



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

Condensed Interim Financial Statements
(Unaudited)

For the three-month periods ended June 30, 2020 and 2019

Notice of Disclosure of Non-auditor Review of Condensed Interim Financial Statements

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of the Company for the interim periods ended June 30, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards. The accompanying condensed interim financial statements are the responsibility of the Company's management.

The Company's independent auditors, PricewaterhouseCoopers LLP / s.r.l. / s.e.n.c.r.l., have not performed a review of these condensed interim financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.



President



Vice-President, Finance

August 18, 2020

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

		June 30	March 31
		2020	2020
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
	Notes		
ASSETS			
Current			
Cash		9 472	13 373
Accounts receivable	5	117 323	95 626
Reimbursement of annual fees receivable		255 616	255 616
Tax credits receivable		31 352	29 279
Prepaid expenses		10 000	20 000
		423 763	413 894
Total assets		423 763	413 894
LIABILITIES			
Current			
Trade payables and other payables	6	143 303	134 643
Provisions	7	637 623	624 064
Due to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2020		507 600	440 600
		1 288 526	1 199 307
Total liabilities		1 288 526	1 199 307
SHAREHOLDER'S DEFICIENCY			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 244 946	1 208 946
Deficit		(8 613 816)	(8 498 466)
Total shareholder's deficiency		(864 763)	(785 413)
Total liabilities and shareholder's deficiency		423 763	413 894
Going concern	2		
Subsequents events	13		

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



Jean-Claude Caron
President



René Guimond
Vice-President, Finance

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

	Notes	For the three-month periods ended	
		2020	2019
<i>(unaudited - in Canadian dollars)</i>		\$	\$
Net exploration and evaluation expenses	9	38 758	43 615
General and administrative expenses	10	45 060	55 511
Operating loss		(83 818)	(99 126)
Financial expenses	11	(31 532)	(14 528)
Net profit (loss) and comprehensive income (loss) for the period		(115 350)	(113 654)
Basic and diluted earnings per share		(0,0009)	(0,0009)
Weighted average of common shares outstanding		123 850 656	123 850 656

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 \$	Deficit \$	Contributed surplus \$	Total shareholders' deficiency \$
Balance as at April 1, 2019		123 850 656	6 504 107	(8 061 085)	1 064 946	(492 032)
Net loss and comprehensive loss		-	-	(113 654)	-	(113 654)
Waiver of payment from a company under common control	12	-	-	-	36 000	36 000
Balance as at June 30, 2019		123 850 656	6 504 107	(8 174 739)	1 100 946	(569 686)
Balance as at April 1, 2020		123 850 656	6 504 107	(8 498 466)	1 208 946	(785 413)
Net loss and comprehensive loss		-	-	(115 350)	-	(115 350)
Waiver of payment from a company under common control	12	-	-	-	36 000	36 000
Balance as at June 30, 2020		123 850 656	6 504 107	(8 613 816)	1 244 946	(864 763)

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Condensed Interim Statements of Cash Flows

	For the three-month periods ended June 30	
	2019	2018
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(115 350)	(113 654)
Adjustments:		
Waiver of payment from a company under common control	36 000	36 000
Changes in working capital items :		
Accounts receivable	(21 697)	(13 881)
Tax credits receivable	(2 073)	(4 523)
Prepaid expenses	10 000	2 791
Trade payables and other payables	8 660	77 120
Provision	13 559	2 931
Cash flows from operating activities	(70 901)	(13 216)
FINANCING ACTIVITIES		
Due to a company under common control	67 000	60 000
Cash flow from financing activities	67 000	60 000
NET CHANGE IN CASH	(3 901)	46 784
CASH AT BEGINNING OF YEAR	13 373	11 056
CASH AT END OF YEAR	9 472	57 840

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

June 30, 2020

(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. Since April 3, 2017, the Company has been listed on the Canadian Stock Exchange, under the symbol SQX.

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, 2020, 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, 2020. The annual financial statements of the Company are available on the SEDAR website at: www.sedar.com.

The Company is incorporated under the Canadian Business Corporations Act.

The address of the Company's registered office and its principal place of business is 500-7055, boulevard Taschereau, Brossard (Québec), Canada, J4Z 1A7.

These financial statements were approved and authorized for publication by the Board of Directors on August 18, 2020.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2020**

(Unaudited - in Canadian dollars)

2. Going Concern

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

The Company has not yet found an oil and gas property containing deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its operations. As at June 30, 2020, the Company had a negative working capital of \$ 864,7636 and a cumulated deficit of \$ 8,613,816.

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 obligations, in connection with exploration permits, are contested by the Company, .

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.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

June 30, 2020

(Unaudited - in Canadian dollars)

3. Application of International Financial Reporting Standards (IFRS) new and modified

Standard adopted during the period

There are no new standards and interpretations which were adopted by the Company during the interim period.

Not yet adopted

At the approval date of these condensed interim financial statements, new standards and interpretations to existing standards and new modifications have been issued but are not yet in force, and the Company has not adopted them early. Management anticipates that all of the positions will be adopted in the Company's accounting policies during the first fiscal year beginning after their effective date.

Management believes that there are no new standards and interpretations that are likely to be relevant to the condensed interim financial statements of the Company.

4. Critical accounting estimates, judgements and assumptions

When preparing these financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information on significant judgments, estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses with regards to the presentation of the condensed interim financial statements are not different from those presented in the annual financial statements of March 31, 2020.

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**June 30, 2020***(Unaudited - in Canadian dollars)***5. Receivables**

	<u>June 30</u>	<u>March 31</u>
	2020	2020
	\$	\$
Accounts receivable	107 151	93 978
Sales tax receivable	10 172	1 648
Receivables	117 323	95 626

6. Trade payables and other payables

	<u>June 30</u>	<u>March 31</u>
	2020	2020
	\$	\$
Accounts payable	56 043	65 338
Interest payable - company under common control	87 260	69 305
Trade payables and other payables	143 303	134 643

7. Provisions

	<u>June 30</u>	<u>March 31</u>
	2020	2020
	\$	\$
Annual fees for 2019-2020	339 305	339 305
Account to be paid in negotiation	8 000	8 000
Refundable tax credits related to resources	290 318	276 759
Provisions	637 623	624 064

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

June 30, 2020

(Unaudited - in Canadian dollars)

8. Equity

8.1 Authorized share capital

Unlimited number of common shares without par value.

8.2 Issued share capital

There were no changes in the issued share capital during the three-month period ended June 30, 2020.

8.3 Stock options

There were no changes in the Company's share purchase options during the three-month period ended June 30, 2020.

Granted and exercisable options as at June 30, 2020:

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

No stock-based compensation was recognized in earnings during the three-month period ended June 30, 2020 (nil during the three-month period ended June 30, 2019).

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2020***(Unaudited - in Canadian dollars)***9. Exploration and evaluation expenditures**

Exploration and evaluation expenditures by region are detailed as follows:

For the three-month period ended June 30, 2020

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	11 143	-	11 143
Lower St.Lawrence/Gaspe	29 688	2 073	27 615
Total	40 831	2 073	38 758

For the three-month period ended June 30, 2019

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

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three-month periods ended June 30	
	2020	2019
	\$	\$
Geology and geophysics	7 403	14 742
Technical consultation	33 428	33 000
Total	40 831	47 742
Tax credits, net	2 073	4 127
Exploration and evaluation expenditures net of tax credits	38 758	43 615

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**June 30, 2020***(Unaudited - in Canadian dollars)***10. General and administrative expenses**

Nature of the expenses	For the three-month periods ended June 30	
	2020	2019
	\$	\$
Professional services	35 424	43 489
Management fees	6 000	6 000
Registration fees	3 636	3 022
Associations	-	3 000
	45 060	55 511

11. Financial expenses

	For the three-month periods ended June 30	
	2020	2019
	\$	\$
Interests due to a company under common control	17 955	11 579
Interest and other bank expenses	13 577	2 949
	31 532	14 528

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

June 30, 2020

(Unaudited - in Canadian dollars)

12. 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.

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 for services as employees. The fees charged by them or by a company controlled by them are presented below:

	For the three-month periods ended June 30	
	2020	2019
	\$	\$
Exploration and evaluation expenditures net of tax credits	38 757	40 614
Professional services	7 998	7 000
Management fees	6 000	6 000
Financial expenses	17 955	11 579

As at June 30, 2020, there is an outstanding balance of \$ 16,643 (\$ 48,053 at March 31, 2020) resulting from these operations plus interest payable of \$ 87,260 (\$ 69,305 at March 31, 2020). The due to a company under common control of \$ 507,600 (\$ 440,600 at March 31, 2020) is also considered a related party transaction.

A company under common control waived payment of its services, which are services for the President, for the three-month period ended June 30, 2020. The value of these services is a total of \$36,000 (\$36,000 in 2019 for the three-month period ended June 30, 2019) and was recognized in contributed surplus.

13. Subsequents events

On July 2, 2020, a company under common control has made an additional advance of \$ 20,000. This brings the due to a company under common control (bearing interest at 15% payable September 30, 2020) to a balance of \$ 527,600.