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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, 2022 and 2021**

## 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, 2022 and 2021 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, MNP S.E.N.C.R.L., s.r.l. / LLP, 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 24, 2022

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Statements of Financial Position**

		<u>June 30</u>	<u>March 31</u>
		<b>2022</b>	2022
<i>(Unaudited - in Canadian dollars)</i>	Notes	\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		11 541	11 448
Accounts receivable	5	1 407	1 448
Tax credits receivable		13 006	13 006
		<b>25 954</b>	25 902
<b>Total assets</b>		<b>25 954</b>	25 902
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and other payables	6	312 045	295 252
Provisions	7	1 077 783	1 064 557
Due to a company under common control , bearing interest at the rate of 15 %, payable on demand		717 600	672 600
		<b>2 107 428</b>	2 032 409
<b>Total liabilities</b>		<b>2 107 428</b>	2 032 409
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 352 946	1 352 946
Deficit		<b>(9 938 527)</b>	<b>(9 863 560)</b>
<b>Total shareholders' deficiency</b>		<b>(2 081 474)</b>	<b>(2 006 507)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>25 954</b>	25 902
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 Net loss and Comprehensive loss**

	Notes	For the three-month periods ended June 30	
		2022	2021
<i>(unaudited - in Canadian dollars)</i>		\$	\$
Exploration and evaluation expenses	9	3 094	10 616
General and administrative expenses	10	36 076	62 398
<b>Operating loss</b>		<b>(39 170)</b>	<b>(73 014)</b>
Financial expenses	11	(35 797)	(28 862)
<b>Net loss and comprehensive loss for the period</b>		<b>(74 967)</b>	<b>(101 876)</b>
<b>Net loss per share, basic and diluted</b>		<b>(0,0006)</b>	<b>(0,0008)</b>
<b>Weighted average number of common shares outstanding</b>		<b>123 850 656</b>	<b>123 850 656</b>

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## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Condensed Interim Statement of Changes in Shareholders' Deficiency**

<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, 2021</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, 2021</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>
<b>Balance as at April 1, 2022</b>		123 850 656	6 504 107	(9 863 560)	1 352 946	(2 006 507)
Net loss and comprehensive loss		-	-	(74 967)	-	(74 967)
<b>Balance as at June 30, 2022</b>		<b>123 850 656</b>	<b>6 504 107</b>	<b>(9 938 527)</b>	<b>1 352 946</b>	<b>(2 081 474)</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>2022</b>	<b>2021</b>
<i>(Unaudited - in Canadian dollars)</i>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(74 967)</b>	(101 876)
Adjustments:		
Addition of provision	<b>13 226</b>	11 520
Unpaid interest	<b>26 018</b>	19 731
Changes in working capital items :		
Accounts receivable	<b>41</b>	4 774
Tax credits receivable	<b>-</b>	(2 961)
Trade payables and other payables	<b>(9 225)</b>	30 205
<b>Cash flows from operating activities</b>	<b>(44 907)</b>	(38 607)
<b>FINANCING ACTIVITIES</b>		
Due to a company under common control	<b>45 000</b>	35 000
<b>Cash flow from financing activities</b>	<b>45 000</b>	35 000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>93</b>	(3 607)
<b>CASH AT BEGINNING OF YEAR</b>	<b>11 448</b>	69 523
<b>CASH AT END OF YEAR</b>	<b>11 541</b>	65 916

*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, 2022**

*(Unaudited - in Canadian dollars)*

**1. Nature of operations and generalities**

Squatex Energy and Resources inc ("the Company) specializes in oil and gas exploration of oil sites in the Bases-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, 2022, prepared in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of Financial Reporting Interpretations Committee ("IFRIC").

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, 2022. 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 24, 2022.

**2. Going Concern and COVID-19****2.1 Going concern**

These condensed interim 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, 2022, the Company had a negative working capital of \$ 2,081,474 and an accumulated deficit of \$ 9,938,527.

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. On April 12, 2022, Bill 21 was passed by the National Assembly of Quebec. This law puts an end to all oil and gas research and exploitation activities in Quebec and the government of Quebec will compensate companies that hold permits, such as Squatex. Squatex is currently considering alternative exploration activities in the energy sector. The obligations, in relation to the exploration permits, are contested by the Company.

**SQUATEX ENERGY AND RESOURCES INC.**

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****June 30, 2022**

*(Unaudited - in Canadian dollars)*

**2. Going Concern and COVID-19 (cont'd)****2.1 Going concern (cont'd)**

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing for the pursuit of other activities, on the compensation by the Government of Quebec and the continued support from its suppliers and the company under common control. 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.

The carrying amounts and classification of assets, liabilities, revenues and expenses presented in the condensed interim 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.

**2.2 COVID-19**

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.

**3. Application of International Financial Reporting Standards (IFRS) new and modified****3.1 Standard adopted during the period**

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

**3.2 Existing standards not yet in force**

At the date of the approval 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 condensed interim 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, 2022.

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, 2022**

(Unaudited - in Canadian dollars)

**5. Accounts receivables**

	<u>June 30</u>	<u>March 31</u>
	2022	2022
	\$	\$
Accounts receivable	373 731	369 763
Allowance for expected credit losses	(373 731)	(369 763)
	-	-
Sales tax receivable	1 407	1 448
<b>Receivables</b>	<b>1 407</b>	<b>1 448</b>

**6. Trade payables and other payables**

	<u>June 30</u>	<u>March 31</u>
	2022	2022
	\$	\$
Accounts payable	18 900	21 070
Interest payable - company under common control	258 550	232 532
Government remittances	34 595	41 650
<b>Trade payables and other payables</b>	<b>312 045</b>	<b>295 252</b>

**7. Provisions**

	<u>June 30</u>	<u>March 31</u>
	2022	2022
	\$	\$
Annual fees for 2019-2020, for 2020-2021 and for 2021-2022	1 069 783	105 557
Account to be paid in negotiation	8 000	8 000
<b>Provisions</b>	<b>1 077 783</b>	<b>113 557</b>

**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, 2022.

**8.3 Stock options**

The 300,000 outstanding stock options, with an exercise price of \$0.35, expired in June 2022.

No stock-based compensation was recognized in condensed interim statement of loss and comprehensive loss during the three-month period ended June 30, 2022 (nil during the three-month period ended June 30, 2021).

## SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

**Notes to the Condensed Interim Financial Statements****June 30, 2022***(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, 2022		
	Additions	Net tax	Net balance
	\$	\$	\$
St.Lawrence Lowlands	1 031	-	1 031
Lower St.Lawrence/Gaspe	2 063	-	2 063
<b>Total</b>	<b>3 094</b>	<b>-</b>	<b>3 094</b>

  

	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>

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three-month periods ended June 30	
	2022	2021
	\$	\$
Geology and geophysics	-	10 575
Technical consultation	<b>3 094</b>	3 002
<b>Total</b>	<b>3 094</b>	13 577
Tax credits, net	-	2 961
Exploration and evaluation expenditures net of tax credits	<b>3 094</b>	10 616

**10. General and administrative expenses**

Nature of the expenses	For the three-month periods ended June 30	
	2022	2021
	\$	\$
Professional services	<b>29 222</b>	54 234
Registration and publication fees	<b>2 886</b>	2 674
Expected credit losses	<b>3 968</b>	2 490
Associations	-	3 000
	<b>36 076</b>	62 398

SQUATEX ENERGY AND RESOURCES INC.

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**Notes to the Condensed Interim Financial Statements**

**June 30, 2022**

(Unaudited - in Canadian dollars)

**11. Financial expenses**

	<b>For the three-month periods ended June 30</b>	
	<b>2022</b>	2021
	\$	\$
Interests due to a company under common control	<b>26 018</b>	19 731
Interest and other bank expenses	<b>9 779</b>	9 131
	<b>35 797</b>	28 862

**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>2022</b>	2021
	\$	\$
Exploration and evaluation expenditures net of tax credits	<b>3 094</b>	10 616
Professional services	<b>7 219</b>	7 005
Financial expenses	<b>26 018</b>	19 731

As at June 30, 2022, there is an outstanding balance of \$ 7,063 (\$ 9,299 at March 31, 2022) resulting from these operations plus interest payable of \$ 258,551 (\$ 232,532 at March 31, 2022). The due to a company under common control of \$ 717,600 (\$ 672,600 at March 31, 2022) is also considered a related party transaction.

On April 1, 2021, a company under common control terminated its agreement for compensation for its services, for the services of the President. No value has been assigned to these services.

**13. Subsequent event**

On July 15, 2022, a company under common control has made additional advance of \$30,000. This brings the due to a company under common control (bearing interest at 15% and repayable on demand) to a balance of \$747,600.

**14. Comparative figures**

Certain figures for the three-month period ended June 30, 2021 have been reclassified to make their presentation identical to that adopted in the three-month period ended June 30, 2022. These reclassifications had no effect on the