



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

Condensed Interim Financial Statements
(Unaudited)

For the nine-month periods ended December 31, 2023 and 2022

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, 2023 and 2022 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 19, 2024

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Statements of Financial Position

	Notes	December 31	March 31
		2023	2023
<i>(Unaudited - in Canadian dollars)</i>		\$	\$
ASSETS			
Current			
Cash		2 049	5 180
Accounts receivable	5	660	1 126
Tax credits receivable		-	560
		2 709	6 866
Total assets		2 709	6 866
LIABILITIES			
Current			
Trade payables and other payables	6	462 644	363 728
Provisions	7	1 083 234	1 083 234
Due to a company under common control , bearing interest at the rate of 15 %, payable on demand		910 600	822 600
		2 456 478	2 269 562
Total liabilities		2 456 478	2 269 562
SHAREHOLDERS' DEFICIENCY			
Share capital	8	6 504 107	6 504 107
Contributed surplus		1 352 946	1 352 946
Deficit		(10 310 822)	(10 119 749)
Total shareholders' deficiency		(2 453 769)	(2 262 696)
Total liabilities and shareholders' deficiency		2 709	6 866
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		For the nine-month periods ended	
		December 31	December 31	December 31	December 31
		2023	2022	2023	2022
<i>(unaudited - in Canadian dollars)</i>		\$	\$	\$	\$
Exploration and evaluation expenses	9	-	1 815	2 000	13 162
General and administrative expenses	10	5 968	13 453	88 938	119 034
Operating loss		(5 968)	(15 268)	(90 938)	(132 196)
Financial expenses	11	(34 456)	(36 057)	(100 135)	(111 836)
Net loss and comprehensive loss for the period		(40 424)	(51 325)	(191 073)	(244 032)
Net loss per share, basic and diluted		(0,0003)	(0,0004)	(0,0015)	(0,0020)
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.

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 \$
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)
Balance as at April 1, 2023		123 850 656	6 504 107	(10 119 749)	1 352 946	(2 262 696)
Net loss and comprehensive loss		-	-	(191 073)	-	(191 073)
Balance as at December 31, 2023		123 850 656	6 504 107	(10 310 822)	1 352 946	(2 453 769)

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	
	2023	2022
	\$	\$
<i>(Unaudited - in Canadian dollars)</i>		
OPERATING ACTIVITIES		
Net loss	(191 073)	(244 032)
Adjustments:		
Addition of provision	-	45 994
Unpaid interest	100 072	84 082
Changes in working capital items :		
Accounts receivable	466	(2 214)
Tax credits receivable	560	12 446
Trade payables and other payables	(1 156)	(29 406)
Cash flows from operating activities	(91 131)	(133 130)
FINANCING ACTIVITIES		
Due to a company under common control	88 000	150 000
Cash flow from financing activities	88 000	150 000
NET INCREASE (DECREASE) IN CASH	(3 131)	16 870
CASH AT BEGINNING OF YEAR	5 180	11 448
CASH AT END OF YEAR	2 049	28 318

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, 2023**

(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, 2023, 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, 2023. 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 19, 2024.

2. 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, 2023, the Company had a negative working capital of \$ 2,453,769 and an accumulated deficit of \$ 10,310,822.

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 2023**

(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. 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.

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, 2023

(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, 2023.

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>
	2023	2023
	\$	\$
Accounts receivable	375 366	375 366
Allowance for expected credit losses	(375 366)	(375 366)
	-	-
Sales tax receivable	660	1 126
Receivables	660	1 126

6. Trade payables and other payables

	<u>December 31</u>	<u>March 31</u>
	2023	2023
	\$	\$
Accounts payable	15 533	16 689
Interest payable - company under common control	447 111	347 039
Trade payables and other payables	462 644	363 728

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Unaudited - in Canadian dollars)

7. Provisions

	December 31	March 31
	2023	2023
	\$	\$
Annual fees for 2020-2021, for 2021-2022 and for 2022-2023	1 075 234	1 075 234
Account to be paid in negotiation	8 000	8 000
Provisions	1 083 234	1 083 234

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, 2023.

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, 2023 (nil during the nine-month period ended December 31, 2022).

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 2023***(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, 2023		
	Additions	Net tax	Net balance
	\$	\$	\$
St.Lawrence Lowlands	-	-	-
Lower St.Lawrence/Gaspe	-	-	-
Total	-	-	-

	For the three-month period ended December 31, 2022		
	Additions	Net tax credits	Net balance
	\$	\$	\$
St.Lawrence Lowlands	605	-	605
Lower St.Lawrence/Gaspe	1 210	-	1 210
Total	1 815	-	1 815

	For the nine-month period ended December 31, 2023		
	Additions	Net tax	Net balance
	\$	\$	\$
St.Lawrence Lowlands	-	-	-
Lower St.Lawrence/Gaspe	2 000	-	2 000
Total	2 000	-	2 000

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

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements**December 31, 2023***(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	
	2023	2022
	\$	\$
Geology and geophysics	-	-
Technical consultation	-	1 815
Total	-	1 815
Tax credits, net	-	-
Exploration and evaluation expenditures net of tax credits	-	1 815

	For the nine-month periods ended December 31	
	2023	2022
	\$	\$
Geology and geophysics	2 000	2 000
Technical consultation	-	12 125
Total	2 000	14 125
Tax credits, net	-	963
Exploration and evaluation expenditures net of tax credits	2 000	13 162

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Professional services	2 763	5 540	71 559	93 415
Registration and publication fees	3 205	2 961	17 281	11 726
Expected credit losses	-	4 952	-	13 798
Regulations and licensing	-	-	98	95
	5 968	13 453	88 938	119 034

SQUATEX ENERGY AND RESOURCES INC.

(An oil and gas exploration company)

Notes to the Condensed Interim Financial Statements

December 31, 2023

(Unaudited - in Canadian dollars)

11. Financial expenses

	For the three-month periods		For the nine-month periods	
	ended December 31		ended December 31	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interests due to a company under common control	34 429	29 950	100 072	84 082
Interest and other bank expenses	27	6 107	63	27 754
	34 456	36 057	100 135	111 836

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Exploration and evaluation expenditures net of tax credits	-	1 815	-	12 125
Professional services	2 762	4 235	22 375	28 291
Financial expenses	34 429	29 950	100 072	84 082

As at December 31, 2023, there is an outstanding balance of \$ 3,176 (\$ 5,174 at March 31, 2023) resulting from these operations plus interest payable of \$ 447,111 (\$ 347,040 at March 31, 2023). The due to a company under common control of \$ 910,600 (\$ 822,600 at March 31, 2023) is also considered a related party transaction.

13. Subsequent event

On January 19, 2024, a company under common control has made an additional advance of \$ 10,000. This brings the due to a company under common control (bearing interest at 15% payable on demand) to a balance of \$ 920,600.

14. Comparative figures

Certain figures for the three-month period ended December 31, 2022 and for the nine-month period ended December 31, 2022 have been reclassified to make their presentation identical to that adopted in the three-month period ended December 31, 2023 and the nine-month period ended December 31, 2023. These reclassifications had no effect on the reported net loss.