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CALGARY, Aug. 10, 2017 /CNW/ - Questerre Energy Corp. ("Questerre" or the "Company") (TSX,OSE:QEC) reported today on its financial and operating results for the quarter ended June 30, 2017.

Michael Binnion, President and Chief Executive Officer of Questerre, commented, "While we invested in building reserves at Kakwa, we continued to move Quebec and Jordan forward during the quarter. In addition to the infrastructure expansion at Kakwa, three joint venture wells were completed. Capital costs are trending lower per metre of horizontal drilled. In total, we are planning for up to seven (1.68 net) wells for 2017 including one (0.25 net) well that spud last December."

Highlights

- Development at Kakwa continues with well completions and infrastructure expansion
- Government of Quebec releases Energy Policy's 2017-2020 Action Plan with natural gas key to the province's energy transition
- Acquired minority interest in Red Leaf to accelerate feasibility study of oil shale project in Jordan
- Average daily production of 1,037 boe/d and 490 boe/d currently behind pipe with adjusted funds flow from operations of $0.89 million[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, "We are working on a path to zero emissions natural gas production to support social acceptability for a pilot project. This dovetails with the government's action plan for their energy policy with the goal of reducing emissions. It includes promoting local natural gas and a new approach to hydrocarbons. Based on this plan, we expect the draft hydrocarbon regulations this summer and hopefully finalized by year-end."

Updating developments on its oil shale assets, he further added, "To accelerate the appraisal of our oil shale project in Jordan, we made a strategic investment in Red Leaf. They are optimizing the EcoShale process which we are prioritizing for Jordan and, in particular, the use of reusable capsules based on existing refining technology. This could materially reduce break-even oil prices for this significant oil shale deposit."

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 850 boe/d (2016: 1,081 boe/d) and contributed to daily production of 1,037 boe/d for the Company during the second quarter of 2017 (2016: 1,422 boe/d). Gross revenue declined by 5% to $4.18 million with lower production volumes largely offset by higher commodity prices in the period. Higher operating costs and lower realized gains on hedging contributed to adjusted funds flow from operations of $0.89 million in the quarter (2016: $1.92 million). The Company reported a net loss of $3.62 million for the current quarter compared to a loss of $2.17 million for the second quarter last year.

In addition to the acquisition of Red Leaf common shares for $8.15 million, gross capital investment for the first six months increased to $12.31 million from $4.90 million in 2016. Expenditures in 2017 were offset by the sale of shallow exploration rights at Kakwa for net proceeds of $4.45 million. The Company anticipates incremental investment at Kakwa in 2017 could be up to $10 million.

The Company also reported on the status of its credit facility review that was conducted in the second quarter of 2017. The lender has advised that the primary credit facility will be renewed at $18 million from $23 million. The facility will include a $17.9 million revolving operating demand facility ("Credit Facility A"). Credit Facility A can be used for general corporate purposes, ongoing operations and capital expenditures within Canada.

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 plans to drill up to seven (1.68 net) wells for 2017, its plans for 'zero emission natural gas production', its expectation the draft hydrocarbon regulations in Quebec will be released this summer and finalized by year-end, its belief that the move to reusable capsules by Red Leaf could materially reduce break-even oil prices for its oil shale project in Jordan and the Company's anticipation that incremental investment in the Kakwa area for 2017 could be up to $10 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 June 30,	
($ thousands)	2017	2016
Net cash from operating activities	$674	$730
Interest paid	225	207
Change in non-cash operating working capital	(19)	979
Adjusted Funds Flow from Operations	$880	$1,916

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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