2024 ANNUAL REPORT

QUESTERRE ENERGY CORPORATION

QUESTERRE

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QUESTERRE ENERGY CORPORATION 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. Questerre's common shares are traded on the Toronto Stock Exchange and Oslo Stock Exchange under the symbol QEC.

President's Message

The world took a pivotal turn on January 20, 2025, with a new administration in the United States.

The energy shortage in Quebec and, more recently, the prospect of tariffs on energy to the United States and their broader impacts revitalizes interest in our discovery. To us, they highlight the importance of maintaining a pragmatic and flexible approach while protecting our shareholders' legal rights.

We participated in drilling programs at both Kakwa joint ventures last year as part of our strategy to build our assets outside Quebec. The Kakwa North wells were tested in March. Over a one week period, the wells produced over 2,000 boe per day net to Questerre[1]. While encouraging, these rates are not necessarily indicative of long-term performance or ultimate recovery. The wells should be tied-in and on production by the end of April. We are being more selective in our participation in future wells, particularly at Kakwa Central, to ensure we maximize returns given current commodity prices.

On the technical front, Red Leaf made meaningful progress. They completed a pilot-scale lab test producing over one barrel of oil and proving the rock mechanics inside the capsule. The engineering for a small-scale project in Jordan was also finalized. However, the costs were higher than expected and Red Leaf requires additional funding to conclude an agreement to advance this opportunity. Going forward, we recently appointed a special committee of the Red Leaf board to negotiate this agreement directly with the consortium in Jordan.

Highlights

- Submitted expert witness report on economic losses for legal claim in Quebec
- Participated in six (2.25 net) wells at Kakwa including three (0.75 net) wells on production and three (1.50 net) wells awaiting completions at year-end
- Average daily production of 1,756 boe per day, net cash from operating activities of $13.7 million and adjusted funds flow from operations of $14.6 million
- Total proved and probable reserves declined by 10% to 23.8 MMboe with a before tax NPV-10% of $195.3 million unchanged from last year

Quebec

The 2023 loss of the Volkswagen battery plant by Quebec in part due to insufficient power supply was, perhaps, an early warning of the impending energy shortage in the province[2].

In response, the Government introduced Bill 69 last year. Among other changes to the regulatory regime, it included the requirement for integrated resource management plans for electricity and natural gas every six years. The provincial utility also announced plans to invest a minimum of $100 billion over the next decade in hydro and wind power to increase capacity and meet future demand[3].

While these initiatives support their 2050 goal of carbon neutrality, concerns about the costs to industrial and residential consumers are growing. The Alliance for Quebec's Energy Competitiveness estimates under Bill 69 rates for large industrial users could increase by 60% over ten years[4].

Normand Mousseau, director of the Trottier Energy Institute noted 'the Government has capped residential rate increases to 3% per annum. While that can work for a few years, it is untenable and can only lead to disturbances when rates will have to catch up with reality[5].

These concerns have been exacerbated by the impact of tariffs on competitiveness and have led to the delay in implementing Bill 69 according to Quebec's energy minister[6]. The Bill is still under consideration by Quebec's National Assembly. Though we expect final passage of the Bill by the end of spring, new amendments and the political debate could delay its adoption.

We remain committed to a political and business solution because local gas production is the simplest and most proximal solution to Quebec's energy and environmental goals. It can help with energy affordability, security, and reliability. One example of the benefit of local gas is supplying the 550MW natural gas fired power plant at Becancour that currently provides peaking power during the winter. We estimate that a total of six wells per year over eight years could supply the natural gas for this power plant for ten years.

Perhaps more pressing is the threatened trade war with the United States. Local gas could replace imports from the U.S., which currently supplies nearly half of Quebec's natural gas[7].

We are equally committed to protecting our shareholders' rights and those of impacted stakeholders. Our claim against the Government for the attempted revocation of our licenses without just compensation is proceeding on the Court schedule. Questioning of the Government's witnesses should commence this summer. We anticipate a trial date could be set for next year.

Operating and Financial

Our production for the year averaged 1,756 boe per day, a 5% decrease from last year. These volumes include the three (0.75 net) wells at Kakwa Central but exclude the three (1.5 net) wells at Kakwa North that were completed during the first quarter of 2025.

These slightly lower production volumes along with slightly lower realized prices, offset by lower royalty and operating expenses contributed to cash flow from operating activities of $13.7 million and adjusted funds flow from operations of $14.6 million compared to $16.3 million and $15.9 million respectively last year. Although we are advancing a pilot project with Red Leaf, we impaired the carrying value of our Jordan assets as our exclusive rights are set to expire this May if we do not have a new agreement before then. We are optimistic these rights could be extended if the pilot project proceeds.

We financed our capital expenditures of $20.6 million through a combination of our net cash from operating activities and cash on hand. At year-end, we held $31.8 million in cash and cash equivalents and an unutilized credit facility of $16 million. Our committed capital expenditures for 2025 are estimated at $14.4 million and largely reflect the completion and tie-in costs for the Kakwa North wells. We intend to fund these costs through our existing resources.

Outlook

Our plans for projects to lower emissions including our carbon storage pilot in Quebec and, more

broadly, our hub concept remain contingent on government funding. We recognize that these, and the timeline for net-zero targets globally may be impacted by the recent changes enacted by the U.S. Government. These include suspending funding under the *Inflation Reduction Act* and their withdrawal from the Paris climate agreement.

As energy security and independence return as a priority, we hope the Government of Quebec recognizes the role our discovery can play. As Canada seeks to diversify its energy markets, our discovery can also provide the baseload supply of natural gas for possible LNG exports from Quebec. In the interim, we are following the legal process for our claim.

Michael Binnion
President and Chief Executive Officer

1. Consisting of 4,970 MMcf/d of natural gas and 1,298 bbls/d of condensate and estimated natural gas liquids.
2. https://ici.radio-canada.ca/nouvelle/1963459/investissement-vw-canada-usine-batteries-saint-thomas-fitzgibbon-entrevue
3. https://www.hydroquebec.com/data/a-propos/pdf/action-plan-2035.pdf
4. https://www.theglobeandmail.com/business/article-industry-group-demands-quebec-reverse-course-on-planned-electricity/
5. https://www.theglobeandmail.com/business/commentary/article-hydro-quebecs-ambitious-plans-will-come-at-great-cost-to-consumers-and/
6. https://www.montrealgazette.com/news/provincial-news/article567140.html
7. https://www.canadianenergycentre.ca/big-vulnerability-how-ontario-and-quebec-became-reliant-on-u-s-oil-and-gas/

Environmental, Social and Governance

Questerre believes the oil and gas industry can go from laggards to leaders on the global environment.

From today to 2050, the world's population is estimated to grow from 7.6 billion to almost 10 billion who will expect a better standard of living[1]. We believe providing the increased energy needed tomorrow, with lower environmental impacts than today, is the challenge of our times. Transforming our energy consumption to lower emissions is essential to meeting this challenge.

Our project in Quebec was designed with a goal to significantly reduce emissions associated with the production of natural gas. We are also assessing how to reduce other environmental impacts. It is an example of the steps needed to meet this global challenge.

It requires a new way of thinking to become leaders on environmental issues. Our industry plays a vital role in today's energy systems. We have the experience, expertise, capital and technology to help address the world's energy and environmental challenges. Delivering on projects like ours in Quebec is just one example of how our industry can be leaders on transforming our global energy systems.

Questerre is proactively working with communities and First Nations for local benefits. For example, we have committed to share of our profits with them. We have also engaged with local First Nations to include them in our contracting and benefits program.

People know they need energy to maintain progress for their families and communities. They want to know the providers of that energy are being responsible and sustainable in the way it is supplied.

1. https://www.un.org/en/desa/world-population-projected-reach-98-billion-2050-and-112-billion-2100#:~:text=The%20current%20world%20population%20of,Nations%20report%20being%20launched%20today

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared as of March 26, 2025 and should be read in conjunction with the audited consolidated financial statements of Questerre Energy Corporation ("Questerre" or the "Company") as at and for the years ended December 31, 2024 and 2023. Additional information relating to Questerre, including Questerre's Annual Information Form for the year ended December 31, 2024, dated March 26, 2025 ("AIF"), is available on SEDAR+ under Questerre's profile at www.sedarplus.ca.

Questerre is an energy technology and innovative company actively involved in the acquisition, exploration and development of oil and gas projects, and, in specific, non-conventional projects such as tight oil, oil shale, shale oil and shale gas. Questerre is committed to the economic development of its resources in an environmentally conscious and socially responsible manner. The Company's Class "A" Common voting shares ("Common Shares") are listed on the Toronto Stock Exchange and the Oslo Stock Exchange under the symbol "QEC".

Basis of Presentation

Questerre presents figures in the MD&A using accounting policies within the framework of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, representing generally accepted accounting principles ("GAAP"). All financial information is reported in Canadian dollars, unless otherwise noted.

Forward-Looking Statements

Certain statements contained within this MD&A constitute forward-looking statements. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified using the use of words such as "anticipate", "assume", "believe", "budget", "can", "commitment", "continue", "could", "estimate", "expect", "forecast", "foreseeable", "future", "intend", "may", "might", "plan", "potential", "project", "will" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A.

This MD&A contains forward-looking statements including, but not limited to, those pertaining to the following:

- drilling plans and the development and optimization of producing assets;
- the judicial plans to achieve a hearing of the Company's claim made in connection with Quebec's Bill 21;
- working collaboratively to find a political and business solution with the Government of Quebec;

- future production of oil, natural gas and natural gas liquids;
- future commodity prices in light of decisions by OPEC and its allies, including Saudi Arabia and Russia on production levels, the war in Ukraine, and the conflict in the Middle East;
- legislative and regulatory developments in the Province of Quebec;
- the enhancement of existing production through workovers and expanding the pilot secondary recovery scheme at Antler;
- the transfer of wells drilled in 2025 from the proved undeveloped to the proved producing category;
- the need for additional LNG facilities to materially improve natural gas prices;
- hedging policy;
- liquidity and capital resources;
- the negotiation by a special committee of the Red Leaf board of an agreement to fund and advance a small-scale demonstration project in Jordan;
- the Company's plans to utilize the Red Leaf technology for its project in Jordan;
- the Company's negotiations and finalization of a concession agreement in Jordan;
- the Company's compliance with the terms of its credit facility;
- timing of the next review of the Company's credit facility by its lender;
- ability of the Company to meet its foreseeable obligations;
- capital expenditures and the funding thereof;
- impacts of capital expenditures on the Company's reserves;
- commitments and Questerre's participation in future capital programs;
- risks and risk management;
- potential for equity and debt issuances and farm-out arrangements;
- counterparty creditworthiness;
- the timing of receivables from joint venture partners;
- flow-through shares and use of proceeds and renunciation and indemnity obligations associated therewith;
- insurance;
- use of financial instruments; and
- critical accounting estimates.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, the AIF, and the documents incorporated by reference into this document:

- Potential tariffs and counter tariffs on trade with the United States and other countries;
- Quebec's Bill 21, the revocation of licenses in Quebec and potential compensation;
- volatility in market prices for oil, natural gas liquids and natural gas due to, among other things, the production agreements between OPEC and its allies, including Saudi Arabia and Russia, on production levels, the war in Ukraine, and the conflict in the Middle East;
- access to capital;
- general economic conditions;

- the terms and availability of credit facilities;
- counterparty credit risk;
- changes or fluctuations in oil, natural gas liquids and natural gas production levels;
- liabilities inherent in oil and natural gas operations;
- adverse judicial rulings, regulatory rulings, orders and decisions;
- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves and resources;
- insufficient advancement by Red Leaf in the engineering of its proprietary process;
- competition for, cost and availability of, among other things, capital, acquisitions of reserves, undeveloped lands, equipment, skilled personnel and services;
- incorrect assessments of the value of acquisitions and targeted exploration and development assets;
- fluctuations in foreign exchange or interest rates;
- stock market volatility, market valuations and the market value of the securities of Questerre;
- failure to realize the anticipated benefits of acquisitions;
- actions by governmental or regulatory authorities, including changes in royalty structures and programs, and income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- limitations on insurance;
- changes in environmental, tax, or other legislation applicable to the Company's operations, and its ability to comply with current and future environmental and other laws; and
- geological, technical, drilling and processing problems, and other difficulties in producing oil, natural gas liquids and natural gas reserves.

Statements relating to reserves are by their nature deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

The discounted and undiscounted net present values of future net revenue attributable to reserves do not represent the fair market value thereof.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities law. Certain information set out herein with respect to forecasted results is "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding the Company's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that this financial outlook may not be appropriate for other purposes.

BOE Conversions

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 is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalency 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.

Non-GAAP Measures

This document contains certain financial measures, as described below, which do not have standardized meanings prescribed under GAAP. As these measures are commonly used in the oil and gas industry, the Company believes that their inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

This document contains the term "adjusted funds flow from operations", which is an additional non-GAAP measure. The Company uses this measure to help evaluate its performance.

As an indicator of the Company's performance, adjusted funds flow from operations should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with GAAP. The Company's determination of adjusted funds flow from operations may not be comparable to that reported by other companies.

Adjusted Funds Flow from Operations Reconciliation

($ thousands)	**2024**	2023
Net cash from operating activities	**$ 13,673**	$ 16,317
Change in non-cash working capital	**886**	(462)
Adjusted funds flow from operations	**$ 14,559**	$ 15,855

This document also contains the terms "operating netbacks", "cash netbacks" and "working capital surplus", which are non-GAAP measures.

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.

Operating and cash netbacks, as presented, do not have any standardized meaning prescribed by GAAP and may not be comparable with the calculation of similar measures for other entities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.

The Company also uses the term "working capital surplus". Working capital surplus, as presented, does not have any standardized meaning prescribed by GAAP, and may not be comparable with the calculation of similar measures for other entities. Working capital surplus, as used by the Company, is calculated as current assets less current liabilities excluding any outstanding risk management contracts and lease liabilities.

Select Annual Information

As at/for the years ended December 31,	**2024**	2023	2022
Financial ($ thousands, except as noted)			
Petroleum and Natural Gas Revenue	**36,927**	41,701	51,751
Adjusted Funds Flow from Operations [1]	**14,559**	15,855	26,738
Cash Flow from Operations	**13,673**	16,317	28,810
Basic and Diluted ($/share)	**0.03**	0.04	0.03
Net Income (Loss)	**(7,329)**	(23,708)	14,067
Basic and Diluted ($/share)	**(0.02)**	(0.06)	0.03
Capital Expenditures	**20,640**	10,148	11,591
Working Capital Surplus [2]	**23,091**	29,866	24,007
Total Assets	**170,723**	172,346	196,486
Shareholders' Equity	**138,629**	143,667	166,128
Common Shares Outstanding (thousands)	**428,516**	428,516	428,516
Weighted average - basic (thousands)	**428,516**	428,516	428,516
Weighted average - diluted (thousands)	**431,715**	430,294	430,524
Operations (units as noted)			
Average Production			
Crude Oil and Natural Gas Liquids (bbls/d)	**1,021**	1,056	1,020
Natural Gas (Mcf/d)	**4,411**	4,749	4,167
Total (boe/d)	**1,756**	1,848	1,715
Average Sales Price [3]			
Crude Oil and Natural Gas Liquids ($/bbl)	**91.92**	94.01	121.58
Natural Gas ($/Mcf)	**1.65**	3.02	6.10
Total ($/boe)	**57.45**	61.83	82.67
Netback ($/boe)			
Petroleum and Natural Gas Revenue [4]	**57.45**	61.83	82.67
Royalties Expense [4]	**(4.32)**	(8.89)	(7.72)
Percentage	**8%**	14%	9%
Operating Expense [4]	**(23.58)**	(23.84)	(24.47)
Operating Netback	**29.55**	29.10	50.51
General and Administrative Expense [4]	**(8.60)**	(7.54)	(7.07)
Cash Netback	**20.95**	21.56	43.43
Wells Drilled			
Gross	**6.00**	2.00	1.00
Net	**2.25**	1.35	0.25

[1] Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.
[2] Refer to the Current Assets and Current Liabilities in the Balance Sheet for the years ended December 31, 2024 and 2023.
[3] Refer to Note 15 in the Consolidated Financial Statements for the years ended December 31, 2024 and 2023.
[4] Refer to Consolidated Statement of Comprehensive Loss and Comprehensive Loss for the years ended December 31, 2024 and 2023.

Highlights

- Submitted expert witness report on economic losses for legal claim in Quebec
- Participated in six (2.25 net) wells at Kakwa including three (0.75 net) wells on production and three (1.50 net) wells awaiting completions at year-end
- Average daily production of 1,756 boe per day, net cash from operating activities of $13.7 million and adjusted funds flow from operations of $14.6 million
- Total proved and probable reserves declined by 10% to 23.8 MMboe with a before tax NPV-10% of $195.3 million unchanged from last year

2024 Activities

Western Canada

Kakwa, Alberta

Questerre participated in development drilling at both the Kakwa Central and Kakwa North joint ventures during 2024.

Capital invested in Kakwa totalled $19.3 million for the year (2023: $3.6 million) with daily production averaging 1,452 boe/d (2023: 1,536 boe/d) comprising of 4.4 MMcf/d of natural gas (2023: 4.7 MMcf/d) and 719 bbl/d of condensate and natural gas liquids (2023: 753 bbl/d). Total proved and probable reserves as of December 31, 2024, were estimated at 22.5 MMBoe (2023: 25.0 MMBoe) with a before tax NPV-10% of $180.6 million (2023: $178.6 million). The Company currently holds 40,320 (17,700 net) acres in the Kakwa area.

At Kakwa Central, the operator drilled, completed and tied-in three wells during 2024. Questerre holds a 25% working interest in all three wells. The operator subsequently commenced a follow-up three well program in the fall. Questerre elected to forego participation in this entire program due to the proposed inter-well spacing that is expected to impact overall well recoveries.

At Kakwa North, the operator commenced a three well program in the fall of 2024. Questerre elected to participate in the program and holds a 50% interest in all three wells. The wells were completed in the first quarter of 2025. Subject to results, the Company anticipates a follow-up drilling program could commence later this year.

The Company plans to participate in future drilling programs at Kakwa North and Kakwa Central subject to, among other things, commodity prices, and the costs and design of the proposed drilling and completion programs.

Antler, Saskatchewan

Consistent with prior years, activities at Antler focused on optimizing existing production and expanding the pilot secondary recovery scheme to increase recovery of the oil in place.

$0.8 million was invested at Antler during the year to expand the pilot secondary recovery scheme. (2023: $5.5 million). Daily production averaged 250 bbl/d (2023: 239 bbl/d). Total proved and probable reserves as at December 31, 2024 were estimated at 1.2 MMBbls (2023: 1.3 MMBbls) with a before

tax NPV-10% of $21.9 million (2023: $23.3 million). The Company currently holds 12,560 net acres in the area.

In 2025, the Company expects to continue its work to enhance existing production through workovers and expanding the pilot secondary recovery scheme.

Quebec

The Company's primary objective remains the implementation of a business and political solution for the development of its natural gas discovery in the province. Concurrently, it is protecting its legal rights following the enactment in August 2022 of Bill 21, *An Act mainly to end petroleum exploration and production and the public financing of those activities in Quebec* ("Bill 21").

In February 2024, the Company submitted its application for a carbon storage pilot project to the Quebec Ministry of Economy, Innovation and Energy under Bill 21. The project includes a comprehensive program to assess the carbon storage potential including injection and monitoring wells, compression facilities and a pipeline to an adjacent industrial park. This included infrastructure will facilitate the transition to a commercial project.

Through the Quebec Energy Association, the Company participated in the public consultation for Bill 69, *An Act to ensure the responsible governance of energy resources and to amend various legislative provisions* introduced in June 2024. The centerpiece of the proposed legislation is an integrated resource management plan to promote energy development in Quebec. Among other things, it will establish for electric power and natural gas markets, policy directions, objectives and targets regarding supply, energy infrastructure and innovation.

Following the permission granted to the Attorney General of Quebec to appeal the Quebec Superior Court (Civil Division) ruling in January 2024 suspending key provisions of Bill 21 pending a hearing on the merits of the case, Questerre and other license holders filed a joint motion for review and annulment of the judgement granting the application for the leave to appeal (the "Motion"). In October 2024, the Quebec Court of Appeal heard the Motion and the appeal by the Attorney General. The Company is awaiting a decision from the Court of Appeal.

In October 2024, in connection with its claim against the Government of Quebec, the Company filed an independent report on potential economic losses. Based on the scope and subject to the restrictions, qualifications and major assumptions, under various scenarios, all of which are set out in the report, the report estimates the economic losses if the licenses are successfully revoked under three different scenarios with estimates ranging from $700 million to $4.8 billion. Please refer to our press release of October 3, 2024. A copy of the report is available on the disclosure system in Norway and on SEDAR+ in Canada.

The Company is proceeding with the main hearing on the merits of the case in accordance with procedural rules in Quebec, including its debate on the constitutional validity of Bill 21. The questioning of key Government representatives is expected to take place this summer to be followed by the establishment of a trial date for the hearing.

Oil Shale Mining

The Company continued to assist its investee, Red Leaf Resources Inc. ("Red Leaf"), advance their assets in the Unitah Basin and their proprietary technology that incorporates carbon capture to produce oil from organic rich material.

Red Leaf is a private Utah based company whose principal assets include its proprietary technology to produce oil from organic material, oil shale leases in the state of Utah and approximately US$10 million in unrestricted cash as of December 31, 2024. It also holds freehold surface rights as well as carbon sequestration rights and a permit for a wax processing facility in the oil-producing Uintah Basin in the state of Utah. The Company currently owns approximately 41% of the common share capital of Red Leaf.

Red Leaf completed the engineering design for a small-scale demonstration project for a consortium of local companies in Jordan. Red Leaf requires additional funding to conclude an agreement to advance this opportunity. A special committee of the Red Leaf board has been appointed to negotiate this agreement directly with the consortium. In early 2025, the company completed a pilot-scale lab test producing over one barrel of oil and demonstrating the rock mechanics within the vessel. The company continues to evaluate broader applications of their technology beyond the production of oil from shale.

Questerre intends to utilize the Red Leaf technology for its project in the Kingdom of Jordan. Discussions with the Government of Jordan for this small-scale commercial project and the related negotiations for the concession agreement for the project remain ongoing. Questerre has been advised that its exclusive rights to the project will expire in May 2025 subject to the execution of a new agreement with the government prior thereto.

Drilling Activities

During 2024, the Company participated in six (2.25 net) wells at Kakwa including three (0.75 net) wells at Kakwa Central and three (1.5 net) wells at Kakwa North. In the prior year, the Company drilled one net operated well at Antler and participated in one (0.35 net) well at Pierson.

Production

	2024			2023		
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Total (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Total (boe/d)
Alberta	**724**	**4,411**	**1,459**	753	4,749	1,545
Saskatchewan and Manitoba	**297**	**–**	**297**	303	–	303
	1,021	**4,411**	**1,756**	1,056	4,749	1,848

Note: Oil and liquids include light & medium crude oil and natural gas liquids. Natural gas includes conventional and shale gas.

For the year ended December 31, 2024, production volumes declined by 5% over the prior year and averaged 1,756 boe per day.

Consistent with prior years, Kakwa accounts for over 80% of corporate volumes. Natural declines from this area were largely offset by three (0.75 net) new wells at Kakwa Central that were completed and tied-in during the third quarter. While Kakwa North accounted for only 30% of corporate volumes in 2024, it is anticipated the volumes will increase in 2025 following the tie in of three (1.5 net) wells that were completed in March 2025.

The product mix at Kakwa is equally split between natural gas and liquids that include condensate. Aggregated with the light oil production from Saskatchewan and Manitoba, the Company's liquids weighting is close to 60%, unchanged from prior years. Production volumes from these areas remained largely flat with well workovers mitigating the impact of natural declines.

With no additional wells currently planned for the remainder of 2025, the Company's production volumes should decline over the second half of the year. Subject to the timing of a possible drilling program at Kakwa North this fall, the Company could see incremental volumes added in the second quarter of 2026.

2024 Financial Results

Petroleum and Natural Gas Revenue

	2024			2023		
($ thousands)	**Oil and Liquids**	**Natural Gas**	**Total**	Oil and Liquids	Natural Gas	Total
Alberta	**$ 23,820**	**$ 2,736**	**$ 26,556**	$ 25,418	$ 5,486	$ 30,904
Saskatchewan and Manitoba	**10,371**	**–**	**10,371**	10,797	–	10,797
	$ 34,191	**$ 2,736**	**$ 36,927**	$ 36,215	$ 5,486	$ 41,701

Note: Oil and liquids include light & medium crude oil and natural gas liquids. Natural gas includes conventional and shale gas.

Petroleum and natural gas revenue declined by 12% over the prior year with just over 40% of the decline due to the lower production volumes and the remainder due to lower commodity prices.

Pricing

	2024	2023
Benchmark prices:		
Natural Gas - AECO 5A, daily spot ($/GJ)	**1.38**	2.64
Crude Oil - Canadian Light Sweet Blend ($/bbl)	**97.54**	100.39
Realized prices:		
Natural Gas ($/Mcf)	**1.65**	3.02
Crude Oil and Natural Gas Liquids ($/bbl)	**91.92**	94.01

Note: Oil and liquids include light & medium crude oil and natural gas liquids. Natural gas includes conventional and shale gas.

Crude oil prices declined by under 3% over the prior year. The benchmark West Texas Intermediate averaged US$75.72 per barrel compared to US$77.62 per barrel last year.

Prices were supported in the first half of the year by the extension of voluntary supply cuts by OPEC+ members of just over 2.2 million barrels per day and the risk of the Middle East conflict expanding into a regional war. Later in the year, concerns arose about the strength of the demand recovery in China and the risk of increasing supply from non-OPEC countries including the U.S., Canada and Brazil. In 2025, prices will likely reflect the fallout from trade disputes involving the U.S., Canada, Mexico, China and the European Union. In the first quarter, this was partly offset by the weakening in the Canadian dollar relative to the US dollar.

The startup of the TMX pipeline expansion in May 2024 helped diversify market access for Canadian crude and improved the differentials for heavier grades. The differential between WTI and Canadian condensate prices increased to US$2.78 per barrel from US$1.03 per barrel last year, in part due to the increase in liquids rich gas production for the startup of LNG Canada export facility.

For the year ended December 31, 2024, Questerre's realized price for crude oil and natural gas liquids averaged $91.92 per barrel (2023: $94.01 per barrel) compared to the benchmark Canadian Mixed Sweet Blend that averaged $97.54 per barrel (2023: $100.39 per barrel).

Natural gas prices also declined in 2024. During the year the benchmark Henry Hub averaged US$2.19 per MMBtu compared to US$2.54 per MMBtu last year. Canadian natural gas prices declined more materially with the benchmark AECO 5A averaging $1.38 per GJ compared to $2.64 per GJ last year.

A warmer than expected winter and persistent supply in the United States continued to outpace demand including exports via LNG and pipelines to Mexico. In Canada the increased supply and limited storage was compounded by the lack of LNG export facilities, substantially increasing the differential between the Henry Hub and AECO prices. While the startup of LNG Canada in mid-2025 is expected to help strengthen prices, additional export facilities are likely needed to further increase demand.

Including the higher heat content gas from Kakwa, the Company's realized natural gas prices averaged $1.65 per Mcf (2023: $3.02 per Mcf).

Royalties

($ thousands)	**2024**	2023
Alberta	**$ 1,989**	$ 5,081
Saskatchewan and Manitoba	**787**	914
	$ 2,776	$ 5,995
% of Revenue:		
Alberta	**7%**	16%
Saskatchewan and Manitoba	**8%**	8%
Total Company	**8%**	14%

Royalties decreased substantially over the prior year due mainly to the credits received in Alberta for processing the Crown's share of production through Company facilities. As a percentage of revenue, this decreased from 14% last year to 8% this year.

Excluding these credits, royalty expense on production in Alberta was $5.7 million (2023: $6.4 million), representing a royalty rate of 22% (2023: 21%). Royalties on production in Saskatchewan and Manitoba declined commensurate with the lower petroleum sales during the year.

Operating Costs

($ thousands)	**2024**	2023
Alberta	**$ 11,379**	$ 11,499
Saskatchewan and Manitoba	**3,108**	4,050
Quebec	**671**	533
	$ 15,158	$ 16,082
$/boe:		
Alberta	**21.31**	20.39
Saskatchewan and Manitoba	**28.55**	36.61
Total Company	**$ 23.58**	$ 23.84

Gross operating costs decreased by just over 5% reflecting lower costs in Saskatchewan and Manitoba. On a unit of production basis, this remained relatively stable at approximately $24 per boe.

In Alberta, operating costs at Kakwa remained relatively flat over the prior year with similar production volumes. In Saskatchewan, the decrease in operating costs is attributable to lower workover costs compared to last year. Operating costs in Quebec reflect the costs associated with maintaining the Company's assets in the province and increased nominally due to consulting expense and rentals.

General and Administrative Expenses

($ thousands)	**2024**	2023
General and administrative expenses, gross	**$ 5,886**	$ 5,356
Capitalized expenses and overhead recoveries	**(356)**	(270)
General and administrative expenses, net	**$ 5,530**	$ 5,086

Gross General & Administrative expenses ("G&A") increased by 10% to $5.9 million from $5.4 million last year. Higher expenses were incurred in several categories, including legal fees, consulting and government and public relations related to the Company's project in Quebec and salaries and directors' fees. Capitalized expenses are overhead costs associated with the Company's projects in Alberta and Jordan.

Depletion, Depreciation, Impairment, Accretion and Lease Expiries

For the year ended December 31, 2024, the Company recorded depletion, depreciation, and accretion expense of $12.5 million (2023: $12.6 million) with depletion accounting for over 90% of this amount.

On a unit of production basis this increased to $18.39 per boe from $17.60 per boe last year. The reduction due to lower production volumes was offset by the increase in the carrying value of its assets on a boe basis.

In 2024, the Company assessed its property, plant, and equipment ("PP&E") assets for indicators of impairment or impairment reversals. With respect to the Kakwa cash generating unit ("CGU") an indicator of impairment was identified as a result of the reduction in the volume of reserves due to technical revisions. The result of the impairment test, based on a fair value less costs of disposal ("FVLCD") assessment of the Kakwa CGU was that no impairment or impairment reversals were recorded. The estimates of FVLCD were determined using a discount rate of 15.8% and forecasted after tax cash flows based on proved plus probable reserves, with escalating prices, royalties, operating costs and future development costs. No indicators of impairment or impairment reversals were identified for the other CGUs in 2024.

In 2023, based on a review of indicators of impairment conducted, the Company's Western Canada CGUs were tested in accordance with the Company's accounting policy. The recoverable amount of the CGUs was estimated based on the higher of the FVLCD and value in use ("VIU") using a discounted cash flow model. Due to a decrease in future gas prices, an increase in the future operating costs reducing the value of the reserves and a 11% reduction in reserves, the Company recorded an impairment expense in 2023 of $23.7 million. Of this amount, the Antler CGU recorded an impairment expense of $5.3 million based on a FVLCD assessment and the Kakwa CGU recorded an impairment expense of $18.4 million based on a VIU assessment. No impairments were recorded for the Company's other CGUs.

In 2024, the Company assessed the carrying value of its exploration and evaluation ("E&E") assets. Due to the pending expiry of its exclusivity rights in the absence of a new agreement with the Government of Jordan, the Company recorded an impairment of its E&E assets in Jordan for $7.9 million. No other impairment was recorded in the current year. In 2023 the Company recorded $0.8 million of impairment expense at Antler.

Share Based Compensation

Pursuant to the Company's share option plan, an optionee may request that the Company purchase all or any part of the then vested options of the optionee, for an amount equal to the market price of the Common Shares less the exercise price of the option shares. Notwithstanding the foregoing, the Company may, at its sole discretion, decline to accept and, accordingly, has no obligations with respect to the exercise of this put right at any time. Any cash settled options are cancelled.

The Company recorded share-based compensation expense of $1.1 million (2023: $1.4 million) net of $0.3 million (2023: $0.2 million) in expense that was capitalized during the year.

Equity Investment

Questerre holds approximately 41% of the equity capital of Red Leaf. The Company uses the equity method of accounting for its ownership of Red Leaf. Under this method, the Company records its proportionate share of Red Leaf's net loss and any impairment or reversals of previously recorded impairments are recognized through the income statement.

The Company recorded an expense of $0.5 million (2023: $1.2 million) related to its investment in Red Leaf. For more information, please see Note 7 to the Financial Statements.

Interest and Other Income

The Company earned interest and other income of $1.1 million for the year ended December 31, 2024. The interest was earned on its cash and term deposits that totalled $31.8 million at year-end. In the prior year, other income included $1.5 million of interest that was earned on its cash and term deposits.

Other Comprehensive Income (Loss)

In 2024, the Company recorded other comprehensive income of $0.9 million (2023: $0.4 million loss) related to the change in foreign exchange rates. A gain of $0.4 million in the current year (2023: $0.1 million loss) was attributable to the change in the US dollar denominated investment in Red Leaf. The Company also incurred a gain of $0.5 million (2023: $0.3 million loss) due to the appreciation in the Jordanian dinar impacting its dinar-denominated assets in Jordan.

Net Loss and Total Comprehensive Loss

For the year ended December 31, 2024, the Company recorded a net loss of $7.3 million compared to a net loss of $23.7 million in the prior year. Compared to last year, the loss in the current year is due to lower petroleum and natural gas revenue offset by lower expenses including impairment.

Including other comprehensive income (loss), the Company reported a total comprehensive loss of $6.4 million compared to a loss of $24.1 million last year.

Cash Flow from Operating Activities

The Company reported cash flow from operating activities of $13.7 million (2023: $16.3 million). The variance over the prior year is attributed to the lower adjusted funds flow from operations and a decrease in the non-cash working capital in the current year compared to an increase last year.

Cash Flow used in Investing Activities

Consistent with higher capital spending, the cash used in investing activities increased to $16.9 million from $10.8 million last year. Expenditures increased by $10.5 million to $20.6 million and the Company recorded an increase in non-cash working capital in the current year compared to a decrease last year.

Cash Flow used in Financing Activities

For both current and prior years, cash used in financing activities relates to the principal portion of the lease payments.

Capital Expenditures

($ thousands)	**2024**	2023
Alberta	**$ 19,357**	$ 3,616
Saskatchewan, Manitoba and Jordan	**1,283**	6,532
Total	**$ 20,640**	$ 10,148

Notes: Capital expenditures exclude certain non-cash items such as share-based compensation and asset retirement obligations.

For the year ended December 31, 2024, the Company incurred capital expenditures of $20.6 million

as follows:

- In Alberta, $11.7 million for drilling, completing and tying-in three (0.75 net) wells on the Kakwa Central joint venture and $7.6 million for drilling three (1.50 net) wells at Kakwa North;
- In Saskatchewan, $0.8 million was primarily spent on the pressure maintenance scheme; and
- The remaining $0.5 million was spent on other assets including Jordan.

For the year ended December 31, 2023, the Company incurred capital expenditures of $10.1 million as follows:

- In Alberta, $3.6 million to finish drilling, complete and tie-in one (0.25 net) well on the Kakwa Central joint venture;
- In Saskatchewan, $5.5 million was spent to drill, complete and tie-in one well and recompletions for the pressure maintenance scheme; and
- $1 million was spent to drill, complete and tie-in one (0.35 net) well in Manitoba and on other assets.

Fourth Quarter 2024 Results

In the fourth quarter of 2024, petroleum and natural gas revenue declined slightly to $9.6 million from $9.7 million last year. This was due to lower realized commodity prices that were almost completely offset by a 5% increase in production volumes in the quarter.

Both crude oil and natural gas prices declined over the prior year and preceding quarter. This was offset in part by the differential between WTI and Canadian condensate prices that was a premium in the quarter compared to a discount last year.

Operating costs increased over the same period in the prior year and preceding quarter. In the fourth quarter, operating costs totalled $3.9 million compared to $3.5 million last year. With costs relatively flat in Saskatchewan and Manitoba, the change is mainly due to higher operating costs from the new wells at Kakwa.

Including impairment expense relating to its E&E assets in Jordan, the Company reported a net loss of $8.1 million (2023: $26 million loss) and total comprehensive loss of $7.5 million (2023: $26.3 million) for the quarter. Despite lower expenses in the current year, the loss is largely due to the impairment expense. In the prior year, the loss was higher due to higher impairment expense.

In the fourth quarter, net cash from operating activities was $3.8 million (2023: $5.2 million). This reflects the higher adjusted funds flow from operations of $3.7 million (2023: $3.2 million) and a smaller increase in non-cash working capital of $0.1 million compared to $1.9 million last year. Net cash used in investing activities increased to $7.9 million over $3.4 million in the prior year due to higher capital spending associated with Kakwa North wells. There was no change in the net cash used in financing activities over the prior year.

Liquidity and Capital Resources

The Company's objectives when managing its capital are firstly to maintain financial liquidity, and secondly to optimize the cost of capital at an acceptable risk to sustain the future development of the business.

The Company continues to manage its financial liquidity through ensuring capital expenditures can be financed through a combination of cash flow from operations, existing cash and available debt facilities.

At December 31, 2024, and 2023, there were no material borrowings under its credit facility and the Company is compliant with all its covenants under the credit facilities. Under the terms of the credit facilities, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at December 31, 2024 was 3.92 (2023: 5.76) and the covenant was met. See Note 13 of the Financial Statements.

While the credit facilities were maintained at $16 million, the facilities could be reduced at their next review scheduled during the second quarter of 2025. The credit facilities are a demand facility and can be reduced, amended or eliminated by the lender for reasons beyond the Company's control. Should the credit facilities be reduced or eliminated, the Company would need to seek alternative credit facilities or consider the issuance of equity to enhance its liquidity. In the current market, the Company may be unable to secure additional financing on acceptable terms, if at all. The Company believes that it has access to sufficient financial liquidity to meet its foreseeable obligations in the normal course of operations over the next 12 months.

The Company is committed to the 2025 future development costs associated with proved reserves in its independent reserves assessment as of December 31, 2024. It anticipates that, as a result, reserves associated with wells drilled in 2025 will be transferred from the proved undeveloped to the proved producing category.

For a detailed discussion of the risks and uncertainties associated with the Company's business and operations, see the Risk Management section of the MD&A and the AIF.

Share Capital

The Company is authorized to issue an unlimited number of Common Shares. The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At December 31, 2024, there were no Class "B" common voting shares or preferred shares outstanding.

The following table provides a summary of the outstanding Common Shares and options as at the date of the MD&A and the current and preceding fiscal year end.

(thousands)	**March 26, 2025**	**December 31, 2024**	December 31, 2023
Common Shares	**428,516**	**428,516**	428,516
Stock Options	**38,920**	**38,295**	38,140
Weighted average Common Shares			
Basic		**428,516**	428,516
Diluted		**431,715**	430,294

A summary of the Company's stock option activity during the years ended December 31, 2024 and 2023 follows:

	December 31, 2024		December 31, 2023	
	Number of Options *(thousands)*	**Weighted Average Exercise Price**	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	**38,140**	**$ 0.26**	35,298	$ 0.28
Granted	**6,950**	**0.25**	6,000	0.24
Forfeited	**(620)**	**0.27**	–	–
Expired	**(6,175)**	**0.29**	(3,158)	0.48
Outstanding, end of period	**38,295**	**$ 0.25**	38,140	$ 0.26
Exercisable, end of period	**29,704**	**$ 0.25**	28,153	$ 0.25

Commitments

A summary of the Company's net commitments at December 31, 2024 follows:

($ thousands)	2025	2026	2027	Total
Transportation and Processing	$ 2,515	$ 1,566	$ 545	$ 4,626

To maintain its capacity to execute its business strategy, the Company expects that it will need to continue the development of its producing assets. There will also be expenditures in relation to G&A and other operational expenses. These expenditures are not yet commitments, but Questerre expects to fund such amounts primarily out of cash flow from operations and its available cash and credit facilities.

Risk Management

Companies engaged in the petroleum and natural gas industry face a variety of risks. For Questerre, these include risks associated with commodity prices, exploration and development drilling as well as

production operations, foreign exchange and interest rate fluctuations. Unforeseen significant changes in such areas as markets, prices, royalties, interest rates, government regulations and global economic conditions could have an impact on the Company's future operating results and/or financial condition. While Management realizes that all the risks may not be controllable, Questerre believes that they can be monitored and managed. For more information, please refer to the "Risk Factors" and "Industry Conditions" sections of the AIF and Note 6 to the audited consolidated financial statements for the year ended December 31, 2024.

Volatility in the oil and gas industry is a major risk facing the Company. Market events and conditions, including global oil and natural gas supply and demand, actions taken by OPEC and non-OPEC member countries' decisions on production growth and spare capacity, including recent decisions by Saudi Arabia and Russia, on production growth and spare capacity, market volatility and disruptions, weakening global relationships, the war in Ukraine, conflict between the U.S. and Iran, isolationist and punitive trade policies including potential trade disputes involving Canada, Mexico, China, the European Union and the U.S., hostilities in the Middle East, Ukraine and Taiwan, U.S. shale production, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, the implementation of new export tariffs or import taxes on Canadian energy resources in the U.S. have caused significant volatility in commodity prices. Russia's invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices and global economies more broadly. These events and conditions have been a factor in the decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax and royalty changes and other environmental regulations.

In addition, the difficulties in obtaining the necessary approvals to build pipelines and other facilities to provide better access to markets for the oil and gas industry in Western Canada has led to additional uncertainty and reduced confidence in the oil and gas industry in Western Canada. Lower commodity prices may also affect the volume and value of the Company's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have previously reduced the Company's cash flow leading to a reduction in funds available for capital expenditures. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Any decrease in value of the Company's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Company's indebtedness, could result in the Company having to repay all or a portion of its indebtedness. Given the current market conditions and the lack of confidence in the Canadian oil and natural gas industry, the Company may have difficulty raising additional funds in the future to raise funds on unfavourable and highly dilutive terms.

Another significant risk for Questerre as a junior exploration company is access to capital. The Company attempts to secure both equity and debt financing on terms it believes are attractive in

current markets. Management also endeavors to seek participants to farm-in on the development of its projects on favorable terms. However, there can be no assurance that the Company will be able to secure sufficient capital if required or that such capital will be available on terms satisfactory to the Company.

As future capital expenditures will be financed out of adjusted funds flow from operations, borrowings and possible future equity sales, the Company's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry, and the Company's securities. To the extent that external sources of capital become limited or unavailable, or available but on onerous terms, the Company's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected. Based on current funds available and expected adjusted funds flow from operations, the Company believes it has sufficient funds available to fund its projected capital expenditures. However, if adjusted funds flow from operations is lower than expected, or capital costs for these projects exceed current estimates, or if the Company incurs major unanticipated expense related to development or maintenance of its existing properties, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for the Company's capital expenditure plans may result in a delay in development or production on the Company's properties.

Questerre faces several financial risks over which it has no control, such as commodity prices, exchange rates, interest rates, access to credit and capital markets, as well as changes to government regulations and tax and royalty policies.

The Company uses the following guidelines to address financial exposure:

- Internally generated cash flow provides the initial source of funding on which the Company's annual capital expenditure program is based.
- Equity, including flow-through shares, if available on acceptable terms, may be raised to fund acquisitions and capital expenditures.
- Debt may be utilized to expand capital programs, including acquisitions, when it is deemed appropriate and where debt retirement can be controlled.
- Farm-outs of projects may be arranged if management considers that a project requires too much capital or where the project affects the Company's risk profile.

Credit risk represents a potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises from the Company's receivables from joint venture partners and oil and gas marketers. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Credit risk also arises from the Company's cash and cash equivalents. In the past, the Company manages credit risk exposure by investing in Canadian banks and credit unions. Management does not expect any counterparty to fail to meet its obligations.

Poor credit conditions in the industry may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner if possible.

Substantially all of the accounts receivable are with oil and natural gas marketers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production are paid in the following month from major oil and natural gas marketing and infrastructure companies and the Company has not experienced any credit loss relating to these sales to date. Pursuant to IFRS 9, the Company made a provision of $0.04 million at December 31, 2024, for its expected credit losses related to its accounts receivable.

Receivables from joint venture partners are typically collected within one to three months after the joint venture bill is issued. The Company mitigates this risk by obtaining pre-approval of significant capital expenditures.

The Company has issued and may continue in the future to issue flow-through shares to investors. The Company has historically used its best efforts to ensure that qualifying expenditures of Canadian Exploration Expense ("CEE") are incurred in order to meet its flow-through obligations. In 2017, the Federal Government amended the law regarding what expenses constitute CEE. Generally, oil and gas drilling expenses are now Canadian Development Expense rather than CEE. In the event that the Company has CEE expenditures reclassified under audit by the Canada Revenue Agency or fails to incur expenditures required under a flow-through share agreement, the Company may be required to liquidate certain of its assets in order to meet the indemnity obligations under flow-through share subscription agreements.

Exploration and development drilling risks are managed through the use of geological and geophysical interpretation technology, employing technical professionals and working in areas where those individuals have experience. For its non-operated properties, the Company strives to develop a good working relationship with the operator and monitors the operational activity on the property. The Company also carries appropriate insurance coverage for risks associated with its operations.

The Company may use financial instruments to reduce corporate risk in certain situations. Questerre's hedging policy is up to a maximum of 40% of total production at management's discretion.

As at December 31, 2024, the Company had no outstanding commodity risk management contract in place.

Environmental Regulation and Risk

The oil and natural gas industry is currently subject to environmental regulations pursuant to provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases of emissions and regulation on the storage and transportation of various substances produced or utilized in association with certain oil and natural gas industry operations, which can affect the location and operation of wells and facilities, and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites are abandoned and reclaimed to the satisfaction of provincial authorities. As well, applicable environmental laws may impose remediation obligations with respect to property designated as a contaminated site upon certain responsible persons, which include persons responsible for the substance causing the contamination, persons who caused the release of the substance and any past or present owner, tenant or other person in possession of the site. Compliance with such legislation can require significant expenditures, and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, the imposition of fines and penalties or the issuance of clean-up orders. The Company mitigates the potential financial exposure of environmental risks by complying with the existing regulations and maintaining adequate insurance. For more information, please refer to the "Risk Factors" and "Industry Conditions" sections of the AIF.

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. The federal and certain provincial governments have implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The taxes placed on carbon emissions may have the effect of decreasing the demand for oil and natural gas products and at the same time, increasing the Company's operating expenses, each of which may have a material adverse effect on the Company's profitability and financial condition. Further, the imposition of carbon taxes puts the Company at a disadvantage with the Company's counterparts who operate in jurisdictions where there are less costly carbon regulations.

Interest Rate Risk

Interest rate risk is the risk that changes in the applicable interest rates for its credit facilities will impact the Company's interest expense. At December 31, 2024, and 2023 the Company had effectively no amounts drawn down on its credit facilities with an effective rate of 7.74% (2023: 7.95%).

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and judgments have risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Petroleum and Natural Gas Reserves

All of Questerre's petroleum and natural gas reserves are evaluated and reported on by independent petroleum engineering consultants in accordance with *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities* and the COGE Handbook. For further information, please refer to "Statement of Reserves Data and Other Oil and Gas Information" in the AIF.

The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, commodity prices and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and changes in costs and commodity prices. These estimates are evaluated by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves and there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

Reserve estimates impact a number of the areas, in particular, the valuation of property, plant and equipment and the calculation of depletion.

Cash Generating Units

A CGU is defined as the lowest grouping of assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include geography and the way management monitors and makes decisions about its operations.

Impairment of Property, Plant and Equipment, Exploration and Evaluation Assets

The Company assesses its oil and natural gas properties, including exploration and evaluation assets, for possible impairment or reversal of previously recognized impairments if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable or indications that previously recognized losses should be reversed. Determining if there are facts and circumstances present that indicate that carrying values of the assets may not be recoverable requires management's judgment and analysis of the facts and circumstances.

The recoverable amounts of CGUs have been determined based on the VIU and the FVLCD. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated future commodity prices, expected production volumes, the discount rate, future operating and development costs and recent land transactions. Changes to these assumptions will affect the recoverable amounts of the CGUs and may require a material adjustment to their related carrying value.

Asset Retirement Obligation

Determination of the Company's asset retirement obligation is based on Government regulations, operator estimates, internal estimates using current costs and technology in accordance with existing legislation and industry practice and must also estimate timing, a risk-free rate and inflation rate in the calculation. These estimates are subject to change over time and, as such, may impact the charge against profit or loss. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a risk-free rate. The associated abandonment and retirement costs are capitalized as part of the carrying amount of the related asset. The capitalized amount is depleted on a unit of production basis in accordance with the Company's depletion policy. Changes to assumptions related to future expected costs, risk-free rates and timing may have a material impact on the amounts presented.

Share Based Compensation

The Company has a stock option plan enabling employees, officers and directors to receive Common Shares or cash at exercise prices equal to the market price or above on the date the option is granted. Under the equity settled method, compensation costs attributable to stock options granted to employees, officers or directors are measured at fair value using the Black-Scholes option pricing model. The assumptions used in the calculation are: the volatility of the stock price, risk-free rates of return and the expected lives of the options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Changes to assumptions may have a material impact on the amounts presented.

Income Tax Accounting

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

The determination of the Company's income and other tax assets or liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ significantly from that estimated and recorded by management.

Investment in Red Leaf

Questerre has investments in certain private companies, including Red Leaf, which it classifies as an equity investment and assesses for indicators of impairment at each period end. The primary risk related to the investment in Red Leaf is the decline in the net current assets of the company without a sufficient advancement in the engineering for their proprietary technology or their refinery project.

Design and Evaluation of Internal Controls over Financial Reporting and Disclosure Controls and Procedures

Questerre is required to comply with National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109") and is required to make specific disclosures with respect to NI 52-109 as follows:

- The Company has designed and evaluated the effectiveness of Disclosure Controls and Procedures ("DC&P"). The President and Chief Executive Officer and the Chief Financial Officer have concluded that DC&P are designed appropriately and are operating effectively as at December 31, 2024.
- The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's ICFR as at December 31, 2024, and have concluded that such ICFR have been designed appropriately and are operating effectively.
- The Company reports that no changes were made to ICFR during the quarter ended December 31, 2024, that have materially affected or are reasonably likely to materially affect the Company's ICFR.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met, and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Quarterly Financial Information

($ thousands, except as noted)	**December 31, 2024**	September 30, 2024	June 30, 2024	March 31, 2024
Production (boe/d)	**1,887**	1,913	1,559	1,664
Average Realized Price ($/boe)	**55.43**	53.75	62.36	59.43
Petroleum and Natural Gas Revenue	**9,622**	9,460	8,847	8,998
Adjusted Funds Flow from Operations[1]	**3,703**	3,428	4,455	2,973
Cash Flow from Operations	**3,844**	4,060	3,141	2,628
Net Profit (Loss)	**(8,143)**	(273)	1,262	(175)
Basic and Diluted ($/share)	**(0.02)**	–	–	–
Capital Expenditures, net of acquisitions and dispositions	**7,543**	3,433	7,034	2,630
Working Capital Surplus	**23,091**	27,608	27,620	30,211
Total Assets	**170,723**	178,731	179,248	172,968
Shareholders' Equity	**138,629**	145,887	145,941	144,148
Weighted Average Common Shares Outstanding				
Basic (thousands)	**428,516**	428,516	428,516	428,516
Diluted (thousands)	**432,473**	431,804	431,327	429,270

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.

($ thousands, except as noted)	December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
Production (boe/d)	1,794	1,830	1,978	1,790
Average Realized Price ($/boe)	59.04	63.71	59.46	65.38
Petroleum and Natural Gas Revenue	9,743	10,725	10,702	10,531
Adjusted Funds Flow from Operations[1]	3,209	3,034	5,335	4,277
Cash Flow from Operations	5,154	2,382	4,133	4,648
Net Profit (Loss)	(26,003)	(337)	1,692	946
Basic and Diluted ($/share)	(0.06)	–	–	–
Capital Expenditures, net of acquisitions and dispositions	3,588	845	2,469	3,246
Working Capital Surplus	29,866	30,191	28,013	25,085
Total Assets	172,346	197,716	201,213	199,264
Shareholders' Equity	143,667	169,636	169,444	167,371
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	428,516	428,516	431,100	431,064

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.

The general trends over the last eight quarters are as follows:

- Petroleum and natural gas revenues and adjusted funds flow from operations have fluctuated with production volumes and realized commodity prices. Revenue has generally declined in 2024 as a result of a 7% drop in realized commodity prices in 2024 compared to 2023.
- Production volumes reflect the capital investment in wells at Kakwa in preceding quarters.
- The level of capital expenditures over the quarters has varied largely due to the timing and number of wells drilled and completed. In the fourth quarter of 2023, $3 million was also invested at Antler.
- The working capital position has generally increased when capital expenditures and other investments have been lower than adjusted funds flow from operations and cash from financing activities.
- Shareholders equity generally decreased as a result of net loss incurred in the last six quarters.

Off-Balance Sheet Transactions

The Company did not engage in any off-balance sheet transactions during the year ended December 31, 2024.

Management's Report

The consolidated financial statements of Questerre Energy Corporation were prepared by management in accordance with International Financial Reporting Standards. The financial and operating information presented in this annual report is consistent with that shown in the consolidated financial statements.

Management has designed and maintains a system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the financial statements reliably report the Company's operations and that the Company's assets are safeguarded. Timely release of financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. Such estimates are based on careful judgments made by management.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, has been engaged to audit the consolidated financial statements of the Company and provide an independent opinion. They have conducted an independent examination of the Company's accounting records in order to express their opinion on the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through its Audit Committee. The Audit Committee, which consists of non-management directors, has met with Ernst & Young LLP and management in order to determine that management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The Audit Committee has reported its findings to the Board of Directors, who have approved the consolidated financial statements.

Michael Binnion
President and Chief Executive Officer

Jason D'Silva
Chief Financial Officer

Calgary, Alberta
March 26, 2025

To the Shareholders of Questerre Energy Corporation

Opinion

We have audited the consolidated financial statements of Questerre Energy Corporation (the Company) which comprise the consolidated balance sheet as at December 31, 2024 and 2023, and the consolidated statement of net loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. This matter was addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment As at December 31, 2024, the carrying amount of property, plant and equipment in the Western Canada operating segment was $116.7 million. Property, plant and equipment is tested for impairment only when circumstances indicate that the carrying amount of a Cash Generating Unit ("CGU") may exceed its recoverable amount. As impairment indicators existed in the Kakwa CGU in the Western Canada operating segment, property, plant and equipment for the Kakwa CGU was tested for impairment. For the year ended December 31, 2024, an impairment test was performed resulting in nil impairment being recorded with respect to property, plant and equipment in the Kakwa CGU. Refer to Note 2(e) for a description of the Company's estimates and judgements relating to impairment and to Note 3(f) for a description of the Company's impairment of non-financial assets accounting policy. Refer to Note 8 for the Company's property, plant and equipment impairment disclosures. Auditing the Company's estimated recoverable amount for the Kakwa CGU was complex due to the subjective nature of the underlying inputs and assumptions and the significant effect changes in these could have on the recoverable amount. Additionally, the evaluation of this estimate required specialized skills and knowledge. The primary inputs noted in the fair value less cost of disposal model was forecasted production, escalated pricing, royalties, operating costs, future development costs and an after-tax discount rate. Determining the amount of impairment requires an estimate of a CGU's respective recoverable amount. The recoverable amount of the CGU was determined using a fair value less costs of disposal	To test the Company's estimated recoverable amount of the Kakwa CGU within the Western Canada operating segment, we performed the following procedures, among others: • Evaluated management's experts' competence, capability and objectivity as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and assumptions utilized; • Involved our internal valuation specialists to assess the methodology applied, and the various inputs utilized in determining the after-tax discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums; • With the assistance of our internal valuation specialists, we compared the market capitalization to net assets and observed quantitative and qualitative reconciliations using market data and transactions; • Compared forecasted benchmark commodity pricing against historical realized prices and to other third-party price forecasts; • Assessed forecasted production, royalties, operating costs, and future development costs by comparing them to historical results; and • Evaluated the adequacy of the impairment note disclosure included in Note 8 of the

model based on expected after-tax future net cash flows from the production of proved plus probable reserve volumes using forecast commodity prices and costs, discounted using market-based rates. Proved plus probable reserves were determined by the Company's independent petroleum engineers (management's experts).

accompanying consolidated financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- Annual Report, other than the financial statements and our auditor's report thereon

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to

issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

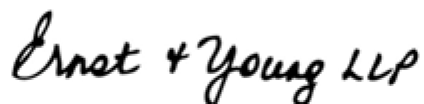
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Robert Mitchell.



Chartered Professional Accountants

Calgary, Canada

March 26, 2025

Consolidated Balance Sheets

($ thousands)	Note		December 31, 2024		December 31, 2023
Assets					
Current Assets					
Cash and cash equivalents	5	$	31,791	$	35,038
Accounts receivable	6		3,242		3,016
Deposits and prepaid expenses			1,402		1,419
			36,435		39,473
Right-of-use assets	19		128		180
Investments	7		4,359		4,471
Property, plant and equipment	8		116,695		115,935
Exploration and evaluation assets	9		13,106		12,287
		$	170,723	$	172,346
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities		$	12,496	$	9,387
Lease liabilities	19		56		58
Current portion of asset retirement obligation	12		799		184
Credit Facilities	6,13		49		36
			13,400		9,665
Lease liabilities	19		83		134
Asset retirement obligation	12		18,611		18,880
			32,094		28,679
Shareholders' Equity					
Share capital	14		429,878		429,878
Contributed surplus			29,283		27,908
Accumulated other comprehensive income (loss)			896		(20)
Deficit			(321,428)		(314,099)
			138,629		143,667
		$	170,723	$	172,346

Commitments (note 20)

The notes are an integral part of these consolidated financial statements.

Signed on behalf of the Board of Directors

Bjorn Inge Tonnessen, Director

Dennis Sykora, Director

Consolidated Statements of Net Loss and Comprehensive Loss

($ thousands, except per share amounts)	Note	For the year ended December 31, 2024	2023
Revenue			
Petroleum and natural gas revenue	15	**$ 36,927**	$ 41,701
Royalties		**(2,776)**	(5,995)
Petroleum and natural gas revenue, net of royalties		**34,151**	35,706
Expenses			
Direct operating		**15,158**	16,082
General and administrative		**5,530**	5,086
Depletion, depreciation and accretion	8,12,19	**12,485**	12,631
Impairment	8,9	**7,863**	24,449
Loss on equity investment	7	**474**	1,232
Lease expiries	9	**–**	139
Share based compensation	11	**1,115**	1,367
Interest and other income		**(1,145)**	(1,572)
		41,480	59,414
Loss before taxes		**(7,329)**	(23,708)
Deferred tax (recovery) expense	10	**–**	–
Net loss		**(7,329)**	(23,708)
Other Comprehensive Income (Loss), Net of Tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment		**554**	(267)
Income (loss) on foreign exchange on investments	7	**362**	(93)
		916	(360)
Total Comprehensive Loss		**$ (6,413)**	$ (24,068)
Net Loss per Share			
Basic and diluted	14	**$ (0.02)**	$ (0.06)

The notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

($ thousands)	For the year ended December 31, 2024	2023
Share Capital		
Balance, beginning and end of year	**$ 429,878**	$ 429,878
Contributed Surplus		
Balance, beginning of year	**27,908**	26,301
Share based compensation	**1,375**	1,607
Balance, end of year	**29,283**	27,908
Accumulated Other Comprehensive Income (Loss)		
Balance, beginning of year	**(20)**	340
Other comprehensive income (loss)	**916**	(360)
Balance, end of year	**896**	(20)
Deficit		
Balance, beginning of year	**(314,099)**	(290,391)
Net loss	**(7,329)**	(23,708)
Balance, end of year	**(321,428)**	(314,099)
Total Shareholders' Equity	**$ 138,629**	$ 143,667

The notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

($ thousands)	Note	For the years ended December 31, 2024	2023
Operating Activities			
Net loss		$ (7,329)	$ (23,708)
Adjustments for:			
Depletion, depreciation and accretion	8,12,19	12,485	12,631
Impairment	8,9	7,863	24,449
Lease expiries	9	–	139
Loss on equity investment	7	474	1,232
Share based compensation	11	1,115	1,367
Deferred tax (recovery) expense	10	–	–
Abandonment expenditures	12	(49)	(255)
		14,559	15,855
Change in non-cash working capital	18	(886)	462
Net cash from operating activities		13,673	16,317
Investing Activities			
Property, plant and equipment expenditures	8	(4,046)	(4,650)
Exploration and evaluation expenditures	9	(16,594)	(5,498)
Change in non-cash working capital	18	3,785	(666)
Net cash used in investing activities		(16,855)	(10,814)
Financing Activities			
Principal portion of lease payments	19	(65)	(58)
Repayment of credit facilities	13	–	3
Net cash used in financing activities		(65)	(55)
Change in cash and cash equivalents		(3,247)	5,448
Cash and cash equivalents, beginning of year		35,038	29,590
Cash and cash equivalents, end of year		$ 31,791	$ 35,038

The notes are an integral part of these consolidated financial statements.

1. Reporting Entity

Questerre Energy Corporation ("Questerre" or the "Company") is an energy technology and innovation company actively engaged in the acquisition, exploration and development of oil and gas projects, specifically, non-conventional projects such as tight oil, oil shale, shale oil and shale gas. The consolidated financial statements of the Company as at and for the years ended December 31, 2024, and 2023 comprise the Company and its wholly-owned subsidiaries in those periods owned. The Company wholly-owns Questerre Energy Corporation/Jordan, which holds interests in the oil shale assets in Jordan.

Questerre is incorporated under the laws of the Province of Alberta and is domiciled in Canada. The address of its registered office is 1650, 801 Sixth Avenue SW, Calgary, Alberta.

a) Segmented Disclosure

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources, and assessing operational performance by Questerre's chief operating decision makers comprising of the Chief Executive Officer and other members of executive management. The operating segments have been aggregated based on several factors including geographic location and stage of development as well as the assignment of reserves and resources.

The accounting policies applied by the segments are the same as those applied by the Company.

The Company's operating segments at year-end are as follows:

- Western Canada – Exploration and development activities in Western Canada including Alberta, Saskatchewan and Manitoba with existing production of natural gas, crude oil and natural gas liquids.
- Quebec – Claim against the Government of Quebec for an attempted revocation of licenses for a significant natural gas discovery in the province.
- Corporate & other – General and administrative resources to manage the respective operating segments. Includes exploration activities in the Kingdom of Jordan and an investment in Red Leaf Resources Inc. ("Red Leaf").

Segmented assets are those assets associated with each operating segment as recorded on the consolidated balance sheets.

The table below details the breakdown of assets by operating segment to the consolidated balance sheets and the reconciliation of loss by operating segment to the consolidated statements of net loss and comprehensive loss.

($ thousands)	Western Canada	Quebec	Corporate & other	Consolidated
Assets by operating segment				
Exploration and Evaluation	$ 13,106	$ –	$ –	$ 13,106
Property, Plant & Equipment	116,695	–	–	116,695
Other	4,644	7,551	28,727	40,922
Total Assets, December 31, 2024	**$ 134,445**	**$ 7,551**	**$ 28,727**	**$ 170,723**
Exploration and Evaluation	$ 5,366	$ –	$ 6,921	$ 12,287
Property, Plant & Equipment	115,935	–	–	115,935
Other	4,435	7,658	32,031	44,124
Total Assets, December 31, 2023	$ 125,736	$ 7,658	$ 38,952	$ 172,346

Results by operating segment				
Revenues	$ 34,151	$ –	$ –	$ 34,151
Expenses	(26,972)	(671)	(13,363)	(41,006)
Other income	–	–	(474)	(474)
Total Loss, December 31, 2024	$ 7,179	$ (671)	$ (13,837)	**$ (7,329)**
Revenues	$ 35,706	$ –	$ –	$ 35,706
Expenses	(52,768)	(533)	(4,881)	(58,182)
Other income	–	–	(1,232)	(1,232)
Total Loss, December 31, 2023	**$ (17,062)**	**$ (533)**	**$ (6,113)**	**$ (23,708)**

2. Basis of Preparation

a) Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at March 26, 2025, the date the Board of Directors approved the statements.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit and loss which are measured at fair value with changes in fair value recorded in profit or loss and changes due to foreign exchange recorded through other comprehensive income or loss as disclosed in Note 3.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company has a wholly-owned subsidiary with a functional currency of the Jordanian Dinar.

d) Jointly controlled assets

The Company conducts many of its oil and gas production activities through jointly controlled operations. Interests in joint arrangements are classified as either joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangement. Joint operations arise when the Company has rights to the assets and obligations for the liabilities of the arrangement. The Company recognizes its share of assets, liabilities, revenues and expenses of a joint operation. Joint ventures arise when the Company has rights to the net assets of the arrangement. Joint ventures are accounted for under the equity method.

e) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These estimates and judgments have risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Petroleum and natural gas reserves

All of Questerre's petroleum and natural gas reserves are evaluated and reported on by independent reserve engineers in accordance with the COGE Handbook and Canadian Securities Administrators' *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities*. The estimation of reserves is a subjective process. Forecasts are based on engineering data, anticipated future commodity prices, expected production volumes, future operating and development costs, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and changes in costs and commodity prices. These estimates are evaluated by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves and there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

Reserve estimates impact a number of areas, in particular, the valuation of property, plant, and equipment ("PP&E"), and the calculation of depletion.

Refer to Note 8 & 9 for carrying amounts of property, plant and equipment, exploration and evaluation assets.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets (“E&E”) requires judgement in determining whether it is likely that future economic benefit exists when activities have not reached a stage where technical feasibility and commercial viability can be reasonably determined. In addition, Management uses judgement to determine when E&E assets are reclassified to PP&E assets.

Exploration and evaluation assets are subject to ongoing management review to confirm the continued intent to establish the technical feasibility and commercial viability of the assets. In making this determination, various factors are considered such as drilling results, future capital and operating expenditures, including judgement over the amount of economically recoverable resources, and whether the appropriate government, regulatory, or internal approvals are likely to be received.

Cash generating units (“CGU”)

A CGU is defined as the lowest grouping of assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include geography and the way management monitors and makes decisions about its operations.

Refer to Note 8 for carrying amounts of property, plant and equipment.

Impairment of property, plant and equipment, exploration and evaluation assets

The Company assesses its oil and gas properties, including exploration and evaluation assets, for possible impairment or reversal of previously recognized impairments if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable or indications that previously recognized losses should be reversed. Determining if there are facts and circumstances present that indicate that carrying values of the assets may not be recoverable requires management’s judgment and analysis of the facts and circumstances.

The recoverable amounts of CGUs have been determined based on the higher of value in use (“VIU”) and the fair value less costs of disposal (“FVLCD”). The net book value of PP&E recognized is based on historical cost until tested for impairment using market values. The market value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) are generally estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports. The significant assumptions are based on Level 3 unobservable information with the primary inputs being forecasted production, escalated pricing, royalties, operating costs, future development costs. The after-tax discount rate is specific to the asset with reference to general

market conditions. The market value of E&E assets is estimated with reference to the market values of current arm's length transactions in comparable locations. Refer to Notes 8 and 9.

Asset retirement obligation

Determination of the Company's asset retirement obligation is based on Government regulations, operator estimates and internal estimates using current costs and technology in accordance with existing legislation and industry practice and must also estimate timing, a risk-free rate and inflation rate in the calculation. These estimates are subject to change over time and, as such, may impact the charge against profit or loss. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a risk-free rate. The associated abandonment and retirement costs are capitalized as part of the carrying amount of the related asset. The capitalized amount is depleted on a unit of production basis in accordance with the Company's depletion policy. Changes to assumptions related to future expected costs, risk-free rates and timing may have a material impact on the amounts presented.

Refer to Note 12 for the carrying amounts related to the asset retirement obligation.

Share based compensation

The Company has a stock option plan enabling employees, officers and directors to receive Class "A" Common voting shares ("Common Shares") or cash at exercise prices equal to the market price or above on the date the option is granted. The Company has the right and full discretion to settle any exercised options by issuing shares and accordingly uses the equity settled method of accounting. Under the equity settled method, compensation costs attributable to stock options granted to employees, officers or directors are measured at fair value using the Black-Scholes option pricing model. The assumptions used in the calculation are the volatility of the stock price, risk-free rates of return and the expected lives of the options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Changes to assumptions may have a material impact on the amounts presented.

For further detail refer to Note 11.

Income tax accounting

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

The determination of the Company's income and other tax assets or liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ significantly from that estimated and recorded by management.

Refer to Note 10.

Investment in Red Leaf

For the purpose of testing impairment, the Company measures the fair market value of Red Leaf by valuation techniques such as a net liquidation approach. Judgment is required in measuring the fair value of the Company's investment in Red Leaf, which may result in material adjustments to its related carrying value. Refer to Note 7 for the carrying amounts related to the Company's investment in Red Leaf.

3. Material Accounting Policy Information

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are considered.

Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The Company classifies its financial instruments in the following categories, at initial recognition, depending on the purpose for which the instruments were acquired.

Financial assets and liabilities at fair value through profit or loss

A financial asset or liability is classified in this category if it is held for trading. Derivatives are also included in this category unless they are designated as hedges. The Company has designated its risk management contracts in this category.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include accounts receivable and deposits.

These assets are included in current assets due to their short-term nature. They are recognized initially at the amount expected to be received, less, when material, a discount to reduce to fair value. Subsequently, they are measured at amortized cost using the effective interest method less a provision for impairment.

Cash and cash equivalents include deposits held with banks, less outstanding cheques, and short-term deposits with original maturities of one year or less.

Financial liabilities at amortized cost

Financial liabilities at amortized cost comprise credit facilities and accounts payable and accrued liabilities. Financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months.

c) Investments

Questerre holds investments in certain private companies including its investment in Red Leaf.

The Company uses the equity method of accounting to reflect its ownership in Red Leaf. Under the equity method, the Company's initial and subsequent investments are recognized at cost and subsequently adjusted for the Company's share of Red Leaf's income or loss, less distributions received. The Company is deemed to have significant influence in Red Leaf on the basis that it holds more than 20% of the voting power and the ability to participate in the decision making process of Red Leaf through its current Board representation.

d) Share capital

Common Shares are classified as equity. Incremental costs directly attributable to the issue of Common Shares are recognized as a deduction from equity, net of any tax effects.

e) Property, plant and equipment and exploration and evaluation assets

Recognition and measurement

Exploration and evaluation expenditures

Costs incurred prior to acquiring the legal rights to explore an area are recognized as exploration and evaluation expense in profit or loss.

Exploration and evaluation costs, including the costs of acquiring licenses, exploratory well expenditures, costs to evaluate the commercial potential of underlying resources and directly attributable general and administrative costs, are capitalized as exploration and evaluation assets. The costs are accumulated in cost centres by exploration area pending determination of technical feasibility and commercial viability. Gains and losses on exploration and evaluation assets are recognized on disposal through the income statement.

At each reporting period, exploration and evaluation assets are assessed for impairment to determine if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable based on several factors including the assignment of reserves. A review of each exploration license or field is carried out, at each reporting date, to ascertain whether technical feasibility and commercial viability has been achieved. Upon determination of technical feasibility and commercial viability, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment.

Every reporting period, the Company evaluates individually significant exploration and evaluation wells for impairment, if there are specific impairment indicators evident at the well level. If technical feasibility and commercial viability of the well is not established, the well costs are written off. For insignificant wells, overall exploration and evaluation well indicators are evaluated. If there are indicators of impairment, the wells are tested for impairment at the CGU level.

Development and production costs

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Cost includes all costs required to acquire developed or producing oil and gas properties and to develop oil and gas properties. Development and production assets are grouped into CGUs for impairment testing.

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognized net within gain (loss) on divestures in profit or loss.

Exchanges of properties are measured at fair value, unless the transaction lacks commercial substance or fair value cannot be reliably measured. When the exchange is at fair value, a gain or loss is recognized in profit or loss.

Other property, plant and equipment

Expenditures related to workovers or betterments that improve the productive capacity or extend the life of an asset are capitalized. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depletion and depreciation

The net carrying value of development and production assets is depleted using the unit of production method based on estimated proved and probable reserves, considering estimated future development costs necessary to bring those reserves into production. These estimates are evaluated by independent reserve engineers at least annually.

For other assets, depreciation is recognized in profit or loss on a straight-line basis over the respective useful lives.

Depreciation methods and useful lives are reviewed at each reporting date.

f) Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and compared to the carrying amount.

For the purpose of impairment testing, assets are grouped together into CGUs. Exploration and evaluation assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their reclassification to producing assets.

The recoverable amount of an asset or a CGU is the greater of its VIU and FVLCD. FVLCD is determined using discounted future cash flows of proved and probable reserves using an after tax discount rate for FVLCD. In determining FVLCD, recent market transactions are considered, if available. In the absence of such transactions, the discounted cash flow model is used. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized. Impairment reversals are recognized in profit or loss.

Impairment of financial assets

Questerre applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 *Financial Instruments* ("IFRS 9") which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized costs.

At each reporting date, the Company measures the lifetime expected loss provision taking into consideration Questerre's historical credit loss experience as well as forward-looking information in order to establish loss rates. The impairment loss (or reversal) is the amount of expected credit losses that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized. Also refer to Note 6.

Share based compensation

The Company has issued options to directors, officers and employees.

The Company accounts for its stock-based compensation awards on the basis that they will be equity settled. Under the equity settled method, compensation costs attributable to stock options granted to employees, officers or directors are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. The exercise of stock options is recorded as an increase in Common Shares with a corresponding reduction in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Asset retirement obligation

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Asset retirement obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. The best estimate of the provision is recorded on a discounted basis using a risk-free interest rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion of the asset retirement obligation whereas increases or decreases due to changes in the estimated future cash flows and risk-free rates are adjusted through property, plant and equipment or exploration and evaluation assets. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision.

h) Revenue from commodity sales and royalties

Questerre principally generates revenue from the sale of commodities, which include crude oil, natural gas, condensate and natural gas liquids ("NGLs"). Questerre also generates revenue from royalties on production from leases where it owns a working interest. Revenue associated with the sale of commodities is recognized when control is transferred from Questerre to its customers. Questerre's commodity sale contracts represent a series of distinct transactions. Questerre considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:

- Questerre has transferred title and physical possession of the commodity to the buyer;

- Questerre has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Questerre has the present right to payment.

Revenue represents the Company's share of commodity sales net of royalty obligations to governments and other mineral interest owners. Questerre sells its production pursuant to variable priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under these contracts, the Company is required to deliver a variable volume of crude oil, natural gas, condensate or NGLs to the contract counterparty.

Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed upon transaction price, whereby any variability in revenue is related specifically to the Company's efforts to deliver production. Therefore, the resulting revenue is allocated to the production delivered in the period during which the variability occurs. Payment terms for Questerre's commodity sales contracts are on the 25th of the month following delivery. Questerre does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year and therefore Questerre does not adjust its revenue transactions for the time value of money. The Company enters into contracts with customers that can have performance obligations that are unsatisfied, or partially unsatisfied, at the reporting date.

Royalty revenue is recognized as it accrues in accordance with the terms of the governing agreement, which is generally in the month when the product is produced with production volumes primarily marketed with the payor's production. Royalty revenue is measured at fair value of the consideration received when Management can reliably estimate the amount pursuant to the terms of the royalty agreement. An accrual is included in revenue and accounts receivable for amounts not received at the reporting date based on historical trends, new wells on stream and current market prices. Differences between the estimates and actual amounts received are adjusted and recorded in the period when the actual amounts are received.

i) Income tax

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on

the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax asset will be realized.

The effect of a change in enacted or substantively enacted income tax rates on future income tax assets and liabilities is recognized in profit or loss in the period that the change occurs unless the original entry was recorded to equity.

j) Net profit or loss per share

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated using the weighted average number of shares outstanding, adjusted for the potential number of shares which may have a dilutive impact on net profit. Potentially dilutive shares include stock options. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase Common Shares at the average market price.

Since the options may be settled in cash or shares at the Company's discretion and therefore there is no obligation to settle in cash, the share units are accounted for as equity-settled share based payment transactions and included in diluted profit per share if the effect is dilutive.

k) Leases

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements and may continue to be treated as operating leases. The right-of-use assets recognized are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

The lease liabilities are subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under

a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liabilities are re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to nil. The Company presents right-of-use assets and lease liabilities separately in the balance sheet.

The application of IFRS 16 requires significant judgments and estimations to be made. Areas that require judgment include identifying whether a contract (or part of a contract) includes a lease, determining whether it is reasonably certain that an extension or termination option will be exercised, determining whether variable payments are in substance fixed, establishing whether there are multiple leases in an arrangement and determining the stand-alone amounts for lease and non-lease components. Other sources of estimation uncertainty in the application of IFRS 16 include estimating the lease term, determining the appropriate discount rate to apply to lease payments and assessing whether a right-of-use assets are impaired.

4. Changes in Accounting Policies and Disclosures

Future Accounting Pronouncements

An amendment to IAS 1 *Presentation of Financial Statements* to clarify the requirements for the presentation of liabilities as current or non-current on the consolidated balance sheet was adopted effective January 1, 2024. IFRS 18 Presentation and Disclosure in Financial Statements was finalized for adoption for accounting periods beginning on or after January 1, 2027.

5. Cash and Cash Equivalents

($ thousands)	**December 31, 2024**	December 31, 2023
Bank balances	**$ 10,463**	$ 10,283
Short-term bank deposits	**21,328**	24,755
	$ 31,791	$ 35,038

6. Financial Risk Management and Determination of Fair Values

a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as credit risk, liquidity risk and market risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

b) Fair value of financial instruments

The Company's financial instruments as at December 31, 2024, included cash and cash equivalents, accounts receivable, deposits, investments, credit facilities and accounts payable and accrued

liabilities. As at December 31, 2024, excluding the investment in Red Leaf, the fair values of the Company's financial assets and liabilities equaled their carrying values due to the short-term maturity.

Disclosures about the inputs to fair value measurements are required, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

The Company's has no financial instruments within the Level 3 hierarchy.

c) Credit risk

Credit risk represents a potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises principally from the Company's receivables from joint venture partners and oil and gas marketers. The carrying amounts of accounts receivable and cash and cash equivalents represent the maximum credit exposure.

Substantially all of the accounts receivable are with oil and natural gas marketers and joint venture partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production is paid in the following month from major oil and natural gas marketing companies and the Company has not experienced any credit loss relating to these sales.

Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company mitigates this risk by obtaining pre-approval of significant capital expenditures.

The Company's accounts receivables are aged as follows:

($ thousands)	December 31, 2024	December 31, 2023
Current	$ 3,174	$ 2,939
31 - 60 days	3	–
61 - 90 days	1	46
>90 days	64	31
	$ 3,242	$ 3,016

The Company does not anticipate any material default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. There are no material financial assets that the Company considers past due that are considered impaired.

Cash and cash equivalents include cash bank balances and short-term deposits. The Company manages the credit risk exposure by investing in Canadian banks. Management does not expect any counterparty to fail to meet its obligations.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual capital expenditure budgets which are monitored and are updated as required. In addition, the Company requires authorizations for expenditures on projects to assist with the management of capital.

Since the Company operates in the upstream oil and natural gas industry, it requires sufficient cash to fund capital programs necessary to maintain or increase production, develop reserves and to potentially acquire strategic assets. The Company's capital programs are funded principally by cash obtained through its credit facilities, equity issuances and from operating activities. During times of low oil and natural gas prices or when cash resources may be limited, a portion of capital programs can generally be deferred, however, due to the long cycle times and the importance to future cash flow in maintaining the Company's production, it may be necessary to utilize alternative sources of capital to continue the Company's strategic investment plan during periods of low commodity prices. As a result, the Company frequently evaluates the options available with respect to sources of long and short-term capital resources. Occasionally, to the extent possible, the Company will use derivative instruments to manage cash flow in the event of commodity price declines.

The Company's financial obligations relates to amounts due under the credit facilities, including trade and other payables, which consist of invoices payable to trade suppliers relating to the office and field operating activities and its capital spending program. The Company processes invoices within a normal payment period and all amounts are due within the next 12 months.

The timing of cash outflows relating to financial liabilities as at December 31, 2024, and 2023 are as follows:

($ thousands)	**Less than one year**	**Remaining years**	**Total**
Trade and other liabilities	$ 12,496	$ –	$ 12,496
Credit facilities	49	–	49
Lease liabilities	56	83	139
Current portion of asset retirement obligation	799	–	799
December 31, 2024	**$ 13,400**	**$ 83**	**$ 13,483**

($ thousands)	Less than one year	Remaining years	Total
Trade and other liabilities	$ 9,387	$ –	$ 9,387
Credit facilities	36	–	36
Lease liabilities	58	134	192
Current portion of asset retirement obligation	184	–	184
December 31, 2023	$ 9,665	$ 134	$ 9,799

e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's profit or loss or the value of the financial instruments. The objective of the Company is to mitigate exposure to these risks while maximizing returns to the Company.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollar, but also world economic events that dictate the levels of supply and demand. The Company may enter into oil and natural gas contracts to protect, to the extent possible, its cash flow on future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas.

As at December 31, 2024, the Company had no outstanding commodity risk management contracts.

Currency risk

All of Questerre's petroleum and natural gas sales are denominated in Canadian dollars; however, the underlying market prices for these commodities are impacted by the exchange rate between Canada and the United States. The Company also incurs expenditures in its Jordanian subsidiary that are denominated in Jordanian Dinar and United States dollars. As at December 31, 2024, the Company had no forward foreign exchange contracts in place.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At December 31, 2024, and 2023, the Company had credit facilities outstanding of essentially nil.

f) Capital management

The Company believes with its expected positive cash flow from operations and existing credit facilities in the near future it will be able to meet its foreseeable capital obligations in the normal course of operations. On an ongoing basis, the Company reviews its capital expenditures to ensure that cash flow from operations or access to credit facilities are available to fund these capital expenditures. To execute its current business plan including incurring capital expenditures related to the full participation in the current and future drilling programs it anticipates it will require access to additional financial liquidity.

The volatility of commodity prices has a material impact on Questerre's cash flow from operations. Questerre attempts to mitigate the effect of lower prices by entering into risk management contracts, shutting in production in unusually low pricing environments, reallocating capital to more profitable areas and reducing capital spending based on results and other market considerations.

The Company considers its capital structure to include shareholders' equity, any outstanding amounts under its credit facilities and cash flow from operations. The Company will adjust its capital structure to minimize risk and its cost of capital through the issuance of shares, securing additional credit facilities and adjusting its capital spending as required. Questerre monitors its capital structure based on the current and projected funds flow from operations.

($ thousands)	**December 31, 2024**	December 31, 2023
Credit facilities	**$ 49**	$ 36
Cash flow from operating activities	**13,673**	16,317
Shareholders' equity	**138,629**	143,667

7. Investment in Red Leaf

Red Leaf is a private Utah based oil shale and technology company whose principal assets are its proprietary technology to recover oil from shale and its oil shale leases in the state of Utah. The Company also holds acreage permitted for a wax processing project in the state.

As at December 31, 2024, Questerre holds 132,292 common shares, representing approximately 41% of the common share capital of Red Leaf and 288 Series A Preferred Shares of Red Leaf representing approximately 16% of the issued and outstanding preferred share capital of Red Leaf on a non-diluted basis.

Questerre has determined its investment in Red Leaf will be accounted for using the equity method. This is based on several criteria including its current equity interest in Red Leaf and ability to participate in the decision making process of Red Leaf through its current Board representation.

($ thousands)	December 31, 2024	December 31, 2023
Balance, beginning of year	$ 4,471	$ 5,796
Loss on equity investment	(474)	(1,232)
Gain (loss) on foreign exchange	362	(93)
Balance, end of the year	$ 4,359	$ 4,471

The assets, liabilities, and net loss of Red Leaf for the respective years were comprised as follows:

($ thousands)[1]	December 31, 2024	December 31, 2023
Cash and Cash Equivalents	$ 17,763	$ 20,829
Other Current Assets	585	281
Current Liabilities	190	124
Non-current liabilities	3,043	2,797
Net Loss[2]	$ (2,546)	$ (4,549)

[1] Converted at an exchange rate of US$1=C$1.4389
[2] Converted at an average exchange rate of US$1=C$1.3698

The issued and outstanding share capital of Red Leaf as of December 31, 2024, is comprised of the following:

	Issued and Outstanding	Questerre Ownership
Common Shares	321,828	132,292
Preferred Shares	1,795	288

The Series A Preferred Shares carry voting rights and dividends accrue on a cumulative basis, whether or not declared, at a rate of 8% per annum compounding annually. On the occurrence of a defined liquidation event, including certain reorganizations, takeovers, the sale of all or substantially all the assets of the company, and shareholder distributions, the Series A Preferred shareholders are entitled to an amount representing the original issue price plus any accrued dividends. As of December 31, 2024, this priority amount is approximately US$1.8 million.

8. Property, Plant and Equipment

A reconciliation of the PP&E assets is detailed below.

($ thousands)		Total
Cost or deemed cost:		
Balance, December 31, 2022	$	303,826
Additions including change to asset retirement		4,188
Transfer from exploration and evaluation assets		6,307
Balance, December 31, 2023		314,321
Additions including change to asset retirement		4,000
Transfer from exploration and evaluation assets		8,605
Balance, December 31, 2024	**$**	**326,926**
Accumulated depletion, depreciation and impairment losses:		
Balance, December 31, 2022	$	162,759
Depletion and depreciation		11,890
Impairment		23,737
Balance, December 31, 2023		198,386
Depletion and depreciation		11,845
Balance, December 31, 2024	**$**	**210,231**

($ thousands)		Total
Net book value:		
At December 31, 2023	$	115,935
At December 31, 2024	**$**	**116,695**

During the years ended December 31, 2024, and 2023, the Company did not capitalize any administrative overhead or share based compensation expense directly related to development activities. Included in December 31, 2024, depletion calculation are future development costs of $293.6 million (2023: $319.6 million).

As at December 31, 2024, the future prices used for impairment testing to determine cash flows from oil and natural gas reserves were as follows:

	2025	2026	2027	2028	2029	Average Annual % Change Thereafter
WTI (US$/barrel)	71.58	74.48	75.81	77.66	79.22	2.00
AECO ($/MMbtu)	2.36	3.33	3.48	3.69	3.76	2.00

In 2024, the Company assessed its PP&E assets for indicators of impairment or impairment reversals. With respect to the Kakwa CGU an indicator of impairment was identified as a result of the reduction in the volume of reserves due to technical revisions. The result of the impairment test based on a FVLCD assessment of the Kakwa CGU was that no impairment or impairment reversals were recorded. The estimates of FVLCD were determined using a discount rate of 15.8% (2023: 15%) and forecasted after tax cash flows based on proved plus probable reserves, with escalating prices, royalties, operating costs and future development costs. No indicators of impairment or impairment reversals were identified for the other CGUs in 2024.

The table below illustrates the impact of changes to the discount rate and price forecasts:

($ thousands)	One Percent Increase in the Discount Rate	Five Percent Decrease in the Forward Price Estimates
Impairment charge of property, plant and equipment	$ 5,724	$ 17,845

For the prior year, the Company recorded an impairment of $23.7 million as follows: Antler CGU recorded an impairment expense of $5.3 million based on a FVLCD assessment and the Kakwa CGU recorded an impairment expense of $18.4 million based on a VIU assessment.

9. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company's exploration projects which are pending the determination of technical feasibility and commercial viability. Additions represent the Company's share of costs incurred on exploration and evaluation assets during the period.

A reconciliation of the movements in exploration and evaluation assets is detailed below.

($ thousands)	**December 31, 2024**	December 31, 2023
Balance, beginning of year	**$ 12,287**	$ 14,227
Additions	**16,344**	5,591
Transfers to property, plant and equipment	**(8,605)**	(6,307)
Undeveloped lease impairments	**–**	(826)
Undeveloped lease expiries and farmouts	**–**	(139)
Foreign currency translation adjustment - Jordan	**943**	(259)
Impairment of Jordan asset	**(7,863)**	–
Balance, end of period	**$ 13,106**	$ 12,287

During the year ended December 31, 2024, the Company capitalized administrative overhead charges of $0.4 million (2023: $0.4 million) and $0.3 million (2023: $0.2 million) for capitalized share based compensation expense directly related to exploration and evaluation activities.

Due to the impending expiry of its exclusive exploration rights in Jordan in the first half of 2025 and no immediate plans to conclude a subsequent agreement, the Company recorded an impairment

expense of $7.9 million representing its E&E assets in the country. No impairments were recorded for the Company's other CGUs in 2024. For the prior year, the Company recognized an E&E impairment expense of $0.8 million in 2023 in Antler, Saskatchewan.

10. Deferred Income Taxes

The tax on the Company's net loss before taxes differs from the amount that would arise using the weighted average tax rate applicable to profits or losses of the consolidated entities as follows:

($ thousands)	**December 31, 2024**	December 31, 2023
Net loss before taxes	**$ (7,329)**	$ (23,708)
Combined federal and provincial tax rate	**23.82%**	23.63%
Computed "expected" deferred tax expense (recovery)	**(1,746)**	(5,602)
Increase in deferred taxes resulting from:		
Non-deductible differences and permanent items	**1,567**	192
Change in deferred tax asset not recognized	**179**	5,410
Deferred tax expense	**$ -**	$ -

The Company evaluated the recoverability of its deferred tax assets using forecasted before-tax cash flows based on proved reserves, with escalating prices and future development costs obtained from an independent reserve evaluation report and a deduction for estimated general and administrative costs associated with these proved reserves. As a result, no deferred tax asset was recorded. The combined statutory tax rate was 23.82% in 2024 and 23.63% in 2023.

The movement in deferred tax assets and liabilities during the year, without taking into consideration the valuation allowances, are as follows:

($ thousands)	Petroleum and natural gas properties	Investments	Asset retirement obligation	Non-capital losses	Capital losses
December 31, 2023	$ 36,811	$ 4,012	$ 4,506	$ 2,479	$ 4,312
Change	2,641	26	116	(2,479)	33
December 31, 2024	**$ 39,452**	**$ 4,038**	**$ 4,622**	**$ –**	**$ 4,345**

The amount and timing of reversals of temporary differences will be dependent upon, among other things, the Company's future operating results, and acquisitions and dispositions of assets and liabilities.

The following temporary differences have not been recognized:

($ thousands)	December 31, 2024	December 31, 2023
Petroleum and natural gas properties	$ 165,651	$ 155,748
Investments	33,908	33,955
Asset retirement obligation and leases	19,420	19,075
Non-capital losses	–	10,488
Capital losses	36,488	36,488
Total	$ 255,467	$ 255,754

11. Share Based Compensation

The Company has a stock option program that provides for the issuance of options to purchase Common Shares to its directors, officers and employees at or above grant date market prices. The options granted under the plan generally vest evenly over a three-year period starting at the grant date or one year from the grant date. The grants expire five years from the grant date.

Under the Company's option plan, a put right is included that allows the optionee to settle options with cash or equity. Under the put right, the optionee will receive the net cash proceeds that is the excess of the closing price of the Common Shares at the day of the put notice over the exercise price of the option. The Company has the option to decline a put right exercise at any time. The Company did not settle any cash options in 2024.

The number and weighted average exercise prices of stock options are as follows:

	Options Outstanding			Options Exercisable		
	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price
$0.15 - $0.19	8,500	1.07	$ 0.18	8,500	1.07	$ 0.18
$0.20 - $0.25	18,850	2.51	0.23	11,171	1.62	0.22
$0.31 - $0.35	10,945	2.06	0.34	10,033	2.06	0.34
	38,295	2.06	$ 0.25	29,704	1.61	$ 0.25

The following table summarizes information about stock options outstanding and exercisable at December 31, 2024:

	December 31, 2024			December 31, 2023		
	Number of Options *(thousands)*		Weighted Average Exercise Price	Number of Options *(thousands)*		Weighted Average Exercise Price
Outstanding, beginning of period	**38,140**	**$**	**0.26**	35,298	$	0.28
Granted	**6,950**		**0.25**	6,000		0.24
Forfeited	**(620)**		**0.27**	–		–
Expired	**(6,175)**		**0.29**	(3,158)		0.48
Outstanding, end of period	**38,295**	**$**	**0.25**	38,140	$	0.26
Exercisable, end of period	**29,704**	**$**	**0.25**	28,153	$	0.25

The fair value of the options granted were calculated using the Black-Scholes valuation model. The following weighted average assumptions were used in the model for options granted in 2024 and 2023:

	December 31, 2024	December 31, 2023
Weighted average fair value per award ($)	**0.19**	0.18
Volatility (%)	**103.47**	103.83
Forfeiture rate (%)	**8.85**	9.35
Expected life (years)	**5.00**	5.00
Risk free interest rate (%)	**3.54**	3.18

This forfeiture rate estimate is adjusted to the actual forfeiture rate. Expected volatility and expected life is based on historical information.

12. Asset Retirement Obligation

The Company's asset retirement and abandonment obligations result from its ownership interest in oil and natural gas assets. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the asset retirement obligation to be $19.4 million as at December 31, 2024 (2023: $19.1 million) based on an undiscounted total future liability of $24.6 million (2023: $24.3 million). These payments are expected to be made over the next 31 years. The average discount factor, being the risk-free rate related to the liabilities, is 3.06% (2023: 3.39%). An inflation rate of 2% (2023: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

The following table provides a reconciliation of the Company's total asset retirement obligation:

($ thousands)	December 31, 2024	December 31, 2023
Balance, beginning of year	$ 19,064	$ 19,441
Liabilities settled	(49)	(255)
Revisions due to change in discount rates & estimates	(537)	(878)
Liabilities incurred	352	73
Accretion	580	683
Balance, end of year	$ 19,410	$ 19,064
Current portion	799	184
Non-current portion	18,611	18,880
Balance, end of period	$ 19,410	$ 19,064

13. Credit Facilities

The Company's facilities with a Canadian chartered bank were maintained at $16 million for the year. The credit facilities include a revolving operating demand facility of $16 million ("Facility A"). Facility A can be used for general corporate purposes, ongoing operations, and capital expenditures within Canada. Any borrowing under the credit facilities, with the exception of letters of credit, bears interest at the bank's prime interest rate and an applicable basis point margin based on the ratio of debt to cash flow measured quarterly. The facilities are secured by a debenture with a first floating charge over all assets of the Company and a general assignment of books debts.

Under the terms of the credit facility, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding outstanding bank debt and unrealized hedging losses). The Adjusted Working Capital Ratio at December 31, 2024, was 3.92 (2023: 5.76) and the covenant was met. At December 31, 2024, and 2023 effectively nil was drawn on Facility A with an effective average interest rate of 7.74% for 2024 (2023: 7.95%).

The following table reconciles the movement in the credit facilities during the year.

($ thousands)		December 31, 2024		December 31, 2023
Credit Facilities, beginning of year	$	36	$	33
Repayment from Credit Facilities		–		3
Standby Fees		13		–
Credit Facilities, end of year	$	49	$	36

The credit facilities are a demand facility and can be reduced, amended or eliminated by the lender for reasons beyond the Company's control. Should the credit facilities, in fact, be reduced or eliminated, the Company would need to seek alternative credit facilities or consider the issuance of equity to enhance its liquidity. The next scheduled review will be in the second quarter of 2025.

14. Share Capital

The Company is authorized to issue an unlimited number of Common Shares. The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At December 31, 2024 and 2023, there were no Class "B" common voting shares or preferred shares outstanding.

a) Issued and outstanding – Common Shares

	Number (thousands)	Amount ($ thousands)
Balance, December 31, 2023 and December 31, 2024	428,516	$ 429,878

b) Per share amounts

Basic and Diluted net loss per share is calculated as follows:

(thousands, except as noted)		December 31, 2024		December 31, 2023
Net loss	$	(7,329)	$	(23,708)
Weighted average number of Common Shares beginning and outstanding (basic and diluted)		428,516		428,516
Basic and diluted net loss per share	$	(0.02)	$	(0.06)

Under the current stock option plan, options can be exchanged for Common Shares of the Company, or for cash at the Company's discretion. They are considered potentially dilutive and are included in the calculation of diluted net loss per share for the period. The average market value of the Common Shares for purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding. At December 31, 2024, 23.7 million options (December 31, 2023: 23.4 million) were excluded from the diluted weighted average number of Common Shares outstanding calculation as their effect would have been anti-dilutive.

15. Petroleum and Natural Gas Revenue

($ thousands)		December 31, 2024		December 31, 2023
Oil and liquids	$	34,148	$	36,138
Natural gas		2,699		5,438
Royalty revenue		80		125
	$	36,927	$	41,701

16. Employee Salaries and Benefits

($ thousands)		December 31, 2024		December 31, 2023
Salaries, bonuses and other short-term benefits	$	2,518	$	2,245
Share based compensation		1,205		1,381
	$	3,723	$	3,626

17. Key Management Compensation

Key management includes directors and officers. The compensation paid or payable to key management is as follows:

($ thousands)		December 31, 2024		December 31, 2023
Salaries, bonuses, director fees and other short-term benefits	$	2,128	$	1,875
Share based compensation		1,296		1,480
	$	3,424	$	3,355

The Company has entered into written executive employment agreements with each of the officers of the Company. Each of these written agreements provides that in the event of a change of control of the Company, each of the officers is entitled to: (i) 18 months of then applicable base salary with 24 months for the CEO; and (ii) the vesting of all options to purchase Common Shares. In the event of a change in control, all options will vest and the severance payable to key management would have been $2.2 million at December 31, 2024. This amount does not include accelerated share-based compensation expense.

18. Supplemental Cash Flow Information

Changes in non-cash working capital are detailed below:

($ thousands)	**December 31, 2024**	December 31, 2023
Accounts receivable	**$ (226)**	$ 1,584
Deposits and prepaid expenses	**16**	(451)
Accounts payable and accrued liabilities	**3,109**	(1,337)
Change in non-cash working capital	**$ 2,899**	$ (204)
Related to:		
Operating activities	**$ (886)**	$ 462
Investing activities	**3,785**	(666)
	$ 2,899	$ (204)

19. Right-of-use Assets and Lease Liabilities

a) *Right-of-use assets*

($ thousands)	Real Estate	Other	Total
Cost			
Balance, December 31, 2023	**$ 511**	**$ 25**	**$ 536**
Additions	–	8	8
Balance, December 31, 2024	**$ 511**	**$ 33**	**$ 544**
Accumulated Depreciation			
Balance, December 31, 2023	$ 331	$ 25	$ 356
Depreciation	56	4	60
Balance, December 31, 2024	**$ 387**	**$ 29**	**$ 416**
Carrying value			
Balance, December 31, 2023	$ 180	$ –	$ 180
Additions, net of depreciation	(56)	4	(52)
Balance, December 31, 2024	**$ 124**	**$ 4**	**$ 128**

b) *Lease liabilities*

($ thousands)		
Balance, January 1, 2023	$	250
Interest expense		6
Lease payments		(64)
Balance, December 31, 2023	**$**	**192**
Additional leases acquired during period		8
Interest expense		4
Lease payments		–
Balance, December 31, 2024	**$**	**204**
Current portion		56
Long term portion		83
Balance, December 31, 2024	**$**	**139**

Amounts related to lease liabilities recognized in profit or loss are as follows:		
Interest expense on lease liabilities	**$**	**4**

20. Commitments

A summary of the Company's net commitments at December 31, 2024, follows:

($ thousands)		2025		2026		2027		Total
Transportation and Processing	$	2,515	$	1,566	$	545	$	4,626

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