MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED

MARCH 31, 2020

Prepared by:

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July 29, 2020

INTRODUCTION

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Squatex Energy and Ressources Inc ("Squatex" or the "Company") constitutes the management's review of factors that affected the Company's financial performance for the year ended on March 31, 2020 in comparison with data from the same period last year. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations, and should be read in conjunction with the audited annual financial statements of the Company for the year ended on March 31, 2020. The Company's audited financial statements for the year ended on March 31, 2020 are prepared in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board ("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. 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 and its 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.

HIGHLIGHTS

During the year ended March 31, 2020, the management of Squatex Energy and Ressources Inc, in conjunction with its partner Petrolympic Ltd (“Petrolympic”), 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.

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 km^2.

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 year ended March 31, 2020, 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 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.

TRENDS

While general economic conditions continue to stagnate in the oil sector and that disruptions are highly possible in the 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 March 31, 2020, Squatex owns 36 licenses totaling 6,560.93 km^2 (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 km^2 (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.

The following tables present the licenses in force as of March 31, 2020 on which Squatex has an interest. For the location of the license, refer to the map.

ST. LAWRENCE LOWLANDS PERMITS

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

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

PERMITS PARTIALLY AT 28% IN THE ST. LAWRENCE LOWLANDS (FROM SURFACE TO TOP TRENTON):

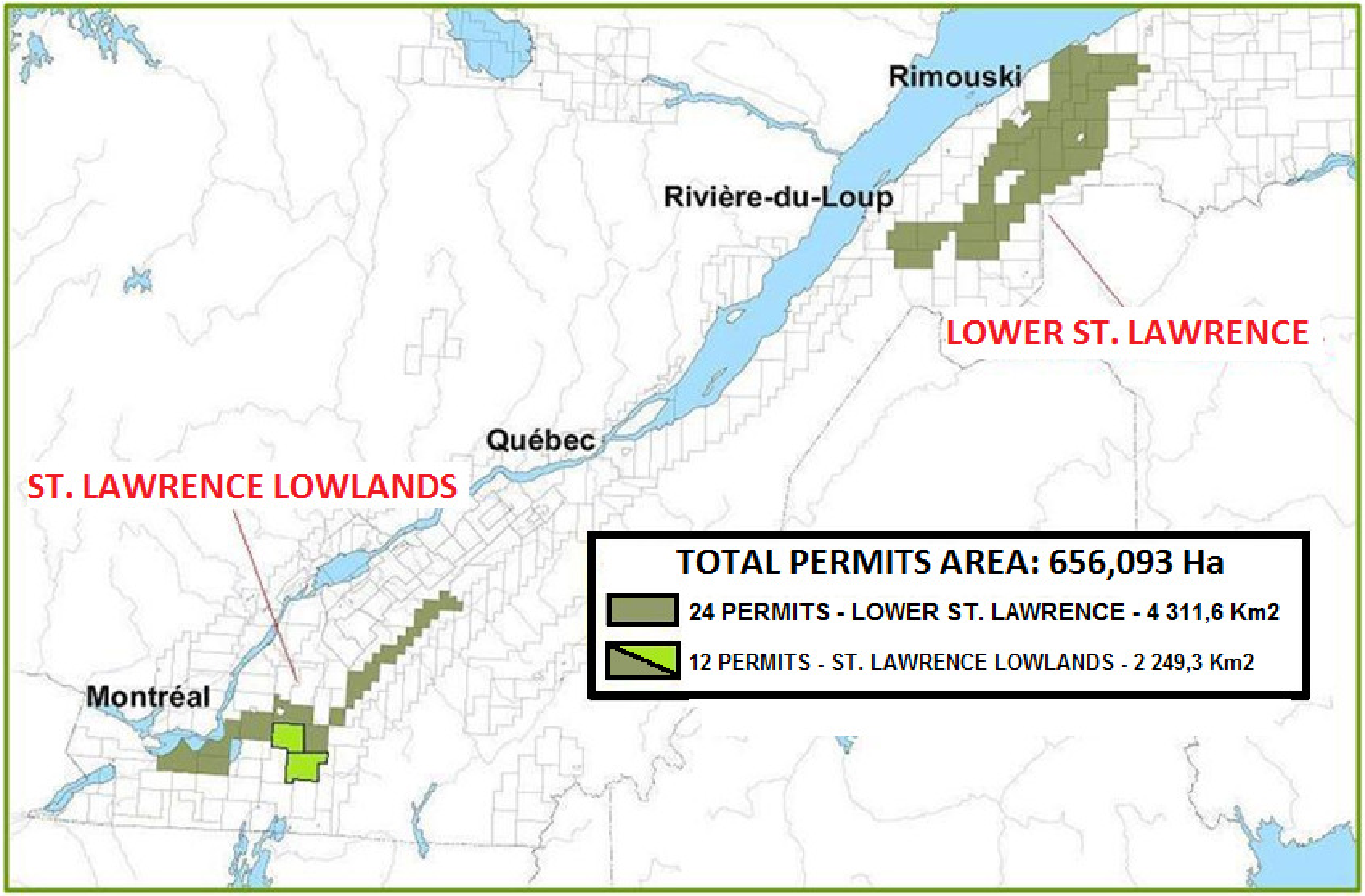
Permit Number	Issue Date	Area (km^2)
2009RS296 (part)	01/09/2009	203,39
2009RS298 (part)	01/09/2009	244,00
Subtotal		**80,00 of 447,39**

LOWER ST. LAWRENCE/GASPE PERMITS

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

*Gaspé area

SQUATEX'S EXPLORATION PERMITS LOCATION MAP



EXPLORATION ACTIVITIES

LOWER ST. LAWRENCE-GASPE PERMITS

The compilation and integration in 2012 of all the encouraging results achieved by Squatex's exploratory work in the region, particularly those of the last two drillings in 2011, led to the decision to continue the coring of new targets of interest. In September 2012, a deeper core hole was spudded in the northeastern portion of the Lower St. Lawrence permit block on the Massé structure.

The Massé No.1 stratigraphic well was equipped with a BOP mounted on a cemented casing over a length of 150 meters. Drilling, supervised by a team of five engineers and geologists, began in highly disturbed beds of the St- Leon Formation, then went through sequences similar to the reefal carbonates of Sayabec and/or West Point at about 800 meters, followed by overlapping basal Silurian sequences showing a 15 meters thick porous dolomites sequence in Sayabec reefs. Both of these reef sequences showed evidence of gas and condensate.

Squatex continued its operations on the well in the spring of 2013 to drill through a deeper AVO seismic anomaly showing a possibility of fluids or porosity. This objective was met between 1750 m and 1874 m by giving strong indices 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 Val Brilliant. Porosity zones are between 1790 m and 1874 m. Cores from 1847 m show a thickness over 10 meters containing porosities reaching 20.8% with a permeability of 1624 mD. Drilling ended at 1874 m, then was cemented over its entire length without being tested. Squatex issued a press release indicating the discovery in Massé No.1 of a reservoir that could contain a significant amount of natural gas in a conventional trap.

During the same year, the Sayabec No.1 well was spudded near the eastern limit of the permits. It was aimed at a possible dolomitization in the Sayabec Formation limestones shown by a seismic amplitude anomaly over a stratigraphic wedge. A porous dolomitized zone was actually encountered near the Base of Sayabec giving oil and gas shows. The well reached a total depth of 759 m in Cambrian-Ordovician rocks of the Quebec Group before being cemented.

The results of these new deep cores have enabled a reinterpretation of data accumulated by Squatex since 2001 over the Lower St. Lawrence/Gaspé area to delineate regions that could have similar hydrocarbon potential as Massé and to target future drilling locations. In this review, Squatex had seismic data covering more than 300 km2 near the Massé structure specially reprocessed (AVO) by a Calgary firm to highlight possible levels of porosity in Sayabec limestone strata. Interpretation of these results identified nine additional drilling sites with AVO characteristics similar to that found in the Massé structure.

In September 2014, Squatex spudded the deep stratigraphic Massé No.2 well after running a 210 m cemented surface casing with a BOP to protect the groundwater environment.. In addition, drilling equipment has been modified to use a closed sludge circulation circuit to facilitate operations, increase safety and ensure compliance with environmental standards.

Operations on the Squatex Massé No.2 stratigraphic well were conducted smoothly and were completed at a depth of 1970 m on 28 November 2014 after meeting numerous porous zones with oil and gas shows (nearly 1000 m of primary and secondary porosity reported) in the St-Leon, Sayabec and Val Brillant formations before reaching the Cambrian-ordovician rocks. A full suite of logs was recorded in the hole and the wellhead was secured and equipped with safety instruments and measures to suspend drilling. Squatex plans to evaluate the hydrocarbon zones by drill stem production tests. Squatex issued press releases in February and July 2015 relating to the interesting results of Massé No.2.

Squatex called on the independent expertise of Sproule and Associates in February 2016 to verify and validate the results obtained on the Massé Structure. The results of Sproule's report were the subject of a Squatex's press release in May 2016. The study indicates that logs in the Massé No.2 well are significant and show an unproven potential for the 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 order to be able to prove the quantities of hydrocarbons that could be exploited commercially on the structure, the Massé No.2 well will have to be re-opened to test the level of production of porous zones with hydrocarbon shows encountered.

ST. LAWRENCE LOWLANDS PERMITS

Squatex with its partners 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 year ended on March 31, 2020, Squatex spent $ 172,209 ($ 224,561 for the year ended March 31, 2019) on its unproved properties of oil and gas. On these amounts, Squatex will receive tax credits relating to resources of $ 10,082 ($ 19,197 for the year ended March 31, 2019), representing net exploration and evaluation expenses of $ 162,127 for the year ended March 31, 2020 and $ 205,364 for the year ended March 31, 2019.

TECHNICAL DISCLOSURE

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

EXEMPTIONS FROM OBLIGATIONS

Since 2011, the period of validity of the exploration licenses of any exploration licensee is suspended, including the period of validity of the Company's licenses. The Company contests the enforceability of the annual fees by the Ministry of Energy and Natural Resources. In addition, exploration licensese, including Squatex, are exempt from statutory work obligations.

The regulations describe the annual fees as follows:

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

The regulations provide for the following minimum amounts of work:

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

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

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 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.

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 YEARS ENDED MARCH 31, 2020, 2019 AND 2018

	2020	2019	2018
EXPLOITATION	**$**	**$**	**$**
Net exploration and evaluation expenses	162,127	205,364	261,336
Net loss and total comprehensive loss	- 437,381	- 723,956	- 943,013
Net and comprehensive loss per basic and diluted share	- 0.0035	- 0.0062	- 0.0089

ANALYSIS OF ANNUAL OPERATING RESULTS

REVENUE

During the year ended March 31, 2020, no activity generated by Squatex has produced income.

NET PROFIT

The net and overall loss decreased from $ 723,956 for the year ended March 31, 2019 to $ 437,381 for the year ended March 31, 2020. This decrease in the loss is mainly due to a reduction in expenses to a minimum. Thus, net exploration and evaluation expenses decreased by $ 43,237 and general and administrative expenses by $ 218,789, mainly due to the decrease in professional services of $ 37,752 (explained by the reduction in fees to a minimum) and by a decrease in regulations and licensing fees of $ 168,112, due to the expected reimbursement of a portion of the 2018-2019 annual fees. There was also a decrease in interest on the due to a company under common control, a decrease of $ 32,678 compared to the year ended March 31, 2019, as the due to a company under common control was converted on the 21st August 2018, in 18,008,780 ordinary shares of the Company, which means that the average balance due for fiscal 2020 is lower than for fiscal 2019.

QUARTERLY INFORMATIONS

	Year ended on March 31, 2020				Year ended on March 31, 2019			
	Q4 $	Q3 $	Q2 $	Q1 $	Q4 $	Q3 $	Q2 $	Q1 $
Revenue	—	—	—	—	—	—	—	—
Net results	-$178 309	-$67 612	-$77 806	-$113 654	-$273 058	-$94 783	-$192 839	-$163 276
Total assets	$413 894	$145 611	$120 081	$97 750	$112 869	$285 933	$122 491	$118 077
Total liabilities	$1 199 307	$788 715	$731 573	$667 436	$604 901	$540 907	$318 682	$1 958 307
Basic and diluted earnings per share	-$0,0015	-$0,0005	-$0,0006	-$0,0009	-$0,0022	-$0,0008	-$0,0017	-$0,0015

ANALYSIS OF QUARTERLY OPERATING RESULTS

REVENUE

During the quarter ended March 31, 2020, no activity generated by Squatex has produced income.

NET PROFIT

With regard to the results for the quarter ended March 31, 2020, the net loss decreased from $ 273,058 for the quarter ended March 31, 2019 to $ 178,309, a decrease of $ 94,749 which is explained by the reduced spending to the strict minimum and the expected reimbursement of a portion of the 2018-2019 annual fees.

	ON MARCH 31, 2020	ON MARCH 31, 2019	ON MARCH 31, 2018
STATEMENT OF FINANCIAL POSITION			
Working capital (negative)	- 785,413	- 196,433	- 430,260
Total assets	413,894	112,869	105,302
Total liabilities	1,199,307	604,901	1,818,256
Shareholder’s equity (deficiency)	- 785,413	- 492,032	- 1,712,954

STATEMENT OF FINANCIAL POSITION

The Company's working capital deteriorated by $ 588,890 between March 31, 2019 and March 31, 2020, due to the recognition of a provision for 2019-2020 annual pensions, as well as the fact that the due to a company under common control is now payable within the next 12 months according to the agreement. In addition, trade and other payables increased by $ 89,948, mainly due to the accumulation of interest payable on the due to the company under common control.

	2020	2019	2018
CASH FLOW			
Cash flows from operating activities	-159,890	-468,393	-380,795
Cash flows from investing activities	-	-	10,584
Cash flows from financing activities	145,000	485,600	155,000

LIQUIDITY

As at March 31, 2019, the Company had $ 28,263 in cash. As at March 31, 2020, the Company had $ 13,373 in cash, a decrease of $ 14,890. The decrease in liquidity is mainly due to the fact that a company under common control has injected funds to pay for the expenses of the company, but in a lesser way than the actual disbursements. The fact that a company under common control waives payment for its services and a company under common control grants advances to Squatex also allows the Company to maintain a positive cash balance. Cash flow from operating activities is less negative at March 31, 2020 than at March 31, 2019 due to the decrease in expenses to the bare minimum and due to the contestation of the 2019-2020 annual fees.

GOING CONCERN

These financial statements have been prepared in accordance with IFRS and on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. To determine whether the principle of going concern is valid, management takes into account all the information at its disposal concerning the Company's prospects for at least the next 12 months following the end of the period of its financial information presentation.

The Company has not yet found an oil and gas property containing deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its operations. As at March 31, 2020, the Company had a negative working capital of $785,413 and a cumulated deficit of $8,498,466.

Furthermore, there is uncertainty about the future of oil and gas exploration in Quebec. Since 2011, a moratorium on shale gas exploration has been imposed in Quebec. This moratorium could have been lifted when the new Hydrocarbons Law (the "Law") was put in place in September 2018. However, certain regulations of this new law cause additional difficulties for oil and gas operations.

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.

In addition, in March 2020, the World Health Organization declared a global pandemic following the emergence and rapid spread of a new strain of coronavirus ("COVID-19"). The epidemic and subsequent measures to limit the pandemic have contributed to significant declines and the volatility of the financial markets. The pandemic has affected global business activity, including by significantly reducing global demand for crude petroleum. The full extent of COVID-19's impact on the Company's business and future financial performance is currently unknown, but may be material. The Company monitors developments in order to be able to take appropriate measures if necessary.

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 84 months as at March 31, 2020 and the refundable tax credit for resources.

OFF-STATEMENT ARRANGEMENT

As of March 31, 2020, the Company does not have any off-balance sheet settlement other than significant commitments related to statutory obligations for exploration licences it hold.

TRANSACTIONS WITH RELATED PARTY

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.

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:

	2020	2019
	$	**$**
Net exploration and evaluation expenses for tax credits	159,019	179,556
Professional services	37,800	84,000
Management fees	24,000	24,000
Financial expenses	57,655	90,333

As at March 31, 2020, there is an outstanding balance of $48,053 ($15,550 at March 31, 2019) resulting from these operations plus interest payable of $69,305 ($11,650 as at March 31, 2019). In addition, the due to a company under common control of $440,600 ($295,600 as at March 31, 2019) is a transaction with related party.

A company under common control waived payment of its services, which are services for the President, for the year ended March 31, 2020. The value of these services is a total of $144,000 ($144,000 in 2019) and was recognized in contributed surplus.

PROVISIONS

Tax credits receivable and payable

On October 23, 2015, the Company received notices of assessment from a tax authoritie for the years ended March 31, 2012, 2013 and 2014, refusing expenditures in the calculation of the resource credits. The assessment for these three years totals $208,805, including $26,163 in interest. The Company disagrees with the notice of assessment and initiated an objection 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 claim of refundable tax credits relating to resources already cashed by the Company would be an approximate total amount of $189,992 for the years covered by the notices of assessment, excluding any applicable interest if the expenditure referred to in the notice of assessment are ultimately rejected.

As at March 31, 2020, the Company recorded a specific provision of $276,759 ($256,605 as at March 31, 2019) in the statement of financial position (Note 9), which includes expenses deemed inadmissible by the tax authoritie for the years following the notices of assessment, as well as an estimate of the interest to be paid on the notices of assessment and this, despite its disagreement with the assessment since the tax credits for the periods presented have been collected by the Company.

Annual fees of 2019-2020

On July 26, 2019, the Company received a notice of payment of the annual fees from the MELCC. These fees would amount to a total amount of $339,305 for the period from September 1st, 2019 to August 31, 2020 and would be shared with the partner Pétrolympic. The Company is contesting this MELCC payment notice and has filed legal proceedings to enforce its rights.

Without prejudice to this legal procedure, the Company has registered, as a provision, the annual fees claimed by the MELCC for the year 2019-2020. As at March 31, 2020, the Company recorded a specific provision of $339,305, of which $101,791 is receivable from its partner (none as of March 31, 2019) in the statement of financial position (note 9).

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.

The Company has concluded that these changes have no impact on its financial statements.

FUTURE ACCOUNTING CHANGES

At the date of the approval of these financial statements, new standards and interpretations of the existing standards and new amendments have been published but are not yet in force and the Company has not adopted them in advance. Management anticipates that all positions will be adopted in the Company's accounting policies for the first fiscal year beginning after the effective date of the Corporation's accounting policies. Management does not expect that the new standards and interpretations published will have a material impact on the financial statements of the Company.

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 is presented below.

Estimation uncertainty

COVID-19

The COVID-19 outbreak presents uncertainty and risks to the Company, its performance and the estimates and assumptions used by management in preparing its financial results. The epidemic and current market conditions have increased the complexity of the estimates and assumptions used to prepare the financial statements. Management uses its judgment to assess existence and to estimate future liabilities.

Tax credits receivable and payable

The calculation of refundable tax credits on the eligible exploration expenses incurred involves a certain degree of estimation and judgement with respect to certain items including the tax treatment that can't be determined with certainty until a tax assessment has been issued by the relevant tax authorities and until a payment has been received.

Discrepancies arising between the actual results following the final resolution of some of these factors and assumptions may require adjustments to the tax credits receivable, exploration and evaluation expenditure and provisions should potentially be accounted for credits previously received by the Company. It may take considerable time before the tax administration reports its decisions on issues related to tax credits. The amounts recognized in the financial statements are established based on the Company's best estimates and judgment. However, given the uncertainty in obtaining the approval of the tax authorities, the amount of tax credits that will actually be recovered or the amount to be repaid and the timing of such recovery or payment could differ from accounting estimates, which could affect the financial position and cash flows.

On October 23, 2015, the Company received notices of assessment from a tax authoritie for the years ended March 31, 2012, 2013 and 2014, refusing expenditures in the calculation of the resource credits. The assessment for these three years totals $208,805, including $26,163 in interest. The Company disagrees with the notice of assessment and initiated an objection 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 claim of refundable tax credits relating to resources already cashed by the Company would be an approximate total amount of $189,992 for the years covered by the notices of assessment, excluding any applicable interest if the expenditure referred to in the notice of assessment are ultimately rejected.

As at March 31, 2020, the Company recorded a specific provision of $276,759 ($256,605 as at March 31, 2019) in the statement of financial position, which includes expenses deemed inadmissible by the tax authority for the years following the notices of assessment, as well as an estimate of the interest to be paid on the notices of assessment and this, despite its disagreement with the assessment since the tax credits for the periods presented have been collected by the Company.

Significant judgments

Going concern

The assessment of the Company's ability to continue on as a going concern basis, to obtain sufficient funds to cover current operations expenses and meet its obligations for the coming year and obtain financing for exploration and evaluation programs involves significant judgment based on past experience and other factors. Refer to section “Going concern” for more information.

Provision for annual fees

The recognition of 2019-2020 annual fees as a provision involves a certain degree of judgment with regard to a lawsuit brought by the Company against the Ministry of Energy and Natural Resources (MELCC), concerning these fees.

On July 26, 2019, the Company received a notice of payment of the annual fees from the MELCC. These fees would amount to a total amount of $339,305 for the period from September 1st, 2019 to August 31, 2020 and would be shared with the partner Pétrolympic. The Company is contesting this MELCC payment notice and has filed legal proceedings to enforce its rights.

Without prejudice to this legal procedure, the Company has registered, as a provision, the annual fees claimed by the MELCC for the year 2019-2020. As at March 31, 2020, the Company recorded a specific provision of $339,305, of which $101,791 is receivable from its partner (none as of March 31, 2019) in the statement of financial position.

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 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.

Risks related to financial instruments

The Company is exposed to various financial risks. The Company is exposed to the market risk, credit risk and liquidity risk.

The Company does not conclude financial instruments contracts, including financial derivatives, for speculative purposes.

No change has been made in terms of objectives, policies or procedures related to risk management arising from financial instruments throughout the periods that have been taken into consideration for the presentation of the financial information.

The main financial risks that the Company is exposed to are described below.

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk and price risk. The Company's objectives are to ensure short and medium-term cash inflows while reducing exposure to capital markets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fluctuations in interest rates may affect the fair value of the financial assets and liabilities bearing interest at fixed rates. As the due to a company under common control is recognized at amortized cost, fair value changes have no impact on the net profit.

Credit risk

Credit risk is the risk that the other party to a financial instrument fails to discharge an obligation which consequently leads the Company to incur a financial loss.

The maximum exposure of the Company to credit risk is limited to the carrying value of the following financial assets at the date of presentation of financial information, net of applicable provisions:

	March 31	
	2020	2019
	$	$
Cash	**13 373**	28 263
Receivables (with the exception of sales taxes receivable)	**93 978**	49 658
Book value	**107 351**	77 921

The Company's credit risk is mainly related to receivables. The Company does not require collateral. Accounts receivable are managed and analyzed on an ongoing basis therefore the Company's exposure to bad debts is not significant.

The Company's management believes that the credit quality is good for all financial assets described above that are not impaired or past due for each date of presentation of financial information.

No financial assets are overdue, no provision or correction for impairment was recognized for the periods presented.

Credit risk on cash is considered negligible as these financial instruments are held in a reputable financial institution whose external credit rating is good.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties honouring commitments related to financial liabilities that are settled with cash or another financial asset.

Management of liquidity risk ensures sufficient cash and cash equivalents are maintained and that the Company has the necessary funds required for its activities. To this end, annual cashflow forecasts and budgets are established by the Company.

At March 31, 2020, the Company has $13,373 ($28,263 as at March 31, 2019) in cash to meet its current liabilities of $1,199,307 ($309,301 as at March 31 2019). Any shortfall may be met in various ways in the future, including, without limitation, the issuance of new equity securities, further measures to reduce spending, signed agreement with external creditors or other measures. Despite the fact that management has managed to obtain funding in the past, there is no guarantee of success for the future. There is no guarantee that these sources of funding or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. If management does not obtain new funds, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these financial statements. The financial liabilities of the Company have contractual maturities of 30 days or are due on request, except for the due to a company under common control which is repayable on September 30, 2020, and are subject to normal commercial conditions. See section “Going concern”.

OUTSTANDING SHARES AND SECURITIES

The following table shows the number of outstanding shares as at July 29, 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 July 29, 2020. This same report and more information on the Company is available on SEDAR at www.sedar.com.