



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

Condensed Interim Financial Statements
(Unaudited)

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

February 25, 2021

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

	Notes	December 31	March 31
		2020	2020
<i>(Unaudited - in Canadian dollars)</i>		\$	\$
ASSETS			
Current			
Cash		63 013	13 373
Accounts receivable	5	249 676	95 626
Reimbursement of annual fees receivable		-	255 616
Tax credits receivable		7 016	29 279
Prepaid expenses		-	20 000
		319 705	413 894
Total assets		319 705	413 894
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
LIABILITIES			
Current			
Trade payables and other payables	6	173 657	134 643
Provisions	7	960 963	624 064
Due to a company under common control , bearing interest at the rate of 15 %, payable on September 30, 2020		462 600	440 600
		1 597 220	1 199 307
Total liabilities		1 597 220	1 199 307
SHAREHOLDER'S DEFICIENCY			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 316 946	1 208 946
Deficit		(9 098 568)	(8 498 466)
Total shareholder's deficiency		(1 277 515)	(785 413)
Total liabilities and shareholder's deficiency		319 705	413 894

Going concern

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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	Third quarters ended December 31		For the nine-month periods ended December 30	
		2020 \$	2019 \$	2020 \$	2019 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	9	38 099	37 614	119 753	121 885
General and administrative expenses	10	304 555	11 072	383 292	87 126
Operating loss		(342 654)	(48 686)	(503 045)	(209 011)
Finance expenses	11	(40 281)	(18 926)	(97 057)	(50 061)
Net loss and comprehensive income for the period		(382 935)	(67 612)	(600 102)	(259 072)
Basic and diluted earnings per share		(0,0031)	(0,0005)	(0,0048)	(0,0021)
Weighted average of common shares outstanding		123 850 656	123 850 656	123 850 656	123 850 656

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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		-	-	(259 072)	-	(259 072)
Waiver of payment from a company under common control	11	-	-	-	108 000	108 000
Balance as at December 31, 2019		123 850 656	6 504 107	(8 320 157)	1 172 946	(643 104)
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		-	-	(600 102)	-	(600 102)
Waiver of payment from a company under common control	11	-	-	-	108 000	108 000
Balance as at December 31, 2020		123 850 656	6 504 107	(9 098 568)	1 316 946	(1 277 515)

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Condensed Interim Statements of Cash Flows

	For the nine-month periods ended December 31	
	2020	2019
<i>(Unaudited - in Canadian dollars)</i>	\$	\$
OPERATING ACTIVITIES		
Net loss	(600 102)	(259 072)
Adjustments:		
Waiver of payment from a company under common control	108 000	108 000
Changes in working capital items :		
Accounts receivable	(154 050)	4 816
Reimbursement of annual fees receivable	255 616	-
Tax credits receivable	22 263	(11 232)
Prepaid expenses	20 000	(20 691)
Trade payables and other payables	39 014	29 991
Provisions	336 899	8 823
Cash flows from operating activities	27 640	(139 365)
FINANCING ACTIVITIES		
Due to a company under common control	22 000	145 000
Cash flows from financing activities	22 000	145 000
NET DECREASE IN CASH	49 640	5 635
CASH AT BEGINNING OF YEAR	13 373	28 263
CASH AT END OF YEAR	63 013	33 898

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SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 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 February 25, 2021.

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 December 31, 2020, the Company had a \$ 1,277,515 negative working capital and a cumulated deficit of \$ 9,098,568.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

December 31, 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

December 31, 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, except for the provision for annual fees detailed below.

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.

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December 31, 2020

(Unaudited - in Canadian dollars)

4. Critical accounting estimates, judgements and assumptions (cont'd)

4.1 Provision for annual fees

The recognition of 2019-2020 and 2020-2021 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 (MENR), concerning these fees.

On July 26, 2019, the Company received a notice of payment of the annual fees from the MENR. 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. On October 31, 2020, the Company received a statement of the 2020-2021 annual fees from the MENR. These rents would amount to a total of \$ 342,599 and would also be shared with the partner Petrolympic. In November 2020, the Company paid part of the 2020-2021 fees to the MENR. However, as of the date of these interim financial statements, the MENR has not cashed the check. On January 31, 2021, the Company received an account statement showing annual fees 2019-2020, 2020-21 and interest relating to the late payment of these fees. The Company is contesting this MENR 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 MENR for the year 2019-2020 and for the year 2020-2021 (net of the payment made in November 2020) as well as the related interest. As at December 31, 2020, the Company recorded a specific provision of \$ 652,661 (\$ 339,305 as at March 31, 2020), of which \$195,798 is receivable from its partner (\$ 101,791 as at March 31, 2020) at the statement of financial position (note 7).

5. Receivables

	<u>December 31</u>	<u>March 31</u>
	2020	2020
	\$	\$
Accounts receivable	245 410	93 978
Sales tax receivable	4 266	1 648
Receivables	249 676	95 626

6. Trade payables and other payables

	<u>December 31</u>	<u>March 31</u>
	2020	2020
	\$	\$
Accounts payable	47 346	65 338
Interest payable - company under common control	126 311	69 305
Trade payables and other payables	173 657	134 643

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Notes to the Condensed Interim Financial Statements

December 31, 2020

(Unaudited - in Canadian dollars)

7. Provisions

	<u>December 31</u>	March 31
	<u>2020</u>	2020
	\$	\$
Annual fees for 2019-2020 and 2020-2021	652 661	339 305
Account to be paid in negotiation	8 000	8 000
Refundable tax credits related to resources	300 302	276 759
Provisions	960 963	624 064

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 December 31, 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 December 31, 2020:

Outstanding 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 nine-month period ending December 31, 2020 (nil during the nine-month period ended December 31, 2019).

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Notes to the Condensed Interim Financial Statements**December 31, 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 December 31, 2020		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	10 979	-	10 979
Lower St.Lawrence/Gaspe	29 361	2 241	27 120
Total	40 340	2 241	38 099

	For the three-month period ended December 31, 2019		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	10 000	-	10 000
Lower St.Lawrence/Gaspe	30 575	2 961	27 614
Total	40 575	2 961	37 614

	For the nine-month period ended December 31, 2020		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	33 959	-	33 959
Lower St.Lawrence/Gaspe	92 979	7 185	85 794
Total	126 938	7 185	119 753

	For the nine-month period ended December 31, 2019		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	31 000	-	31 000
Lower St.Lawrence/Gaspe	102 117	11 232	90 885
Total	133 117	11 232	121 885

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Notes to the Condensed Interim Financial Statements**December 31, 2020***(Unaudited - in Canadian dollars)***9. Exploration and evaluation expenditure (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three- month period ended December 31 2020	For the three- month period ended December 31 2019
	\$	\$
Geology and geophysics	7 402	10 575
Technical consultation	32 938	30 000
Total	40 340	40 575
Tax credits, net	2 241	2 961
Exploration and evaluation expenditures net of tax credits	38 099	37 614

	For the nine- month period ended December 31 2020	For the nine- month period ended December 31 2019
	\$	\$
Geology and geophysics	25 060	40 117
Technical consultation	101 878	93 000
Total	126 938	133 117
Tax credits, net	7 185	11 232
Exploration and evaluation expenditures net of tax credits	119 753	121 885

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 2020***(Unaudited - in Canadian dollars)***10. General and administrative expenses**

Nature of the expenses	For the three-month periods ended December 30		For the nine-month periods ended September 30	
	2020 \$	2019 \$	2020 \$	2019 \$
Professional services	56 306	1 002	106 349	49 421
Management fees	6 000	6 000	18 000	18 000
Registration fees	2 136	3 980	15 648	16 588
Associations	-	-	3 000	3 000
Office expenses	-	-	-	27
Taxes and licenses	240 113	90	240 295	90
	304 555	11 072	383 292	87 126

11. Financial expenses

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2020 \$	2019 \$	2020 \$	2019 \$
Long-term interests due to a company under common control	18 470	15 974	57 005	41 178
Interest and other bank expenses	21 811	2 952	40 052	8 883
	40 281	18 926	97 057	50 061

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Notes to the Condensed Interim Financial Statements

December 31, 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 December 31		For the nine-month periods ended December 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	38 268	37 614	118 912	117 444
Professional services	6 855	-	27 714	7 000
Management fees	6 000	6 000	18 000	18 000
Financial expenses	18 470	15 974	54 895	41 178

As at December 31, 2020, there is an outstanding balance of \$ 15,340 (\$ 48,053 at March 31, 2020) resulting from these operations, plus interest payable of \$ 126,311 (\$ 69,305 as at March 31, 2020) disclosed in Note 6. In addition, the due to a company under common control of \$ 462,600 (\$ 440,600 as at March 31, 2020) is a transaction with related party.

A company under common control waived payment of its services, which are services for the President, for the three-month period ended December 31, 2020. The value of these services is a total of \$ 36,000 (\$ 36,000 for the three-month period ended December 31, 2019) and was recognized in contributed surplus.