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

**Condensed Interim Financial Statements**  
(Unaudited)

**For the three-month periods ended June 30, 2021 and 2020**

## 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, 2021 and 2020 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, 2021

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

	Notes	June 30	March 31
		2021	2021
		\$	\$
<i>(Unaudited - in Canadian dollars)</i>			
<b>ASSETS</b>			
<b>Current</b>			
Cash		65 916	69 523
Accounts receivable	5	5 744	10 518
Tax credits receivable		12 057	9 096
		<b>83 717</b>	<b>89 137</b>
<b>Total assets</b>		<b>83 717</b>	<b>89 137</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	226 157	176 221
Provisions	7	985 662	974 142
Due to a company under common control , bearing interest at the rate of 15 %, payable on demand		557 600	522 600
		<b>1 769 419</b>	<b>1 672 963</b>
<b>Total liabilities</b>		<b>1 769 419</b>	<b>1 672 963</b>
<b>SHAREHOLDER'S DEFICIENCY</b>			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 352 946	1 352 946
Deficit		<b>(9 542 755)</b>	<b>(8 498 466)</b>
<b>Total shareholder's deficiency</b>		<b>(1 685 702)</b>	<b>(641 413)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>83 717</b>	<b>1 031 550</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.

(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 June 30	
		2021 \$	2020 \$
<i>(unaudited - in Canadian dollars)</i>			
Net exploration and evaluation expenses	9	10 616	38 758
General and administrative expenses	10	62 398	45 060
<b>Operating loss</b>		<b>(73 014)</b>	<b>(83 818)</b>
Financial expenses	11	(28 862)	(31 532)
<b>Net profit (loss) and comprehensive income (loss) for the period</b>		<b>(101 876)</b>	<b>(115 350)</b>
<b>Basic and diluted earnings per share</b>		<b>(0,0008)</b>	<b>(0,0009)</b>
<b>Weighted average of common shares outstanding</b>		<b>123 850 656</b>	<b>123 850 656</b>

*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, 2020</b>		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
<b>Balance as at June 30, 2020</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(8 613 816)</b>	<b>1 244 946</b>	<b>(864 763)</b>
<b>Balance as at April 1, 2020</b>		123 850 656	6 504 107	(9 440 879)	1 352 946	(1 583 826)
Net loss and comprehensive loss		-	-	(101 876)	-	(101 876)
<b>Balance as at June 30, 2020</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(9 542 755)</b>	<b>1 352 946</b>	<b>(1 685 702)</b>

*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**

	<b>For the three-month periods ended June 30</b>	
	<b>2021</b>	<b>2020</b>
<i>(Unaudited - in Canadian dollars)</i>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(101 876)</b>	(115 350)
Adjustments:		
Waiver of payment from a company under common control	-	36 000
Changes in working capital items :		
Accounts receivable	<b>4 774</b>	(21 697)
Tax credits receivable	<b>(2 961)</b>	(2 073)
Prepaid expenses	-	10 000
Trade payables and other payables	<b>49 936</b>	8 660
Provision	<b>11 520</b>	13 559
<b>Cash flows from operating activities</b>	<b>(38 607)</b>	(70 901)
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	<b>35 000</b>	67 000
<b>Cash flow from financing activities</b>	<b>35 000</b>	67 000
<b>NET CHANGE IN CASH</b>	<b>(3 607)</b>	(3 901)
<b>CASH AT BEGINNING OF YEAR</b>	<b>69 523</b>	13 373
<b>CASH AT END OF YEAR</b>	<b>65 916</b>	9 472

*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, 2021**

*(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, 2021, 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 August 18, 2021.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****June 30, 2021**

*(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 \$ 1,685,702 and a cumulated deficit of \$ 8,542,755.

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, 2021**

*(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, 2021.

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, 2021***(Unaudited - in Canadian dollars)***5. Receivables**

	<b>June 30</b>	March 31
	<b>2021</b>	2021
	<b>\$</b>	\$
Accounts receivable	<b>254 240</b>	251 749
Impairment provision	<b>(254 240)</b>	(251 749)
	<b>-</b>	-
Sales tax receivable	<b>5 744</b>	10 518
<b>Receivables</b>	<b>5 744</b>	10 518

**6. Trade payables and other payables**

	<b>June 30</b>	March 31
	<b>2021</b>	2021
	<b>\$</b>	\$
Accounts payable	<b>62 307</b>	32 102
Interest payable - company under common control	<b>163 850</b>	144 119
<b>Trade payables and other payables</b>	<b>226 157</b>	176 221

**7. Provisions**

	<b>June 30</b>	March 31
	<b>2021</b>	2021
	<b>\$</b>	\$
Annual fees for 2019-2020 and for 2020-2021	<b>671 480</b>	663 179
Account to be paid in negotiation	<b>8 000</b>	8 000
Refundable tax credits related to resources	<b>306 182</b>	302 963
<b>Provisions</b>	<b>985 662</b>	974 142

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**June 30, 2021**

*(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, 2021.

**8.3 Stock options**

There were no changes in the Company's share purchase options during the three-month period ended June 30, 2021.

Granted and exercisable options as at June 30, 2021:

<b>Granted 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 three-month period ended June 30, 2021 (nil during the three-month period ended June 30, 2020).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****June 30, 2021***(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, 2021

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	1 000	-	1 000
Lower St.Lawrence/Gaspe	12 577	2 961	9 616
<b>Total</b>	<b>13 577</b>	<b>2 961</b>	<b>10 616</b>

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
<b>Total</b>	<b>40 831</b>	<b>2 073</b>	<b>38 758</b>

Exploration and evaluation expenditures by nature are detailed as follows:

For the three-month periods  
ended  
June 30

	2021	2020
	\$	\$
Geology and geophysics	10 575	7 403
Technical consultation	3 002	33 428
<b>Total</b>	<b>13 577</b>	<b>40 831</b>
Tax credits, net	2 961	2 073
Exploration and evaluation expenditures net of tax credits	10 616	38 758

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****June 30, 2021***(Unaudited - in Canadian dollars)***10. General and administrative expenses**

	For the three-month periods ended June 30	
	2021	2020
<b>Nature of the expenses</b>	<b>\$</b>	<b>\$</b>
Professional services	<b>54 234</b>	35 424
Management fees	-	6 000
Registration fees	<b>2 674</b>	3 636
Expected credit loss	<b>2 490</b>	
Associations	<b>3 000</b>	-
	<b>62 398</b>	45 060

**11. Financial expenses**

	For the three-month periods ended June 30	
	2021	2020
	<b>\$</b>	<b>\$</b>
Interests due to a company under common control	<b>19 731</b>	17 955
Interest and other bank expenses	<b>9 131</b>	13 577
	<b>28 862</b>	31 532

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**June 30, 2021**

(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:

	<b>For the three-month periods ended June 30</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation expenditures net of tax credits	<b>10 616</b>	38 757
Professional services	<b>7 005</b>	7 998
Management fees	<b>-</b>	6 000
Financial expenses	<b>19 731</b>	17 955

As at June 30, 2021, there is an outstanding balance of \$ 9,863 (\$ 15,636 at March 31, 2021) resulting from these operations plus interest payable of \$ 163,850 (\$ 144,119 at March 31, 2021). The due to a company under common control of \$ 557,600 (\$ 522,600 at March 31, 2021) is also considered a related party transaction.

A company under common control has terminated its agreement for compensation for its services, for the services of the president, for the quarter ended June 30, 2021. No value has been assigned to these services. In the past, the value of these services totaled \$36,000 per quarter (\$ 36,000 during the quarter ended June 30, 2020) and was recognized in contributed surplus since the company under common control waived these payments.