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

**Condensed Interim Financial Statements**  
(Unaudited)

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



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President



Vice-President, Finance

February 24, 2022

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

	Notes	December 31	March 31
		2021	2021
<i>(Unaudited - in Canadian dollars)</i>		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		9 836	69 523
Accounts receivable	5	5 968	10 518
Tax credits receivable		10 035	9 096
		<b>25 839</b>	<b>89 137</b>
<b>Total assets</b>		<b>25 839</b>	<b>89 137</b>
<b>LIABILITIES AND SHAREHOLDER'S DEFICIENCY</b>			
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	235 718	176 221
Provisions	7	1 104 156	974 142
Due to a company under common control , bearing interest at the rate of 15 %, payable on demand		632 600	522 600
		<b>1 972 474</b>	<b>1 672 963</b>
<b>Total liabilities</b>		<b>1 972 474</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		(9 803 688)	(9 440 879)
<b>Total shareholder's deficiency</b>		<b>(1 946 635)</b>	<b>(1 583 826)</b>
<b>Total liabilities and shareholder's deficiency</b>		<b>25 839</b>	<b>89 137</b>

Going concern 2

Subsequent event 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**

	Notes	Third quarters ended December 31		For the nine-month periods ended December 31	
		2021 \$	2020 \$	2021 \$	2020 \$
<i>(unaudited - in Canadian dollars)</i>					
Exploration and evaluation expenses	9	<b>9 846</b>	38 099	<b>35 615</b>	119 753
General and administrative expenses	10	<b>(4 804)</b>	304 555	<b>235 782</b>	383 292
<b>Operating loss</b>		<b>(5 042)</b>	(342 654)	<b>(271 397)</b>	(503 045)
Finance expenses	11	<b>(34 173)</b>	(40 281)	<b>(91 412)</b>	(97 057)
<b>Net loss and comprehensive income for the period</b>		<b>(39 215)</b>	(382 935)	<b>(362 809)</b>	(600 102)
<b>Basic and diluted earnings per share</b>		<b>(0,0003)</b>	(0,0031)	<b>(0,0029)</b>	(0,0048)
<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.

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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 \$
<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		-	-	(600 102)	-	(600 102)
Waiver of payment from a company under common control	11	-	-	-	108 000	108 000
<b>Balance as at December 31, 2020</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(9 098 568)</b>	<b>1 316 946</b>	<b>(1 277 515)</b>
<b>Balance as at April 1, 2021</b>		123 850 656	6 504 107	(9 440 879)	1 352 946	(1 583 826)
Net loss and comprehensive loss		-	-	(362 809)	-	(362 809)
<b>Balance as at December 31, 2021</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(9 803 688)</b>	<b>1 352 946</b>	<b>(1 946 635)</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**

	For the nine-month periods ended December 31	
	2021	2020
<i>(Unaudited - in Canadian dollars)</i>	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(362 809)	(600 102)
Adjustments:		
Waiver of payment from a company under common control	-	108 000
Changes in working capital items :		
Accounts receivable	4 550	(154 050)
Reimbursement of annual fees receivable	-	255 616
Tax credits receivable	(939)	22 263
Prepaid expenses	-	20 000
Trade payables and other payables	59 497	39 014
Provisions	130 014	336 899
<b>Cash flows from operating activities</b>	<b>(169 687)</b>	<b>27 640</b>
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	110 000	22 000
<b>Cash flows from financing activities</b>	<b>110 000</b>	<b>22 000</b>
<b>NET DECREASE IN CASH</b>	<b>(59 687)</b>	<b>49 640</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>69 523</b>	<b>13 373</b>
<b>CASH AT END OF YEAR</b>	<b>9 836</b>	<b>42 832</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)

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

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, 2021. 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 February 24, 2022.

**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, 2021, the Company had a negative working capital of \$ 1,946,635 and a cumulated deficit of \$ 9,803,688.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

## **Notes to the Condensed Interim Financial Statements**

**December 31, 2021**

*(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, 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 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****December 31, 2021***(Unaudited - in Canadian dollars)***5. Receivables**

	<u>December 31</u>	<u>March 31</u>
	2021	2021
	\$	\$
Accounts receivable	365 887	251 749
Impairment provision	(365 887)	(251 749)
	-	-
Sales tax receivable	5 968	10 518
Receivables	<b>5 968</b>	<b>10 518</b>

**6. Trade payables and other payables**

	<u>December 31</u>	<u>March 31</u>
	2021	2021
	\$	\$
Accounts payable	27 438	32 102
Interest payable - company under common control	208 280	144 119
Trade payables and other payables	<b>235 718</b>	<b>176 221</b>

**7. Provisions**

	<u>December 31</u>	<u>March 31</u>
	2021	2021
	\$	\$
Annual fees	1 043 638	663 179
Account to be paid in negotiation	8 000	8 000
Refundable tax credits related to resources	52 518	302 963
Provisions	<b>1 104 156</b>	<b>974 142</b>

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**December 31, 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 six-month period ended December 31, 2021.

**8.3 Stock options**

There were no changes in the issued stock options of the Company during the nine-month period ended December 31, 2021.

Granted and exercisable options as at December 31, 2021:

Outstanding options	Exercisable options	Exercise price	Expiration date
300 000	300 000	\$ 0,35	June 2022

No stock-based compensation was recognized in earnings during the nine-month period ending December 31, 2021 (nil during the nine-month period ended December 31, 2020).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	717	-	717
Lower St.Lawrence/Gaspe	12 122	2 993	9 129
<b>Total</b>	<b>12 839</b>	<b>2 993</b>	<b>9 846</b>

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
<b>Total</b>	<b>40 340</b>	<b>2 241</b>	<b>38 099</b>

For the nine-month period ended  
December 31, 2021

	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	3 270	-	3 270
Lower St.Lawrence/Gaspe	42 380	10 035	32 345
<b>Total</b>	<b>45 650</b>	<b>10 035</b>	<b>35 615</b>

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
<b>Total</b>	<b>126 938</b>	<b>7 185</b>	<b>119 753</b>

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2021***(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 December 31 2021</b>	For the three- month period ended December 31 2020
	\$	\$
Geology and geophysics	<b>10 688</b>	7 402
Technical consultation	<b>2 151</b>	32 938
<b>Total</b>	<b>12 839</b>	40 340
Tax credits, net	<b>2 993</b>	2 241
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>9 846</b>	38 099

	<b>For the nine- month period ended December 31 2021</b>	For the nine- month period ended December 31 2020
	\$	\$
Geology and geophysics	<b>35 838</b>	25 060
Technical consultation	<b>9 812</b>	101 878
<b>Total</b>	<b>45 650</b>	126 938
Tax credits, net	<b>10 035</b>	7 185
<b>Exploration and evaluation expenditures net of tax credits</b>	<b>35 615</b>	119 753

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****December 31, 2021***(Unaudited - in Canadian dollars)***10. General and administrative expenses**

Nature of the expenses	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2021 \$	2020 \$	2021 \$	2020 \$
Professional services	14 738	56 306	98 425	106 349
Management fees	-	6 000	-	18 000
Registration and publication fees	2 961	2 136	14 985	15 648
Expected credit loss	4 342	-	114 138	-
Gain on write-off of provision	(26 938)	-	(239 290)	-
Associations	-	-	3 000	3 000
Regulations and licensing	93	240 113	244 524	240 295
	<b>(4 804)</b>	304 555	<b>235 782</b>	383 292

**11. Financial expenses**

	For the three-month periods ended December 31		For the nine-month periods ended December 31	
	2021 \$	2020 \$	2021 \$	2020 \$
Long-term interests due to a company under common control	23 069	18 470	64 161	57 005
Interest and other bank expenses	11 104	21 811	27 251	40 052
	<b>34 173</b>	40 281	<b>91 412</b>	97 057

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements**

**December 31, 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. 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	<b>9 847</b>	38 268	<b>32 736</b>	118 912
Professional services	<b>5 020</b>	6 855	<b>22 897</b>	27 714
Management fees	-	6 000	-	18 000
Financial expenses	<b>23 069</b>	18 470	<b>64 161</b>	54 895

As at December 31, 2021, there is an outstanding balance of \$ 6,137 (\$ 15,636 at March 31, 2021) resulting from these operations, plus interest payable of \$ 208,280 (\$ 144,119 as at March 31, 2021) disclosed in Note 6. In addition, the due to a company under common control of \$ 632,600 (\$ 522,600 as at March 31, 2021) is a transaction with related party.

A company under common control has terminated its agreement for compensation for its services, for the services of the president, for the six-month period ended December 31, 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 December 31, 2020) and was recognized in contributed surplus since the company under common control waived these payments.

**13. Subsequent Event**

On February 7, 2022, a company under common control has made an additional advance of \$ 40,000. This brings the due to a company under common control (bearing interest at 15% and repayable on demand) to a balance of \$672,600.