

# Questerre reports second quarter 2018 results

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CALGARY, Aug. 09, 2018 - [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, 2018.

Michael Binnion, President and Chief Executive Officer of Questerre, commented, "We were blindsided by the Quebec government's decision to attempt to ban hydraulic fracturing. We recently filed a brief with the government strongly objecting to this decision. Specifically we have made the case that the proposed regulations are neither well drafted nor legally in the power of the government. We have requested a meaningful consultation to resolve these material issues prior to finalizing the regulations."

He added, "This overshadowed an otherwise strong second quarter for us. The increased investment in Kakwa saw us almost double our production volumes to just over 2,000 boe/d with adjusted funds flow from operations of \$6.01 million for the quarter. As noted last quarter, with drilling scheduled to ramp up in the fourth quarter, our production will decline over the second half before growing in the new year. By this time, we should also have the results from the wells on our offsetting acreage at Kakwa North."

## Highlights

- Average daily production of 2,016 boe/d for the quarter with adjusted funds flow from operations of \$6.01 million
- Government of Quebec introduces draft regulations intended to prohibit hydraulic fracturing of the Quebec Utica
- Executes letter of intent to consolidate ownership of Quebec assets
- Finalizes feasibility study for Jordan oil shale project

Commenting on its oil shale project in Jordan, he added, "We were pleased with the results of the Hatch feasibility study. Preliminary estimates of combined capital and operating costs for the first phase are approximately US\$38-40/bbl. Costs include upgrading the produced oil to diesel and gasoline which realize a US\$10-12/bbl premium to Brent. This makes it competitive with similar large-scale energy projects. We expect the next round of engineering will tighten the error bars on these estimates from +100/-50% to +30/-20%. We are also looking at ways to optimize these costs and overall recoveries to further improve the economics for this multi billion-barrel deposit."

Consistent with the prior quarter, the Company reported higher production volumes over the same period last year. Production averaged 2,016 boe/d for the quarter up from 1,037 boe/d in the second quarter of 2017 and relatively unchanged from the first quarter volumes of 2,013 boe/d. Kakwa accounted for over 75% of production during these periods. Gross revenue more than doubled to \$10.07 million with higher production volumes benefitting from higher oil prices in the period. The higher revenue contributed to adjusted funds flow from operations of \$6.01 million for the quarter (2017: \$0.88 million) and \$10.66 million for the first half of 2018 (2017: \$2.29 million). The Company reported net income of \$0.60 million for the current quarter (2017: loss of \$3.62 million) and \$0.63 million for the year to date (2017: loss of \$4.14 million).

Capital investment for the quarter focused almost exclusively on Kakwa and totaled \$7.45 million (2017: \$2.54 million) and for the first half of 2018 was \$16.12 million (2017: \$7.86 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 news release contains certain statements which constitute forward-looking statements or information ("forward-looking statements") including the Company's position that the proposed regulations attempting to ban hydraulic fracturing are neither well drafted nor legally in the power of government, the Company's anticipation that production volumes will decline in the second half of 2018 before increasing in the new year, the Company's expectation that results will be available for the wells on its offsetting Kakwa North acreage, the preliminary capital and operating cost estimates for its oil shale project in Jordan, the Company's expectation that it will realize a premium of between US\$10-12/bbl to Brent for its production from this project, that the next round of engineering will reduce the error bars on these cost estimates from +100%/-50% to +30%/-20% and its plans to evaluate ways to optimize costs and increase overall recoveries for this project. 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](http://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" which is a non-GAAP term. Questerre uses this measure 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, Six months ended June 30, |      |      |      |
|----------------|-------------------------------------------------------|------|------|------|
| (\$ thousands) | 2018                                                  | 2017 | 2018 | 2017 |

|                                              |          |        |           |          |
|----------------------------------------------|----------|--------|-----------|----------|
| Net cash from operating activities           | \$ 6,877 | \$ 674 | \$ 6,525  | \$ 1,921 |
| Interest paid                                | 50       | 225    | 128       | 408      |
| Change in non-cash operating working capital | (915 )   | (19 )  | 4,011     | (38 )    |
| Adjusted Funds Flow from Operations          | \$ 6,012 | \$ 880 | \$ 10,664 | \$ 2,291 |

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