

# Questerre reports third quarter 2022 results

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CALGARY, Alberta, Nov. 09, 2022 -- [Questerre Energy Corp.](#) ("Questerre" or the "Company") (TSX, OSE: QEC) reported today on its financial and operating results for the third quarter ended September 30, 2022.

Michael Binnion, President and Chief Executive Officer of Questerre, commented, "Although Bill 21 was enacted during the quarter, the Quebec election is now over. There could be an opportunity for a less political approach to energy security by the Quebec Government. We remain open to a political and business solution as the growing demand for clean energy only highlights the value of our project. Concurrently, to protect our legal rights, we are advancing the claim for breach of contract and unjust enrichment. A Superior Court judge was appointed last month to separately manage all the claims related to Bill 21 and a hearing date should be set shortly."

He added, "Effective the end of the quarter, we converted our royalty interest in the four original farm-in wells at Kakwa North into a 50% working interest. This should add approximately 500 boe/d over the remainder of this year. Based on our discussions with the operator, we expect drilling on a three well pad will commence late next year."

## Highlights

- Questerre converts Kakwa North royalty interest to working interest adding 500 boe/d for remainder of the year
- Government of Quebec announced plans to enact Bill 21 and revoke exploration licenses
- Average daily production of 1,629 boe/d and adjusted funds flow from operations of \$5.2 million

Consistent with prior periods, Kakwa continued to account for 80% of corporate production. With three (0.75 net) wells brought on production earlier this year, production increased over the prior year. For the third quarter, daily production averaged 1,629 boe/d (2021: 1,363 boe/d) and for the nine months ended September 30, 2022, it averaged 1,609 boe/d (2021: 1,507 boe/d)<sup>(1)</sup>. Production volumes declined over the second quarter which included flush production from the new Kakwa wells.

Although prices declined from the second quarter, higher commodity prices over the same period last year improved revenue and adjusted funds flow from operations in 2021. For the third quarter, petroleum and natural gas sales increased to \$11.6 million from \$7.4 million last year and \$38.2 million year to date from \$21.5 million in the prior year. The higher revenue contributed to adjusted funds flow from operations of \$5.2 million (2021: \$3.6 million) in the quarter and \$21.6 million for the nine months ended September 30 (2021: \$10.7 million). Funds flow in the current quarter was impacted by an incremental \$1.5 million in operating costs over last year, reflecting a successful workover program in Saskatchewan and escalating fuel and water handling costs at Kakwa.

The higher revenue also contributed to net income of \$2.8 million for the third quarter (2021: \$2.0 million) and \$14.2 million (2021: \$5.8 million) for the nine months ended September 30. Capital expenditures in the quarter were \$1.7 million (2021: \$0.5 million) and \$9.4 million year to date (2021: \$1.5 million). The Company posted a working capital surplus of \$14.4 million at September 30, 2022 (2021: \$1.7 million).

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.

#### 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 views on the potential for less political and business solution to the issues impacting its project in Quebec, the advancement of its legal claims, the timing for a hearing date, its expectations about production additions from the existing wells at Kakwa North and the timing of a potential drilling program.

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, 2021, and other documents available on the Company's profile at [www.sedar.com](http://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 September 30, 2022, liquids production including light crude and natural gas liquids accounted for 987 bbl/d (2021: 833 bbl/d) and natural gas including conventional and shale gas accounted for 3,852 Mcf/d (2021: 3,178 Mcf/d). For the nine-month period ended September 30, 2022, liquids production including light crude and natural gas liquids accounted for 986 bbl/d (2021: 898 bbl/d) and natural gas including conventional and shale gas accounted for 3,739 Mcf/d (2021: 3,655 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 Sept 30		Nine months ended Sept 30	
	2022	2021	2022	2021
Net cash from operating activities	\$ 8,413	\$ 4,202	\$ 23,477	\$ 10,287
Interest received	(134 )	(54 )	(242 )	(152 )
Interest paid	2	111	41	367
Change in non-cash operating working capital	(3,098 )	(681 )	(1,622 )	185
Adjusted Funds Flow from Operations	\$ 5,183	\$ 3,578	\$ 21,654	\$ 10,687

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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