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

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

**For the six-month periods ended September 30, 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 September 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.



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President



Vice-President, Finance

November 25, 2020

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

	Notes	September 30	March 31
		2020	2020
<i>(Unaudited - in Canadian dollars)</i>		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		42 832	13 373
Accounts receivable	5	120 845	95 626
Reimbursement of annual fees receivable		255 616	255 616
Tax credits receivable		4 775	29 279
Prepaid expenses		10 000	20 000
		<b>434 068</b>	<b>413 894</b>
<b>Total assets</b>		<b>434 068</b>	<b>413 894</b>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	144 441	134 643
Provisions	7	642 607	624 064
Due to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2020		577 600	440 600
		<b>1 364 648</b>	<b>1 199 307</b>
<b>Total liabilities</b>		<b>1 364 648</b>	<b>1 199 307</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 280 946	1 208 946
Deficit		(8 715 633)	(8 498 466)
<b>Total shareholder's deficiency</b>		<b>(930 580)</b>	<b>(785 413)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>434 068</b>	<b>413 894</b>

Going concern 2

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



Jean-Claude Caron  
President



René Guimond  
Vice-President, Finance

SQUATEX ENERGY AND RESOURCES INC.  
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**Condensed Interim Statements of Profit or loss and Comprehensive Income**

	Notes	Second quarters ended September 30		For the six-month periods ended September 30	
		2020 \$	2019 \$	2020 \$	2019 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	9	42 896	40 656	81 654	84 271
General and administrative expenses	10	33 677	20 543	78 737	76 054
<b>Operating loss</b>		<b>(76 573)</b>	(61 199)	<b>(160 391)</b>	(160 325)
Finance expenses	11	(25 244)	(16 607)	(56 776)	(31 135)
<b>Net loss and comprehensive income for the period</b>		<b>(101 817)</b>	(77 806)	<b>(217 167)</b>	(191 460)
<b>Basic and diluted earnings per share</b>		<b>(0,0008)</b>	(0,0006)	<b>(0,0018)</b>	(0,0015)
<b>Weighted average of common shares outstanding</b>		<b>123 850 656</b>	123 850 656	<b>123 850 656</b>	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 \$
<b>Balance as at April 1, 2019</b>		123 850 656	6 504 107	(8 061 085)	1 064 946	(492 032)
Net loss and comprehensive loss		-	-	(191 460)	-	(191 460)
Waiver of payment from a company under common control	11	-	-	-	72 000	72 000
<b>Balance as at September 30, 2019</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(8 252 545)</b>	<b>1 136 946</b>	<b>(611 492)</b>
<b>Balance as at April 1, 2020</b>		123 850 656	6 504 107	(8 498 466)	1 208 946	(785 413)
Net loss and comprehensive loss		-	-	(217 167)	-	(217 167)
Waiver of payment from a company under common control	11	-	-	-	72 000	72 000
<b>Balance as at September 30, 2020</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(8 715 633)</b>	<b>1 280 946</b>	<b>(930 580)</b>

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

## SQUATEX ENERGY AND RESOURCES INC.

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**Condensed Interim Statements of Cash Flows**

	<b>For the six-month periods ended September 30</b>	
	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
<i>(Unaudited - in Canadian dollars)</i>		
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(217 167)</b>	(191 460)
Adjustments:		
Waiver of payment from a company under common control	<b>72 000</b>	72 000
Changes in working capital items :		
Accounts receivable	<b>(25 219)</b>	(1 037)
Tax credits receivable	<b>24 504</b>	(8 271)
Prepaid expenses	<b>10 000</b>	(20 691)
Trade payables and other payables	<b>9 798</b>	40 779
Provisions	<b>18 543</b>	5 893
<b>Cash flows from operating activities</b>	<b>(107 541)</b>	(102 787)
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	<b>137 000</b>	80 000
<b>Cash flows from financing activities</b>	<b>137 000</b>	80 000
<b>NET DECREASE IN CASH</b>	<b>29 459</b>	(22 787)
<b>CASH AT BEGINNING OF YEAR</b>	<b>13 373</b>	28 263
<b>CASH AT END OF YEAR</b>	<b>42 832</b>	5 476

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

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 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](http://www.sedar.com).

The Company is incorporated under the Canadian Business Corporations Act.

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

These financial statements were approved and authorized for publication by the Board of Directors on November 25, 2020.

**2. Going Concern**

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

The Company has not yet found an oil and gas property containing deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its operations. As at September 30, 2020, the Company had a \$ 930,580 negative working capital and a cumulated deficit of \$ 8,715,633.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

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

*(Unaudited - in Canadian dollars)*

**2. Going concern (cont'd)**

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****September 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 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**

**September 30, 2020**

(Unaudited - in Canadian dollars)

**5. Receivables**

	<u>September 30</u>	March 31
	2020	2020
	\$	\$
Accounts receivable	111 546	93 978
Sales tax receivable	9 299	1 648
<b>Receivables</b>	<b>120 845</b>	<b>95 626</b>

**6. Trade payables and other payables**

	<u>September 30</u>	March 31
	2020	2020
	\$	\$
Accounts payable	36 601	65 338
Interest payable - company under common control	107 840	69 305
<b>Trade payables and other payables</b>	<b>144 441</b>	<b>134 643</b>

**7. Provisions**

	<u>September 30</u>	March 31
	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	295 302	276 759
<b>Provisions</b>	<b>642 607</b>	<b>624 064</b>

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 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 six-month period ended September 30, 2020.

**8.3 Stock options**

There were no changes in the issued stock options of the Company during the six-month period ended September 30, 2020.

Granted and exercisable options as at September 30, 2020:

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

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

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 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 September 30, 2020		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	11 837	-	11 837
Lower St.Lawrence/Gaspe	33 930	2 871	31 059
<b>Total</b>	<b>45 767</b>	<b>2 871</b>	<b>42 896</b>

	For the three-month period ended September 30, 2019		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	10 000	-	10 000
Lower St.Lawrence/Gaspe	34 800	4 144	30 656
<b>Total</b>	<b>44 800</b>	<b>4 144</b>	<b>40 656</b>

	For the six-month period ended September 30, 2020		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	22 980	-	22 980
Lower St.Lawrence/Gaspe	63 618	4 944	58 674
<b>Total</b>	<b>86 598</b>	<b>4 944</b>	<b>81 654</b>

	For the six-month period ended September 30, 2019		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	21 000	-	21 000
Lower St.Lawrence/Gaspe	71 542	8 271	63 271
<b>Total</b>	<b>92 542</b>	<b>8 271</b>	<b>84 271</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****September 30, 2020***(Unaudited - in Canadian dollars)***9. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	<b>For the three- month period ended September 30 2020</b>	For the three- month period ended September 30 2019
	\$	\$
Geology and geophysics	10 255	14 800
Technical consultation	35 512	30 000
<b>Total</b>	<b>45 767</b>	<b>44 800</b>
Tax credits, net	2 871	4 144
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>42 896</b>	<b>40 656</b>

	<b>For the six- month period ended September 30 2020</b>	For the six- month period ended September 30 2019
	\$	\$
Geology and geophysics	17 658	29 542
Technical consultation	68 940	63 000
<b>Total</b>	<b>86 598</b>	<b>92 542</b>
Tax credits, net	4 944	8 271
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>81 654</b>	<b>84 271</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

Nature of the expenses	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020 \$	2019 \$	2020 \$	2019 \$
Professional services	14 619	4 930	50 043	48 419
Management fees	6 000	6 000	12 000	12 000
Registration fees	9 876	9 586	13 512	12 608
Associations	3 000	-	3 000	3 000
Office expenses	-	27	-	27
Taxes and licenses	182	-	182	0
	<b>33 677</b>	20 543	<b>78 737</b>	76 054

**11. Financial expenses**

Nature of the expenses	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020 \$	2019 \$	2020 \$	2019 \$
Long-term interests due to a company under common control	20 580	13 625	38 535	25 204
Interest and other bank expenses	4 664	2 982	18 241	5 931
	<b>25 244</b>	16 607	<b>56 776</b>	31 135

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**September 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. Outstanding balances are usually settled in cash.

**Transactions with key management**

Key management includes directors (members of the management committee or not) and senior executives. There is no compensation paid or payable to key management, with the exception of fees charged by them or to a company controlled by them, for their services as employees which is presented below:

	For the three-month periods ended September 30		For the six-month periods ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	41 887	39 216	80 644	79 830
Professional services	12 861	0	20 859	7 000
Management fees	6 000	6 000	12 000	12 000
Financial expenses	20 580	13 625	38 535	25 204

As at September 30, 2020, there is an outstanding balance of \$ 8,953 (\$ 48,053 at March 31, 2020) resulting from these operations, plus interest payable of \$ 107,840 (\$ 69,305 as at March 31, 2020) disclosed in Note 6.

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

**13. Subsequent Events**

As of October 1, 2020, the Company cashed the reimbursement of annual fees amount that was receivable as of September 30, 2020.

On October 31, 2020, the Company received a statement from the Ministry of Energy and Natural Resources (MERN) indicating that it had to pay the annual fees for 2020-2021. These rights would amount to a total amount of \$ 342,599 and would be shared with the partner Petrolympic.