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CALGARY, May 11, 2017 /CNW/ - Questerre Energy Corp. ("Questerre" or the "Company") (TSX,OSE:QEC) reported today on its financial and operating results for the quarter ended March 31, 2017.

Michael Binnion, President and Chief Executive Officer of Questerre, commented, "We had a good start to the year with progress on all our major assets in the quarter. At Kakwa we have now drilled four of the eight wells planned on our joint venture acreage, including one well that spud last December. Two of these have been completed with sand tonnage 25% higher than the average tonnage used last year. Based on results to date, this should incrementally improve well performance. After breakup, the remaining two wells will be completed and drilling will resume. We are also investing in expanding infrastructure including gas lift and central facilities."

Highlights

- Participated in three (0.67 net) horizontal wells at Kakwa
- Quebec Government ratifies new environmental legislation
- Evaluation of retorting technologies for Jordan oil shale project continues
- Completed equity placements for gross proceeds of $24.65 million
- Average daily production of 1,123 boe/d with 580 boe/d behind pipe and adjusted funds flow from operations of $1.41 million for the quarter[1]

(1) Behind pipe volumes based on production estimated under proved undeveloped reserve category for wells drilled and completed as forecasted by independent reserve evaluator at December 31, 2016

Commenting on Quebec, he noted, "Our updated resource assessment confirmed the Lowlands could be among the lowest cost suppliers of natural gas to the province. While we wait for the hydrocarbon regulations, we are working on social acceptability. Part of this work is developing a 'path to zero emissions natural gas production.' Early feedback for this plan has been positive."

Updating developments on its oil shale assets, he further added, "We are making headway with the engineering for our oil shale project in Jordan by looking at multiple retorting technologies, including Red Leaf's EcoShale technology. Early in the second quarter, we entered into agreements to acquire about 25% of the common share capital of Red Leaf which currently holds about US$100 million in cash and no debt."

Due to limited participation in new drilling at Kakwa last year, the Company reported that production from the Kakwa area declined over the prior year to average 844 boe/d (2016: 1,159 boe/d) and contributed to daily production of 1,123 boe/d for the Company during the first quarter of 2017 (2016: 1,538 boe/d). The increase in commodity prices in the quarter offset these lower production volumes resulting in gross revenue increasing by 10% to $4.43 million. Higher operating costs and lower realized gains on hedging contributed to adjusted funds flow from operations of $1.41 million in the quarter (2016: $1.74 million). The Company reported a net loss of $0.52 million for the quarter compared to a loss of $0.33 million for the first quarter last year.

Capital investment in the quarter increased to $5.32 million from $4.16 million in 2016. Consistent with prior quarters, over 80% of this amount was for the Kakwa area. The Company anticipates incremental investment in this area in 2017 could be up to $17 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 well performance at Kakwa should incrementally improve based on higher sand tonnage used in the completion operations, the timing of future completion and drilling activities at Kakwa, the Company's planned investment in expanding infrastructure, the Company's belief that the Lowlands could be among the lowest cost supplier of natural gas to Quebec, the Company's plan to develop a path to zero emission natural gas production and the Company's anticipation that incremental investment in the Kakwa area for 2017 could be up to $17 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 March 31,	
($ thousands)	2017	2016
Net cash from operating activities	$1,247	$1,699
Interest paid	183	147
Change in non-cash operating working capital	(19)	(106)
Adjusted Funds Flow from Operations	$1,411	$1,740

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

SOURCE Questerre Energy Corp.

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