

Questerre reports second quarter 2023 results

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CALGARY, Aug. 10, 2023 - [Questerre Energy Corp.](#) ("Questerre" or the "Company") (TSX:OSE:QEC) reported today on its financial and operating results for the second quarter ended June 30, 2023.

Michael Binnion, President, and Chief Executive Officer, commented, "As Quebec is holding public consultations on hydroelectricity shortage in the next two to three years. We are re-engaging with the Government on how our Clean Gas could be part of the solution. Our scalable, shovel-ready project can help mitigate the risks of curtailments and price spikes, all while retaining Quebec's competitiveness in attracting new industries and helping meet their GHG emissions reductions targets. The Government of Quebec also proposed a stay of enforcement related to Bill 21. There is a hearing scheduled this October to extend this stay."

Reporting on the Company's 40% investment in Red Leaf, he added, "Red Leaf also advanced both their technology and the permitted wax processing facility in the Uintah Basin in Utah during the quarter. A pre-FEED study on the facility was completed and includes a Class IV capex estimate as well as an estimate to incorporate carbon capture directly in the design. Collaborating with local Jordanian companies, Red Leaf also began the design for a scaled version of their commercial production facility."

Highlights

- Hearing to suspend revocation of licenses under Bill 21 in Quebec scheduled for October 2023
- Red Leaf completes pre-FEED study for wax processing facility in Uintah Basin, Utah
- Average daily production of 1,978⁽¹⁾ boe/d with adjusted funds flow from operation of \$5.3 million

Consistent with prior periods, Kakwa continued to account for 80% of corporate production. With one (0.25 net) well brought on production in the quarter, production increased over the prior year. For the second quarter, daily production averaged 1,978 boe/d (2022: 1,909 boe/d) and for the six months ended June 30, 2023, it averaged 1,884 boe/d (2022: 1,600 boe/d).

The higher production volumes were offset by the lower commodity prices in the current year. For the quarter, petroleum and natural gas sales totaled \$10.7 million compared to \$17.0 million last year and \$21.2 million year to date compared to \$26.6 million in the prior year. The lower revenue contributed to adjusted funds flow from operations of \$5.3 million (2022: \$12.2 million) in the quarter and \$9.6 million for the first six months of the year (2022: \$16.5 million).

The revenue also contributed to net income of \$1.7 million for the quarter (2022: \$9.1 million) and \$2.6 million (2022: \$11.5 million) for the first half of the year. Capital expenditures in the quarter were \$2.5 million (2022: \$2.8 million) and \$5.7 million year to date (2022: \$7.8 million).

The Company also reported on the pending renewal of its credit facility with a Canadian chartered bank. Following a preliminary review conducted in the second quarter, the Company anticipates its credit facilities will remain at \$16 million. The renewal will take effect upon receipt of the final requisite approvals in the third quarter. The effective interest rate on the facility for the first half of 2023 was 7.74% (2022: 4.08%). As at June 30, 2023, effectively no amounts were drawn on the facility and the Company held unrestricted cash and term deposits of \$35.2 million. The Company had a net working capital surplus of \$28 million (2022: \$10.6 million surplus).

The term "adjusted funds flow from operations" and "working capital surplus" are non-IFRS measures. Please see the reconciliation elsewhere in this press release.

Questerre is an energy technology and innovation company. It is leveraging its expertise gained through

early exposure to low permeability reservoirs to acquire significant high-quality resources. We believe we can successfully transition our energy portfolio. With new clean technologies and innovation to responsibly produce and use energy, we can sustain both human progress and our natural environment.

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.

For further information, please contact:

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Advisory Regarding Forward-Looking Statements

This news release contains certain statements which constitute forward-looking statements or information ("forward-looking statements") including the Company's plans to re-engage with the Government of Quebec, its views on how its project could mitigate the challenges from the anticipated electricity shortage in the province, the timing of the next hearing related to its legal claim against the Government, and Red Leaf's engineering for a small-scale commercial project in Jordan. Forward-looking statements are based on several material factors, expectations, or assumptions of Questerre which have been used to develop such statements and information, but which may prove to be incorrect. Although Questerre believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them because Questerre can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Further, events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company, including, without limitation: the implementation of Bill 21 by the Government of Quebec and certain other risks detailed from time-to-time in Questerre's public disclosure documents. Additional information regarding some of these risks, expectations or assumptions and other factors may be found under in the Company's Annual Information Form for the year ended December 31, 2022, and other documents available on the Company's profile at www.sedar.com. The reader is cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this news release are made as of the date hereof and Questerre undertakes no obligations to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Certain information set out herein may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Questerre's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

(1) For the three-month period ended June 30, 2023, liquids production including light crude and natural gas liquids accounted for 1,159 bbls/d (2022: 1,157 bbls/d) and natural gas including conventional and shale gas accounted for 4,911 Mcf/d (2022: 4,510 Mcf/d). For the six-month period ended June 30, 2023, liquids production including light crude and natural gas liquids accounted for 1,091 bbls/d (2022: 987 bbls/d) and natural gas including conventional and shale gas accounted for 4,760 Mcf/d (2022: 3,682 Mcf/d).

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 surplus"

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.

(\$ thousands)	Three months ended June 30, Six months ended June 30,			
	2023	2022	2023	2022
Net cash from operating activities	\$ 4,133	\$ 10,162	\$ 8,871	\$ 15,066
Change in non-cash operating working capital	1,202	2,021	831	1,407
Adjusted Funds Flow from Operations	\$ 5,335	\$ 12,183	\$ 9,612	\$ 16,473

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

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