



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

Condensed Interim Financial Statements
(Unaudited)

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

February 23, 2023

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

	Notes	December 31	March 31
		2022	2022
<i>(Unaudited - in Canadian dollars)</i>		\$	\$
ASSETS			
Current			
Cash		28 318	11 448
Accounts receivable	5	3 662	1 448
Tax credits receivable		560	13 006
		32 540	25 902
Total assets		32 540	25 902
LIABILITIES			
Current			
Trade payables and other payables	6	349 928	295 252
Provisions	7	1 094 043	1 064 557
Due to a company under common control , bearing interest at the rate of 15 %, payable on demand		822 600	672 600
		2 266 571	2 032 409
Total liabilities		2 266 571	2 032 409
SHAREHOLDERS' DEFICIENCY			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 352 946	1 352 946
Deficit		(10 107 592)	(9 863 560)
Total shareholders' deficiency		(2 250 539)	(2 006 507)
Total liabilities and shareholders' deficiency		16 032	25 902

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

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Condensed Interim Statements of Net loss and Comprehensive loss

	Notes	For the three-month periods ended		For the nine-month periods ended	
		December 31		December 31	
		2022	2021	2022	2021
<i>(unaudited - in Canadian dollars)</i>		\$	\$	\$	\$
Exploration and evaluation expenses	9	1 815	9 846	13 162	35 615
General and administrative expenses	10	13 453	(4 804)	119 034	235 782
Operating loss		(15 268)	(5 042)	(132 196)	(271 397)
Financial expenses	11	(36 057)	(34 173)	(111 836)	(91 412)
Net loss and comprehensive loss for the period		(51 325)	(39 215)	(244 032)	(362 809)
Net loss per share, basic and diluted		(0,0004)	(0,0003)	(0,0020)	(0,0029)
Weighted average number of common shares outstanding		123 850 656	123 850 656	123 850 656	123 850 656

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

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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 \$
Balance as at April 1, 2021		123 850 656	6 504 107	(9 440 879)	1 352 946	(1 583 826)
Net loss and comprehensive loss		-	-	(362 809)	-	(362 809)
Balance as at December 31, 2021		123 850 656	6 504 107	(9 803 688)	1 352 946	(1 946 635)
Balance as at April 1, 2022		123 850 656	6 504 107	(9 863 560)	1 352 946	(2 006 507)
Net loss and comprehensive loss		-	-	(244 032)	-	(244 032)
Balance as at December 31, 2022		123 850 656	6 504 107	(10 107 592)	1 352 946	(2 250 539)

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

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Condensed Interim Statements of Cash Flows

	For the nine-month periods ended	
	2022	2021
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(244 032)	(362 809)
Adjustments:		
Addition of provision	29 486	157 884
Unpaid interest	84 082	64 161
Changes in working capital items :		
Accounts receivable	(2 214)	(617)
Tax credits receivable	12 446	(7 042)
Trade payables and other payables	(29 406)	(20 558)
Cash flows from operating activities	(149 638)	(168 981)
FINANCING ACTIVITIES		
Due to a company under common control	150 000	75 000
Cash flow from financing activities	150 000	75 000
NET INCREASE (DECREASE) IN CASH	362	(93 981)
CASH AT BEGINNING OF YEAR	11 448	69 523
CASH AT END OF YEAR	11 810	(24 458)

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SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

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

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 23, 2023.

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 December 31, 2022, the Company had a negative working capital of \$ 2,250,539 and an accumulated deficit of \$ 10,107,592.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 2022**

(Unaudited - in Canadian dollars)

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

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.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

December 31, 2022

(Unaudited - in Canadian dollars)

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.

5. Accounts receivables

	<u>December 31</u>	<u>March 31</u>
	2022	2022
	\$	\$
Accounts receivable	383 561	369 763
Allowance for expected credit losses	(383 561)	(369 763)
	-	-
Sales tax receivable	3 662	1 448
Receivables	3 662	1 448

6. Trade payables and other payables

	<u>December 31</u>	<u>March 31</u>
	2022	2022
	\$	\$
Accounts payable	33 314	21 070
Interest payable - company under common control	316 614	232 532
Government remittances	-	41 650
Trade payables and other payables	349 928	295 252

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements

December 31, 2022

(Unaudited - in Canadian dollars)

7. Provisions

	December 31	March 31
	2022	2022
	\$	\$
Annual fees for 2019-2020, for 2020-2021 and for 2021-2022	1 086 043	105 557
Account to be paid in negotiation	8 000	8 000
Provisions	1 094 043	113 557

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 nine-month period ended December 31, 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 nine-month period ended December 31, 2022 (nil during the nine-month period ended December 31, 2021).

SQUATEX ENERGY AND RESOURCES INC.

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Notes to the Condensed Interim Financial Statements**December 31, 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 December 31, 2022		
	Additions	Net tax	Net balance
	\$	\$	\$
St.Lawrence Lowlands	605	-	605
Lower St.Lawrence/Gaspe	1 210	-	1 210
Total	1 815	-	1 815

	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
Total	12 839	2 993	9 846

	For the nine-month period ended December 31, 2022		
	Additions	Net tax	Net balance
	\$	\$	\$
St.Lawrence Lowlands	4 042	-	4 042
Lower St.Lawrence/Gaspe	10 083	963	9 120
Total	14 125	963	13 162

	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
Total	45 650	10 035	35 615

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Notes to the Condensed Interim Financial Statements**December 31, 2022***(Unaudited - in Canadian dollars)***9. Exploration and evaluation expenditures (cont'd)**

Exploration and evaluation expenditures by nature are detailed as follows:

	For the three-month periods ended December 31	
	2022	2021
	\$	\$
Geology and geophysics	-	10 688
Technical consultation	1 815	2 151
Total	1 815	12 839
Tax credits, net	-	2 993
Exploration and evaluation expenditures net of tax credits	1 815	9 846

	For the nine-month periods ended December 31	
	2022	2021
	\$	\$
Geology and geophysics	2 000	35 838
Technical consultation	12 125	9 812
Total	14 125	45 650
Tax credits, net	963	10 035
Exploration and evaluation expenditures net of tax credits	13 162	35 615

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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Professional services	5 540	14 738	93 415	98 425
Registration and publication fees	2 961	2 961	11 726	14 985
Expected credit losses	4 952	4 342	13 798	114 138
Gain on write-off of provision	-	(26 938)	-	(239 290)
Associations	-	-	-	3 000
Regulations and licensing	-	93	95	244 524
	13 453	(4 804)	119 034	235 782

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Notes to the Condensed Interim Financial Statements**December 31, 2022***(Unaudited - in Canadian dollars)***11. Financial expenses**

	For the three-month periods		For the nine-month periods	
	ended December 31		ended December 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interests due to a company under common control	29 950	23 069	84 082	64 161
Interest and other bank expenses	6 107	11 104	27 754	27 251
	36 057	34 173	111 836	91 412

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:

	For the three-month periods		For the nine-month periods	
	ended December 31		ended December 31	
	2022	2021	2022	2021
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	1 815	9 847	12 125	32 736
Professional services	4 235	5 020	28 291	22 897
Financial expenses	29 950	23 069	84 082	64 161

As at December 31, 2022, there is an outstanding balance of \$ 1,408 (\$ 9,299 at March 31, 2022) resulting from these operations plus interest payable of \$ 316,615 (\$ 232,532 at March 31, 2022). The due to a company under common control of \$ 822,600 (\$ 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. Comparative figures

Certain figures for the three-month period ended December 31, 2021 and for the nine-month period ended September 30, 2021 have been reclassified to make their presentation identical to that adopted in the three-month period ended September 30, 2022 and the six-month period ended September 30, 2022. These reclassifications had no effect on the reported net loss.