Questerre releases third quarter 2017 results

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Questerre Energy Corp. ("Questerre" or the "Company") (TSX:QEC) (OSLO:QEC) reported today on its financial and operating results for the third quarter ended September 30, 2017.

Michael Binnion, President and Chief Executive Officer of Questerre, commented, "We are seeing the early results of our increased capital investment in Kakwa this year. Production from this area has almost doubled since the first quarter to 1,400 boe/d with four (0.92 net) wells brought on stream. Three (0.67 net) more wells will be completed in the fourth quarter. If we drill a similar number of wells next year, we could see another major increase in production by next December."

Highlights

- Kakwa joint venture development continues with additional drilling and completions
- Government of Quebec releases draft oil and gas regulations
- Red Leaf begins feasibility study for Jordan oil shale project
- Private placement for gross proceeds of $31 million fully subscribed and closed early in fourth quarter
- Average daily production of 1,643 boe/d for the quarter and adjusted funds flow from operations of $1.94 million

Commenting on Quebec, he noted, "The draft regulations released this quarter are another milestone towards developing our Utica shale discovery in Quebec. We expect to see the final regulations early next year after taking into account public comments. The regulations are workable but, in our opinion, can be improved to be more efficient and competitive. Recent government comments on the need for social acceptability are consistent with past comments from this government and industry. Social license is a somewhat nebulous concept but has more and more become a requirement in Western liberal democracies."

Updating developments on its oil shale assets, he further added, "The last tranche of our investment in Red Leaf closed during the quarter. The move to reusable capsules for their EcoShale process could be key to commercializing our multi-billion barrel oil shale resource in Jordan. This re-engineering has substantially reduced the estimated break-even price for their project to a range where Red Leaf believes it is economic at current prices. We are studying if it could do the same for our Jordan project."

As a result of the increased capital investment in Kakwa this year, the Company reported higher production volumes over the prior quarter and prior year. Production averaged 1,643 boe/d for the quarter (2016: 1,275 boe/d) and 1,270 boe/d for the year to date (2016: 1,412 boe/d) with Kakwa accounting for almost 85% of production this quarter (2016: 75%). Gross revenue increased by one third to $5.45 million with higher production volumes benefitting from marginally higher pricing in the period. The higher revenue contributed to adjusted funds flow from operations of $1.94 million for the period (2016: $1.45 million). The Company reported a net loss of $2.64 million for the current quarter (2016: $1.07 million) and $6.79 million for three quarters ended September 30, 2017 (2016: $3.51 million).

Net of a disposition of $4.45 million for shallow exploration rights at Kakwa, capital investment for the nine months ended September 30, 2017 was $12.77 million (2016: $8.96 million). Consistent with prior periods, the majority of this investment was made in Kakwa to drill and complete wells and expand infrastructure. The Company also invested $10.33 million to increase its equity interest in Red Leaf. The Company anticipates incremental investment at Kakwa in 2017 could be up to $7 million.

The term "adjusted funds flow from operations" is a non-IFRS measure. Please see the reconciliation elsewhere in this press release.

Questerre Energy Corp. is leveraging its expertise gained through early exposure to shale and other non-conventional reservoirs. The Company has base production and reserves in the tight oil Bakken/Torquay of southeast Saskatchewan. It is bringing on production from its lands in the heart of the high-liquids Montney shale fairway. It is a leader on social license to operate issues for its Utica shale gas discovery in the St. Lawrence Lowlands, Quebec. It is pursuing oil shale projects with the aim of commercially developing these massive resources.

Questerre is a believer that the future success of the oil and gas industry depends on a balance of economics, environment and society. We are committed to being transparent and are respectful that the public must be part of making the important choices for our energy future.

Advisory Regarding Forward-Looking Statements

This media release contains certain statements which constitute forward-looking statements or information ("forward-looking statements") including the Company's belief that if it participates in a similar drilling program at Kakwa, its production could experience a major increase by year-end 2018, the Company's expectation that the final oil and gas regulations in Quebec will be released early next year, the Company's view that the regulations can be improved to be more efficient and competitive, the Company's view that the move to reusable capsules could be key to commercializing the Company's oil shale resource in Jordan, and its expectation that incremental investment in Kakwa in 2017 could be up to $7 million. Although Questerre believes that the expectations reflected in our forward-looking statements are reasonable, our forward-looking statements have been based on factors and assumptions concerning future events which may prove to be inaccurate. Those factors and assumptions are based upon currently available information available to Questerre. Such statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied in the forward-looking statements. As such, readers are cautioned not to place undue reliance on the forward looking information, as no assurance can be provided as to future results, levels of activity or achievements. The risks, uncertainties, material assumptions and other factors that could affect actual results are discussed in our Annual Information Form and other documents available at www.sedar.com. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and, except as required by applicable law, Questerre does not undertake any obligation to publicly update or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil and the conversion ratio of one barrel to six thousand cubic feet is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalent at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This press release contains the terms "adjusted funds flow from operations" and "working capital deficit" which are non-GAAP terms. Questerre uses these measures to help evaluate its performance.

As an indicator of Questerre's performance, adjusted funds flow from operations should not be considered as an alternative to, or more meaningful than, cash flows from operating activities as determined in accordance with GAAP. Questerre's determination of adjusted funds flow from operations may not be comparable to that reported by other companies. Questerre considers adjusted funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund operations and support activities related to its major assets.

	Three months ended Sept. 30,	
($ thousands)	2017	2016
Net cash from operating activities	$7,983	$1,591
Interest paid	226	231
Change in non-cash operating working capital	(6,271)	(375)
Adjusted Funds Flow from Operations	$1,938	$1,447

Working capital surplus (deficit) is a non-GAAP measure calculated as current assets less current liabilities excluding risk management contracts.

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