squatex's licences. In addition, exploration licensees, including Squatex, are exempt from statutory work obligations.

The regulations describe the annual fee as follows:

- 1 ° For the first period of validity of the licence, \$51.50 per km²;
- 2 ° The renewal of the licence made pursuant to section 49, of \$103 the km²;
- 3 ° The renewal of the licence made pursuant to section 50, of \$257.50 the km².

The regulations provide for the following minimum amounts of work:

- 1 ° for the first year of validity of the licence, the highest between \$ 100 per km² or \$ 6,000
- 2 ° for the second year of validity of the licence, the highest between \$ 200 per km² or \$ 12,000
- 3 ° for the third year of validity of the licence, the highest between \$ 300 per km² or \$ 18,000
- 4 ° for the fourth year of validity of the licence, the highest between \$ 400 per km² or \$ 24,000
- 5 ° for the fifth year of validity of the licence, the highest between \$ 500 per km² or \$ 30,000
- 6 ° from the first renewal of the licence made pursuant to article 49, the highest between \$ 500 per km² or \$ 40,000.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

Additional statutory expenditure credits to the minimum required are granted by the Government and will be used to reduce subsequent obligations.

ENVIRONMENTAL RESPONSIBILITY

The Company is subject to government environmental protection laws and regulations. Environmental consequences are very difficult to identify in terms of results, time and impacts. To the best of its knowledge, Squatex conducts its operations in a manner that is consistent with government environmental legislation and regulations.

RISKS AND UNCERTAINTIES

There are many risks associated with oil and gas development. Squatex's long-term commercial success depends on its ability to find, acquire, develop and commercially exploit oil and natural gas reserves. The future increase in Squatex's reserves will depend not only on its ability to prospect and develop properties it may hold from time to time, but also on its ability to select and acquire properties, productive areas and appropriate potential productive areas. In addition, even if such acquisition or equity opportunities are identified, Squatex may decide that, depending on current market conditions, acquisition and participation or pricing arrangements result in acquisitions or stakes are unprofitable.

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

Estimating oil and gas reserves is a complex process based on a considerable number of decisions and assumptions to assess the geological, geophysical, engineering and economic data available. for each tank. As a result, such estimates are imprecise in nature. Actual data on future oil and gas production, oil and gas revenues and expenditures can vary significantly. Any significant fluctuation in these assumptions could have a significant impact on the estimated quantities and present value of reserves. In addition, these reserves may be subject to upward or downward revisions based on production history, results that will be achieved during exploration and future development, current oil and gas prices, and several of which are beyond Squatex's control. It is highly likely that actual production and revenues, taxes, development and operating expenses for reserves will vary from established estimates and these variations could be significant.

REGULATORY IMPACT

The oil and gas industry is subject to elaborate controls and regulations put in place by the various levels of government for prices, royalties, land holdings, production quotas, imports and export of oil and gas and environmental protection.

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

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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.

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.

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.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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 THREE-MONTH PERIODS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
EXPLOITATION	\$	\$
Net exploration and evaluation expenses	37,614	51,891
Net loss and total comprehensive loss	- 67,612	- 94,783
Net and comprehensive loss per basic and diluted share	- 0.0005	- 0.0008

QUARTERLY INFORMATIONS

	Year ended on March 31, 2020			Year ended on March 31, 2019				Year ended on March 31, 2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	—	—	—	—	—	—	—	—
Net results	-\$67 612	-\$77 806	-\$113 654	-\$273 058	-\$94 783	-\$192 839	-\$163 276	-\$183 124
Total assets	\$145 611	\$120 081	\$97 750	\$112 869	\$285 933	\$122 491	\$118 077	\$105 302
Total liabilities	\$788 715	\$731 573	\$667 436	\$604 901	\$540 907	\$318 682	\$1 958 307	\$1 818 256
Basic and diluted earnings per share	-\$0,0005	-\$0,0006	-\$0,0009	-\$0,0022	-\$0,0008	-\$0,0017	-\$0,0015	-\$0,0017

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

OPERATING RESULTS

REVENUE

During the three-month period ended December 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 \$ 94,783 for the three-month period ended December 31, 2018 to \$ 67,612 for the three-month period ended December 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 \$ 14,277 and general and administrative expenses by \$ 27,979 mainly due to the decrease in professional services fees of \$ 22,873. There was, however, an increase in interest on the due to a company under common control, an increase of \$ 15,234 compared to the three-month period ended December 31, 2018, since the due to a common controlled company was converted, on August 21, 2018, into 18,008,780 common shares of the Company, thereby reducing the amount bearing interest.

The overall net loss for the nine-month period ended December 31, increased from \$ 450,898 in 2018 to \$ 259,072 in 2019 for the same reasons as explained above. Also, this decrease in loss is explained by the lower taxes and permits of \$ 47,762. Taxes and permits normally include, in the absence of suspension, the annuities on the permit. Following the lawsuit against the government, these expenses were not incurred by Squatex.

	ON DECEMBER 31, 2019	ON MARCH 31, 2019	ON MARCH 31, 2018
STATEMENT OF FINANCIAL POSITION			
Working capital (negative)	- 643,104	- 196,432	- 430,260
Total assets	147,611	112,869	105,302
Total liabilities	788,715	604,901	1,818,256
Shareholder's equity (deficiency)	- 643,104	- 492,032	- 1,712,954

STATEMENT OF FINANCIAL POSITION

The Company's working capital deteriorated by \$ 446,672 between March 31, 2019 and December 31, 2019, as interest payable on the amount due to a company under common control continues to accrue and that interest on provision for notice of assessment too. In addition, the amount due to a company under common control is now payable within the next 12 months according to the agreement, causing the working capital to deteriorate.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2019, 2018 AND 2017

	2019	2018	2017
CASH FLOW			
Cash flows from operating activities	-139,365	-228,053	-322,393
Cash flows from investing activities	-	-	10,584
Cash flows from financing activities	145,000	430,000	130,000

LIQUIDITY

As at March 31, 2019, the Company had \$ 28,263 in cash. As at December 31, 2019, the Company had \$ 33,898 in cash, an increase of \$ 5,635. The increase in liquidity is mainly due to advances made to Squatex by the company under common control, despite the payment of expenses. 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 improved between the two nine-month periods ended December 31, 2019 and 2018, due to a reduction in expenses to a minimum.

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 December 31, 2019, the Company had a negative working capital of \$ 643,104 and a cumulated deficit of \$ 8,320,157.

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.

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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 81 months as at December 31, 2019 and the refundable tax credit for resources.

OFF-STATEMENT ARRANGEMENT

As of December 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.

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 three-month period ended December 31, 2019 also includes transactions with key management.

	2019	2018
	\$	\$
Management fees	6,000	6,000
Professional services	-	21,000
Net exploration and evaluation expenses for tax credits	37,614	44,430
Financial expenses	15,974	49,350

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 December 31, 2019, excluding any applicable interest if the expenses referred in the notice of assessment projects are ultimately rejected.

ADOPTION OF ACCOUNTING STANDARDS

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.

FUTURE ACCOUNTING CHANGES

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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Categories of financial assets and liabilities

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

Squatex Energy and Ressources Inc

Management's Discussion and Analysis, third quarter ended on December 31, 2019

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 February 27, 2020 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 February 27, 2020. This same report and more information on the Company is available on SEDAR at www.sedar.com.