



QUESTERRE ENERGY CORPORATION  
ANNUAL INFORMATION FORM  
For the Year Ended December 31, 2024

March 26, 2025

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## INTRODUCTION

In this Annual Information Form (“AIF”), the terms “**Questerre**”, the “**Corporation**” and the “**Company**” means Questerre Energy Corporation and its subsidiaries and partnership interests on a consolidated basis including information with respect to predecessor corporations.

Certain other terms used but not defined herein are defined in National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (“**NI 51-101**”) and in the Canadian Oil and Gas Evaluation Handbook Volume I (the “**COGE Handbook**”). Unless otherwise specified, information in this AIF is as at the end of the Company’s most recently completed financial year, being December 31, 2024. All financial information included in this AIF is determined using International Financial Reporting Standards, unless otherwise indicated. In this AIF, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

See “**Selected Abbreviations**”, “**Forward-Looking Statements**” and “**Presentation of Oil and Gas Information**”.

## THE CORPORATION

Questerre was incorporated under the *Companies Act* (Alberta) on October 25, 1971, under the name “Westpro Equipment Ltd.” and continued under the *Business Corporations Act* (Alberta) (the “**ABCA**”) on December 13, 1982. On July 13, 1990, the Corporation was continued under the *Companies Act* (British Columbia). On December 5, 2000, the Corporation was continued from British Columbia to Alberta under the ABCA and its name was changed to “Questerre Energy Corporation”. On June 26, 2003, the issued Class “A” Common voting shares were subdivided into three new Class “A” Common voting shares (“**Common Shares**”) for each old Class “A” Common voting share of the Corporation.

The principal, head and registered office of the Corporation is located at Suite 1650, 801 - Sixth Avenue S.W., Calgary, Alberta T2P 3W2.

Questerre is an energy technology and innovation company. Questerre is actively engaged in the acquisition, exploration, and development of oil and gas projects, in specific non-conventional projects such as tight oil, oil shale, shale oil and shale gas. Questerre holds assets in Alberta, Saskatchewan, Manitoba, Quebec and the Hashemite Kingdom of Jordan (“**Jordan**”).

### Inter-corporate Relationships

The Corporation has two direct wholly-owned subsidiaries, 6058931 Canada Inc., which was incorporated under the *Canada Business Corporations Act* and Questerre Energy Corporation/Jordan incorporated under the laws of Jordan.

## GENERAL DEVELOPMENT OF THE BUSINESS

### History of the Corporation

Questerre initially operated as an oil and gas exploration and production company with minority interests in several producing properties in Western Canada. In November 2000, a new management team was assembled and Questerre changed its focus to pursuing what management believes will be scalable high-impact projects in Canada.

The Company acquired an interest in two projects in 2001 – the Beaver River Field (the “**Field**”) located in northeast British Columbia and the St. Lawrence Lowlands (the “**Quebec Lowlands**”) situated in Quebec.

Since late 2004, the Company has also been developing a portfolio of conventional oil and gas assets, primarily in Alberta and Saskatchewan. The Company subsequently disposed of its interest in the Field in 2011.

Between 2005 and 2010, the Company focused on the exploration and commercial appraisal of the natural gas potential of the Quebec Lowlands including the Utica shale with its partner, Repsol Oil & Gas Canada Inc. ("**Repsol**") (formerly Talisman Energy Inc.). In 2019, the Company settled outstanding litigation with the operator and acquired its assets in the Quebec Lowlands. In the fall of 2010, the appraisal work was suspended pending the results of a strategic environmental assessment ("**SEA**") on shale gas development in Quebec. Upon the completion of the SEA in 2014, the Government of Quebec commissioned a strategic environmental assessment of oil and gas development in the province and committed to introducing new hydrocarbon legislation in 2016. The legislation entitled the *Petroleum Resources Act* ("**PRA**") as part of Bill 106, *An Act to implement the 2030 Energy Policy and to amend various legislative provisions* ("**Bill 106**") was passed as law in December 2016. Following the introduction of the hydrocarbon regulations in September 2018 by the Ministry of Energy and Natural Resources ("**MERN**"), including a restriction on oil and gas activities, specifically the prohibition of hydraulic fracturing and increasing minimum setbacks for activity from urbanized areas and bodies of water, the legislation was enacted. In 2022, the Government of Quebec subsequently introduced and enacted Bill 21, *An Act mainly to end petroleum exploration and production and the public financing of those activities* ("**Bill 21**"). Activity in Quebec remains suspended pending the resolution of the situation in the province.

The announcement of the SEA in Quebec led Questerre to pursue unconventional projects elsewhere. In the fall of 2011, the Company assembled a portfolio of oil shale mining opportunities including licensing rights to a proprietary technology to produce oil from shale.

In March 2012, Questerre successfully concluded its letter of intent with Red Leaf Resources Inc. ("**Red Leaf**"), a private Utah-based oil shale and technology company and acquired an equity interest in the company. Red Leaf's principal assets are its proprietary technology to recover oil from shale and its oil shale leases in the state of Utah. In 2017, the Company further increased its equity interest in Red Leaf. In 2022, Red Leaf consolidated its debt and equity ownership of a subsidiary and acquired a 100% interest in over 7,000 acres of surface leasehold rights in the Uintah Basin, Utah including the rights to carbon sequestration and a permit for a 40,000 barrels per day wax processing facility. The Company currently holds 132,292 common shares representing approximately 41% of the common share capital and 288 Series A Preferred Shares representing approximately 16% of the preferred share capital of Red Leaf on a non-diluted basis.

During 2012, the Company acquired and developed a new core area in the Kakwa area of west central Alberta targeting liquids-rich natural gas.

To further expand its oil shale portfolio, in the second quarter of 2015, the Company concluded a Memorandum of Understanding ("**MOU**") for the appraisal and development of oil shale acreage in the Jordan with the Ministry of Energy and Mineral Resources ("**MEMR**"). The MOU covers an area of 265 square kilometers in the Isfir-Jafr area, approximately 200 km south of the capital, Amman. In the fall of 2019, the Company was advised by the MEMR that it intends to move forward from the MOU to a concession agreement for the Company's acreage in Jordan. In January 2025, Questerre was 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.

#### *Year Ended December 31, 2022*

In January 2022, the Company entered into a joint economic development agreement with the Wolinak of Abenaki First Nation in Quebec. Pursuant to the agreement, the Abenakis of Wolinak would be granted a net profit interest from natural gas development on their traditional territories, the opportunity to acquire a working interest in the Company's licenses and directly participate in future development.

In February 2022, the Government of Quebec tabled Bill 21. Bill 21 revokes petroleum exploration and production licences, including the 16 exploration licenses held by the Company. It provides that the Government must establish a compensation program pertaining to the revocation of licences. The Act requires, in particular, the holders of a revoked licence to permanently close wells and restore sites according to the terms and conditions determined by the Government. Bill 21 validates the regulations made under the authority of the PRA, certain decisions which effectively limit or prohibit, directly or indirectly, exploration for petroleum and underground reservoirs and production of petroleum and brine as well as the collection by the Minister of the annual fees for oil and gas activities. Bill 21 was subsequently enacted on August 23, 2022.

During the year, the Company filed a claim against the Government of Quebec asserting among other things that the Government's actions represent an expropriation without compensation, a breach of its duty to act in good faith, and in accordance with the due process of the law, to honor its contractual commitments and its duty to consult with our Indigenous partners and respect their rights. The claim also sought to have Bill 21 declared invalid.

#### *Year Ended December 31, 2023*

In October 2023, a hearing was held at the Quebec Superior Court (Civil Division) on the application by the Company and other license holders to suspend certain provisions of Bill 21 pending a hearing on the merits of its case, including the constitutionality of Bill 21.

#### *Year Ended December 31, 2024*

In January 2024, the Quebec Superior Court (Civil Division) ruled on the application by the Company. The Justice ruled that the Company's application met the key criteria for a stay and stayed certain provisions of Bill 21. In June 2024, the Attorney General of Quebec was granted leave to appeal this ruling. In October 2024, the Quebec Court of Appeal heard the appeal, and the Company is awaiting its decision.

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.

#### *Recent Developments*

None.

#### **Significant Acquisitions**

Questerre has not completed any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102").



## DESCRIPTION OF THE BUSINESS

### Business of the Corporation

Questerre is an energy technology and innovation company. Questerre is actively engaged in the acquisition, exploration, and development of oil and gas projects, in specific non-conventional projects such as tight oil, oil shale, shale oil and shale gas. Questerre holds assets in Alberta, Saskatchewan, Manitoba, Quebec and Jordan.

### Corporate Strategy

Management of Questerre intends to leverage its specialized knowledge of non-conventional oil and gas resources to acquire and develop these projects.

To mitigate the financial and operational risks associated with its high impact non-conventional projects, the Corporation normally seeks industry partners to jointly participate in their development. The Corporation plans to further diversify risk through the acquisition and development of a portfolio of lower risk projects to provide near-term cash flow and growth opportunities.

### Employees

At December 31, 2024, Questerre's work force consisted of 12 employees.

### Environmental Matters

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations and requires that well and facility sites be abandoned and reclaimed to the satisfaction of governmental authorities. As at December 31, 2024, Questerre recorded an obligation on its balance sheet of \$19.4 million for asset retirement. The Corporation maintains an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. The Corporation also has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. See "Risk Factors" and "Industry Conditions".

### Competitive Conditions

The oil and natural gas industry is intensely competitive in all its phases. Questerre competes with numerous other participants in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Questerre's competitors include resource companies which have greater financial resources, staff and facilities than those of Questerre. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery. Questerre believes that its competitive position is equivalent to that of other oil and gas issuers of similar size and at a similar stage of development. See "Risk Factors".

### Marketing

Questerre's crude oil, natural gas and NGL production is sold primarily through marketing companies at current market prices. Crude oil contracts are generally month to month and cancellable on 30 days' notice, NGL contracts are generally for a period of up to one year and are cancellable on 90 days' notice and natural gas contracts are generally for one year.

## Cyclical and Seasonal Nature of Industry

Questerre's operational results and financial condition are dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the financial condition of Questerre. Further, production of oil and natural gas is dependent on access to areas where development of reserves is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances. See "Risk Factors".

## Specialized Skill and Knowledge

Questerre believes its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to oil and gas operations. Questerre believes that it has adequate personnel with the specialized skills required to successfully carry out its operations. See "Risk Factors" in this AIF.

## Social and Environmental Policies

Questerre is committed to meeting industry standards in each jurisdiction in which it operates with respect to human rights, environment, health and safety policies. Management, employees and contractors are governed by and required to comply with Questerre's environment, health and safety policy as well as all applicable federal, provincial, and municipal legislation and regulations. Questerre has established roles and responsibilities to facilitate effective management of its environment, health and safety policy throughout the organization. It is the primary responsibility of the managers, supervisors and other senior field staff of Questerre to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

### Petroleum and Natural Gas Reserves

McDaniel & Associates Consultants Ltd. ("**McDaniel**"), independent petroleum engineers of Calgary, Alberta prepared an Evaluation of Oil & Gas Reserves dated March 4, 2025 (the "**McDaniel Report**") which evaluation is effective December 31, 2024. **The McDaniel Report is in respect of Questerre's conventional oil and gas properties and excludes its assets in the Quebec Lowlands and its oil shale assets to which no reserves are currently assigned.** In preparing its report, McDaniel obtained basic information from Questerre, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the McDaniel Report is based, was obtained from public records, other operators and from McDaniel's non-confidential files. The extent and character of ownership and the accuracy of all factual data supplied for the independent evaluation, from all sources, was accepted by McDaniel as represented.

The following tables set forth contain certain information relating to the oil and natural gas reserves of the Corporation's properties and the present value of the estimated future net cash flow associated with such reserves as at December 31, 2024, numbers may vary slightly from those presented in the McDaniel Report due to rounding. Due to rounding, certain columns may not add exactly. The information set forth below is derived from the McDaniel Report which report has been prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101.

All evaluations and reviews of future net revenue are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. The estimated future net revenue from the production of disclosed oil and natural gas reserves does not represent the fair market value of the Corporation's reserves. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of crude oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, NGLs and natural gas reserves may be greater than or less than the estimates provided herein. All the Company's crude oil, NGLs and natural gas reserves are in Canada.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

In accordance with the requirements of NI 51-101, attached hereto are the following appendices:

Appendix A: Report on Reserves Data by Independent Qualified Reserves Evaluator in Form 51-101F2

Appendix B: Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3

Definitions used for reserve categories in the McDaniel Report are attached as Appendix C hereto.

**SUMMARY OF OIL AND GAS RESERVES  
AS OF DECEMBER 31, 2024  
FORECAST PRICES AND COSTS**

| Reserves Category              | Light & Medium Oil              |                               | Heavy Oil                       |                               | Tight Oil                       |                               |
|--------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
|                                | Gross <sup>(1)</sup><br>(Mbbbl) | Net <sup>(2)</sup><br>(Mbbbl) | Gross <sup>(1)</sup><br>(Mbbbl) | Net <sup>(2)</sup><br>(Mbbbl) | Gross <sup>(1)</sup><br>(Mbbbl) | Net <sup>(2)</sup><br>(Mbbbl) |
| <b>Proved</b>                  |                                 |                               |                                 |                               |                                 |                               |
| Developed Producing            | 575.1                           | 549.1                         | —                               | —                             | —                               | —                             |
| Developed Non-Producing        | —                               | —                             | —                               | —                             | —                               | —                             |
| Undeveloped                    | 66.4                            | 64.0                          | —                               | —                             | —                               | —                             |
| <b>Total Proved</b>            | <b>641.5</b>                    | <b>613.1</b>                  | <b>—</b>                        | <b>—</b>                      | <b>—</b>                        | <b>—</b>                      |
| <b>Total Probable</b>          | <b>659.1</b>                    | <b>642.1</b>                  | <b>—</b>                        | <b>—</b>                      | <b>—</b>                        | <b>—</b>                      |
| <b>Total Proved + Probable</b> | <b>1,300.6</b>                  | <b>1,255.2</b>                | <b>—</b>                        | <b>—</b>                      | <b>—</b>                        | <b>—</b>                      |

| Reserves Category              | Conventional Natural Gas       |                              | Shale Gas                      |                              | Natural Gas Liquids <sup>(3)</sup> |                               |
|--------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|------------------------------------|-------------------------------|
|                                | Gross <sup>(1)</sup><br>(MMcf) | Net <sup>(2)</sup><br>(MMcf) | Gross <sup>(1)</sup><br>(MMcf) | Net <sup>(2)</sup><br>(MMcf) | Gross <sup>(1)</sup><br>(Mbbbl)    | Net <sup>(2)</sup><br>(Mbbbl) |
| <b>Proved</b>                  |                                |                              |                                |                              |                                    |                               |
| Developed Producing            | 24.7                           | 69.4                         | 7,857.6                        | 7,160.9                      | 1,190.2                            | 885.3                         |
| Developed Non-Producing        | —                              | —                            | —                              | —                            | —                                  | —                             |
| Undeveloped                    | —                              | —                            | 32,008.7                       | 29,428.9                     | 4,421.5                            | 3,665.0                       |
| <b>Total Proved</b>            | <b>24.7</b>                    | <b>69.4</b>                  | <b>39,866.3</b>                | <b>36,589.8</b>              | <b>5,611.7</b>                     | <b>4,550.3</b>                |
| <b>Total Probable</b>          | <b>7.4</b>                     | <b>27.9</b>                  | <b>34,568.8</b>                | <b>30,514.8</b>              | <b>4,512.8</b>                     | <b>3,319.7</b>                |
| <b>Total Proved + Probable</b> | <b>32.1</b>                    | <b>97.3</b>                  | <b>74,435.1</b>                | <b>67,104.7</b>              | <b>10,124.5</b>                    | <b>7,870.0</b>                |

(1) Gross reserves are working interest reserves before royalty deductions.

(2) Net reserves are working interest reserves after royalty deductions plus royalty interest reserves.

(3) Natural Gas Liquids include Condensate volumes.

**SUMMARY NET PRESENT VALUES OF FUTURE NET REVENUE  
AS OF DECEMBER 31, 2024  
FORECAST PRICES AND COSTS**

| Reserves Category              | Before Income Taxes Discounted at (%/year) |                  |                  |                  |                  |
|--------------------------------|--|------------------|------------------|------------------|------------------|
|                                | @0.0%<br>(M\$)                             | @5.0%<br>(M\$)   | @10.0%<br>(M\$)  | @15.0%<br>(M\$)  | @20.0%<br>(M\$)  |
| Proved                         |  |                  |                  |                  |                  |
| Developed Producing            | 58,636.2                                   | 52,094.8         | 46,118.2         | 41,217.7         | 37,275.3         |
| Developed Non-Producing        | —  | —                | —                | —                | —                |
| Undeveloped                    | 136,586.2                                  | 89,495.7         | 59,881.8         | 40,498.4         | 27,332.3         |
| <b>Total Proved</b>            | <b>195,222.4</b>                           | <b>141,590.5</b> | <b>106,000.0</b> | <b>81,716.1</b>  | <b>64,607.6</b>  |
| <b>Total Probable</b>          | <b>232,646.4</b>                           | <b>139,203.9</b> | <b>89,341.0</b>  | <b>60,785.6</b>  | <b>43,404.9</b>  |
| <b>Total Proved + Probable</b> | <b>427,868.8</b>                           | <b>280,794.4</b> | <b>195,341.0</b> | <b>142,501.7</b> | <b>108,012.5</b> |

| Reserves Category              | After Income Taxes Discounted at (%/year) |                  |                  |                  |                  |
|--------------------------------|---|------------------|------------------|------------------|------------------|
|                                | @0.0%<br>(M\$)                            | @5.0%<br>(M\$)   | @10.0%<br>(M\$)  | @15.0%<br>(M\$)  | @20.0%<br>(M\$)  |
| Proved                         |   |                  |                  |                  |                  |
| Developed Producing            | 58,636.2                                  | 52,094.8         | 46,118.2         | 41,217.7         | 37,275.3         |
| Developed Non-Producing        | —   | —                | —                | —                | —                |
| Undeveloped                    | 136,586.1                                 | 89,495.7         | 59,881.8         | 40,498.4         | 27,332.3         |
| <b>Total Proved</b>            | <b>195,222.3</b>                          | <b>141,590.5</b> | <b>106,000.0</b> | <b>81,716.1</b>  | <b>64,607.6</b>  |
| <b>Total Probable</b>          | <b>202,114.5</b>                          | <b>122,447.4</b> | <b>79,508.0</b>  | <b>54,700.3</b>  | <b>39,475.4</b>  |
| <b>Total Proved + Probable</b> | <b>397,336.8</b>                          | <b>264,037.9</b> | <b>185,508.0</b> | <b>136,416.4</b> | <b>104,083.0</b> |

(1) The unit values are based on net reserve volumes.

**TOTAL FUTURE NET REVENUE (UNDISCOUNTED)  
AS OF DECEMBER 31, 2024  
FORECAST PRICES AND COSTS**

| Reserves Category                | Revenue <sup>(1)</sup> | Royalties <sup>(2)</sup> | Operating Costs | Development Costs | Abandonment & Reclamation Costs | Future Net Revenue Before Income Taxes | Income Taxes | Future Net Revenue After Income Taxes |
|----------------------------------|------------------------|--------------------------|-----------------|-------------------|---------------------------------|--|--------------|---------------------------------------|
|                                  | M\$                    | M\$                      | M\$             | M\$               | M\$                             | M\$                                    | M\$          | M\$                                   |
| Total Proved Reserves            | 802,140                | 109,898                  | 301,035         | 177,713           | 18,272                          | 195,222                                | —            | 195,222                               |
| Total Proved + Probable Reserves | 1,543,405              | 251,094                  | 549,464         | 293,561           | 21,417                          | 427,869                                | 30,532       | 397,337                               |

(1) Includes all product revenues and other revenues as forecast.

(2) Royalties include any net profits, interests paid, as well as the Saskatchewan Corporation Capital Tax Surcharge.

**FUTURE NET REVENUE BY PRODUCT TYPE  
AS OF DECEMBER 31, 2024  
FORECAST PRICES AND COSTS**

| Reserves Category                | Product Type  | Future Net Revenue Before Income Taxes (discounted @ 10%) | Unit Value <sup>(1)</sup> |
|----------------------------------|---|---|---------------------------|
|                                  |   | M\$   | \$/Mcf<br>\$/bbl          |
| Total Proved Reserves            | Light and Medium Oil (Including Solution Gas and By-products) | 18,794  | 30.65                     |
|                                  | Conventional Natural Gas (Including By-products)              | 195   | 2.80                      |
|                                  | Shale Gas (Including By-products)                             | 87,012  | 2.38                      |
|                                  | <b>Total</b>  | <b>106,001</b>  |                           |
| Total Proved + Probable Reserves | Light and Medium Oil (Including Solution Gas and By-products) | 25,027  | 19.94                     |
|                                  | Conventional Natural Gas (Including By-products)              | 279   | 2.87                      |
|                                  | Shale Gas (Including By-products)                             | 170,035   | 2.53                      |
|                                  | <b>Total</b>  | <b>195,341</b>  |                           |

(1) Unit values are calculated using the 10% discount rate divided by the Major Product Type Net reserves for each group.

## Forecast Prices and Costs Employed by McDaniel - January 1, 2025

McDaniel employed the following pricing, exchange rate and inflation rate assumptions in estimating Questerre's reserves data as of January 1, 2025. These are based on the average of commodity price forecasts effective January 1, 2025, from three qualified reserves evaluators who are independent of the Company, being GLJ Ltd., Sproule Associates Ltd., and McDaniel's (each of which is available on their respective websites at [www.gljpc.com](http://www.gljpc.com), [www.sroule.com](http://www.sroule.com) and [www.mcdan.com](http://www.mcdan.com)).

### Summary of Crude Oil and Natural Gas Liquids Price Forecasts January 1, 2025

| Year            | WTI<br>Crude<br>Oil<br>\$/US/bbl<br>(1) | Brent<br>Crude<br>Oil<br>\$/US/bbl<br>(2) | Edmonton<br>Light<br>Crude Oil<br>\$/C/bbl<br>(3) | Alberta<br>Bow River<br>Hardisty<br>Crude Oil<br>\$/C/bbl<br>(4) | Western<br>Canadian<br>Select<br>Crude Oil<br>\$/C/bbl<br>(5) | Alberta<br>Heavy<br>Crude Oil<br>\$/C/bbl<br>(6) | Sask<br>Cromer<br>Medium<br>Crude Oil<br>\$/C/bbl<br>(7) | Edmonton<br>Ethane<br>\$/bbl | Edmonton<br>Propane<br>\$/bbl | Edmonton<br>Butanes<br>\$/bbl | Edmonton<br>Natural<br>Gasolines<br>\$/bbl | Inflation<br>% | US/CAN<br>Exchange<br>Rate<br>\$/US/\$CAN |
|-----------------|---|---|---|--|---|--|--|------------------------------|-------------------------------|-------------------------------|--|----------------|---|
| <b>History</b>  |   |   |   |  |   |  |  |                              |                               |                               |  |                |   |
| 2024            | 76.55                                   | 80.50                                     | 97.50   | 83.95  | 83.60   | 78.05  | 93.20  |                              | 30.50                         | 48.50                         | 99.80                                      | 2.40           | 0.730                                     |
| <b>Forecast</b> |   |   |   |  |   |  |  |                              |                               |                               |  |                |   |
| 2025            | 71.58                                   | 75.58                                     | 94.79   | 83.89  | 82.69   | 75.85  | 91.15  | 7.54                         | 33.56                         | 51.15                         | 100.14                                     | —              | 0.712                                     |
| 2026            | 74.48                                   | 78.51                                     | 97.04   | 86.45  | 84.27   | 77.56  | 93.35  | 10.76                        | 32.78                         | 49.99                         | 100.72                                     | 2.00           | 0.728                                     |
| 2027            | 75.81                                   | 79.89                                     | 97.37   | 85.50  | 83.81   | 77.12  | 93.62  | 11.32                        | 32.81                         | 50.16                         | 100.24                                     | 2.00           | 0.743                                     |
| 2028            | 77.66                                   | 81.82                                     | 99.80   | 87.21  | 85.70   | 78.81  | 95.96  | 12.02                        | 33.63                         | 51.41                         | 102.73                                     | 2.00           | 0.743                                     |
| 2029            | 79.22                                   | 83.46                                     | 101.79  | 88.95  | 87.45   | 80.45  | 97.88  | 12.26                        | 34.30                         | 52.44                         | 104.79                                     | 2.00           | 0.743                                     |
| 2030            | 80.80                                   | 85.13                                     | 103.83  | 90.73  | 89.25   | 82.12  | 99.83  | 12.51                        | 34.99                         | 53.49                         | 106.86                                     | 2.00           | 0.743                                     |
| 2031            | 82.42                                   | 86.84                                     | 105.91  | 92.55  | 91.04   | 83.77  | 101.83   | 12.77                        | 35.69                         | 54.56                         | 109.01                                     | 2.00           | 0.743                                     |
| 2032            | 84.06                                   | 88.57                                     | 108.03  | 94.40  | 92.85   | 85.45  | 103.87   | 13.03                        | 36.40                         | 55.65                         | 111.19                                     | 2.00           | 0.743                                     |
| 2033            | 85.74                                   | 90.31                                     | 110.19  | 96.29  | 94.71   | 87.17  | 105.95   | 13.30                        | 37.13                         | 56.76                         | 113.42                                     | 2.00           | 0.743                                     |
| 2034            | 87.46                                   | 92.09                                     | 112.39  | 98.21  | 96.61   | 88.92  | 108.06   | 13.57                        | 37.87                         | 57.90                         | 115.69                                     | 2.00           | 0.743                                     |
| 2035            | 89.21                                   | 93.93                                     | 114.64  | 100.18   | 98.54   | 90.69  | 110.22   | 13.84                        | 38.63                         | 59.05                         | 118.00                                     | 2.00           | 0.743                                     |
| 2036            | 90.99                                   | 95.81                                     | 116.93  | 102.18   | 100.51  | 92.51  | 112.43   | 14.12                        | 39.40                         | 60.24                         | 120.36                                     | 2.00           | 0.743                                     |
| 2037            | 92.81                                   | 97.72                                     | 119.27  | 104.22   | 102.52  | 94.36  | 114.68   | 14.40                        | 40.19                         | 61.44                         | 122.77                                     | 2.00           | 0.743                                     |
| 2038            | 94.67                                   | 99.68                                     | 121.65  | 106.31   | 104.57  | 96.25  | 116.97   | 14.69                        | 41.00                         | 62.67                         | 125.23                                     | 2.00           | 0.743                                     |
| 2039            | 96.56                                   | 101.67                                    | 124.09  | 108.43   | 106.66  | 98.17  | 119.31   | 14.98                        | 41.82                         | 63.92                         | 127.73                                     | 2.00           | 0.743                                     |
| Thereafter      | +2%/yr                                  | +2%/yr                                    | +2%/yr  | +2%/yr   | +2%/yr  | +2%/yr   | +2%/yr   | +2%/yr                       | +2%/yr                        | +2%/yr                        | +2%/yr                                     | 2.00           | 0.743                                     |

- (1) West Texas Intermediate at Cushing Oklahoma 40 degrees API, 0.5% sulphur
- (2) North Sea Brent Blend 37 degrees API, 1.0% sulphur
- (3) Edmonton Light Sweet 40 degrees API, 0.3% sulphur
- (4) Bow River at Hardisty, Alberta (Heavy stream)
- (5) Western Canadian Select at Hardisty, Alberta
- (6) Heavy crude oil 12 degrees API at Hardisty, Alberta (after deduction of blending costs to reach pipeline quality)
- (7) Midale Cromer crude oil 29 degrees API, 2.0% sulphur

**Summary of Natural Gas Price Forecasts  
January 1, 2025**

| Year            | U.S.<br>Henry Hub<br>Gas Price<br>\$US/MMBtu | Alberta<br>AECO<br>Spot<br>Price<br>\$C/MMBtu<br>(1) | Alberta<br>Average<br>Plantgate<br>\$C/MMBtu<br>(2) | Alberta<br>Aggregator<br>Plantgate<br>\$C/MMBtu | Empress<br>\$C/MMBtu | Sask.<br>Prov.<br>Gas<br>Plantgate<br>\$C/MMBtu | British<br>Columbia<br>Average<br>Plantgate<br>\$C/MMBtu | British<br>Columbia<br>Station 2<br>\$C/MMBtu |
|-----------------|--|--|---|---|----------------------|---|--|---|
| <b>History</b>  |  |  |   |   |                      |   |  |   |
| 2024            | 2.20   | 1.45   | 1.25  | 1.25  | 1.55                 | 1.75  | 0.95   | 1.10  |
| <b>Forecast</b> |  |  |   |   |                      |   |  |   |
| 2025            | 3.31   | 2.36   | 2.16  | 2.16  | 3.04                 | 2.42  | 1.84   | 2.15  |
| 2026            | 3.73   | 3.33   | 3.13  | 3.13  | 3.65                 | 3.39  | 2.83   | 3.14  |
| 2027            | 3.85   | 3.48   | 3.27  | 3.27  | 3.78                 | 3.54  | 2.98   | 3.29  |
| 2028            | 3.93   | 3.69   | 3.47  | 3.47  | 4.00                 | 3.75  | 3.18   | 3.50  |
| 2029            | 4.01   | 3.76   | 3.54  | 3.54  | 4.08                 | 3.83  | 3.24   | 3.57  |
| 2030            | 4.09   | 3.83   | 3.61  | 3.61  | 4.16                 | 3.91  | 3.31   | 3.64  |
| 2031            | 4.17   | 3.91   | 3.69  | 3.69  | 4.24                 | 3.98  | 3.39   | 3.71  |
| 2032            | 4.26   | 3.99   | 3.76  | 3.76  | 4.33                 | 4.07  | 3.46   | 3.79  |
| 2033            | 4.34   | 4.07   | 3.83  | 3.83  | 4.41                 | 4.15  | 3.53   | 3.86  |
| 2034            | 4.43   | 4.15   | 3.91  | 3.91  | 4.50                 | 4.23  | 3.61   | 3.94  |
| 2035            | 4.52   | 4.23   | 3.99  | 3.99  | 4.59                 | 4.32  | 3.68   | 4.02  |
| 2036            | 4.61   | 4.32   | 4.07  | 4.07  | 4.68                 | 4.41  | 3.76   | 4.10  |
| 2037            | 4.70   | 4.40   | 4.15  | 4.15  | 4.77                 | 4.49  | 3.83   | 4.19  |
| 2038            | 4.79   | 4.49   | 4.23  | 4.23  | 4.87                 | 4.58  | 3.91   | 4.27  |
| 2039            | 4.89   | 4.58   | 4.32  | 4.32  | 4.97                 | 4.67  | 3.99   | 4.35  |
| Thereafter      | +2%/yr                                       | +2%/yr   | +2%/yr  | +2%/yr  | +2%/yr               | +2%/yr  | +2%/yr   | +2%/yr  |

- (1) Historical prices based on AECO 7A (near month prices). 5A (daily price) expected to be equal to 7A over long term. 2024 historical prices: 7A \$1.44/MMBTU, 5A \$1.42/MMBTU.
- (2) This forecast also applies to direct sales contracts and the Alberta gas reference price used in the Crown royalty calculations.

Questerre's weighted average realized sales prices for the year ended December 31, 2024, were \$91.92/bbl for crude oil and NGLs and \$1.65/Mcf for natural gas.

**RECONCILIATION OF CHANGES IN RESERVES**

**Gross Reserves Reconciliation**

The following table sets forth a reconciliation of Questerre's total gross proved, probable and proved plus probable reserves at December 31, 2024, against such reserves as at December 31, 2023, based on forecast price and cost assumptions.

The change in technical revisions for shale gas and natural gas liquids in the proved category is due to updated forecasts for existing production and undrilled locations, based in part on offset production, in both Kakwa Central and Kakwa North. The change in this same category for light crude oil is due to the updated forecasts for production at Antler and Pierson, Manitoba. The change in the probable category is due to the updated forecasts for undrilled locations based on offset production on the Kakwa North acreage as well as updated forecasts for existing production at Antler. Dispositions relate to the Company's decision to forego participation in a three (0.75 net) well program at Kakwa Central that commenced in the fall of 2024.

The change in reserves due to economic factors in the light crude oil category relates primarily to the reduced operating costs on the existing production at Antler and in the other categories relates to higher estimates of operating costs for future drilling locations at Kakwa Central and Kakwa North.

|                                | LIGHT CRUDE OIL<br>AND<br>MEDIUM CRUDE OIL |                                     |                                     | TIGHT OIL       |                   |                  | CONVENTIONAL<br>NATURAL GAS |                   |                  |
|--------------------------------|--|-------------------------------------|-------------------------------------|-----------------|-------------------|------------------|-----------------------------|-------------------|------------------|
|                                | Gross<br>Proved<br>Gross<br>Proved         | Gross<br>Proved<br>Plus<br>Probable | Gross<br>Proved<br>Plus<br>Probable | Gross<br>Proved | Gross<br>Probable | Plus<br>Probable | Gross<br>Proved             | Gross<br>Probable | Plus<br>Probable |
| FACTORS                        | Mbbl                                       | Mbbl                                | Mbbl                                | Mbbl            | Mbbl              | Mbbl             | MMcf                        | MMcf              | MMcf             |
| <b>December 31, 2023</b>       | <b>730.5</b>                               | <b>689.4</b>                        | <b>1,419.9</b>                      | <b>—</b>        | <b>—</b>          | <b>—</b>         | <b>44.5</b>                 | <b>8.9</b>        | <b>53.4</b>      |
| Extensions & Improved Recovery | —  | —                                   | —                                   | —               | —                 | —                | —                           | —                 | —                |
| Technical Revisions            | 15.7                                       | (32.0)                              | (16.3)                              | —               | —                 | —                | 5.7                         | 1.5               | 7.2              |
| Discoveries                    | —  | —                                   | —                                   | —               | —                 | —                | —                           | —                 | —                |
| Acquisitions                   | —  | —                                   | —                                   | —               | —                 | —                | —                           | —                 | —                |
| Dispositions                   | —  | —                                   | —                                   | —               | —                 | —                | —                           | —                 | —                |
| Economic Factors               | 6.6  | 1.7                                 | 8.3                                 | —               | —                 | —                | (19.4)                      | (3.0)             | (22.4)           |
| Production                     | (111.3)                                    | —                                   | (111.3)                             | —               | —                 | —                | (6.1)                       | —                 | (6.1)            |
| <b>December 31, 2024</b>       | <b>641.5</b>                               | <b>659.1</b>                        | <b>1,300.6</b>                      | <b>—</b>        | <b>—</b>          | <b>—</b>         | <b>24.7</b>                 | <b>7.4</b>        | <b>32.1</b>      |

|                                | SHALE GAS               |                           |   | NATURAL GAS LIQUIDS     |                           |   | TOTAL                   |                           |   |
|--------------------------------|-------------------------|---------------------------|---|-------------------------|---------------------------|---|-------------------------|---------------------------|---|
|                                | Gross<br>Proved<br>MMcf | Gross<br>Probable<br>MMcf | Gross<br>Proved<br>Plus<br>Probable<br>MMcf | Gross<br>Proved<br>Mbbl | Gross<br>Probable<br>Mbbl | Gross<br>Proved<br>Plus<br>Probable<br>Mbbl | Gross<br>Proved<br>Mboe | Gross<br>Probable<br>Mboe | Gross<br>Proved<br>Plus<br>Probable<br>Mboe |
| FACTORS                        |                         |                           |   |                         |                           |   |                         |                           |   |
| <b>December 31, 2023</b>       | <b>43,953.5</b>         | <b>39,677.5</b>           | <b>83,631.0</b>                             | <b>5,955.4</b>          | <b>5,121.7</b>            | <b>11,077.1</b>                             | <b>14,018.9</b>         | <b>12,425.5</b>           | <b>26,444.4</b>                             |
| Extensions & Improved Recovery | —                       | —                         | —   | —                       | —                         | —   | —                       | —                         | —   |
| Technical Revisions            | (1,346.4)               | (4,771.8)                 | (6,118.2)                                   | 120.4                   | (556.3)                   | (435.9)                                     | (87.3)                  | (1,383.3)                 | (1,470.6)                                   |
| Discoveries                    | —                       | —                         | —   | —                       | —                         | —   | —                       | —                         | —   |
| Acquisitions                   | —                       | —                         | —   | —                       | —                         | —   | —                       | —                         | —   |
| Dispositions                   | (730.2)                 | (157.6)                   | (887.8)                                     | (145.2)                 | (31.3)                    | (176.5)                                     | (266.9)                 | (57.6)                    | (324.5)                                     |
| Economic Factors               | (426.3)                 | (179.3)                   | (605.6)                                     | (57.8)                  | (21.3)                    | (79.1)                                      | (125.5)                 | (50.0)                    | (175.5)                                     |
| Production                     | (1,584.3)               | —                         | (1,584.3)                                   | (261.1)                 | —                         | (261.1)                                     | (637.5)                 | —                         | (637.5)                                     |
| <b>December 31, 2024</b>       | <b>39,866.3</b>         | <b>34,568.8</b>           | <b>74,435.1</b>                             | <b>5,611.7</b>          | <b>4,512.8</b>            | <b>10,124.5</b>                             | <b>12,901.7</b>         | <b>10,934.6</b>           | <b>23,836.3</b>                             |

#### ADDITIONAL INFORMATION RELATING TO RESERVES DATA

The following discussion generally describes the basis on which Questerre attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

#### Undeveloped Reserves

The following tables set forth the volumes of proved and probable undeveloped reserves that were first attributed in each of Questerre's three most recent financial years and, before that time, in the aggregate.



## Proved Undeveloped Reserves

| Year | Light and Medium Crude Oil (Mbbls) |                        | Tight Oil (Mbbls) |                        | Conventional Gas (MMcf) |                        | Shale Gas (MMcf) |                        | Natural Gas Liquids (Mbbls) |                        |
|------|------------------------------------|------------------------|-------------------|------------------------|-------------------------|------------------------|------------------|------------------------|-----------------------------|------------------------|
|      | First Attributed                   | Cumulative at Year End | First Attributed  | Cumulative at Year End | First Attributed        | Cumulative at Year End | First Attributed | Cumulative at Year End | First Attributed            | Cumulative at Year End |
|      | 2022                               | 56.5                   | 56.5              | —                      | —                       | —                      | —                | —                      | 39,668.1                    | —                      |
| 2023 | —                                  | 66.4                   | —                 | —                      | —                       | —                      | —                | 36,349.2               | —                           | 4,848.7                |
| 2024 | —                                  | 66.4                   | —                 | —                      | —                       | —                      | —                | 32,008.7               | —                           | 4,421.5                |

Proved undeveloped reserves are generally those reserves related to infill drilling locations. If significant capital remains, these can also include wells that have been tested and not yet tied-in, wells drilled near the end of the fiscal year but not yet completed or wells further away from Questerre gathering systems. Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production.

The McDaniel Report attributes 9.8 MMboe of reserves as “proved undeveloped”. These relate to infill and step-out drilling locations in Kakwa and one location at Antler. Questerre has scheduled drilling programs in these areas over the next five years targeting the infill and step-out locations that have been assigned proved undeveloped reserves. Assuming the current pace of drilling by the respective operators at Kakwa remains constant and based on the number of locations, it will take five years to fully develop these locations.

## Undeveloped Reserves - Probable Undeveloped Reserves

| Year | Light and Medium Crude Oil (Mbbls) |                        | Tight Oil (Mbbls) |                        | Conventional Gas (MMcf) |                        | Shale Gas (MMcf) |                        | Natural Gas Liquids (Mbbls) |                        |
|------|------------------------------------|------------------------|-------------------|------------------------|-------------------------|------------------------|------------------|------------------------|-----------------------------|------------------------|
|      | First Attributed                   | Cumulative at Year End | First Attributed  | Cumulative at Year End | First Attributed        | Cumulative at Year End | First Attributed | Cumulative at Year End | First Attributed            | Cumulative at Year End |
|      | 2022                               | (35.4)                 | 401.3             | —                      | —                       | —                      | —                | —                      | 44,158.1                    | —                      |
| 2023 | 170.9                              | 544.0                  | —                 | —                      | —                       | —                      | —                | 38,371.6               | —                           | 4,931.9                |
| 2024 | —                                  | 544.0                  | —                 | —                      | —                       | —                      | —                | 33,090.6               | —                           | 4,285.3                |

In most instances, the probable undeveloped reserves assigned to the Corporation are those reserves associated with the proven undeveloped reserves using a more optimistic decline analysis and further locations in Kakwa beyond the five-year time frame usually reserved for proved undeveloped locations. Furthermore, undrilled locations in Antler, Saskatchewan are included in this category. Additional production information may result in the reclassification of these reserves into proven developed producing reserves. The McDaniel Report attributes 10.3 MMboe of reserves as “probable undeveloped”. The probable undeveloped locations at Kakwa are similarly based on the assumption that the respective operators maintain their current pace of drilling. The probable undeveloped locations at Antler are based on the successful implementation of the pilot secondary recovery scheme.

## Development of Undeveloped Reserves

In general, once proved and/or probable undeveloped reserves are identified they are scheduled into Questerre’s development plans. Normally, the Corporation plans to develop its proved and/or probable undeveloped reserves in a responsible manner, that balances the opportunities with its financial resources in the next one to eight years, subject to the current pace of drilling by the operator of its non-operated assets.

A number of factors could result in delayed or cancelled development plans. Such factors include the financial capability of Questerre and its partners, changing economic conditions due to oil and natural gas prices, operating and capital expenditure fluctuations. Changing technical conditions resulting in production anomalies such as premature water break through or higher than anticipated production declines may result in a delay or

cancellation of development plans. In wells that have encountered multiple zones, a prospective zone completion may be delayed until the initial completion is no longer economic. Larger development programs may need to be spread out over several years to optimize capital allocation and facility utilization. Surface access issues associated with landowners, weather conditions or regulatory approvals could also influence development plans.

### Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. Questerre's reserves are evaluated by McDaniel, an independent petroleum engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. Questerre's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material.

In specific, recent production data from wells drilled and placed on production or wells recently equipped with gas lift facilities in the Kakwa area may result in changes to the estimates of reserves. Furthermore, recent production data from wells that may be worked over in the Antler area could also result in changes to the estimates of reserves. Changes to the Company's drilling programs, both on an operated and non-operated basis, may also result in changes to reserve estimates. As the majority of Questerre's reserves in the Kakwa joint venture acreage are non-operated, any changes to the operator's drilling program could impact reserve estimates. The Company may amend the allocation of capital investment between its areas of operation, particularly Kakwa and Antler based on results and commodity prices.

### Future Development Costs

The following table outlines the capital costs deducted in the estimation of future net revenue attributable to proved reserves (using forecast prices and costs) and proved plus probable reserves (using forecast prices and costs) to those properties evaluated in the McDaniel Report.

|  | 2025   | 2026   | 2027   | 2028   | 2029   | 2030   | 2031   | 2032   | 2033 | 2034 | Remaining | Total   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|------|------|-----------|---------|
| <b>Development Cost Forecast (M\$)</b> |        |        |        |        |        |        |        |        |      |      |           |         |
| <b>Total Proved</b>                    |        |        |        |        |        |        |        |        |      |      |           |         |
| Undiscounted                           | 20,983 | 28,345 | 39,539 | 43,959 | 44,888 | —      | —      | —      | —    | —    | —         | 177,713 |
| Discounted @ 10.0%                     | 20,170 | 25,134 | 31,805 | 32,252 | 29,780 | —      | —      | —      | —    | —    | —         | 139,140 |
| <b>Total Proved + Probable</b>         |        |        |        |        |        |        |        |        |      |      |           |         |
| Undiscounted                           | 20,983 | 30,526 | 47,665 | 49,990 | 51,039 | 38,293 | 31,232 | 23,833 | —    | —    | —         | 293,561 |
| Discounted @ 10.0%                     | 20,170 | 27,094 | 38,132 | 36,521 | 33,739 | 22,801 | 16,947 | 11,896 | —    | —    | —         | 207,299 |

Questerre estimates that its equity financings along with internally generated cash flow, current cash balances and conventional debt financing should be sufficient to fund the future development costs disclosed above. Questerre typically has available four sources of funding to finance its capital expenditure program: current cash balances, internally generated cash flow from operations, debt financing when appropriate and new equity issues, if available on favorable terms. Any acquisition opportunities would likely be financed through debt or equity financings. To finance future development costs in the present commodity price environment, the Company anticipates it will need to improve its financial liquidity in the near future through one or all the sources above.

There can be no guarantee that funds will be available or that Questerre will allocate funding to develop all the reserves attributable in the McDaniel Report. Failure to develop those reserves could have a negative impact on Questerre's future cash flow. Questerre does not anticipate that interest or other funding costs would make further development of any of Questerre's assets uneconomic.

## OTHER OIL AND GAS INFORMATION

### Oil and Gas Properties

Questerre has two core areas where it currently conducts and expects to conduct the most of its near-term activity: Kakwa, Alberta and Antler, Saskatchewan. The Company also holds assets prospective for oil shale in Jordan and assets in the St. Lawrence Lowlands, Quebec.

#### *Kakwa, west central Alberta*

The Kakwa area is situated approximately 75 kilometres south of Grande Prairie in west central Alberta. Among other zones of interest, the area is prospective for condensate-rich natural gas in the deep, over-pressured fairway of the Montney formation, at a depth of approximately 3,100 metres to 3,600 metres. Economics are enhanced by relatively high liquids content, particularly condensate, and Crown royalty incentives.

Questerre currently holds 40,320 (17,700 net) acres in the area, including a 25% working interest in 10,080 acres ("**Kakwa Central**"), 50% working interest in 4,480 acres ("**Kakwa North**"), a 50% interest in 22,040 acres ("**Kakwa West**") and a 50% interest in 3,840 acres ("**Kakwa South**").

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

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).

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 could 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, southeast Saskatchewan*

The Antler area is approximately 200 kilometres southeast from Regina in southeast Saskatchewan. The primary target is high quality light oil from the Bakken/Torquay formation, a dolomitic siltstone shale sequence at a depth of between 1,050 metres and 1,150 metres. Secondary targets include the Souris Valley, a carbonate sequence at a depth of approximately 900 metres to 1,000 metres. The Company holds an average 100% working interest in 12,560 acres in this area.

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.

Daily production averaged 250 bbl/d (2023: 239 bbl/d).

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

#### *Oil Shale Mining – Jordan*

In addition to its equity interest in Red Leaf, Questerre's principal oil shale asset is its acreage in Jordan. Questerre also holds the licensing rights to the proprietary process to produce oil from shale developed by Red Leaf. Questerre has an option to obtain licenses to utilize the Red Leaf process.

In October 2016, Questerre commissioned an independent assessment of its oil shale resources in Jordan (the "**Jordan Resource Assessment**"). The Jordan Resource Assessment was conducted by Millcreek Mining Group, an independent qualified reserves evaluator, as defined by NI 51-101 with an effective date of September 30, 2016. The assessment was prepared in accordance with NI 51-101 and the COGE Handbook. The assessment indicated a best estimate of discovered petroleum initially in place of between 7.8 billion barrels to 12.2 billion barrels. Although the Company is in the process of completing a conceptual study, at this time, given the preliminary nature of the Jordan Resources Assessment, it does not contain any estimates regarding the timing or cost to obtain commercial development nor has the Company finalized the specific technology to be used. For more information, please refer to the Company's press release dated October 27, 2016 and the Company's Annual Information Form dated March 24, 2017 available on the Company's website at [www.questerre.com](http://www.questerre.com) or on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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

During 2024, 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.

#### *Quebec*

The Quebec Lowlands are situated in Quebec, south of the St. Lawrence River between Montreal and Quebec City. The exploration potential of the Quebec Lowlands is complemented by proximity to one of the largest natural gas markets in North America and a well-established distribution network.

The area is prospective for natural gas in several horizons with the primary target being the Utica. Secondary targets include the shallower Lorraine and the deeper Trenton Black-River carbonate. The majority of

Questerre's acreage lies in the heart of the fairway between two major geological features — Logan's Line, a subsurface thrust fault to the east and the Yamaska growth fault to the west.

Between 2005 and 2010, Questerre and its partner, Repsol, conducted an exploration and commercial appraisal program of the natural gas potential of the Lowlands. In the fall of 2010, the program was suspended while the provincial government initiated an environmental assessment of shale gas development in the province.

Following almost six years of extensive studies and public consultation, in December 2016, the Government of Quebec passed Bill 106, *An Act to implement the 2030 Energy Policy and amend various legislative provisions*. These amendments include the enactment of the *Petroleum Resources Act* to govern the future development of petroleum resources in Quebec. In September 2017, the Ministry of Natural Resources published draft regulations required for the implementation of the *Petroleum Resources Act*.

In the third quarter of 2018, the Government of Quebec enacted the *Petroleum Resources Act* to govern the development of hydrocarbons in the province. It also enacted the associated regulations (the "**Regulations**") which includes restrictions on oil and gas activities, specifically the prohibition of hydraulic fracturing of shale and increasing the minimum setbacks from urbanized areas and bodies of water.

Following the enactment of the Regulations, Questerre filed a legal brief with the Superior Court of Quebec challenging the validity of the specific Regulations relating to the restrictions. The brief requested a stay and ultimately a judicial review to have them set aside. The Company's motion was made on the basis that the Regulations are ultra vires, or beyond the legal authority granted to the Government by the *Petroleum Resources Act*, contrary to the independent scientific studies, and moreover they do not comply with the consultation requirements detailed in Quebec legislation with respect to the enactment of regulations.

In 2019, pursuant to the agreement with a senior exploration and production company, Questerre acquired the exploration rights to 753,000 net acres in the Lowlands, associated wells and equipment, geological and geophysical data and other miscellaneous assets. Consideration included a mutual release for all claims related to outstanding litigation as described in the Company's press release dated June 4, 2018. Other consideration included cash, a contingent payment to the vendor on receipt of Government approval to complete a well and security for the assumption of abandonment and reclamation liabilities. Prior to closing adjustments, the total consideration was estimated at \$67.3 million. The acquisition closed effective December 31, 2019, with requisite government approvals received in early 2020.

As a result of the extensive consultations with stakeholders over the last five years, the Company continued to build support for its project.

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.

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.

## Wells

As at December 31, 2024, the Corporation had an interest in 121 gross (74.6 net) producing and 86 gross (67.9 net) non-producing oil and natural gas wells as follows, all of which are onshore.

|              | Producing            |                    |             |             | Non-Producing |             |             |             |
|--------------|----------------------|--------------------|-------------|-------------|---------------|-------------|-------------|-------------|
|              | Oil                  |                    | Natural Gas |             | Oil           |             | Natural Gas |             |
|              | Gross <sup>(1)</sup> | Net <sup>(2)</sup> | Gross       | Net         | Gross         | Net         | Gross       | Net         |
| Wells        |                      |                    |             |             |               |             |             |             |
| Alberta      | 1.0                  | 1.0                | 53.0        | 13.7        | 5.0           | 2.5         | 24.0        | 10.0        |
| Saskatchewan | 56.0                 | 56.0               | —           | —           | 43.0          | 43.0        | —           | —           |
| Quebec       | —                    | —                  | —           | —           | —             | —           | 14.0        | 12.4        |
| Manitoba     | 11.0                 | 3.9                | —           | —           | —             | —           | —           | —           |
| <b>Total</b> | <b>68.0</b>          | <b>60.9</b>        | <b>53.0</b> | <b>13.7</b> | <b>48.0</b>   | <b>45.5</b> | <b>38.0</b> | <b>22.4</b> |

"Gross" wells mean the number of wells in which Questerre has a working interest or a royalty interest that may be convertible to a working interest.

"Net" wells mean the aggregate number of wells obtained by multiplying each gross well by Questerre's percentage working interest therein.

## Properties with No Attributed Reserves

The following table sets forth the gross and net acres of unproved properties held by the Corporation as at December 31, 2024 and the net area of unproved property for which the Corporation expects its rights to

explore, develop and exploit to expire during the next year. There are no costs or work commitments associated with Questerre's non-producing properties except for annual lease rentals.

| Location              | Unproved Properties<br>(acres) |                    | Net Area to Expire by<br>December 31, 2025 |
|-----------------------|--------------------------------|--------------------|--|
|                       | Gross <sup>(1)</sup>           | Net <sup>(2)</sup> |  |
| Alberta               | 24,480                         | 12,060             | 100  |
| Saskatchewan          | 4,330                          | 4,330              | —  |
| Manitoba              | —                              | —                  | —  |
| Quebec <sup>(3)</sup> | 1,046,563                      | 951,925            | —  |
| <b>Total</b>          | <b>1,075,373</b>               | <b>968,315</b>     | <b>100</b>                                 |

"Gross Acres" are the total acres in which Questerre has an interest.

"Net Acres" is the aggregate of the total acres in which Questerre has an interest multiplied by Questerre's working interest percentage held therein.

Subject to the legal claim related to Bill 21.

### Significant Factors of Uncertainties Relevant to Properties with No Attributed Reserves

There are several economic factors and significant uncertainties that affect the anticipated development of Questerre's properties with no attributed reserves. Questerre will be required to make substantial capital expenditures to prove, exploit, develop and produce oil and natural gas from these properties in the future. If Questerre's cash flow from operations or current cash balance is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on terms acceptable to Questerre. Failure to obtain such financing on a timely basis could cause Questerre to forfeit its interest in certain properties, miss certain opportunities, and reduce or terminate its operations. The inability of Questerre to access sufficient capital for its exploration and development purposes could have a material adverse effect on Questerre's ability to execute its business strategy to develop these prospects. For further information, see "Risk Factors".

Questerre estimates abandonment and reclamation costs for surface leases, wells and facilities based on its previous experience, current regulations, costs, technology and industry standards. Questerre has estimated the net present value of its total asset retirement obligations to be \$19.4 million as at December 31, 2024 based on a total future liability of \$24.6 million.

The McDaniel Report incorporates the Company's current asset retirement obligation, which includes its estimated future abandonment and reclamation costs for wells assigned reserves, and wells not assigned reserves, as well as facilities. These amounts were deducted in determining the aggregate future net revenue. This is summarized below without discount and using a discount rate of 10%. The gross number of wells assigned proved reserves are 145 and the gross number of wells assigned proved plus probable reserves are 169.

## Forward Contracts

|   | 2025 | 2026  | 2027 | 2028 | 2029 | 2030  | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | Remaining | Total  |
|---|------|-------|------|------|------|-------|------|------|------|------|------|------|------|------|------|-----------|--------|
| <b>Abandonment, Decommissioning and Reclamation Cost Forecast (M\$)</b> |      |       |      |      |      |       |      |      |      |      |      |      |      |      |      |           |        |
| <b>Total Proved</b>   |      |       |      |      |      |       |      |      |      |      |      |      |      |      |      |           |        |
| Undiscounted  | —    | 3,320 | 639  | 831  | 312  | 1,150 | 131  | 466  | 507  | 722  | 356  | 373  | 270  | 150  | 436  | 8,609     | 18,272 |
| Discounted @ 10.0%  | —    | 3,006 | 526  | 622  | 212  | 712   | 74   | 238  | 235  | 305  | 137  | 130  | 86   | 43   | 114  | 971       | 7,411  |
| <b>Total Proved + Probable</b>  |      |       |      |      |      |       |      |      |      |      |      |      |      |      |      |           |        |
| Undiscounted  | —    | 3,320 | 639  | 831  | 312  | 1,150 | 131  | 466  | 507  | 722  | 356  | 373  | 270  | 150  | 436  | 11,755    | 21,417 |
| Discounted @ 10.0%  | —    | 3,006 | 526  | 622  | 212  | 712   | 74   | 238  | 235  | 305  | 137  | 130  | 86   | 43   | 114  | 1,030     | 7,470  |

Questerre may use certain financial instruments to hedge its exposure to commodity price fluctuations on a portion of its crude oil and natural gas production. As at December 31, 2024, Questerre had no risk management contracts in place.

## Income Tax Horizon

The income tax deducted in the calculation of future net revenue assumes a blow-down scenario whereby Questerre produces out its existing reserves and does not reinvest any capital. Under this scenario, and given Questerre's existing tax pools at December 31, 2024, Questerre does not expect to incur current income taxes prior to 2039.

## Costs Incurred

The following table summarizes Questerre's property acquisition costs, development costs and exploration costs incurred during the financial year ended December 31, 2024.

| Nature of cost              | Amount (\$thousands) |
|-----------------------------|----------------------|
| Property Acquisition Costs: |                      |
| Proved Properties           | —                    |
| Unproved Properties         | —                    |
| Development Costs           | 4,046                |
| Exploration Costs           | 16,964               |
| <b>Total</b>                | <b>21,010</b>        |



## Exploration and Development Activities

The following table summarizes the results of exploration and development activities during the year ended December 31, 2024.

|                          | Gross <sup>(1)</sup> | Net <sup>(2)</sup> |
|--------------------------|----------------------|--------------------|
| <b>Development Wells</b> |                      |                    |
| Gas                      | 6.00                 | 2.25               |
| Oil                      | —                    | —                  |
| Service                  | —                    | —                  |
| Dry                      | —                    | —                  |
| <b>Exploratory Wells</b> |                      |                    |
| Gas                      | —                    | —                  |
| Oil                      | —                    | —                  |
| Service                  | —                    | —                  |
| Dry                      | —                    | —                  |
| <b>Total Wells</b>       | <b>6.00</b>          | <b>2.25</b>        |

“Gross” wells mean the number of wells in which Questerre has a working interest or a royalty interest that may be convertible to a working interest.

“Net” wells mean the aggregate number of wells obtained by multiplying each gross well by Questerre’s percentage working interest therein.

The Company’s most important current exploration and development activities include the following:

- Development drilling for liquids-rich natural gas in the Kakwa area of west central Alberta;
- Implementation of a workover and optimization program and a secondary recovery scheme for light oil in Antler, southeast Saskatchewan;
- Evaluation of the oil shale potential in Jordan; and
- Subject to the securing social acceptability and resolving the legal situation regarding oil and natural gas exploration and exploitation in Quebec, continued assessment of the Utica gas discovery in the St. Lawrence Lowlands, Quebec.

## Production Estimates

The following table discloses the estimated average daily sales of products through fiscal 2025 by product type associated with the first year of the gross proved reserves and gross probable reserves estimates reported in the McDaniel Report, effective December 31, 2024. The Kakwa field accounts for greater than 20 percent of the estimated production disclosed below, with estimated gross proved plus probable reserves production of 2,641.3 boe/d.

| <u>Corporation</u>                | Light and Medium<br>Crude Oil<br>(bbl/d) | Natural Gas<br>(Mcf/d) | Natural Gas<br>Liquids<br>(bbl/d) | Combined boe<br>(boe/d) |
|-----------------------------------|--|------------------------|-----------------------------------|-------------------------|
| Proved                            |  |                        |                                   |                         |
| Kakwa, Alberta                    | 877.7                                    | 6,953.7                | 169.2                             | 2,205.9                 |
| Antler, Saskatchewan              | 227.0                                    | —                      | —                                 | 227.0                   |
| Pierson, Manitoba                 | 33.4                                     | —                      | —                                 | 33.4                    |
| Other                             | 4.6                                      | 15.0                   | 0.1                               | 7.2                     |
| <b>Total proved</b>               | <b>1,142.7</b>                           | <b>6,968.7</b>         | <b>169.3</b>                      | <b>2,473.5</b>          |
| Probable                          |  |                        |                                   |                         |
| Kakwa, Alberta                    | 65.1                                     | 523.8                  | 11.5                              | 163.9                   |
| Antler, Saskatchewan              | 3.2                                      | —                      | —                                 | 3.2                     |
| Pierson, Manitoba                 | 0.5                                      | —                      | —                                 | 0.5                     |
| Other                             | —  | 1.1                    | 0.1                               | 0.3                     |
| <b>Total probable</b>             | <b>68.8</b>                              | <b>524.9</b>           | <b>11.6</b>                       | <b>167.9</b>            |
| <b>Total proved plus probable</b> | <b>1,211.5</b>                           | <b>7,493.6</b>         | <b>180.9</b>                      | <b>2,641.3</b>          |

## Netback and Production History

The following table sets forth information respecting the Company's share of average gross daily production, average net product prices received, royalties paid, production costs and the resulting netbacks received by the Corporation in respect of light crude oil, shale and conventional natural gas and natural gas liquids for the periods indicated.

|  | Three Months Ended |                |                |                |
|--|--------------------|----------------|----------------|----------------|
|  | 31-Mar<br>2024     | 30-Jun<br>2024 | 30-Sep<br>2024 | 31-Dec<br>2024 |
| <u>Average Daily Production</u>                  |                    |                |                |                |
| Light Crude Oil and Natural Gas Liquids (bbl/d)  | 977                | 930            | 1,106          | 1,067          |
| Shale Gas and Conventional Natural Gas (Mcf/d)   | 4,121              | 3,775          | 4,843          | 4,911          |
| Total (boe/d)                                    | 1,664              | 1,559          | 1,913          | 1,887          |
| <u>Average Net Price Received</u>                |                    |                |                |                |
| Light Crude Oil and Natural Gas Liquids (\$/bbl) | 92.13              | 102.51         | 94.38          | 94.11          |
| Shale Gas and Conventional Natural Gas (\$/Mcf)  | 2.71               | 1.41           | 0.81           | 1.68           |
| <u>Royalties</u>                                 |                    |                |                |                |
| Light Crude Oil and Natural Gas Liquids (\$/bbl) | 21.75              | 19.27          | 17.38          | 19.83          |
| Shale Gas and Conventional Natural Gas (\$/Mcf)  | (0.71)             | (0.68)         | (0.88)         | (0.87)         |
| <u>Production Costs</u>                          |                    |                |                |                |
| Light Crude Oil and Natural Gas Liquids (\$/bbl) | 20.89              | 31.70          | 15.83          | 19.77          |
| Shale Gas and Conventional Natural Gas (\$/Mcf)  | 2.52               | (3.85)         | 1.98           | 2.77           |
| <u>Netbacks Received</u>                         |                    |                |                |                |
| Light Crude Oil and Natural Gas Liquids (\$/bbl) | 49.49              | 51.54          | 61.17          | 54.51          |
| Shale Gas and Conventional Natural Gas (\$/Mcf)  | 0.91               | 5.94           | (0.29)         | (0.22)         |

Note: Natural gas production is predominately shale gas and light crude oil represents approximately 33% of light crude oil and NGLs.

## Production Volume by Field

The following table discloses for each significant field and, in total, Questerre's average wellhead production volumes for the period ended December 31, 2024 for each product type.

| Field                    | Light Crude Oil<br>and Natural Gas Liquids<br>(bbl/d) | Shale and Conventional<br>Natural Gas<br>(Mcf/d) | BOE<br>(boe/d) | %    |
|--------------------------|---|--|----------------|------|
| Kakwa-Resthaven, Alberta | 719   | 4,394  | 1,452          | 83%  |
| Antler, Saskatchewan     | 250   | —  | 250            | 14%  |
| Pierson, Manitoba        | 47  | —  | 47             | 3%   |
| Other                    | 5   | 17   | 7              | 1%   |
| Total                    | 1,021   | 4,411  | 1,756          | 100% |

Note: Natural gas production is predominately shale gas and light crude oil represents approximately 30% of light crude oil and NGLs.

## RISK FACTORS

The business of exploring, developing and producing oil and natural gas reserves is inherently risky. Oil and natural gas operations involve many risks which even a combination of experience and knowledge and careful evaluation may not be able to overcome. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by Questerre.

### Quebec Assets

In August 2022, the Government of Quebec enacted Bill 21-*An Act mainly to end petroleum exploration and production and the public financing of those activities*. The Act is to prohibit exploration for petroleum and production of petroleum and brine. It revokes petroleum exploration and production licences and it provides that the Government establish a compensation program pertaining to the revocation of licences. That Act requires, in particular, the holders of a revoked licence to permanently close wells and restore sites according to the terms and conditions it determines, except wells for which the MERN may authorize pilot projects for the purpose of acquiring geoscience knowledge. The bill validates the regulations made under the authority of the Petroleum Resources Act and the collection by the Minister of the annual fees for oil and gas activities.

**As a result of the enactment of Bill 21, the Government of Quebec has revoked all exploration licenses held by the Company, effectively expropriating its assets in the province for notional compensation. While the Company intends to vigorously defend its legal rights with respect to this expropriation, there can be no certainty it will be successful. See "Other Oil and Gas Information – Oil and Gas Properties – St. Lawrence Lowlands, Quebec", "Risk Factors – Hydraulic Fracturing; and Regulatory" and "Industry Conditions – Environmental Regulation – Quebec" in this AIF.**

### Liquidity and the Corporation's Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. As future capital expenditures will be financed out of cash generated from operations, borrowings and possible future equity sales, the Corporation's ability to do so is dependent on, among other factors:

- the overall state of the capital markets;
- the Corporation's credit rating (if applicable);
- commodity prices;
- interest rates;
- royalty rates;
- tax burden due to current and future tax laws; and
- investor appetite for investments in the energy industry and the Corporation's securities in particular.

Further, if the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. The current conditions in the oil and natural gas industry have negatively impacted the ability of oil and natural gas companies to access additional financing. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The Corporation may be required to seek additional equity financing on terms that are highly dilutive to existing shareholders. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's business financial condition, results of operations and prospects.

## **Additional Funding Requirements**

Questerre's adjusted funds flow from its operations may not be sufficient to always fund its ongoing activities. From time to time, Questerre may require additional financing to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Questerre to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. Due to the conditions in the oil and gas industry and/or global economic volatility, the Corporation may from time to time have restricted access to additional funding.

Continued depressed oil and natural gas prices have caused decreases, and may cause further decreases, in the Corporation's revenues from its reserves, which may affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. To the extent that external sources of capital become limited, unavailable, or available on onerous terms, the Corporation'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 affected materially and adversely as a result.

If Questerre's adjusted funds flow from operations, current cash balance and available conventional debt capacity is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or be available on favorable terms. Any equity financing may result in a change of control of Questerre or holders of its Common Shares suffering further dilution.

## **Volatility in the Oil and Gas Industry**

Market events and conditions, including global oil and natural gas supply and demand, world health emergencies, actions taken by the Organization of the Petroleum Exporting Countries ("OPEC") and its allies (collectively, "OPEC+") decisions on production growth and spare capacity, potential trade disputes involving Canada, Mexico, China, the European Union and the U.S., market volatility and disruptions, weakening global relationships, the war in Ukraine, conflict between the U.S. and Iran, isolationist and punitive trade policies, hostilities in the Middle East, Ukraine and Taiwan, the occurrence or threat of terrorist attacks in the U.S. or other countries, U.S. shale production, sovereign debt levels and political upheavals in various countries including growing anti-fossil fuel sentiment, have caused significant volatility in commodity prices. It is anticipated that the oil and natural gas industry will experience more pressure from investors to take meaningful strides towards combating climate change in the upcoming years, including diversifying their energy portfolios. 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 volatility in the valuation of oil and gas companies. 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 Corporation's reserves especially as certain reserves become uneconomic. In addition, lower commodity prices have reduced the Corporation's cash flow leading to a reduction in funds available for capital expenditures. As a result, the Corporation may not be able to replace its production with additional reserves and both the Corporation's production and reserves could be reduced on a year over year basis. Any decrease in value of the Corporation's reserves may reduce the borrowing base under its credit facilities, which, depending on the level of the Corporation's indebtedness, could result in the Corporation 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 Corporation may have difficulty raising additional funds in the future to raise funds on unfavorable and highly dilutive terms.

### **U.S. Tariffs**

On February 1, 2025, the President of the United States announced the imposition of a 25% tariff on all Canadian exports to the U.S., except for energy resources, which would be subject to a 10% tariff. While these tariffs were subsequently paused for a 30-day period, the potential for their implementation remains uncertain. The timing, scope, and ultimate impact of these tariffs on the Canadian oil and gas industry, including the Corporation's business, remain difficult to predict. However, should a 10% tariff on Canadian energy resources be imposed, it would significantly undermine the competitiveness of Canadian crude oil and natural gas exports to the U.S., which remains the primary export market for Western Canadian producers. Furthermore, such a tariff may reduce demand for Canadian oil and gas and lower realized commodity prices which could negatively impact the Corporation's revenues and profitability.

Additionally, market uncertainty surrounding U.S.-Canada trade relations and the potential for further trade restrictions could affect the Corporation's ability to raise capital. There is no assurance that trade tensions between Canada and the U.S. will be resolved favorably or that additional tariffs or trade barriers will not be introduced in the future. Any prolonged or escalated trade dispute could have a material adverse effect on the Corporation's business, financial condition, and results of operations.

### **Anti-greenwashing Rules**

On June 20, 2024, Bill C-59 received royal assent, thereby enacting certain changes to the *Competition Act* to address "greenwashing", meaning false, misleading, or deceptive environmental claims made for the purpose of promoting a product or a business interest. Under the new rules, certain environmental claims that companies commonly make, including those related to sustainability and forward-looking environmental-related goals, may be problematic. How the new rules will be interpreted and applied is currently unclear. In June 2025, new private rights of action will come into effect, meaning that any person will be able to bring a complaint directly to the Competition Tribunal for an alleged violation of the new greenwashing provisions. The Competition Bureau has published draft guidance regarding how it will apply the new greenwashing provisions, however the guidance, even once finalized, is not and will not be binding on private parties nor the Competition Tribunal. Companies found to have made representations that violate the rules, intentionally or inadvertently, could be subject to an administrative penalty for the greater of \$10 million for the first order and \$15 million dollars for any subsequent order, and 3% of the Corporation's annual worldwide gross revenues.

### **Carbon Pricing Risk**

Taxes on carbon emissions affect the demand for oil and natural gas, the Corporation's operating expenses and may impair the Corporation's ability to compete. The majority of countries across the globe have agreed to reduce their carbon emissions in accordance with the Paris Agreement. In Canada, the federal government implemented legislation aimed at incentivizing the use of alternative fuels and in turn reducing carbon emissions. The federal system applies in provinces and territories that request it to be implemented or are without their own system that meets federal standards. The federal regime was subject to several court challenges by Alberta, Saskatchewan and Ontario. The final decision from the Supreme Court of Canada was released on October 13, 2023. See "Industry Conditions – Environmental Regulation".

Any 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 Corporation's operating expenses, each of which may have a material adverse effect on its profitability and financial condition. Further, the imposition of carbon taxes puts

the Corporation at a disadvantage with its counterparts who operate in jurisdictions where there are less costly carbon regulations.

### **Credit Facilities**

The amount authorized under the Corporation's credit facilities is dependent on the borrowing base determined by the Corporation's lender. The Corporation is required to comply with covenants under its credit facilities which include certain financial ratio tests. If the Corporation does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to the failure of the Corporation to comply with such covenants. A failure to comply with covenants could result in default under its credit facilities, which could result in the Corporation being required to repay amounts owing thereunder. Even if the Corporation can obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under its credit facilities, the lender could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness. The acceleration of the Corporation's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross default or cross-acceleration provisions. In addition, the credit facilities impose certain operating and financial restrictions on the Corporation including, but not limited to, restrictions on the payment of dividends, repurchase or making of other distributions with respect to the Corporation's securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others. In addition, the credit facilities are demand facilities and could be reduced or eliminated by the lender for reasons beyond the control of the Corporation.

### **Prices, Markets and Marketing of Crude Oil and Natural Gas**

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, including geopolitical events, all of which are beyond the control of Questerre. World prices for oil and natural gas have fluctuated widely in recent years. Oil and natural gas prices are expected to remain volatile in the near future in response to a variety of factors beyond the Corporation's control, including but not limited to: (i) global energy supply, production and policies, including the ability of OPEC and OPEC+ countries to set and maintain production levels in order to influence prices for oil; (ii) political conditions, instability, hostilities, epidemics, pandemics and terrorist activities; (iii) global and domestic economic conditions, including currency fluctuations; (iv) the level of consumer demand, including demand for different qualities and types of crude oil and liquids and the availability and pricing of alternative fuel sources; (v) the production and storage levels of North American natural gas and crude oil and the supply and price of imported oil and liquefied natural gas; (vi) weather conditions; (vii) the proximity of reserves and resources to, and capacity of, transportation facilities and the availability of refining and fractionation capacity; (viii) the ability, considering regulation and market demand, to export oil and liquefied natural gas and NGLs from North America; (ix) the effect of world-wide energy conservation and greenhouse gas reduction measures and the price and availability of alternative fuels; (x) government regulations, actions by the Government of Alberta, including without limitation, imposing, amending or lifting crude oil production curtailments and (xi) the impact of regional and/or global health related events, on economic activity levels and energy demand; and (xii) the implementation of new export tariffs or import taxes on Canadian energy resources in the U.S. Certain wells or other projects may become uneconomic because of this decline or any further decline in world oil prices or a decline in natural gas prices, leading to a reduction in the future volume of Questerre's oil and natural gas production. Questerre might also elect not to produce from certain wells at lower prices. All these factors could result in a material decrease in Questerre's future net production revenue, causing a reduction in its oil and natural gas exploration, development and acquisition activities. In addition, bank borrowings available to Questerre will be in part determined by the borrowing base of Questerre. A sustained material decline in prices from prior relatively higher average prices could reduce Questerre's future borrowing base, therefore reducing the bank credit

available to the Corporation, and could require that a portion of any existing bank debt of the Corporation be repaid.

Volatility in oil and natural gas prices makes it difficult to estimate the value of producing properties for acquisitions and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers may have difficulty agreeing on the value of such properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Questerre assesses the carrying value of its assets to the extent required by International Financial Reporting Standards. If oil or natural gas prices decline, the carrying value of the Corporation's assets could be subject to downward revision, and the Corporation's earnings could be adversely affected by any reduction in such carrying value.

In addition to establishing markets for its oil and natural gas, Questerre must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Questerre will be affected by numerous factors beyond its control. Questerre will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Questerre. The ability of Questerre to market natural gas and NGLs may depend upon its ability to acquire space on pipelines which deliver these products to commercial markets. Questerre will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and the management of other aspects of the oil and natural gas business. Questerre has limited direct experience in the marketing of oil, natural gas and NGLs.

### **Exploration, Development and Production Risks**

Oil and natural gas exploration involves a high degree of risk and there is no assurance that exploration expenditures by the Corporation will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones and tools lost in the hole, and changes in drilling plans and locations because of prior exploratory wells or additional seismic data and interpretations thereof. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, the Corporation's existing reserves, and the production from them, will decline over time as the Corporation produces from such reserves. A future increase in the Corporation's reserves will depend on both the ability of the Corporation to explore and develop its existing properties and on its ability to select and acquire suitable producing properties or prospects. There is no assurance that the Corporation will be able to continue to find satisfactory properties to acquire or participate in. Moreover, the management of the Corporation may determine that current markets, terms of acquisition, participation or pricing conditions make potential acquisitions or participations uneconomic. There is also no assurance that the Corporation will discover or acquire further commercial quantities of oil and natural gas.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating



conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Restrictions on the availability and cost of materials and equipment may impede the Corporation's exploration, development, and operating activities as crude oil and natural gas exploration, development, and operating activities are dependent on the availability and cost of specialized materials and equipment (typically leased from third parties) in the areas where such activities are conducted. The availability of such material and equipment is limited. An increase in demand or cost, or a decrease in the availability of such materials and equipment, may impede the Corporation's exploration, development, and operating activities. The Corporation may utilize multi-well pad drilling where practicable. Problems affecting a single well could adversely affect production from all of the wells on the pad. As a result, multi-well pad drilling can cause delays in the scheduled commencement of production, or interruption in ongoing production. These delays or interruptions may cause volatility in our operating results.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, fire, explosion, blowouts, cratering and spills or other environmental hazards. These typical risks and hazards could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment, and personal injury.

Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

As is standard industry practice, the Corporation is not fully insured against all risks, nor are all risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, liabilities associated with certain risks could exceed policy limits or not be covered. In either event the Corporation could incur significant costs. See "Risk Factors– Insurance" in this AIF.

### **Political Uncertainty**

The Corporation's results can be adversely impacted by political, legal, or regulatory developments in Canada and elsewhere that affect local operations and local and international markets. Changes in government, government policy or regulations, changes in law or interpretation of settled law, third-party opposition to industrial activity generally or projects specifically, and duration of regulatory reviews could impact the Corporation's existing operations and planned projects. This includes actions by regulators or other political actors to delay or deny necessary licenses and permits for the Corporation's activities or restrict the operation of third-party infrastructure that it relies on. Additionally, changes in environmental regulations, assessment processes or other laws, and increasing and expanding stakeholder consultation (including Indigenous stakeholders), may increase the cost of compliance or reduce or delay available business opportunities and adversely impact the Corporation's results.

In particular, the recent election of President Donald Trump in the US may result in legislative and regulatory changes that could have an adverse effect on the Corporation and its financial condition. There is uncertainty regarding U.S. tariffs and support for existing treaty and trade relationships with Canada. Implementation of new legislative or regulatory policies by the US government could impose additional costs on the Corporation, decrease industry activity which would impact demand for the Corporation's services and could have a material adverse impact on the Canadian economy, the Canadian oil and natural gas industry and the Corporation's business.

Other government and political factors that could adversely affect the Corporation's financial results include increases in taxes or government royalty rates (including retroactive claims) and changes in trade policies and agreements. Further, the adoption of regulations mandating efficiency standards, and the use of alternative fuels or uncompetitive fuel components could affect the Corporation's operations. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies. Governments and others are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources, and the success of these initiatives may decrease demand for the Corporation's products.

A change in federal, provincial or municipal governments in Canada may have an impact on the directions taken by such governments on matters that may impact the oil and natural gas industry including the balance between economic development and environmental policy. The oil and natural gas industry has become increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development, particularly with respect to infrastructure projects. Project blockades and demonstrations have the potential to delay and disrupt the Corporation's activities.

The *Alberta Sovereignty Within a United Canada Act* (the "**Sovereignty Act**") was passed on December 8, 2022, and received Royal Assent on December 15, 2022. The Sovereignty Act, amongst other things, enables the Alberta Government to choose which federal legislation, policies or programs it will enforce in Alberta, providing an overriding right to not enforce those which the Alberta Government deems to be "harmful" to Alberta's interests or infringe on the Federal Constitution and its division of powers. The Sovereignty Act has been opposed by many, including the Alberta New National Democratic Party and various Indigenous groups who have expressed concern as to how the Sovereignty Act will affect Indigenous rights and consultation obligations in Alberta. It is unclear what the effect the Sovereignty Act will have on Alberta, including the petroleum and natural gas industry, Alberta businesses and its federal and interprovincial relationships, including the application of certain federal legislation in Alberta, such as the GGPPA (as defined herein) and the IAA (as defined herein) and the way in which the Alberta Government may address any legislative and policy gaps created. Although the Sovereignty Act has not yet been challenged in court, it is possible the Sovereignty Act's constitutionality will be challenged.

The Federal Government was re-elected in 2021, but in a minority position. The ability of the minority Federal Government to pass legislation will be subject to whether it is able to come to agreement with, and garner the support of, the other elected parties, most of whom are opposed to the development of the oil and natural gas industry. The minority federal government will also be required to rely on the support of the other elected parties to remain in power, which provides less stability and may lead to an earlier subsequent federal election. Lack of political consensus, at both the federal and provincial level, continues to create regulatory uncertainty, the effects of which become apparent on an ongoing basis, particularly with respect to carbon pricing regimes, curtailment of crude oil production and transportation and export capacity, and may affect the business of participants in the oil and natural gas industry.

The oil and natural gas industry has become an increasingly politically polarizing topic in Canada, which has resulted in a rise in civil disobedience surrounding oil and natural gas development particularly with respect to infrastructure projects. Protests, blockades, and demonstrations have the potential to delay and disrupt the Corporation's activities.

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

Additionally, some European countries have also experienced the rise of antiestablishment political parties and public protests held against open-door immigration policies, trade, and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could have an adverse effect on the Corporation's ability to market its products internationally, increase costs for goods and services required for third party lessees' operations, reduce their access to skilled labour and as a result, negatively impact the Corporation's business, operations, financial conditions and the market value of the Common Shares.

In February 2022, Russian military forces invaded Ukraine. Ongoing military conflict between Russia and Ukraine has significantly impacted the supply of oil and gas from the region. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy in addition to the near-term effects on Russia. The outcome of the ongoing conflict and related sanctions remains uncertain and may have wide-ranging consequences on the peace and stability of the region and the world economy.

See "Industry Conditions – Pipelines", "– Crude Oil and Bitumen by Rail", "– Trade Agreements" and "Climate Change Regulation" in this AIF.

### **Non-Government Organizations**

The oil and natural gas exploration, development and operating activities conducted by the Corporation may, at times, be subject to public opposition. Such public opposition could expose the Corporation to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Indigenous groups, landowners, environmental interest groups (including those opposed to oil and natural gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of the federal, provincial or municipal governments, delays in, challenges to, or the revocation of regulatory approvals, permits and/or licenses, and direct legal challenges, including the possibility of climate-related litigation. There is no guarantee that the Corporation will be able to satisfy the concerns of the special interest groups and non-governmental organizations and attempting to address such concerns may require the Corporation to incur significant and unanticipated capital and operating expenditures.

### **Changing Investor Sentiment**

A number of factors, including the effects of the use of fossil fuels on climate change, the impact of oil and natural gas operations on the environment, environmental damage relating to spills of petroleum products during production and transportation, and Indigenous rights have affected certain investors' sentiments towards investing in the oil and natural gas industry. As a result of these concerns, some institutional, retail and governmental investors have announced that they are no longer willing to fund or invest in oil and natural gas properties or companies or are reducing the amount thereof over time. In addition, certain institutional investors are requesting that issuers develop and implement more robust social, environmental and governance policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from the Board, management and employees of the Corporation. Failing to implement the policies and practices, as requested by institutional investors, may result in such investors reducing their investment in the Corporation, or not investing in the Corporation at all. Any reduction in the investor base interested or willing to invest in the oil and natural gas industry and more specifically, the Corporation, may result in limiting the Corporation's access to capital, increasing the cost of capital, and decreasing the price and liquidity of the Corporation's securities even if the Corporation's operating results, underlying asset values or prospects have not changed.

## **Global Financial Markets**

Market events and conditions, including disruptions in the international credit markets and other financial systems, and the deterioration of global economic conditions caused significant volatility to commodity prices over the last few years. These conditions have resulted in a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and may continue to impact the performance of the global economy going forward.

If the economic climate in the U.S. or the world generally deteriorates further, demand for petroleum products could diminish further and prices for oil and natural gas could decrease further, which could adversely impact the Corporation's results of operations, liquidity and financial condition.

## **Adverse Economic Conditions**

The demand for energy, including oil and natural gas, is generally linked to broad-based economic activities. If there was a slowdown in economic growth, an economic downturn or recession, or other adverse economic or political development in the US, Europe, or Asia, there could be a significant adverse effect on global financial markets and commodity prices. In addition, hostilities in the Middle East, Ukraine, and other areas and the occurrence or threat of terrorist attacks in the US or other countries could adversely affect the global economy.

Pandemics, epidemics or outbreaks of an infectious disease in Canada or worldwide could have an adverse impact on the Company's business, including changes to the way the Company and its counterparties operate, and on the Company's financial results and condition.

The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, cost of borrowing, access to liquidity, and/or business plans may, in particular, and without limitation, be adversely impacted as a result of an outbreak of a pandemic, or contagious diseases, and/or decline in commodity prices as a result of: the shut-down of facilities or the delay or suspension of work on major capital projects due to workforce disruption or labour shortages caused by infected workers, or government or health authority mandated restrictions on travel by workers or closure of facilities or worksites; suppliers and third-party vendors experiencing similar workforce disruption or being ordered to cease operations; reduced cash flows resulting in less funds from operations being available to fund capital expenditure budgets; reduced commodity prices resulting in a reduction in the volumes and value of reserves; crude oil storage constraints resulting in the curtailment or shutting in of production; counterparties being unable to fulfill their contractual obligations on a timely basis or at all; the inability to deliver products to customers or otherwise get products to market caused by border restrictions, road or port closures or pipeline shut-ins, including as a result of pipeline companies suffering workforce disruptions or otherwise being unable to continue to operate; and the ability to obtain additional capital including, but not limited to, debt and equity financing being adversely impacted as a result of unpredictable financial markets, commodity prices and/or a change in market fundamentals.

## **Gathering and Processing Facilities and Pipeline Systems**

The Corporation delivers its products through gathering, processing, and pipeline systems, some of which it does not own. The amount of oil, natural gas and NGLs that the Corporation can produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The

lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry limiting the ability to produce and market oil and natural gas production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas. Unexpected shutdowns or curtailment of capacity of pipelines for maintenance or integrity work because of actions taken by regulators could also affect the Corporation's production, operations and financial results. Furthermore, producers are increasingly turning to rail as an alternative means of transportation. In recent years, the volume of crude oil shipped by rail in North America has increased dramatically. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation's business and, in turn, the Corporation's financial condition, results of operations and cash flows. Future pipeline projects may be terminated for reasons such as failure to obtain government and/or regulatory support or approval. The direct impact that the termination of such projects will have on the Corporation is unknown. See "Industry Conditions – Pipelines" in this AIF.

Federal and various provincial governments have been active in recent years in their support for and opposition to major infrastructure projects in Canada leading to increased awareness of and challenges to interprovincial and international infrastructure projects. In 2019, with the passing of Bill C-69, the CERA and the Impact Assessment Act came into force and the *National Energy Board Act* and the *Canadian Environmental Assessment Act, 2012* were repealed. In addition, the IA Agency replaced the Canadian Environmental Assessment Agency. The impact of the new federal regulatory scheme on proponents, and the timing for receipt of approvals, of major projects is unclear.

A portion of the Corporation's production may, from time to time, be processed through facilities owned by third parties and over which the Corporation does not have control. From time to time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuation or decrease of operations could materially adversely affect the Corporation's ability to process its production and to deliver the same for sale. Midstream and pipeline companies may take actions to maximize their return on investment, which may in turn adversely affect producers and shippers, especially when combined with a regulatory framework that may not always align with the interests of particular shippers.

### **Alternatives to and Changing Demand for Petroleum Products**

Fuel conservation measures, alternative fuel requirements, electric vehicle mandates, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Recently, certain jurisdictions have implemented policies or incentives to decrease the use of fossil fuels and encourage the use of renewable fuel alternatives (including electric vehicles), which may lessen the demand for petroleum products and put downward pressure on commodity prices. In addition, advancements in energy efficient products have a similar effect on the demand for oil and gas products. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

### **Environmental Risks**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The

legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage and imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require Questerre to incur costs to remedy such discharge. Recently, the industry has been subject to increased security of and focus on the environmental impact of drilling and completion techniques relating to the exploration for natural gas. Changes to the requirement for drilling and completion techniques could have a material impact on the ability of Questerre to drill and complete wells. Implementation of strategies with respect to climate change and reducing greenhouse gases to meet the limits required by federal or provincial governments could have a material impact on the nature of oil and natural gas operations, including those of Questerre. In November 2024, the federal government published a draft of the proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations, which, if enacted, would cap emissions from a range of industrial activities in the oil and natural gas sector, establish a cap and-trade system for emissions allowances, and require facility operators to comply with various reporting and remittance obligations. The proposed regulations are expected to be finalized in mid-2025 and come into force by January 1, 2026, and could potentially suppress spending on decarbonization initiatives and lead to production cuts.

See "Industry Conditions – Environmental Regulation". Questerre is in material compliance with current environmental laws. No assurance can be given that the application of environmental laws to the business and operations of the Corporation will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

## **Climate Change**

Global climate issues continue to attract public and scientific attention. Numerous reports, including reports from the Intergovernmental Panel on Climate Change, have engendered concern about the impacts of human activity, especially hydrocarbon combustion, on global climate issues. In turn, increasing public, government, and investor attention is being paid to global climate issues and to emissions of greenhouse gases, including emissions of carbon dioxide and methane from the production and use of oil, liquids and natural gas. The majority of countries across the globe, including Canada, have agreed to reduce their carbon emissions in accordance with the Paris Agreement. See "Industry Conditions – Climate Change Regulation" for a summary of Canada's subsequent actions and pledges aimed at reducing Canada's greenhouse gas emissions and environmental impact. As discussed below, the Corporation faces both transition risks and physical risks associated with climate change and climate change policy and regulations.

### *Transition risks*

Foreign and domestic governments continue to evaluate and implement policy, legislation, and regulations focused on restricting emissions commonly referred to as greenhouse gas emissions and promoting adaptation to climate change and the transition to a low-carbon economy. It is not possible to predict what measures foreign and domestic governments may implement in this regard, nor is it possible to predict the requirements that such measures may impose or when such measures may be implemented. However, international multilateral agreements, the obligations adopted thereunder and legal challenges concerning the adequacy of climate-related policy brought against foreign and domestic governments may accelerate the implementation of these measures. Given the evolving nature of climate change policy and the control of greenhouse gas emissions and resulting requirements, including carbon taxes and carbon pricing schemes implemented by varying levels of government, it is expected that current and future climate change regulations will have the effect of increasing our operating expenses, and, in the long-term, potentially reducing the

demand for oil, liquids, natural gas and related products, resulting in a decrease in our profitability and a reduction in the value of our assets.

Claims have been made against certain energy companies alleging that greenhouse gas emissions from oil and natural gas operations constitute a public nuisance under certain laws or that such energy companies provided misleading disclosure to the public and investors of current or future risks associated with climate change. As a result, individuals, government authorities, or other organizations may make claims against oil and natural gas companies, including us, for alleged personal injury, property damage, or other potential liabilities. While the Corporation is not a party to any such litigation or proceedings, the Corporation could be named in actions making similar allegations. An unfavorable ruling in any such case could adversely affect the demand for and price of the Corporation's securities, impact the Corporation's operations and have an adverse impact on the Corporation's financial condition.

Given the perceived elevated long-term risks associated with policy development, regulatory changes, public and private legal challenges, or other market developments related to climate change, there have also been efforts in recent years affecting the financial community, including investment advisors, sovereign wealth funds, banks, public pension funds, universities and other institutional investors, promoting direct engagement and dialogue with companies in their portfolios on climate change action (including exercising their voting rights on matters relating to climate change) and increased capital allocation to investments in low-carbon assets and businesses while decreasing the carbon intensity of their portfolios through, among other measures, divestments of companies with high exposure to greenhouse gas-intensive operations and products. Certain stakeholders have also pressured insurance providers and commercial and investment banks to reduce or stop financing, and providing insurance coverage to oil and natural gas and related infrastructure businesses and projects. The impact of such efforts require our management to dedicate significant time and resources to these climate change-related concerns, may adversely affect our operations, the demand for and price of our securities and may negatively impact our cost of capital and access to the capital markets.

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance and climate reporting, in June 2023 the International Sustainability Standards Board ("ISSB") issued two new international environmental disclosure standards, IFRS S1 and S2, with the aim to develop environmental disclosure standards that are globally consistent, comparable and reliable; in December 2024 the Canadian Sustainability Standards Board ("CSSB") finalized substantially similar new Canadian Standards, CSDS 1 and CSDS 2. The Canadian Securities Administrators which had previously published for comment the Proposed National Instrument 51-107 – Disclosure of Climate-Related Matters intends to incorporate the Canadian Standards into new climate-related disclosure requirements for reporting issuers in Canada. If the Corporation is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, the business and ability to attract and retain skilled employees, obtain regulatory permits, licences, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. As a result of its listing on the Oslo Stock Exchange, the Corporation is also subject to related reporting requirements including the Corporate Sustainability Reporting Directive that was enacted in January 2023 by the European Union. See "Industry Conditions – Climate Change Regulation".

### *Physical risks*

Based on the Corporation's current understanding, the potential physical risks resulting from climate change are long-term in nature and associated with a high degree of uncertainty regarding timing, scope, and severity of potential impacts. The Corporation does not conduct fundamental research regarding the scientific inquiry of climate change, but it does stay abreast of the scientific literature on the subject. Many experts believe global climate change could increase extreme variability in weather patterns such as increased frequency of severe weather, rising mean temperature and sea levels, and long-term changes in precipitation patterns. Extreme hot and cold weather, heavy snowfall, heavy rainfall, and wildfires may restrict the Corporation's ability to access the Corporation's properties and cause operational difficulties, including damage to equipment and infrastructure. Extreme weather also increases the risk of personnel injury as a result of dangerous working conditions. Certain of the Corporation's assets are located in locations that are proximate to forests and rivers and a wildfire or flood may lead to significant downtime and/or damage to the Corporation's assets or cause disruptions to the production and transport of the Corporation's products or the delivery of goods and services in the Corporation's supply chain.

### **Fiscal and Royalty Regime**

In addition to federal regulation, each province has legislation and regulations which govern land tenure, drilling and construction permits, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on well productivity, commodity prices, geographical location, field discovery data and the type or quality of the petroleum product produced.

The royalty regime in Alberta and any other jurisdictions in which the Corporation's oil and natural gas assets are located, including Quebec, may be subject to further review and changes which could adversely impact the Corporation's financial condition and operations and make future capital investments less economic. For recent changes see "Industry Conditions - Provincial Royalties and Incentives" in this AIF.

### **Impact of Future Financings on Market Price**

In order to finance future operations or acquisitions opportunities, the Corporation may raise funds through the issuance of Common Shares or the issuance of debt instruments or securities convertible into Common Shares. The Corporation cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the effect, if any, that future issuances and sales of the Corporation's securities will have on the market price of the Common Shares.

### **Regulatory**

Oil and natural gas operations (exploration, production, pricing, marketing, transportation, infrastructure and mergers and acquisitions) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. See "Industry Conditions" for further information. These controls and regulations may change from time to time and Questerre's compliance with current and proposed regulations could have a material adverse impact by substantially increasing its capital expenditures and compliance costs. Recent regulations include the temporary oil production curtailment plan which began on January 1, 2019, announced by the Government of Alberta, see "Industry Conditions – Production and Operation Regulations" in this AIF.



The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the Corporation's costs, either of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Indigenous consultation, environmental impact assessments, and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions including, but not limited to: security deposit obligations; ongoing regulatory oversight of projects; mitigating or avoiding project impacts; environmental and habitat assessments; and other commitments or obligations. See "Industry Conditions – Production and Operation Regulations" in this AIF.

In addition to regulatory requirements pertaining to the production, marketing and sale of oil and natural gas mentioned above, the Corporation's business and financial condition could be influenced by federal legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada).

## **Insurance**

Questerre's involvement in the exploration and development of oil and gas properties may result in Questerre becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although Questerre will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Questerre may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Questerre. The occurrence of a significant event that Questerre is not fully insured against, the Corporation's inability to obtain insurance coverage against one or more risks at acceptable premium rates or at all or the insolvency of the insurer of such event, could have a material adverse effect on Questerre's financial position, results of operations or prospects.

The Corporation's insurance policies are generally renewed on an annual basis and, depending on factors such as market conditions, the premiums, policy limits and/or deductibles for certain insurance policies can vary substantially. In some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. Significantly increased costs could lead the Corporation to decide to reduce or possibly eliminate coverage. In addition, insurance is purchased from a number of third-party insurers, often in layered insurance arrangements, some of whom may discontinue providing insurance coverage for their own policy or strategic reasons. Should any of these insurers refuse to continue to provide insurance coverage, the Corporation's overall risk exposure could be increased and the Corporation could incur significant costs.

## **Project Risks**

The Corporation will manage and participate in a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Quebec is a relatively new area for oil and gas development and therefore specialized support services are not locally available. Project cost estimates may not be accurate due to a lack of history of comparable projects. Furthermore, significant project cost over-runs could make a project uneconomic. Higher than expected costs could defer planned operations and set back the anticipated timeline for project development.

The Corporation's ability to execute projects and market oil, natural gas and NGLs will depend upon numerous factors beyond the Corporation's control, including: the availability of processing capacity; the availability and proximity of transportation infrastructure, including pipeline capacity; the availability of storage capacity; the supply of and demand for oil and natural gas; the availability of alternative fuel sources; the effects of inclement weather; the availability of drilling and related equipment; unexpected cost increases; accidental events;

currency fluctuations; changes in regulations; the availability and productivity of skilled labour; environmental and Indigenous activism or land claims that potentially result in delays or cancellation of projects; litigation and judicial interpretation and application of laws, including with respect to Indigenous rights and historical treaties; and the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

On August 23, 2022, the Government of Quebec enacted Bill 21, An Act mainly to end petroleum exploration and production and the public financing of those activities. Bill 21 revokes petroleum exploration and production licences, including the 16 exploration licenses held by the Corporation. It provides that the Government must establish a compensation program pertaining to the revocation of licences. The Act requires, in particular, the holders of revoked licences to permanently close wells and restore sites according to the terms and conditions determined by the Government. Bill 21 validates the regulations made under the authority of the Petroleum Resources Act (Quebec), certain decisions which effectively limit or prohibit, directly or indirectly, exploration for petroleum and underground reservoirs and production of petroleum and brine as well as the collection by the Minister of the annual fees for oil and gas activities. See "Quebec Assets" above.

If the Corporation's funds flow and funds from external financing sources are not sufficient to cover the capital expenditure requirements, The Corporation may be required to reallocate available capital among its projects or modify its capital expenditure plans, which may result in delays to, or cancellation or, certain projects or deferral of certain capital expenditures. Any change to the Corporation's capital expenditure plans could, in turn, have a material adverse effect on the Corporation's growth objectives and business, financial position and results of operations.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

## **Competition**

Questerre will actively compete for acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Questerre. Questerre's competitors will include major integrated oil and natural gas companies, numerous other independent oil and natural gas companies and individual producers and operators.

The oil and natural gas industry is highly competitive. Questerre's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities include companies that have greater financial and personnel resources available to them than Questerre.

Questerre's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers, will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Competition may also be presented by alternate fuel sources, additional discoveries of hydrocarbon reserves by the Corporation's competitors, the cost of production and political and economic factors and other factors outside the Corporation's control.

## **Title**

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, Questerre will conduct such title reviews in

connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that Questerre may lose all or a portion of its right, title and interest in and to the properties to which the title defects relate.

### **Reserve Estimates**

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGLs resources, reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. In estimating reserves, the chance of commerciality is effectively 100%.

The reserve and associated cash flow information and estimates represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon several variable factors and assumptions, such as commodity prices, historical production from the properties, production rates, and estimated production decline rates, estimated ultimate reserve recovery, changes in technology, timing, amount and effectiveness of future capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For these reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes, development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based in part on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods may be less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

Actual future net revenue from the Corporation's assets will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates, and such variations could be material.

The McDaniel Report is effective as of a specific date and has not been updated and thus does not reflect changes in Questerre's reserves since that date.

### **Reserve Replacement**

Questerre's future oil and natural gas reserves, production and cash flows to be derived therefrom are highly dependent on Questerre successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Questerre may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Questerre's reserves will depend not only on Questerre's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Questerre's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

## **Capital Markets**

As a result of global economic conditions, the Corporation may have restricted access to capital, bank debt and equity and is likely to face increased borrowing costs. Irrespective of whether the Corporation's business and asset base change materially, the lending capacity of many financial institutions has diminished, and risk premiums have increased in recent years. As future capital expenditures will be financed out of cash flow from operations, current cash balances, borrowings and possible future equity sales, the Corporation'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 in the Corporation's securities.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation'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 as a result.

Based on current funds available, expected adjusted funds flow from operations and available conventional debt capacity, the Corporation 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 Corporation 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 Corporation's capital expenditure plans may result in a delay in development of or production on the Corporation's properties. Any properties not proven before expiry will not be available for production leases.

## **Operational Dependence**

Other companies operate some of the assets in which Questerre has an interest. As a result, Questerre will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Questerre's financial performance. Questerre's return on assets operated by others will therefore depend upon multiple factors that may be outside of Questerre's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

In addition, due to the current low and volatile commodity prices, many companies, including companies that may operate some of the assets in which the Corporation has an interest, may be in financial difficulty, which could impact their ability to fund and pursue capital expenditures, carry out their operations in a safe and effective manner, and satisfy regulatory requirements with respect to abandonment and reclamation obligations. If companies that operate some of the assets in which the Corporation has an interest fail to satisfy regulatory requirements with respect to abandonment and reclamation obligations, the Corporation may be required to satisfy such obligations and to seek recourse from such companies. To the extent that any of such companies go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in such assets being shut-in, the Corporation potentially becoming subject to additional liabilities relating to such assets and the Corporation having difficulty collecting revenue due from such operators. Any of these factors could materially adversely affect the Corporation's financial and operational results.

## **Key Employees**

The success of Questerre will be largely dependent upon the performance of its management and key employees. Questerre does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Questerre.

Any inability on the part of the Corporation to attract and retain qualified personnel may delay or interrupt the exploration for, and development and production of, oil and natural gas with respect to the Corporation's assets. Sustained delays or interruptions could have a material adverse effect on the financial condition and performance of the Corporation. In addition, rising personnel costs would adversely impact the costs associated with the exploration for, and development and production of, oil and natural gas in respect of the Corporation's assets, which could be significant and material.

### **Management of Growth**

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to adequately handle this growth could have a material adverse impact on its business, operations and prospects.

### **Expiration of Licenses and Leases**

The Corporation's properties are held in the form of licenses and leases and working interests in licenses and leases. If the Corporation or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of the Corporation's licenses or leases or the working interests relating to a license or lease may have a material adverse effect on the Corporation's results of operations and business.

### **Permits and Licenses**

The operations of Questerre may require licenses and permits from various governmental authorities. There can be no assurance that Questerre will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its properties. Further, if the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licenses or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

### **Variations in Foreign Exchange Rates**

World oil and natural gas prices are quoted in United States dollars. The Canadian/United States dollar exchange rate, which fluctuates over time, consequently, affects the price received by Canadian producers of oil and natural gas. Material increases in the value of the Canadian dollar relative to the United States dollar will negatively affect the Corporation's production revenues. Accordingly, exchange rates between Canada and the United States could affect the future value of the Corporation's reserves as determined by independent evaluators. Although a low value of the Canadian dollar relative to the United States dollar may positively affect the price the Corporation receives for its oil and natural gas production, it could also result in an increase in the price for certain goods used for the Corporation's operations, which may have a negative impact on the Corporation's financial results.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service debt, resulting in a reduced amount available to fund its exploration and development activities, and if

applicable, the cash available for dividends and could negatively impact the market price of the Common Shares of the Corporation.

### **Credit Facility**

The amount authorized under the Corporation's credit agreement governing the Credit Facility is dependent on the borrowing base determined by its lender. The lender uses the Corporation's reserves, commodity prices, and other factors, to periodically determine the Corporation's borrowing base. Lower commodity prices could result in a reduction to the Corporation's borrowing base, reducing the funds available to the Corporation under the Credit Facility. This could result in the requirement to repay a portion, or all, of the Corporation's indebtedness.

The Corporation is required to comply with certain non-financial covenants under the Credit Facility and in the event that it does not comply with these covenants, the Corporation's access to capital could be restricted or repayment could be required. Events beyond the Corporation's control may contribute to its failure to comply with such covenants. A failure to comply with covenants could result in default under the Credit Facility, which could result in the Corporation being required to repay amounts owing thereunder.

In addition, the Credit Facility may impose operating and financial restrictions on the Corporation that could include restrictions on, the payment of dividends, repurchase or making of other distributions with respect to its securities, incurring of additional indebtedness, the provision of guarantees, the assumption of loans, making of capital expenditures, entering into of amalgamations, mergers, take-over bids or disposition of assets, among others.

If the Corporation's lenders require repayment of all or a portion of the amounts outstanding under the Credit Facility for any reason, including for a default of a covenant, or the reduction of a borrowing base, there is no certainty that the Corporation would be in a position to make such repayment. Even if the Corporation is able to obtain new financing in order to make any required repayment under the Credit Facility, it may not be on commercially reasonable terms, or terms that are acceptable to the Corporation. If the Corporation is unable to repay amounts owing under its Credit Facility, the lenders under the Credit Facility could proceed to foreclose or otherwise realize upon the collateral granted to them to secure the indebtedness.

### **Issuance of Debt**

From time to time Questerre may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase Questerre's debt levels above industry standards. Neither Questerre's articles nor its bylaws limit the amount of indebtedness that Questerre may incur. The level of Questerre's indebtedness from time to time could impair Questerre's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. Questerre's ability to meet its debt service obligations will depend on Questerre's future operations which are subject to prevailing industry conditions and other factors, many of which are beyond the control of Questerre. As certain of the indebtedness of Questerre would bear interest at rates which fluctuate with prevailing interest rates, increases in such rates would increase Questerre's interest payment obligations and could have a material adverse effect on Questerre's financial condition and results of operations. Further, Questerre's indebtedness would be secured by substantially all Questerre's assets. In the event of a violation by Questerre of any of its loan covenants or any other default by Questerre on its obligations relating to its indebtedness, the lender could declare such indebtedness to be immediately due and payable and, in certain cases, foreclose on Questerre's assets. In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

## Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production, which is intended to mitigate the effect of commodity price volatility and support the Corporation's capital budgeting and expenditure plans; however, if commodity prices increase beyond the levels set in such agreements, the Corporation may also be prevented from realizing the full benefits of price increases above the levels of the derivative instruments used to manage price risk.

In addition, the Corporation's hedging arrangements may expose it to the risk of financial loss in certain circumstances, including instances in which:

- production falls short of the hedged volumes or prices fall significantly lower than projected;
- there is a widening of price-basis differentials between delivery points for production and the delivery point assumed in the hedge arrangement;
- counterparties to the hedging arrangements or other price risk management contracts fail to perform under those arrangements; or
- a sudden unexpected event materially impacts oil and natural gas prices.

On the other hand, failure to protect against a decline in commodity prices exposes the Corporation to reduced liquidity when prices decline. A sustained lower commodity price environment would result in lower realized prices for unprotected volumes and reduce the prices at which the Corporation would enter into derivative contracts on future volumes. This could make such transactions unattractive, and, as a result, some or all of the Corporation's production volumes forecasted for the current fiscal year and beyond may not be protected by derivative arrangements.

## Liability Management

Alberta and British Columbia have developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities, and pipelines in the event a licensee or permit holder becomes defunct. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes of the ratio of the Corporation's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in significant increases to the security that must be posted. In addition, the liability management system may prevent or interfere with the Corporation's ability to acquire or dispose of assets as both the vendor and the purchaser of oil and gas assets must be in compliance with the liability management programs (both before and after the transfer of the assets) for the applicable regulatory agency to allow for the transfer of such assets. See "Industry Conditions - *Liability Management Rating Programs*".

## Access Restrictions

The Corporation's business depends, in part, upon the ability to access its lands to operate, as well as the availability, proximity, and capacity of oil and natural gas gathering systems, pipelines and/or rail transportation systems and processing facilities to provide access to markets for its production. Federal and provincial, regulation of oil and natural gas production and processing and transportation could adversely affect the Corporation's ability to produce and market oil, natural gas and NGLs. Special interest groups could prevent access to leased land or oppose infrastructure development, resulting in operational delays, or even cancellation of construction of the required infrastructure, both of which frustrate the Corporation's ability to operate, produce and market its products or restrict shipping of commodities by truck, pipeline or rail.

## Availability of Drilling Equipment Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such equipment may exceed supply thereof and may affect the availability of such equipment to Questerre and may delay the Corporation's exploration and development activities.

## Indigenous Claims

Opposition by Indigenous groups to the conduct of the Corporation's operations, development or exploratory activities in any of the jurisdictions in which the Corporation conducts business may negatively impact the Corporation in terms of public perception, diversion of management's time and resources, legal and other advisory expenses, and could adversely impact the Corporation's progress and ability to explore and develop properties.

Some Indigenous groups have established or asserted Indigenous treaty, title and rights to portions of Canada. It is possible that lands on which the Corporation operates are, or could in the future become, subject to Indigenous and treaty rights claims (including Indigenous title claims). Any such claims could have a material adverse impact on the Corporation's ability to operate on such lands when the Corporation otherwise intends to or at all, which could in turn have a material adverse impact on the Corporation's financial condition, results of operations and/or growth plans.

The Canadian federal and provincial governments have a duty to consult with Indigenous people when contemplating actions that may adversely affect the asserted or proven Indigenous or treaty rights and, in certain circumstances, accommodate their concerns. The scope of the duty to consult by federal and provincial governments varies with the circumstances and is often the subject of litigation. The fulfillment of the duty to consult Indigenous people and any associated accommodations may adversely affect the Corporation's ability to, or increase the timeline to, obtain or renew, permits, leases, licences and other approvals, or to meet the terms and conditions of those approvals.

For example, regulatory authorities in British Columbia ceased granting approvals, and, in some cases, revoked existing approvals, for, among other things crude oil and natural gas activities relating to drilling, completions, testing, production, and transportation infrastructure following a British Columbia Supreme Court decision that the cumulative impacts of government-sanctioned industrial development on the traditional territories of a Indigenous group in northeast British Columbia breached that group's treaty rights. Following that decision, the Government of British Columbia signed an implementation agreement with that Indigenous group to address cumulative effects of development on that group's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. These measures, which are expected to form the basis of similar arrangements with other Indigenous groups in British Columbia, are expected to remain in place while a long-term cumulative effects management regime is implemented. While the Corporation believes that the regulatory authorities will resume granting and reinstate approvals for oil and natural gas activities on time frames and terms and conditions consistent with past practice, the long-term impacts of, and associated risks with the decision and arrangements with Indigenous groups to address the cumulative effects of development on claimed lands on the Canadian oil and natural gas industry and the Corporation remain uncertain.

In addition, the federal government has introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples ("**UNDRIP**"). Other Canadian jurisdictions, including British Columbia, have also introduced or passed similar legislation, or begun considering the principles and objectives of UNDRIP, or may do so in the future. The means and timelines associated with UNDRIP's implementation by government is uncertain; additional processes may be created or legislation amended or introduced associated with project



development and operations, further increasing uncertainty with respect to project regulatory approval timelines and requirements. See "Industry Conditions – Indigenous Rights".

### **Geopolitical Risks**

The marketability and price of oil and natural gas that may be acquired or discovered by Questerre is and will continue to be affected by political events throughout the world that cause disruptions to the supply of oil. Geopolitical developments in the Middle East and other areas of the world can have a significant impact on the price of oil and natural gas. Any event could result in a material decline in prices and therefore result in a reduction of Questerre's net production revenue.

In addition, Questerre's expected oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of Questerre's properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on Questerre. Questerre does not have insurance to protect against the risk from terrorism.

### **Conflicts of Interest**

Directors and officers of Questerre may also be directors and officers of other companies involved in oil and gas exploration and development, and conflicts of interest may arise between their duties as officers and directors of Questerre and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to, such other procedures and remedies as apply under the ABCA.

### **Dilution**

Questerre may make future acquisitions or be involved in financings or other transactions involving the issuance of securities of Questerre which may be dilutive to existing holders of Common Shares.

### **Seasonality**

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing infrastructure are in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of the Corporation's exploration and development activities, which could in turn have a material adverse impact on the Corporation's business, operations and prospects.

### **Hydraulic Fracturing**

Hydraulic fracturing involves the injection of water, sand, and small amounts of additives under high pressure into tight rock formations that were previously unproductive to stimulate the production of oil and natural gas. Concerns about seismic activity, including earthquakes, caused by hydraulic fracturing has resulted in regulatory authorities implementing additional protocols for areas that are prone to seismic activity or completely banning hydraulic fracturing in other areas. Any new laws, regulations, or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, third-party or governmental claims, and could increase the Corporation's costs of compliance and doing business, as well as delay the development of oil and natural gas resources from shale formations, which are not commercial without the use of hydraulic fracturing. Restrictions or bans on hydraulic fracturing in the areas where the Corporation operates could result in it being unable to economically recover its oil and gas reserves and reserves, which would result in a significant decrease in the value of the Corporation's assets.

Water is an essential component of the Corporation's drilling and hydraulic fracturing processes. Limitations or restrictions on the Corporation's ability to secure enough water (including limitations resulting from natural causes such as drought), could materially and adversely impact its operations. Severe drought conditions can result in local water authorities taking steps to restrict the use of water in their jurisdiction for drilling and hydraulic fracturing in order to protect the local water supply. If the Corporation is unable to obtain water to use in its operations from local sources, it may need to be obtained from new sources and transported to drilling sites, resulting in increased costs, which could have a material adverse effect on the Corporation's financial condition, results of operations, and cash from operating activities.

In addition, the Corporation must dispose of the fluids produced from oil and natural gas production operations, including produced water, which it does directly or through the use of third-party vendors. The legal requirements related to the disposal of produced water into a non-producing geologic formation by means of underground injection wells are subject to change based on concerns of the public or governmental authorities regarding such disposal activities.

Government authorities may issue orders to temporarily shut down or to curtail the injection depth of existing wells in the vicinity of seismic events. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated laws and regulations regarding waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells by the Corporation or by commercial disposal well vendors that it may use from time to time to dispose of produced water. Increased regulation and attention given to induced seismicity could also lead to greater opposition, including litigation to limit or prohibit oil and natural gas activities utilizing injection wells for produced water disposal. Any one or more of these developments may result in the Corporation or its vendors having to limit disposal well volumes, disposal rates and pressures or locations, or require the Corporation or its vendors to shut down or curtail the injection of produced water into disposal wells, which events could have a material adverse effect on the Corporation's business, financial condition, and results of operations. In September 2018, MERN enacted the final hydrocarbon Regulations in Quebec, including restrictions on oil and gas activities, specifically the prohibition of hydraulic fracturing of shale and increasing setbacks for activity from urbanized areas and bodies of water.

### **Third Party Credit Risk**

The Corporation is, or may be, exposed to third party credit risk through contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In addition, the Corporation may be exposed to third party credit risk from operators of properties in which the Corporation has a working or royalty interest. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the oil and natural gas industry and consequently of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying aspects of the program and the Corporation's anticipated results thereof until the Corporation is able to find a suitable alternative partner, if at all. To the extent that any of such third parties go bankrupt, become insolvent or make a proposal or institute any proceedings relating to bankruptcy or insolvency, it could result in the Corporation being unable to collect all or a portion of any money owing from such parties. Any of these factors could materially adversely affect the Corporation's financial and operational results.

### **Dividends are Discretionary**

The Corporation is not obligated to pay dividends on the Common Shares. The payment of dividends is at the sole discretion of the Corporation's board of directors, and it may decide to eliminate or reduce any dividends paid on the Common Shares or retain cash otherwise available for dividends for investment in our business. In addition, certain of its agreements may restrict its ability to pay dividends, and thus the Corporation's ability to

pay dividends on its Common Shares will depend on, among other things, the Corporation's level of indebtedness at the time of the proposed dividend and whether it is in compliance with such agreements. Any reduction or elimination of dividends could cause the market price of the Common Shares to decline and could further cause the Common Shares to become less liquid, which may result in losses to shareholders.

### **Future Sales of Common Shares**

The Corporation may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's articles permit the issuance of an unlimited number of Common Shares, Class B Shares (as defined herein) and Preferred Shares (as defined herein), and shareholders will have no preemptive rights in connection with such further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to any series of Preferred Shares and the price and the terms of issue of further issuances of Common Shares or Class B Shares. Also, additional Common Shares may be issued by the Corporation on the exercise of stock options issued under the Corporation's stock option plan.

### **Emission Regulation**

The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases ("GHGs") and require them to comply with GHG emissions legislation in force in those provinces and states in which it operates or that may be enacted in provinces and states in which it operates. The Corporation and its customers may also be required to comply with the regulatory schemes for GHG emissions ultimately adopted by the federal governments in Canada and the United States. See "Industry Conditions – Environmental Regulation and Climate Change Regulation" in this AIF.

### **Technology**

While the Company has not licensed the technology to date, the commercial scalability of Red Leaf's EcoShale In-Capsule process has not been demonstrated and is therefore unproven commercial technology relative to oil shale extraction. There can be no assurance that the EcoShale In-Capsule process will perform as expected, at scale, or that the costs to construct or operate the technology will not be significantly higher than anticipated.

### **Investment in Red Leaf**

Questerre holds approximately 41 % of the common share equity capital of Red Leaf, representing a significant interest in such corporation.

Questerre does not have the ability to exercise influence over the operation of Red Leaf, which could adversely affect Questerre's financial performance. Questerre's return on the Red Leaf investment will therefore depend upon several factors that may be outside of Questerre's control, including the timing and amount of capital expenditures, Red Leaf's expertise and financial resources, the approval of other participants, the advancement of its technology and risk management practices.

### **Possible Failure to Realize Anticipated Benefits of Acquisitions and Dispositions**

As part of its ongoing strategy, the Corporation may complete acquisitions of assets or other entities in the future. Achieving the benefits of completed and future acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses and entities requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing

business, customer and employee relationships and deficiencies in internal controls or information technology controls, that may adversely affect the Corporation's ability to achieve the anticipated benefits of any acquisitions. In addition, non-core assets may be periodically disposed of so the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, may realize less than their carrying value on the financial statements of the Corporation.

### **Cost of New Technologies**

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and natural gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such a case, the Corporation's business, financial condition, and results of operations and cash flows could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, its business, financial condition and results of operations could be materially adversely affected.

### **Risks Associated with Interests in Jordan**

Certain of Questerre's assets and operations are located in Jordan. Political, economic, legal and social conditions in Jordan, as well as in the Middle East (including Turkey) and surrounding areas could materially and adversely affect Questerre's business as it is subject to political, economic and other uncertainties that are not within its control. These include, but are not limited to, the uncertainty of negotiating with foreign governments, changes in government policies and legislation, adverse legislation or determinations or rulings by governmental authorities, currency fluctuations, currency devaluations, currency controls, high inflation, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and/or royalty regimes and increases in the government's share and other risks arising out of Jordanian sovereignty over Questerre's Jordanian assets.

Questerre's operations may also be adversely affected by social instability, changes in crude oil or natural gas pricing policy (or in the personnel administering such policy), availability of oil transport infrastructure, availability of Jordanian pipeline export infrastructure, the necessary political approvals, finding acceptable gas conservation solutions, the risks of war, terrorism, guerrilla activities, insurrections, border disputes, military repression, civil disorder, crime, abduction, expropriation of property without fair compensation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic or other sanctions (imposed by other countries or regions), the imposition of specific drilling obligations, oil export or pipeline restrictions and the development and abandonment of fields.

The inability of the Corporation to mitigate the political, economic and social uncertainties associated with exploring for, developing and producing, oil and gas in Jordan, may adversely impact Questerre's ability to operate its interests, export oil or realize its full economic benefits of its interests in Jordan. This may in turn negatively impact Questerre's business, financial condition, results of operations and prospects.

Additionally, there is no assurance that Jordan will not be impacted by terrorism, ISIS, the Syrian civil war or other regional instability.

The threat of terrorism remains high in Jordan. Transnational and indigenous terrorist groups have demonstrated the capability to plan and implement attacks in Jordan. Violent extremist groups in Syria and

Iraq, including ISIS and Jabhat al-Nusra continue to pose a threat, in addition to al-Qa'ida. The potential for terrorist activity has heightened since Jordan took an active role in the coalition against ISIS.

If ISIS were to engage in attacks or were to occupy areas within Jordan, if instability and civil war in neighboring Syria were to destabilize Jordan or areas thereof, or if regional instability in the Middle East were to generally increase, it could result in the Corporation and its joint venture partners losing operating control over, and the right to extract and sell hydrocarbons therefrom or delays in operations, additional costs for increased security and difficulty in attracting/retaining qualified service companies and related personnel, which could materially adversely impact the Corporation's business, financial condition and results of operations and prospects.

As a result, the Corporation's operations in Jordan are subject to the risk of terrorist and criminal actions.

Companies operating in countries such as Jordan may be targets for criminal or terrorist actions including those of ISIS. Criminal or terrorist action against Questerre, its properties or facilities or third-party infrastructure, could have a material adverse effect on the Corporation's business, results of operations and financial condition. In addition, the possible threat of criminal or terrorist actions against it could have a material adverse effect on the ability of Questerre to adequately staff its operations or could materially increase the costs of doing so.

Furthermore, Questerre is exposed to the risk of a change in government relations.

Although Questerre has good relations with the Government of Jordan, there can be no assurance that the actions of present or future governments will not materially adversely affect the business or financial condition of Questerre. Questerre and its co-venturers may be unable to obtain or renew required drilling rights, licenses, permits and other authorizations and/or such rights, licenses, permits and other authorizations may be suspended, terminated or revoked prior to their expiration.

Any significant delay in obtaining or renewing a license, permit or other authorization including approval of development plans, may result in a delay of the Corporation's planned activities in Jordan and the future development of any associated oil and gas resources. In addition, any of Questerre's existing and future drilling rights and licenses, permits and other authorizations may be suspended, terminated or revoked if Questerre fails to comply with the relevant requirements of the Government of Jordan and its agencies. If Questerre or its co-ventures' fail to fulfill the specific terms of any of its existing or future rights, licenses, permits and other authorizations or operates its business in a manner that violates applicable law in Jordan, government regulators may impose fines or suspend or terminate the relevant right, license, permit or other authorization, any of which could have a material adverse effect on the value of Questerre's assets in Jordan.

## **Tax Matters**

It is expected, based upon current legislation, the projections contained in the McDaniel Report and various other assumptions that no cash income taxes are to be paid by Questerre in the near future. A lower level of capital expenditures than those contained in the McDaniel Report or should the assumptions of Questerre in respect thereof prove to be inaccurate, Questerre may be required to pay cash income taxes sooner than anticipated, which could materially reduce cash flow available to Questerre.

The taxation of corporations is complex. In the ordinary course of business, Questerre may be subject to ongoing audits by tax authorities. While Questerre believes that its tax filing positions are appropriate and supportable, it is possible that tax matters, including the calculation and determination of revenue, expenditures, deductions, credits and other tax attributes, taxable income and taxes payable, may be reviewed and challenged by the tax authorities. In addition, the previous tax filing positions of businesses acquired by Questerre may be reviewed and challenged by tax authorities. If such challenge were to succeed, it could have a material adverse effect on Questerre's tax position. Further, the interpretation of and changes in tax laws,

whether by legislative or judicial action or decision, and the administrative policies and assessing practices of taxation authorities, could have a material adverse effect on Questerre's tax position.

### **Internal Controls**

Effective internal controls are necessary for Questerre to provide reliable financial reports and to help prevent fraud. Although Questerre undertakes several procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, Questerre cannot be certain that such measures will ensure that Questerre will maintain adequate control over financial processes and reporting.

Failure to implement the required new or improved controls, or difficulties encountered in their implementation, could harm Questerre's results of operations or cause it to fail to meet its reporting obligations. If Questerre or its independent auditors discover a material weakness in such controls, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Questerre's financial statements and materially reduce the market price of the Common Shares.

### **Litigation**

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, securities laws matters, employment matters, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations.

### **Breach of Confidentiality**

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are signed by third parties prior to the disclosure of any confidential information, a breach could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

### **Volatility of Market Price of Common Shares**

The market price of the Common Shares may be volatile. The volatility may affect the ability of holders to sell the Common Shares at an advantageous price. Market price fluctuations in the Common Shares may be due to the Corporation's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Corporation or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward Looking Statements and Information May Prove Inaccurate" in this AIF. In addition, the market price for securities in the stock markets, including the TSX, has recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that are often unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Common Shares.

## Information Technology Systems and Cyber-Security

The Corporation relies heavily on information technology, such as computer hardware and software systems, to properly operate its business. In the event the Corporation is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition, information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Corporation's business, financial condition, results of operations and cash flows.

In the ordinary course of business, the Corporation collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Corporation's employees and third parties. Despite the Corporation's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on the Corporation's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Corporation's operations and damage to its reputation, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Further, the Corporation is subject to a variety of information technology and system risks as a part of its normal course of operations, including potential breakdown, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of the Corporation's information technology systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to business activities, or the Corporation's competitive position. In addition, cyber-phishing attempts, in which a malicious party attempts to obtain sensitive information such as usernames, passwords, credit card and banking details, or approval of wire transfer requests by disguising as a trustworthy entity in an electronic communication, have become more widespread and sophisticated in recent years. Increasingly, social media is used as a vehicle to carry out cyber-phishing attacks. Information posted on social media sites, for business or personal purposes, may be used by attackers to penetrate the Corporation's systems and obtain confidential information. As social media continues to grow in influence and access to social media platforms becomes increasingly prevalent, there are significant risks that the Corporation may not be able to properly regulate social media use and preserve adequate records of business activities. If the Corporation becomes a victim to a cyber-phishing attack it could result in a loss or theft of the Corporation's financial resources or critical data and information or could result in a loss of control of the Corporation's technological infrastructure or financial resources. The Corporation's employees are often the targets of such cyber-phishing attacks, as they are and will continue to be targeted by parties using fraudulent "spoof" emails to misappropriate information or to introduce viruses or other malware through "Trojan horse" programs to the Corporation's computers. These emails appear to be legitimate emails, but direct recipients to fake websites operated by the sender of the email or request recipients to send a password or other confidential information through email or to download malware.

To date the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Corporation will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Corporation's operations and damage to its reputation, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Although the Corporation maintains a risk management program, it does not include an insurance component that provides coverage for the operational impacts from an attack to, or breach of, Questerre's information technology and infrastructure, including process control systems.

Additionally, the Corporation's information technology systems may incorporate the use of artificial intelligence ("AI") and development of such capabilities remain ongoing. As with new innovations, AI presents risks, challenges and unintended consequences that could affect its adoption, and therefore the Corporation's business. AI algorithms and training methodologies may be flawed. The use of AI to support business operations of the Corporation, its partners, vendors, suppliers, contractors, or others carries inherent risks related to data privacy and cybersecurity, such as intended, unintended, or inadvertent transmission of proprietary or sensitive information, as well as challenges related to implementing and maintaining AI tools, including the development and maintenance of appropriate datasets for such support. Dependence on AI without adequate safeguards to make certain business decisions may introduce additional operational vulnerabilities, by producing inaccurate outcomes based on flaws or deficiencies in the underlying data or other unintended results. Further, AI tools or software may rely on data sets to produce derivative work which may contain content subject to license, copyright, patent or trademark protection or sensitive personal information and can produce outputs that infringe intellectual property rights or compromise privacy of individuals or organizations, raising concerns about data privacy. As AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including potential liability for breaching intellectual property or privacy rights or laws, new laws and regulations applicable to AI initiatives remains uncertain, and the Corporation's obligation to comply with such laws could entail significant costs, negatively affect the Corporation's business or limit the Corporation's ability to incorporate certain AI capabilities into the Corporation's operations.

### **Firm Commitment Transportation and Processing Arrangements**

The Corporation may be unable to satisfy its obligations under its firm commitment transportation and processing arrangements. If this occurs, the Corporation will be required to satisfy the financial obligations under such firm commitment transportation and processing arrangements and, as a result, will incur the notional cost of transporting volumes of oil, NGLs and/or natural gas that exceed the Corporation's production, which would adversely affect its financial condition.

### **Inflation and Cost Management**

The Corporation's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Corporation's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash from operating activities. The cost or availability of oil and gas field equipment may adversely affect the Corporation's ability to undertake exploration, development and construction projects. The oil and gas industry is cyclical in nature and is prone to shortages of supply of equipment and services including drilling rigs, geological and geophysical services, engineering and construction services, major equipment items for infrastructure projects, and construction materials generally. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Corporation's operations for the expected price, on the expected



timeline, or at all, may have an adverse effect on the Corporation's financial performance and cash from operating activities.

### **Reputation Risk**

The Corporation relies on its reputation to build and maintain positive relationships with stakeholders, to recruit and retain staff, and to be a credible trusted company. Any actions that Questerre takes that causes a negative public opinion has the potential to negatively impact the Corporation's reputation which may adversely impact its share price, development plans or its ability to continue operations.

### **Forward-Looking Statements and Information May Prove Inaccurate**

Shareholders and prospective investors are cautioned not to place undue reliance on the Corporation's forward-looking statements and information. By its nature, forward-looking statements and information involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties related to forward-looking statements and information are found under the heading "Forward-Looking Statements" in this AIF.

## **INDUSTRY CONDITIONS**

### **Canadian Government Regulation**

The Canadian oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government all of which should be carefully considered by investors in the oil and gas industry. Outlined below are some of the more significant aspects of the relevant legislation and regulations.

#### **Pricing and Marketing – Oil**

Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Worldwide supply and demand factors primarily determine oil prices; however, prices are also influenced by regional market and transportation issues. The specific price depends in part on oil quality, price of competing oils, distance to market, the value of refined products, the supply/demand balance and contractual terms of sale.

In February 2022, Russian military forces invaded Ukraine. Ongoing military conflict between Russia and Ukraine has significantly impacted the supply of oil and gas from the region. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which sanctions may have far reaching effects on the global economy in addition to the near-term effects on Russia. The long-term impacts of the conflict remain uncertain.

#### **Pricing and Marketing – Natural Gas**

Alberta's natural gas market has been deregulated since 1985. Supply and demand determine the price of natural gas and price is calculated at the sale point, being the wellhead, the outlet of a gas processing plant, on a gas transmission system such as the Alberta "NIT" (Nova Inventory Transfer), at a storage facility, at the inlet to a utility system or at the point of receipt by the consumer. Accordingly, the price for natural gas is dependent upon a producer's own arrangements (whether long or short-term contracts and the specific point of sale). As natural gas is also traded on trading platforms such as the Natural Gas Exchange (NGX), Intercontinental Exchange or the New York Mercantile Exchange (NYMEX) in the United States, spot and future prices can also be influenced by supply and demand fundamentals on these platforms.

## Pricing and Marketing – Natural Gas Liquids

In Canada, the price of NGL sold in intra-provincial, interprovincial and international trade is determined by negotiation between buyers and sellers. Such pricing depends, in part, on the quality of the NGL, prices of competing chemical feedstock, distance to market, access to downstream transportation, length of contract term, the supply/demand balance and other contractual terms.

### Exports from Canada

On August 28, 2019, the *Canadian Energy Regulator Act* (Canada) (the “**CERA**”) came into force. The CER has assumed the NEB’s responsibilities broadly, including with respect to the export of crude oil, natural gas and NGL from Canada. The legislative regime relating to exports of crude oil, natural gas and NGL from Canada has not changed substantively under the new regime. See “*Industry Conditions - Environmental Regulation – Federal*” in this AIF.

Exports of crude oil, natural gas and NGL from Canada are subject to the CERA and remain subject to the *National Energy Board Act Part VI (Oil and Gas) Regulation* (the “**Part VI Regulation**”). While the Part VI Regulation was enacted under the NEB Act, it will remain in effect until 2022, or until new regulations are made under the CERA.

As to price, exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the CER and the federal government. The Corporation does not directly engage in contracts to export the Corporation’s production outside of Canada.

As discussed in more detail below, one major constraint to the export of crude oil, natural gas and NGLs outside of Canada is the deficit of overall pipeline and other transportation capacity to transport production from Western Canada to the United States and other international markets. Although certain pipeline and other transportation projects are underway, many contemplated projects have been cancelled or delayed due to regulatory hurdles, court challenges and economic and other socio-political factors. Major pipeline and other transportation infrastructure projects typically require a significant length of time to complete once all regulatory and other hurdles have been cleared. In addition, production of crude oil, natural gas and NGLs in Canada is expected to continue to increase, which may further exacerbate the transportation capacity deficit.

### Pipelines

Producers negotiate with pipeline operators (or other transport providers) to transport their products to market on a firm or interruptible basis. Transportation availability is highly variable across different jurisdictions and regions. This variability can determine the nature of transportation commitments available, the number of potential customers that can be reached in a cost-effective manner and the price received. Due to growing production and a lack of new and expanded pipeline and rail infrastructure capacity, producers in Western Canada have experienced low commodity pricing relative to other markets in the last several years.

Under Canadian constitutional law, the development and operation of interprovincial and international pipelines fall within the federal government’s jurisdiction and, under CERA new interprovincial and international pipelines require a federal regulatory review and approval before they can proceed. However, recent years have seen a perceived lack of policy and regulatory certainty in this regard, such that, even when projects are approved at a federal level, they often face delays due to actions taken by provincial and municipal governments and legal opposition related to issues such as Indigenous rights and title, the government’s duty to consult and accommodate Indigenous peoples, and the sufficiency of all relevant environmental review processes. Export pipelines from Canada to the United States face additional unpredictability as such pipelines require approvals from several levels of government in the United States.

In the face of such regulatory uncertainty, the Canadian crude oil and natural gas industry has experienced significant difficulty expanding the existing network of transportation infrastructure for crude oil, natural gas and NGLs, including pipelines, rail, trucks and marine transport. Improved access to global markets through the Midwest United States and export shipping terminals on the west coast of Canada could help to alleviate downward pressure on commodity prices. Several proposals have been announced to increase pipeline capacity from Western Canada to Eastern Canada, the United States, and other international markets via export terminals. While certain projects are proceeding, the regulatory approval process and other factors related to transportation and export infrastructure have led to the delay, suspension or cancellation of a number of pipeline projects.

The Trans Mountain Pipeline expansion received approval of the cabinet of the Canadian federal government in November 2016. Following a period of political opposition in British Columbia, the federal government acquired the Trans Mountain Pipeline in August 2018. Following the resolution of a number of legal challenges and a second regulatory hearing, construction on the Trans Mountain Pipeline expansion commenced in late 2019. Budget increases and in-service date delays have been attributed to, among other things, high global inflation, global supply chain challenges, widespread flooding in British Columbia in late 2021 and unexpected major archeological discoveries. On June 1, 2023, Trans Mountain Corp. submitted an application to the CER proposing a base toll of \$11.12 per barrel, which was met with great opposition.

In December 2023, the CER denied Trans Mountain Corp's pipeline variance application for the Mountain 3 Horizontal Directional Drill (located in the Fraser Valley), however in January 2024 it approved the request with conditions, and construction of the Trans Mountain Pipeline expansion was completed in April 2024, and service began in May 2024. The original pipeline and the newly completed expansion now operate collectively. With the expansion completed, the system's nominal capacity increased from approximately 300,000 to 890,000 barrels per day, and the expansion included three new berths at Westridge Marine Terminal in British Columbia.

In 2021, the Biden administration in the U.S. revoked certain permits required for the construction of the Keystone X.L. pipeline, resulting in the projects cancellation by TC Energy.

In November 2020, the Attorney General of Michigan filed a lawsuit to terminate an easement that allows the Enbridge Line 5 pipeline system to operate below the Straits of Mackinac, potentially forcing the lines comprising this segment of the pipeline system to be shut down by May 2021. Enbridge Inc. stated in January 2021 that it intends to defy the shut down order, as the dual pipelines are in full compliance with U.S. federal safety standards. The Government of Canada invoked a 1977 treaty with the United States on October 4, 2021, triggering bilateral negotiations over the pipeline. In August 2022, the United States District Court for Western Michigan rejected the Attorney General of Michigan's efforts to move the dispute to Michigan state court, citing important federal interests at stake in having the dispute heard in federal court. Michigan's Attorney General intends to appeal the decision.

In September 2022, the District Court of Wisconsin ruled in favour of the Bad River Band in its dispute with Enbridge Inc. over the Enbridge Line 5 pipeline in that state. Stopping short of ordering the system to be shut down, the Court ruled that the Bad River Bend is entitled to financial compensation and ordered Enbridge Inc. to reroute the pipeline around Bad River territory within five years.

In December 2023, Michigan Public Service Commission approved Enbridge's Line 5 Tunnel Replacement Project. This approval begins the process of replacing seven kilometres of the current pipeline with a new underwater tunnel in the Straits of Mackinac. The pipeline will be housed within a concrete tunnel beneath the lakebed. The tunnel project must first be approved by the U.S. Army Corps of Engineers at the United States federal level before construction can commence. The U.S. Army Corps of Engineers has initiated an environmental impact assessment, which is expected to be completed by 2026.

In August 2019, Enbridge initiated an open season for the Enbridge mainline system, which has historically operated as a common carrier pipeline system transporting crude oil. The changes that Enbridge intends to implement include the transition of the mainline system from a common carrier to a primarily contract carrier pipeline, wherein shippers will have to commit to reserved space in the pipeline for a fixed term, with only 10% of available capacity reserved for nominations. If the service change is approved, shippers seeking firm capacity on the Enbridge system would no longer be able to rely on the nomination process and would have to enter long-term contracts for service.

Several shippers challenged Enbridge's open season and, in particular, Enbridge's ability to engage in an open season without first obtaining prior regulatory approval to implement a contract carriage model. Following an expedited hearing process, the CER decided to shut down the open season, citing concerns about fairness and uncertainty regarding the ultimate terms and conditions of service. On December 19, 2019, Enbridge applied to the CER for approval of the proposed service and tolling framework. On November 26, 2021, the CER issued its Reasons for Decision in Enbridge Pipelines Inc. RH-001-2020, denying the application to introduce firm service on the Canadian Mainline. If approved, the application would have made 90% of the Canadian Mainline's currently uncommitted capacity subject to firm contracts for priority access, with contract terms ranging from eight to 20 years. Contracts for firm service were to be awarded through an open season process put forward as part of the application.

### **Crude Oil and Bitumen by Rail**

In February 2020, the federal government announced that trains hauling more than 20 cars carrying crude oil or diluted bitumen, would be subject to reduced speed limits following two derailments that led to fires and oil spills in Saskatchewan. The order was updated in early April 2020 and will remain in place until permanent rule changes are approved. As a result, trains subject to the order will be required to adhere to the reduced speed limits announced in February 2020 within metropolitan areas, with further mandatory speed reductions applying outside of metropolitan areas during winter months (November 15 to March 15). As of the date of this AIF, no permanent rules have been approved.

### **Trade Agreements**

The United States-Mexico-Canada Agreement ("**USMCA**") replaced the North American Free Trade Agreement ("**NAFTA**") on July 1, 2020. Under the USMCA, energy export restrictions are no longer subject to the requirement that they do not reduce the proportion of energy resources exported relative to the total supply of goods of the party maintaining the restriction as compared to the proportion prevailing in the most recent 36-month period. In addition, the USMCA includes a change to the rules of origin for crude oil that should make it easier for exporters to qualify for duty-free treatment on shipments to other USMCA parties. In particular, the origin of the diluent that is used to facilitate the transportation of crude petroleum oils is disregarded, provided that the diluent constitutes no more than 40 per cent by volume of the goods. The United States remains Canada's primary trading partner and the largest international market for the export of oil, natural gas and NGLs from Canada, therefore the implementation of the USMCA could impact Western Canada's oil and gas industry at large, including Questerre's business.

Canada has also pursued a number of other international free trade agreements with other countries around the world. As a result, a number of free trade or similar agreements are in force between Canada and certain other countries while in other circumstances Canada has been unsuccessful in its efforts. Canada and the European Union recently agreed to the Comprehensive Economic and Trade Agreement ("**CETA**"), which provides for duty-free, quota-free market access for Canadian oil and gas products to the European Union. Although CETA remains subject to ratification by certain national legislatures in the European Union, provisional application of CETA commenced on September 21, 2017. In light of the United Kingdom's departure from the European Union ("**Brexit**") on January 31, 2020, the United Kingdom and Canada have reached an interim post-Brexit trade agreement, the Canada-United Kingdom Trade Continuity Agreement ("**CUKTCA**"). On

December 9, 2020, the Government of Canada introduced Bill C-18, an Act to Implement the Trade Continuity Agreement. CETA ceased to apply to Canada-United Kingdom trade on January 1, 2021. The CUKTCA replicates CETA on a bilateral basis and is meant to maintain the status quo of the Canada-United Kingdom trade relationship.

In addition, Canada and ten other countries signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“**CPTPP**”) on March 8, 2018, which is intended to allow for preferential market access among the countries that are parties to the CPTPP. The CPTPP has been ratified by seven countries, including Canada. As other countries ratify the agreement, they are added to the annexes. The CPTPP facilitates temporary entry to Canada for certain categories of business persons who are citizens of other countries which are signatories to the CPTPP.

In August 2023, an updated version of the Canadian Free Trade Agreement was published, aiming to revamp the Agreement on International Trade to create a more robust and equitable trade environment within Canada.

Recent developments in U.S.-Canada trade relations, including the proposed imposition of a 10% U.S. tariff on Canadian energy resources (including broader trade tensions between Canada and the U.S.), have increased uncertainty regarding the stability of the USMCA and the potential for future renegotiation or unilateral trade actions. In light of the evolving nature of U.S.-Canada trade relations and the potential for policy shifts, there is no assurance that the current trade framework will remain in place or that future negotiations will result in favorable terms for the Canadian energy sector. Furthermore, a renegotiation of USMCA terms unfavorable to Canadian energy exports could result in increased tariffs, quotas, or regulatory barriers, in turn reducing market access which could negatively affect the Corporation’s business.

While it is uncertain what effect CETA, CPTPP, CUKTCA or any other trade agreements will have on the oil and gas industry in Canada, the lack of available infrastructure for the offshore export of oil and gas may limit the ability of Canadian oil and gas producers to benefit from such trade agreements.

### **Extractive Sector Transparency Measures Act**

The Extractive Sector Transparency Measures Act (“**ESTMA**”), a federal regime for the mandatory reporting of payments to government, came into force on June 1, 2015. ESTMA contains broad reporting obligations with respect to payments to governments and state-owned entities, including employees and public office holders, made Canadian businesses involved in resource extraction. Under ESTMA, all payments made to payees (broadly defined to include any government or state-owned enterprise) must be reported annually if the aggregate of all payments in a particular category to a particular payee exceeds \$100,000 per financial year. The categories of payments include taxes, royalties, fees, bonuses, dividends and infrastructure improvement payments. Payments to aboriginal governments are exempt from reporting obligations until 2017. Failure to comply with the reporting obligations under ESTMA are punishable upon summary conviction with a fine of up to \$250,000. In addition, each day that passes prior to a non-compliant report being corrected forms a new offence, and therefore, a payment that goes unreported for a year could result in over \$9,000,000 in total liability.

### **Provincial Royalties and Incentives**

#### *General*

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates and other matters. The royalty regime in each province is a significant factor in the profitability of crude oil, NGL, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from

production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

### *Alberta*

On January 1, 2017, the Royalty Review Advisory Panel's recommendations for a new royalty regime, which outlined the implementation of a "Modernized Royalty Framework" for Alberta (the "**MRF**"), took effect. On April 21, 2016, the Government of Alberta released further details on the drilling and completion cost allowance and royalty formulas that will apply to non-oil sands wells drilled on or after January 1, 2017. On July 11, 2016, the Government of Alberta released details on its new strategic programs under the MRF: The Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program. When determining royalty rates, these programs will consider the higher costs associated with enhanced recovery methods as well as the higher costs associated with developing emerging resources. Both the Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program are application-based and companies will be required to meet established criteria to comply with these programs. On July 12, 2016, the Government of Alberta announced that new wells spud before January 1, 2017, may elect to opt-in early to the MRF if they meet certain criteria, changing the previously announced schedule stating that the MRF would not take effect until January 1, 2017. Early access to the new framework is optional and will be application-based. Wells drilled prior to January 1, 2017 will continue to be governed by the current "Alberta Royalty Framework" for a period of 10 years until January 1, 2027, unless the Corporation elects to opt-in to the MRF. The *Royalty Guarantee Act* (Alberta) came into effect on July 18, 2019 and provides that no major changes will be made to the current oil and natural gas royalty structure for a period of at least 10 years.

The MRF is structured in three phases: (i) Pre-Payout, (ii) Mid-Life, and (iii) Mature. During the Pre-Payout phase, a fixed 5% royalty will apply until the well reaches payout. Well payout occurs when the cumulative revenue from a well is equal to the drilling and completion cost allowance (determined by a formula that approximates drilling and completion costs for wells based on depth, length and historical costs). The new royalty rate will be payable on gross revenue generated from all production streams (oil, gas and natural gas liquids), eliminating the need to label a well as "oil" or "gas". Post-payout, the Mid-Life phase will apply a higher royalty rate than the Pre-Payout phase. The Mid-Life phase royalty rate will range from 5% to 40% on all production, depending on the commodity price of oil. This royalty rate is intended, on average, to yield the same internal rate of return as under the current Alberta Royalty Framework. In the Mature phase, once a well reaches the tail end of its cycle and production falls below a Maturity Threshold, currently estimated to be 20 bbl/d for oil and 200 Mcf/d for gas, the royalty rate will move to a sliding scale formula (based on volume and price) with a minimum royalty rate of 5%. The downward adjustment of the royalty rate in the Mature phase is intended to account for the higher per-unit fixed cost involved in operating an older well. Details of the MRF, including the applicable royalty rates and formulas, were released in the second half of 2016.

Royalties, for wells drilled prior to January 1, 2017, are paid pursuant to "The New Royalty Framework" (implemented by the *Mines and Minerals (New Royalty Framework) Amendment Act, 2008*) and the "Alberta Royalty Framework" until January 1, 2027, unless the Corporation has elected to opt-in to the MRF. Royalty rates for conventional oil are set by a single sliding rate formula, which is applied monthly and incorporates separate variables to account for production rates and market prices. The maximum royalty payable under the

royalty regime is 40%. Royalty rates for natural gas under the royalty regime are similarly determined using a single sliding rate formula incorporating separate variables to account for production rates and market prices. The maximum royalty payable under the royalty regime is 36%. Royalties on NGLs are levied at a flat rate of 30% of the sales volume for propane and butane and 40% for pentanes plus with field condensate at a rate equivalent to oil.

Currently, producers of oil and natural gas from Crown lands in Alberta are required to pay annual rental payments, currently at a rate of \$3.50 per hectare, and make monthly royalty payments in respect of oil and natural gas produced.

Producers of oil and natural gas from freehold lands in Alberta are required to pay annual freehold mineral taxes. The freehold mineral tax is a tax levied by the Government of Alberta on the value of oil and natural gas production from non-Crown lands and is derived from the *Freehold Mineral Rights Tax Act* (Alberta). The freehold mineral tax is levied on an annual basis on calendar year production using a tax formula that takes into consideration, among other things, the amount of production, the hours of production, the value of each unit of production, the tax rate and the percentages that the owners hold in the title. The basic formula for the assessment of freehold mineral tax is: revenue less allocable costs equals net revenue divided by wellhead production equals the value based upon unit of production. If payors do not wish to file individual unit values, a default price is supplied by the Crown. On average, the tax levied is 4% of revenues reported from fee simple mineral title properties.

The Government of Alberta has from time to time implemented drilling credits, incentives or transitional royalty programs to encourage oil and gas development and new drilling.

In addition, the Government of Alberta has implemented certain initiatives intended to accelerate technological development and facilitate the development of unconventional resources. These initiatives apply to wells drilled before January 1, 2017 for a 10-year period until January 1, 2027. Specifically:

- coalbed methane wells will receive a maximum royalty rate of 5% for 36 producing months on up to 750 MMcf of production, retroactive to wells that began producing on or after May 1, 2010;
- shale gas wells will receive a maximum royalty rate of 5% for 36 producing months with no limitation on production volume, retroactive to wells that began producing on or after May 1, 2010;
- horizontal gas wells will receive a maximum royalty rate of 5% for 18 producing months on up to 500 MMcf of production, retroactive to wells that commenced drilling on or after May 1, 2010; and
- horizontal oil wells and horizontal non-project oil sands wells will receive a maximum royalty rate of 5% with volume and production month limits set according to the depth of the well (including the horizontal distance), retroactive to wells that commenced drilling on or after May 1, 2010.

The MRF eliminates the various royalty credits and incentives outlined above for wells drilled after December 31, 2016. However, the Enhanced Hydrocarbon Recovery Program and the Emerging Resources Program are intended to create cost allowance programs for enhanced oil recovery schemes and higher risk experimental drilling.

The impact on the Corporation of any changes to applicable royalty regimes will be dependent on several factors, but an increase in royalties would reduce the Corporation's earnings and could make future capital investments, or the Corporation's operations, less economic.

## *Saskatchewan*

In Saskatchewan, taxes ("**Resource Surcharge**") and royalties are applicable to revenue generated by corporations focused on oil and natural gas operations. A Resource Surcharge on the value of sales of oil, natural gas, potash, uranium and coal in Saskatchewan is levied under authority of *The Corporation Capital Tax Act*. For resource corporations, the Resource Surcharge rate is 3% of the value of sales of all potash, uranium and coal produced in Saskatchewan, and oil and natural gas produced from wells drilled in Saskatchewan prior to October 1, 2002. For oil and natural gas produced from wells drilled in Saskatchewan after September 30, 2002, the Resource Surcharge rate is 1.7% of the value of sales. The Resource Surcharge applies to resource trusts in addition to resource corporations.

The amount payable as a Crown royalty or a freehold production tax in respect of oil is paid on a well-by-well basis and depends on the type and vintage of oil, the quantity of oil produced in a month, the value of the oil produced and specified adjustment factors determined monthly by the provincial government. For Crown royalty and freehold production tax purposes, conventional oil is divided into "types", being "heavy oil", "southwest designated oil" or "non-heavy oil other than southwest designated oil". The vintage of oil, being "fourth tier oil", "third tier oil", "new oil" and "old oil", depends on the finished drilling date of a well and is applied to each of the three crude oil types slightly differently. The royalty reserved to the Crown depends on the categorization and classification of the oil, monthly production and a prescribed reference price determined monthly by the Saskatchewan Ministry of Energy and Resources ("**SMER**") formerly the Saskatchewan Ministry of Economy. The base royalty rate ranges from 5% - 20% and the marginal royalty rate ranges from 25% - 45%.

The amount payable as a Crown royalty in respect of natural gas depends on the vintage of the gas, the type of gas production, the quantity of gas produced in a month, and the price of the gas. For both provincial Crown royalty and freehold production tax purposes, natural gas is categorized as either non-associated gas or associated gas, the former being gas produced from gas wells and the latter being gas produced from oil wells. Additionally, the gas is divided according to the royalty and production tax classifications as "fourth tier gas", "third tier gas", "new gas", or "old gas". The royalty reserved to the Crown depends on the categorization and classification of the natural gas, monthly production, and a reference price prescribed by the SMER. As an incentive for the production and marketing of natural gas which may otherwise have been flared, the royalty rate on associated gas is less than on non-associated natural gas. The base royalty rate ranges from 0% - 20% and the marginal royalty rate ranges from 30% - 45%.

The Government of Saskatchewan currently provides a number of targeted incentive programs, These include both royalty reduction and incentive volume programs, with targeted programs for certain vertical crude oil wells, exploratory gas wells, horizontal crude oil and natural gas wells, enhanced crude oil recovery wells and high water-cut crude oil wells. As of April 1, 2021, on associated gas produced from wells other than gas wells, including natural gas produced from oil wells, the SMER implemented a five year Associated Gas Royalty Moratorium on the collection of Crown Royalty and Freehold Production Tax. The moratorium is in connection with the Government of Saskatchewan's Growth Plan and is aimed at meeting the Government of Saskatchewan's regulatory obligations to reduce methane-based GHG emissions by 40% to 45% between 2021 and 2025, The Associated Gas Royalty Moratorium is applicable to natural gas produced on or after April 1, 2021 and before April 1, 2026.

Royalty rates for the production of privately owned oil and natural gas are negotiated between the producer and the resource owner. In addition, producers must pay a freehold production tax, determined by first determining the Crown royalty rate, and then subtracting a calculated production tax factor that depends on the classification of the petroleum substance produced. Additionally, a mineral rights tax is charged to mineral rights holders paid on an annual basis at the rate of \$1.50 per acre owned regardless of whether or not there is production from the lands.



## *Manitoba*

In Manitoba, the royalty amounts payable on oil produced from Crown lands depends on the classification of the oil which is dependent on the date of drill, re-entry, enhanced recovery project implementation date, or various other key dates. Royalty rates are calculated on a sliding scale formula and based on the monthly oil production from a spacing unit, or oil production allocated to a unit tract under a unit agreement or unit order from the Minister. For horizontal wells, the royalty on oil produced from Crown lands is calculated based on the amount of oil production allocated to a spacing unit in accordance with the applicable regulations. The Crown royalty on an oil well can be up to 43% of monthly production from a well or allocated to a spacing unit or unit tract, as applicable. The Crown royalty payable on natural gas production is a flat 12.5% of the monthly revenue.

Royalty rates for the production of privately owned oil and natural gas are negotiated between the producer and the resource owner. In addition to these negotiated royalties, producers of oil and natural gas from freehold lands in Manitoba are required to pay monthly freehold production taxes. The freehold production tax payable on oil is calculated on a sliding scale between 0% and approximately 40% and is based on monthly production volume and varies with the classification of the oil. Producers of natural gas from freehold lands in Manitoba are required to pay a monthly freehold production tax equal to 1.2% of the volume sold, calculated for each production month.

### **Land Tenure**

Crude oil and natural gas is owned predominantly by the respective provincial governments, except for Manitoba where private ownership accounts for approximately 80% of the crude oil and natural gas rights in the southwestern portion of the province. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licenses and permits for varying terms and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated between the parties to such lease.

Each of the provinces of Alberta, British Columbia, Saskatchewan and Manitoba have implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or license. On March 29, 2007, British Columbia expanded its policy of deep rights reversion for new leases to provide for the reversion of both shallow and deep formations that cannot be shown to be capable of production at the end of their primary term.

Alberta also has a policy of "shallow rights reversion" which provides for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licenses. For leases and licenses issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or intermediate term of the license.

### **Production and Operation Regulations**

The oil and natural gas industry in Canada is highly regulated and subject to significant control by provincial regulators. Regulatory approval is required for, among other things, the drilling of oil and natural gas wells, construction and operation of facilities, the storage, injection and disposal of substances and the abandonment and reclamation of well-sites. To conduct oil and gas operations and remain in good standing with the applicable provincial regulator, we must comply with applicable legislation, regulations, orders, directives and other directions (all of which are subject to governmental oversight, review and revision, from time to time). Compliance with such legislation, regulations, orders, directives or other directions can be costly and a breach of the same may result in fines or other sanctions.

## Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat production and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties. In addition to these specific, known requirements, future changes to environmental legislation, including anticipated legislation for air pollution and GHG emissions, may impose further requirements on operators and other companies in the oil and natural gas industry.

## Federal

On a Federal level and pursuant to the *Prosperity Act*, the Government of Canada amended or appealed several pieces of federal environmental legislation and in addition, created a new federal environment assessment regime. The changes to the environmental legislation under the *Prosperity Act* are intended to provide for more efficient and timely environmental assessments of projects that previously had been subject to overlapping legislative jurisdiction.

On August 28, 2019, the CERA and the *Impact Assessment Act* ("**IAA**") came into force. In addition, the Impact Assessment Agency of Canada (the "**IA Agency**") replaced the Canadian Environmental Assessment Agency.

The enactment of the CERA and the IAA introduced a number of important changes to the regulation of federally regulated major projects and their associated environmental assessments. The CERA separates the CER's administrative and adjudicative functions. A board of directors and a chief executive officer manage strategic, administrative and policy considerations while adjudicative functions fall to independent commissioners. The CER has jurisdiction over matters such as the environmental and economic regulation of pipelines, transmission infrastructure and certain offshore renewable energy projects. In its adjudicative role, the CERA tasks the CER with reviewing applications for the development, construction and operation of many of these projects, culminating in their eventual abandonment.

The IAA relies on a designated project list as a trigger for a federal assessment. Designated projects that may have effects on matters within federal jurisdiction will generally require an impact assessment administered by the IA Agency or, in the case of certain pipelines, a joint review panel comprised of members from the CER and the IAA. The impact assessment requires consideration of the project's potential adverse effects and the overall societal impact that a project may have, both of which may include a consideration of, among other items, environmental, biophysical and socio-economic factors, climate change, and impacts to Indigenous rights. It also requires an expanded public interest assessment. Designated projects specific to the oil and gas industry include pipelines that require more than 75km of new right of way and pipelines located in national parks, large scale in situ oil sands projects not regulated by provincial GHG emissions caps and certain refining, processing and storage facilities.

The federal government has stated that an objective of the legislative changes was to improve decision certainty and turnaround times. Once a review or assessment is commenced under either the CERA or IAA, there are limits on the amount of time the relevant regulatory authority will have to issue its report and recommendation. Designated projects will go through a planning phase to determine the scope of the impact assessment, which the federal government has stated should provide more certainty as to the length of the

full review process. In May 2022, the Alberta Court of Appeal released its decision in response to the Government of Alberta's submission of a reference question regarding the constitutionality of the IAA. The Alberta Court of Appeal found the IAA to be unconstitutional in its entirety, stating that the legislation effectively granted the federal government a veto power over projects that were wholly within provincial jurisdiction. Shortly after the decision was released, the Government of Canada announced its intention to appeal the decision to the Supreme Court of Canada.

On December 3, 2020, the Government of Canada tabled Bill C-15 (as defined below). Bill C-15 is the Government of Canada's response to requests to implement the United Nations Declaration of the Rights of Indigenous Peoples as a framework for reconciliation in Canada. On June 21, 2021, the United Nations Declaration on the Rights of Indigenous Peoples Act received Royal Assent and immediately came into force.

### *Alberta*

The Alberta Energy Regulator (the "**AER**") is the principal regulator responsible for all energy development in Alberta. It derives its authority from the Responsible Energy Development Act and a number of related statutes including the *Oil and Gas Conservation Act*, the *Oil Sands Conservation Act*, the *Pipeline Act*, and the *Environmental Protection and Enhancement Act*. The AER is responsible for ensuring the safe, efficient, orderly and environmentally responsible development of hydrocarbon resources, including allocating and conserving water resources, managing public lands, and protecting the environment. The AER's responsibilities exclude the functions of the Alberta Utilities Commission and the Land and Property Rights Tribunal, as well as the Alberta Ministry of Energy's responsibility for mineral tenure.

The Government of Alberta relies on regional planning to accomplish its responsible resource development goals. The following frameworks, plans and policies form the basis of Alberta's Integrated Resource Management System ("**IRMS**"). The IRMS method to natural resource management sets out to engage and consult with stakeholders and the public. While the AER is the primary regulator for energy development, several governmental departments and agencies may be involved in land use issues, including Alberta Environment and Parks, Alberta Energy, the AER, the Alberta Environmental Monitoring, Evaluation and Reporting Agency, the Policy Management Office, the Aboriginal Consultation Office, and the Land Use Secretariat.

The Government of Alberta's land-use policy in Alberta sets out an approach to manage public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of seven region-specific land-use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans.

The AER monitors seismic activity across Alberta to assess the risks associated with, and instances of, earthquakes induced by hydraulic fracturing. Hydraulic fracturing involves the injection of water, sand or other proppants and additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate oil and natural gas production. The Corporation routinely conduct hydraulic fracturing in its drilling and completion programs. In recent years, hydraulic fracturing has been linked to increased seismicity in certain areas in which hydraulic fracturing takes place, prompting regulatory authorities to investigate the practice further.

The AER has developed monitoring and reporting requirements that apply to all oil and natural gas producers working in certain areas where the likelihood of an earthquake is higher, and implemented the requirements in Subsurface Order Nos. 2, 6, and 7. The regions with seismic protocols in place are Fox Creek, Red Deer, and Brazeau (the "**Seismic Protocol Regions**"). Oil and natural gas producers in each of the Seismic Protocol Regions are subject to a "traffic light" reporting system that sets thresholds on the Richter scale of earthquake magnitude. The thresholds vary among the Seismic Protocol Regions and trigger a sliding scale of obligations

from the oil or natural gas producers operating there. Such obligations range from no action required, to informing the AER and invoking an approved response plan, to ceasing operations and informing the AER. The AER has the discretion to suspend operations while it investigates following a seismic event until it has assessed the ongoing risk of earthquakes in a specific area and/or may require the operator to update its response plan. The AER may extend these requirements to other areas of Alberta if necessary, subject to the results of its ongoing province-wide monitoring.

On November 16, 2023, the AER provided an update on the ongoing implementation of the Liability Management Rating Program (the “**AB LM Framework**”). The process to implement the AB LM Framework involves updating various regulatory instruments and establishing a new security framework under the OGCA. The changes aim to improve risk assessment, ensure fair responsibility for cleanup in active sites, and streamline regulations. The new security framework will consider factors beyond the LLR, such as the entire energy development life cycle and the polluter-pay principle. Stakeholder engagement is planned for 2024 before releasing draft documents for public comment.

### *Saskatchewan*

In May 2011, Saskatchewan passed changes to *The Oil and Gas Conservation Act* (“**SKOGCA**”), the act governing the regulation of resource development operations in the province. Although the associated Bill received Royal Assent on May 18, 2011, it was not proclaimed into force until April 1, 2012, in conjunction with the release of *The Oil and Gas Conservation Regulations, 2012* (“**OGCR**”) and *The Petroleum Registry and Electronic Documents Regulations* (“**Registry Regulations**”). The aim of the amendments to the SKOGCA, and the associated regulations, is to provide resource companies investing in Saskatchewan’s energy and resource industries with the best support services and business and regulatory systems available. With the enactment of the Registry Regulations and the OGCR, Saskatchewan has implemented several operational aspects, including the increased demand for record-keeping, increased testing requirements for injection wells and increased investigation and enforcement powers and procedural aspects including those related to Saskatchewan’s participation as partner in the Petroleum Registry of Alberta.

### *Manitoba*

In Manitoba, the Petroleum Branch of Innovation, Energy and Mines develops, recommends, implements and administers policies and legislation aimed at the sustainable, orderly, safe and efficient development of crude oil and natural gas resources. Oil and gas exploration, development, production and transportation are subject to regulation under *The Oil and Gas Act* (“**MBOGA**”) and *The Oil and Gas Production Tax Act*, and related regulations and guidelines.

## **Liability Management Rating Programs**

### *Alberta*

The AER administers the AB LM Framework and the Liability Management Rating Program (the “**AB LMR Program**”) to manage liability for most conventional upstream oil and natural gas wells, facilities and pipelines in Alberta. The AER is in the process of replacing the AB LMR Program with the AB LM Framework. This change was effected under key new AER directives in 2021, and further updates were released in 2022. Broadly, the AB LM Framework is intended to provide a more holistic approach to liability management in Alberta, as the AER found that the more formulaic approach under the AB LMR Program did not necessarily indicate whether a company could meet its liability obligations. New developments under the AB LM Framework include a new Licensee Capability Assessment System (the “**AB LCA**”), a new Inventory Reduction Program (the “**AB IR Program**”), and a new Licensee Management Program (the “**AB LM Program**”). Meanwhile, some programs under the AB LMR Program remain in effect, including the Oilfield Waste Liability Program (the “**AB OWL Program**”), the Large Facility Liability Management Program (the “**AB**

LF Program”) and elements of the Licensee Liability Rating Program (the “**AB LLR Program**”). The mix between active programs under the AB LM Framework and the AB LMR Program highlights the transitional and dynamic nature of liability management in Alberta. While the province is moving towards the AB LM Framework and a more holistic approach to liability management, the AER has noted that this will be a gradual process that will take time to complete. In the meantime, the AB LMR Program continues to play an important role in Alberta’s liability management scheme.

Complementing the AB LM Framework and the AB LMR Program, Alberta’s OGCA establishes an orphan fund (the “**Orphan Fund**”) to help pay the costs to suspend, abandon, remediate and reclaim a well, facility or pipeline included in the AB LLR Program and the AB OWL Program if a licensee or working interest participant becomes insolvent or is unable to meet its obligations. Licensees in the AB LLR Program and the AB OWL Program fund the Orphan Fund through a levy administered by the AER. However, given the increase in orphaned oil and natural gas assets, the Government of Alberta has loaned the Orphan Fund approximately \$335 million to carry out abandonment and reclamation work. In response to the COVID-19 pandemic, the Government of Alberta also covered \$113 million in levy payments that licensees would otherwise have owed to the Orphan Fund, corresponding to the levy payments due for the first six months of the AER’s fiscal year. A separate orphan levy applies to persons holding licences subject to the AB LF Program. Collectively, these programs are designed to minimize the risk to the Orphan Fund posed by the unfunded liabilities of licensees and to prevent the taxpayers of Alberta from incurring costs to suspend, abandon, remediate and reclaim wells, facilities or pipelines. In March 2024, the Alberta government approved a \$135 million levy to fund the Orphan Well Association’s 2024/25 operating budget.

As a result of the Supreme Court of Canada’s decision in *Orphan Well Association v Grant Thornton* (also known as the Redwater decision), receivers and trustees can no longer avoid the AER’s legislated authority to impose abandonment orders against licensees or to require a licensee to pay a security deposit before approving a transfer when such a licensee is subject to formal insolvency proceedings. This means that insolvent estates can no longer disclaim assets that have reached the end of their productive lives (and therefore represent a net liability) in order to deal primarily with the remaining productive and valuable assets without first satisfying any abandonment and reclamation obligations associated with the insolvent estate’s assets. In April 2020, the Government of Alberta passed Bill 12: The Liabilities Management Statutes Amendment Act. Bill 12 places the burden of a defunct licensees’ abandonment and reclamation obligations first on the defunct licensee’s working interest partners, and second, the AER may order the Orphan Fund to assume care and custody and accelerate the clean-up of wells or sites which do not have a responsible owner. These changes came into force in June 2020.

In response to the increase in orphaned crude oil and natural gas sites and the environmental risks associated therewith, the AER has issued several bulletins and interim rule changes to govern the AER’s administration of its licensing and liability management programs. For example, the AER amended its Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals (“**Directive 067**”), which deals with licensee eligibility to operate wells and facilities, to require the provision of extensive corporate governance and shareholder information, including whether any director or officer was a director or officer of an energy company that has been subject to insolvency proceedings in the last five years. All transfers of well, facility and pipeline licences in the province are subject to AER approval. As a condition of transferring existing AER licences, approvals and permits, all transfers are now assessed on a non-routine basis and the AER now requires all transferees to demonstrate that they have an LMR of 2.0 or higher immediately following the transfer, or to otherwise prove to the satisfaction of the AER that they can meet their abandonment and reclamation obligations. However, amendments from April 2021 to Directive 067 expanded the criteria for assessing licensee eligibility. Notably, the recent amendments increase requirements for financial disclosure, detail new requirements for when a licensee poses an “unreasonable risk” of orphaning assets and adds additional general requirements for maintaining eligibility.

Alongside changes to Directive 067, the AER also introduced Directive 088: Licensee Life-Cycle Management (“**Directive 088**”) in December 2021 under the AB LM Framework. Directive 088 replaces, to an extent, the AB LLR Program with the AB LCA. Whereas the AB LLR Program previously assessed a licensee based on a liability rating determined by the ratio of a licensee’s deemed asset value relative to the deemed liability value of its oil and gas wells and facilities, the AB LCA now considers a wider variety of factors and is intended to be a more comprehensive assessment of corporate health. Such factors are wide reaching and include: (i) a licensee’s financial health; (ii) its established total magnitude of liabilities, (iii) the remaining lifespan of its mineral resources and infrastructure; (iv) the management of its operations; (v) the rate of closure activities and spending and pace of liability growth; and (vi) its compliance with administrative and regulatory requirements. These various factors then feed into a broader holistic assessment of a licensee under the AB LM Framework. In turn, that holistic assessment provides the basis for assessing risk posed by licence transfers, as well as any security deposit that the AER may require from a licensee in the event that the regulator deems a licensee at risk of not being able to meet its liability obligations. However, the liability management rating under the AB LLR Program is still in effect for other liability management programs such as the AB OWL Program and the AB LF Program and will remain in effect until a broadened scope of Directive 088 is phased in over time.

In addition to the AB LCA, Directive 088 also implemented other new liability management programs under the AB LM Framework. These include the AB LM Program and the AB IR Program. Under the AB LM Program, the AER will continuously monitor licensees over the life-cycle of a project. If, under the AB LM Program, the AER identifies a licensee as high risk, the regulator may employ various tools to ensure that a licensee meets its regulatory and liability obligations. In addition, under the AB IR Program the AER sets industry wide spending targets for abandonment and reclamation activities. Licensees are then assigned a mandatory licensee specific target based on the licensee’s proportion of provincial inactive liabilities and the licensee’s level of financial distress. Certain licensees may also elect to provide the AER with a security deposit in place of their closure spend target. The AER has also indicated that it will implement a closure nomination program (the “**CN Program**”) in 2023. Under the CN Program, those who qualify may nominate certain oil and gas sites for closure. Details regarding the CN Program and the mechanism through which nominated sites will be abandoned and reclaimed are forthcoming.

The AER has also implemented the Inactive Well Compliance Program (the “**IWCP**”) to address the growing inventory of inactive wells in Alberta and to increase the AER’s surveillance and compliance efforts under Directive 013: Suspension Requirements for Wells (“**Directive 013**”). The IWCP applies to all inactive wells that are noncompliant with Directive 013 as of April 1, 2015. The objective is to bring all inactive noncompliant wells under the IWCP into compliance with the requirements of Directive 013 within five years. As of April 1, 2015, each licensee is required to bring 20% of its inactive wells into compliance every year, either by reactivating or suspending the wells in accordance with Directive 013 or by abandoning them in accordance with Directive 020: Well Abandonment. The compliance deadline for the final year of the IWCP was extended from April 1, 2020 to September 1, 2020 and was concluded in March of 2021.

The Government of Alberta followed the announcement of the AB LM Framework with amendments to the Oil and Gas Conservation Rules and the Pipeline Rules in late 2020. The changes to these rules fall into three principal categories: (i) they introduce “closure” as a defined term, which captures both abandonment and reclamation; (ii) they expand the AER’s authority to initiate and supervise closure; and (iii) they permit qualifying third parties on whose property wells or facilities are located to request that licensees prepare a closure plan.

As part of its strategy to encourage the decommissioning, remediation and reclamation of inactive or marginal crude oil and natural gas infrastructure, the AER announced a voluntary area-based closure (“**ABC**”) program in 2018. The ABC program is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. Participants seeking to participate in the program must commit to an inactive liability reduction target to be met through closure work of inactive assets.

On November 16, 2023, the AER provided an update on the ongoing implementation of the AB LM Framework. The process to implement the AB LM Framework involves updating various regulatory instruments and establishing a new security framework under the OGCA. The changes aim to improve risk assessment, ensure fair responsibility for cleanup in active sites, and streamline regulations. The new security framework will consider factors beyond the LLR, such as the entire energy development life cycle and the polluter-pay principle. Stakeholder engagement is planned for 2024 before releasing draft documents for public comment.

### *Saskatchewan*

In Saskatchewan, the Ministry of Economy implements the Licensee Liability Rating Program (the “**SK LLR Program**”). The SK LLR Program is designed to assess and manage the financial risk that a licensee’s well and facility abandonment and reclamation liabilities pose to an orphan fund (the “**SK Orphan Fund**”) established under the SKOGCA. The SK Orphan Fund is responsible for carrying out the abandonment and reclamation of wells and facilities contained within the SK LLR Program when a licensee or WIP is defunct or missing. The SK LLR Program requires a licensee whose deemed liabilities exceed its deemed assets to post a security deposit. The ratio of deemed liabilities to deemed assets is assessed once each month for all licensees of oil, gas and service wells and upstream oil and gas facilities.

In February 2021, the Energy Regulation Division of the Ministry of Energy and Resources announced that it was consulting with stakeholders on proposed regulatory enhancements intended to strengthen Saskatchewan’s oil and gas liability management framework and reduce the prospect of new orphan oil and gas wells and facilities in Saskatchewan. This consultation process resulted in the drafting of the Financial Security and Site Closure Regulations (the “Closure Regulations”), which were published in June 2021, but have yet to be proclaimed in force. Pursuant to the Closure Regulations, changes to the oil and gas liability framework will include: (i) changes to the formula for determining if a licensee poses a risk; (ii) annual spend targets for closure activities by licensees, commencing in 2023; and (iii) new guidance on when a security deposit may be required by a licensee or in connection with a transfer. The Oil and Gas Conservation Regulations, 2012, (the “**Conservation Regulations**”) remain in effect until the Closure Regulations come into force. Among other things, the Conservation Regulations provide a formula for determining a licensee’s LLR, outline eligibility requirements for holding licences, and provide guidance on when a security deposit may be required by a licensee or in connection with a transfer.

### *Manitoba*

To date, Manitoba has not implemented a liability management rating program like those found in the other western provinces. However, operators of wells licensed in the province are required to post a performance deposit to ensure that the operation and abandonment of wells and the rehabilitation of sites occurs in accordance with the MBOGA and the Drilling and Production Regulations. In certain circumstances, a performance deposit may be refunded. The MBOGA also establishes the Abandonment Fund Reserve Account (the “**Abandonment Fund**”). The Abandonment Fund is a source of funds that may be used to operate or abandon a well when the licensee or permittee fails to comply with the MBOGA. The Abandonment Fund may also be used to rehabilitate the site of an abandoned well or facility or to address any adverse effect on property caused by a well or facility. Deposits into the Abandonment Fund are comprised of non-refundable levies charged when certain licences and permits are issued or transferred as well as annual levies for inactive wells and batteries.

## **Climate Change Regulation**

### *Federal*

Canada has been a signatory to the United Nations Framework Convention on Climate Change (the “**UNFCCC**”) since 1992. Since its inception, the UNFCCC has instigated numerous policy experiments with

respect to climate governance. On April 22, 2016, 197 countries signed the Paris Agreement, committing to prevent global temperatures from rising more than 2° Celsius above pre-industrial levels and to pursue efforts to limit this rise to no more than 1.5° Celsius. On January 20, 2021, President Biden of the United States signed an executive order to rejoin the Paris Agreement. To date, 189 of the 197 parties to the UNFCCC have ratified the Paris Agreement, including Canada.

In 2016, the Government of Canada has pledged to cut its emissions by 30% from 2005 levels by 2030. In 2021, Canada updated its original commitment by pledging to reduce emissions by 40-45% below 2005 levels by 2030, and to net-zero by 2050.

During the course of the 2021 United Nations Climate Change Conference in Glasgow, Scotland, Canada made several pledges aimed at reducing Canada's GHG emissions and environmental impact, including: (i) reducing methane emissions in the oil and gas sector to 75% of 2012 levels by 2030; (ii) ceasing export of thermal coal by 2030; (iii) imposing a cap on emissions from the oil and gas sector; (iv) halting direct public funding to the global fossil fuel sector by the end of 2022; and (v) committing that all new vehicles sold in the country will be zero-emission on or before 2035. At the 2024 UN Climate Change Conference, Canada reaffirmed its commitments to transitioning away from fossil fuels and further cutting emissions.

The Government of Canada released the Pan-Canadian Framework on Clean Growth and Climate Change in 2016, setting out a plan to meet the federal government's 2030 emissions reduction targets. On June 21, 2018, the federal government enacted the Greenhouse Gas Pollution Pricing Act (the "**GGPPA**"), which came into force on January 1, 2019. This regime has two parts: an output-based pricing system for large industry and a regulatory fuel charge imposing an initial price of \$20/tonne of carbon dioxide equivalent ("**CO<sub>2e</sub>**") emissions. This system applies in provinces and territories that request it and in those that do not have their own emissions pricing systems in place that meet the federal standards. This ensures that there is a uniform price on emissions across the country. Originally under current federal plans, this price will escalate by \$10 per year until it reached a price of \$50/tonne of CO<sub>2e</sub> in 2022. On December 11, 2020, however, the federal government announced its intention to continue the annual price increases beyond 2022. Commencing in 2023, the benchmark price per tonne of CO<sub>2e</sub> will increase by \$15 per year until it reaches \$170/tonne of CO<sub>2e</sub> in 2030. Effective April 2024, the minimum price permissible under the GGPPA rose to \$80/tonne from \$65/tonne of CO<sub>2e</sub>.

Alberta, Saskatchewan, and Ontario referred the constitutionality of the GGPPA to their respective Courts of Appeal. In the Saskatchewan and Ontario references, the appellate Courts found the GGPPA to be constitutional; the Alberta Court of Appeal determined that the GGPPA is unconstitutional. All three judgments were appealed to the Supreme Court of Canada. The Supreme Court of Canada confirmed the constitutional validity of the GGPPA in a judgment released on March 25, 2021.

On April 26, 2018, the federal government passed the Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) (the "**Federal Methane Regulations**"). The Federal Methane Regulations seek to reduce emissions of methane from the crude oil and natural gas industry and came into force on January 1, 2020. By introducing a number of new control measures, the Federal Methane Regulations aim to reduce unintentional leaks and intentional venting of methane, as well as ensuring that crude oil and natural gas operations use low-emission equipment and processes. Among other things, the Federal Methane Regulations limit how much methane upstream oil and natural gas facilities are permitted to vent. These facilities would need to capture the gas and either re-use it, re-inject it, send it to a sales pipeline, or route it to a flare. In addition, in provinces other than Alberta and British Columbia (which already regulate such activities); well completions by hydraulic fracturing would be required to conserve or destroy gas instead of venting. The federal government anticipates that these actions will reduce annual GHG emissions by about 20 megatonnes by 2030.



In December 2023, the federal government released proposed amendments to the Federal Methane Regulations in order to further reduce upstream methane emissions and to contribute to Canada meeting its international climate-related commitments. The proposed amendments would build on the existing requirements and increase stringency by introducing new prohibitions and limits on certain intentional emissions, a new risk-based approach around unintentional emissions, and a new performance-based approach for compliance that relies on continuous emissions monitoring systems, among other things. The proposed amendments are targeted to come into force in January 2027.

In the November 23, 2021, Speech from the Throne, the federal government restated its commitment to achieve net-zero emission by 2050. In pursuit of this objective, the government's proposed actions include: (i) moving to cap and cut oil and gas sector emissions; (ii) investing in public transit and mandating the sale of zero-emission vehicles; (iii) increasing the federally imposed price on pollution; (iv) investing in the production of cleaner steel, aluminum, building products, cars, and planes; (v) addressing the loss of biodiversity by continuing to strengthen partnerships with First Nations, Inuit, and Métis, to protect nature and the traditional knowledge of those groups; (vi) creating a Canada Water Agency to safeguard water as a natural resource and support Canadian farmers; (vii) strengthening action to prevent and prepare for floods, wildfires, droughts, coastline erosion, and other extreme weather worsened by climate change; and (viii) helping build back communities impacted by extreme weather events through the development of Canada's first-ever National Adaptation Strategy.

The Canadian Net-Zero Emissions Accountability Act (the "**CNEAA**") received royal assent on June 29, 2021 and came into force on the same day. The CNEAA binds the Government of Canada to a process intended to help Canada achieve net-zero emissions by 2050. It establishes rolling five-year emissions-reduction targets and requires the government to develop plans to reach each target and support these efforts by creating a Net-Zero Advisory Body. The CNEAA also requires the federal government to publish annual reports that describe how departments and crown corporations are considering the financial risks and opportunities of climate change in their decision-making. A comprehensive review of the CNEAA is required every five years from the date the CNEAA came into force.

The Government of Canada introduced its 2030 Emissions Reduction Plan (the "2030 ERP") on March 29, 2022. In the 2030 ERP, the Government of Canada proposes a roadmap for Canada's reduction of GHG emissions to 40-45% below 2005 levels by 2030. As the first emissions reduction plan issued under the CNEAA, the 2030 ERP aims to reduce emissions by incentivizing electric vehicles and renewable electricity, and capping emissions from the oil and gas sector, among other measures.

On June 8, 2022, the Canadian Greenhouse Gas Offset Credit System Regulations were published in the Canada Gazette. The regulations establish a regulatory framework to allow certain kinds of projects to generate and sell offset credits for use in the federal output-based pricing system through Canada's Greenhouse Gas Offset Credit System. The system enables project proponents to generate federal offset credits through projects that reduce GHG emissions under a published federal GHG offset protocol. Offset credits can then be sold to those seeking to meet limits imposed under the output-based pricing system or those seeking to meet voluntary targets.

On June 20, 2022, the Clean Fuel Regulations came into force, establishing Canada's Clean Fuel Standard. The Clean Fuel Standard will replace the former Renewable Fuels Regulation, and aims to discourage the use of fossil fuels by increasing the price of those fuels when compared to lower-carbon alternatives. The requirement to comply with the Clean Fuel Standard began on July 1, 2023, imposing obligations on primary suppliers of transportation fuels in Canada and require fuels to contain a minimum percentage of renewable fuel content and meet emissions caps calculated over the life cycle of the fuel. The Clean Fuel Regulations also establish a market for compliance credits. Compliance credits can be generated by primary suppliers, among others, through carbon capture and storage, producing or importing low-emission fuel, or through end-use fuel switching (for example, operating an electric vehicle charging network).

On November 22, 2023, the federal government published amendments to the Output-based Pricing System (the "OBPS"). These regulations are made under the Greenhouse Gas Pollution Pricing Act (the "GGPPA"). These changes involve adding and revising output-based standards ("Standards"), enhancing implementation procedures, refining reporting accuracy, and encouraging voluntary participation. Notably, the updated OBPS introduces a 2% fixed annual tightening rate for most Standards starting from 2023. Sectors facing significant competition and carbon pricing-induced carbon leakage will experience a 1% adjusted tightening rate from 2023 onwards. Additionally, the publication of the Quantification Methods for the Output-Based Pricing System Regulations (the "OBPS QM"), detailing emissions quantification methods, was released on December 12, 2023. The OBPS QM establishes the required methods for quantifying greenhouse gases, heat ratios, and electricity generated within the OBPS framework.

On December 7, 2023, the federal government published the Regulatory Framework for an Oil and Gas Sector Greenhouse Gas Emissions Cap ("GHG Cap"). Under the GHG Cap, LNG projects would be captured by cap-and-trade system. The provincial and federal governments aim to work together to ensure the regulations and programs complement each other to minimize additional administrative requirements. The key elements of the GHG Cap include: (i) a decline of emissions to meet net-zero by 2050; (ii) creating the legal upper bound on emissions (being the maximum emissions the whole sector may be allowed to emit per year) in a manner responsive to technically achievable emissions reductions and the global demand for oil and gas; (iii) minimal administrative burden; and (iv) ongoing monitoring and regular review of the standards.

In November 2024, the federal government published the proposed Oil and Gas Sector Greenhouse Gas Emissions Cap Regulations (the "**Proposed Regulations**"). The Proposed Regulations would cap emissions from a range of oil and natural gas related activities, create an emissions cap-and-trade system, and require facility operators to comply with various reporting and remittance obligations. The final version of the Proposed Regulations is expected to be published in mid-2025 and come into force by January 1, 2026.

The Government of Canada has developed a Carbon Management Strategy, whereby it aims to deploy various carbon management technologies, including carbon capture, to help achieve federal climate goals. Carbon capture is a technology that captures carbon dioxide from facilities, including industrial or power applications, or directly from the atmosphere. The captured carbon dioxide is then compressed and transported for permanent storage in underground geological formations or used to make new products such as concrete. As part of the 2021 budget, the federal government committed to investing \$319 million over seven years into research, development and demonstrations to advance the commercial viability of carbon capture technologies.

In June 2024, the federal government enacted various new tax credits for sustainability-related projects, including the Carbon Capture, Utilization, and Storage ("**CCUS**") Investment Tax Credit ("**ITC**"). The CCUS ITC is a refundable tax credit that applies to certain expenses incurred for eligible CCUS projects. It was enacted on June 19, 2024 (but deemed to have come into effect on January 1, 2022). The credit is available from January 1, 2022, until December 31, 2040, with the magnitude of the credit being reduced by 50% beginning on January 1, 2031.

The Canadian Standards require issuers, among other things, to include quantitative data regarding their climate change considerations, to use scenario analysis in developing their disclosure, and to disclose Scope 3 GHG emissions (i.e., indirect emissions from an organization's operations). The finalized Canadian Standards are substantially similar to IFRS S1 and S2 (and earlier drafts of CSDS 1 and CSDS 2), however they have extended implementation timelines for select criteria. Canadian companies are not required to follow the Canadian Standards at this time, however, the Canadian Securities Administrators are considering amending Canadian reporting requirements to include certain aspects if these new Canadian Standards; to what extent they will be adopted remains unclear.

In June 2024 the federal Competition Act was amended to enact new deceptive marketing provisions targeting “greenwashing”. The new provisions introduced unclear substantiation requirements for companies making environmental claims and significant fines for failing to meet the new requirements. As a result of the uncertainty with respect to the applicability of the new rules, some companies removed their environmental and sustainability-related disclosure from the public domain. In December 2024 the constitutionality of the new deceptive marketing provisions was challenged in the Alberta Court of King’s Bench and the lawsuit remains ongoing.

In general, there is uncertainty with regard to the impact of federal or provincial climate change and environmental laws and regulations, as it is currently not possible to predict the extent of future requirements. Any new laws and regulations, or additional requirements to existing laws and regulations, could have a material impact on Questerre’s operations and cash flow.

## *Alberta*

### *Alberta Climate Leadership Plan*

On November 22, 2015, the Government of Alberta introduced a Climate Leadership Plan (the “CLP”). Under this strategy, the *Climate Leadership Act* (the “CLA”) came into force on January 1, 2017 and established a fuel charge intended to first outstrip and subsequently keep pace with the federal price. In June 2019, the Government of Alberta pivoted in its implementation of the CLP and repealed the CLA. The CCIR remained in place. As a result, the federally imposed fuel charge took effect in Alberta on January 1, 2020, at a rate of \$20/tonne. In accordance with the GGPPA, this will increase to \$30/tonne on April 1, 2020. However, on December 4, 2019, the federal government approved Alberta’s proposed Technology Innovation and Emissions Reduction (“TIER”) regulation intended to replace the CCIR, so the regulation of emissions from heavy industry remains subject to provincial regulation, while the federal fuel charge still applies. The TIER regulation came into effect on January 1, 2020.

The provisions of the TIER regulation required that an interim review of the regulation be completed by December 31, 2022 giving stakeholders an opportunity to provide input on improvements to the TIER system and to enable the regime to meet the updated federal benchmark criteria for the assessment of the carbon pricing systems for 2023 to 2030. Following the comment period, the Technology Innovation and Emissions Amendment Regulation was adopted with certain amendments to the TIER Regulation becoming effective January 1, 2023. These amendments include meeting the federal standards for Alberta’s carbon pricing system, the creation of sequestration credits for CCUS projects and amendments to the number of credits that can be used to meet emission targets. The TIER regulation is set to undergo another review by December 31, 2026.

The TIER regulation operates differently than the former facility based CCIR and instead applies to industrywide to emitters that emit more than 100,000 tonnes of CO<sub>2</sub>e per year in 2016 or any subsequent year. The 2020 target for most TIER-regulated facilities is to reduce emissions intensity by 10% as measured against that facility’s individual benchmark (which is, generally, its average emissions intensity during the period from 2013 to 2015), with a further 1% reduction for each subsequent year. The facility-specific benchmark does not apply to all facilities. Under the amendments, a 2% annual tightening rate will apply to facility-specific and high performance benchmarks. Certain facilities, such as those in the electricity sector, are compared against the good-as-best gas standard, which measures against the emissions produced by the cleanest natural gas-fired generation system. Similarly, for facilities that have already made substantial headway in reducing their emissions, a different “high-performance” benchmark is available to ensure that the cost of ongoing compliance takes this into account. As with the former CCIR, the TIER regulation targets emissions intensity rather than total emissions. Under the TIER regulation, facilities in high-emitting sectors can opt-in to the program despite the fact that they do not meet the 100,000-tonne threshold. A facility can opt-in to TIER regulation if it competes directly against another TIER-regulated facility or if it has annual CO<sub>2</sub>e emissions that

exceed 10,000 tonnes per year and belongs to an emissions-intensive or trade exposed sector with international competition. In addition, the owner of two or more “conventional oil and gas facilities” may apply to have those facilities regulated under the TIER regulation. To encourage compliance with the emissions intensity reduction targets, TIER-regulated facilities must provide annual compliance reports and facilities that are unable to achieve their targets may either purchase credits from other facilities, purchase carbon offsets, or pay a levy to the Government of Alberta.

The Government of Alberta previously signaled its intention through the CLP to implement regulations that would lower annual methane emissions by 45% by 2025. Pursuant to this goal, the Government of Alberta enacted the Methane Emission Reduction Regulation (the “**Alberta Methane Regulations**”) on January 1, 2020, and in November 2020, the Government of Canada and the Government of Alberta announced an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Alberta.

Alberta is also the first jurisdiction in North America to direct dedicated funding to implement carbon capture and storage technology across industrial sectors. Alberta has committed \$1.24 billion over 15 years to fund two large-scale carbon capture and storage projects that will begin commercializing the technology on the scale needed to be successful. On December 2, 2010, the Government of Alberta passed the Carbon Capture and Storage Statutes Amendment Act, 2010. It deemed the pore space underlying all land in Alberta to be, and to have always been, the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions. In May 2021, the Government of Alberta announced a competitive bid process under which it would issue rights for carbon sequestration, focusing on the development of strategically placed carbon sequestration hubs, avoiding stand-alone injection operations. As of the fall of 2022, the Government of Alberta approved a total of 25 hub proposals through two competitive bid processes. The selected companies will begin exploring how to safely develop their carbon storage hubs. If a proponent can successfully demonstrate their project can provide permanent storage, companies will have the opportunity to apply for the right to inject captured carbon dioxide at such project. The Government of Alberta has also announced it will invest \$40 million in 11 carbon capture and storage hub projects through Emissions Reduction Alberta.

In February 2023, the TIER regulation was amended to, among other things, amend the opt-in thresholds for emissions-intensive and trade-exposed industries, tighten facility-specific benchmarks, revise the credit use limits and expiration periods as well as create sequestration credits for carbon capture, utilization and storage projects. The TIER regulation will be subject to a subsequent review which must be completed by December 31, 2026.

On August 3, 2023, the Alberta Ministry of Affordability and Utilities announced that the Alberta Utilities Commission was directed to pause approvals of new renewable electricity generation projects until February 29, 2024. The announcement was in response to the need to review and consider policy changes in relation to renewable development. The review of the policies for renewable resource development will include a public inquiry, after which the Alberta Utilities Commission must submit a report on the findings no later than March 29, 2024 to the Minister of Affordability and Utilities. It is unknown at this time what effect the renewable pause and corresponding inquiry may have on the energy market in Alberta.

Beyond existing legal requirements, the extent and magnitude of any adverse impacts of any additional programs or additional regulations cannot be reliably or accurately estimated at this time because specific legislative and regulatory requirements have not been finalized and uncertainty exists with respect to the additional measures being considered and the time frames for compliance.

In October 2024, the Government of Alberta announced that it made an application to the Federal Court for a judicial review in respect of the federal carbon tax regime.

## *Saskatchewan*

In May 2009, the Government of Saskatchewan announced the Management and Reduction of Greenhouse Gases Act (the "**MRGGA**") to regulate GHG emissions in the province. The government subsequently released Prairie Resilience: A Made in-Saskatchewan Climate Change Strategy ("**Prairie Resilience**"), outlining its strategy to reduce GHG emissions by 12 million tonnes by 2030.

Under the MRGGA, facilities that have annual GHG emissions in excess of 50,000 tonnes are regulated to meet the province's reduction targets. The following regulations were enacted throughout 2018: *The Management and Reduction of Greenhouse Gases (General and Electricity Producer) Regulations*, *The Management and Reduction of Greenhouse Gases (Reporting and General) Regulations*, and *The Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations*. These regulations establish reporting requirements and impose various emissions limits for those emitters that fall within the program.

On January 1, 2019, *The Oil and Gas Emissions Management Regulations* (the "**Saskatchewan O&G Emissions Regulations**") came into effect. The Saskatchewan O&G Emissions Regulations apply to licensees of oil facilities that may generate more than 50,000 tonnes of CO<sub>2</sub>e per year, obliging each licensee to propose an emissions reduction plan in accordance with an annual emissions limit with the goal of achieving annual emissions reductions of 40-45% by 2025. The Saskatchewan O&G Emissions Regulations aim to reduce 4.5 million tonnes of CO<sub>2</sub>e emissions by 2025, with a total reduction of 38.2 million tonnes of CO<sub>2</sub>e by 2030.

The MRGGA and the Saskatchewan O&G Emissions Regulations meet the federal benchmark stringency requirements for certain industrial sectors, but the federal backstop continues to apply to emissions sources not covered in Saskatchewan's emissions legislation. The federal fuel charge continues to apply in Saskatchewan.

In April 2019, Saskatchewan produced its first annual report on climate resilience. The report measures the Province's progress on goals set out under Prairie Resilience. Among these goals is the aim of increasing the role of renewable energy in the provincial energy mix to 50% by 2030. According to its 2020 and 2021 reports, the province generates nearly 26% of its electricity from renewable energy sources, an increase of 1.6% since 2019. To facilitate its emissions reduction efforts, the Government of Saskatchewan has implemented Directive PNG017: *Measurement Requirements for Oil and Gas Operations*, which came into force in December 2019 and was amended in April 2020, and Directive PNG036: *Venting and Flaring Requirements*, which came into force in April 2020. Together with the Saskatchewan O&G Emissions Regulations, these directives enable the Government of Saskatchewan to regulate emissions reductions within the province. In November 2020, the Government of Canada and the Government of Saskatchewan announced that they had finalized an equivalency agreement regarding the reduction of methane emissions such that the Federal Methane Regulations will not apply in Saskatchewan. In furtherance of these goals and agreements, in March 2021, the Government of Saskatchewan announced it would provide \$500,000 to support innovative research and technology for measuring and monitoring gas volumes and emissions, which will be overseen by the Saskatchewan Research Council.

In January 2021, the Government of Saskatchewan announced support for three projects expected to reduce methane emissions, including a new flare-gas-to-power project, an expansion of gas processing facilities, and a new gas fractionation plant. The Saskatchewan Petroleum Innovation Incentive ("**SPII**") and Oil and Gas Processing Investment Incentive ("**OGPII**") give this support. The SPII and OGPII provide a percentage of transferable royalty credits after private funding has been obtained and the facilities have been built. In September 2021, Saskatchewan's Energy and Resource Minister announced that one of the government's key priorities would be to increase investment in CCUS through enhanced oil recovery CCUS projects.

## *Manitoba*

The Government of Manitoba commenced public consultations with respect to the development of a cap-and-trade system to reduce GHG emissions in 2010. The enactment of *The Climate Change and Emissions Reductions Act* (Manitoba) set emission reduction targets as of December 31, 2012 at six per cent below 1990 emissions and details the commitment of the Government of Manitoba to various initiatives in an effort to reduce GHG emissions. On December 3, 2015, the Government of Manitoba announced Manitoba's Climate Change and Green Energy Action Plan to address climate change and create green jobs. One component of this plan involves cutting GHG emissions by one-third of its 2005 levels by 2030, in part by implementing a cap and trade program for large emitters. Following this announcement, on December 7, 2015, the Government of Manitoba announced that it has signed a memorandum of understanding with Quebec formalizing the intent of these provinces to link their respective cap and trade systems. However, no legislation has been enacted to implement the initiatives outlined in Manitoba's Climate Change and Green Energy Action Plan or the memorandum of understanding.

In June 2019, the Government of Manitoba announced a GHG emissions reduction target of one megatonne for the 2018-2022 period. In July 2020, Manitoba unveiled the Conservation and Climate Fund ("**CCF**"), which provides grants for green projects and initiatives. In October 2021, Manitoba announced \$1 million in grants through the CCF to various organizations and projects, including methane clean tech development and electrification of vehicles and infrastructure.

## *Quebec*

Pursuant to the *Regulation respecting mandatory reporting of certain emissions of contaminants into the atmosphere*, Quebec facilities emitting more than 10,000 tonnes CO<sub>2</sub> equivalent of greenhouse gases a year, subject to certain exceptions, must record and report those emissions to the MDDELCC. Pursuant to the *Regulation Respecting a Cap-and-trade System for Greenhouse Gas Emission Allowances*, certain targeted emitters of greenhouse gas in a quantity equal to or greater than 25,000 metric tonnes CO<sub>2</sub> equivalent annually, subject to certain exceptions, are required since 2013 to cover all their greenhouse gas emissions with emission allowances obtained by a combination, as applicable, of free distribution and auction, as well as emissions reduction units from offset projects or recognized compliance units from other jurisdictions. These requirements are related to the Government of Quebec's goal of reducing greenhouse gas emissions in the province by 20% of 1990 emission levels by 2020 and 37.5% by 2030.

## *Indigenous Rights*

Constitutionally mandated government-led consultation with and, if applicable, accommodation of, Indigenous groups impacted by regulated industrial activity, as well as proponent-led consultation and accommodation or benefit sharing initiatives, play an increasingly important role in the Western Canadian oil and gas industry. In addition, Canada is a signatory to UNDRIP and the principles set forth therein may continue to influence the role of Indigenous engagement in the development of the oil and gas industry in Western Canada. For example, in November 2019, the Declaration on the Rights of Indigenous Peoples Act ("**DRIPA**") became law in British Columbia. The DRIPA aims to align British Columbia's laws with UNDRIP. In June 2021, UNDRIP came into force in Canada. Similar to British Columbia's DRIPA, UNDRIP requires the Government of Canada to take all measures necessary to ensure the laws of Canada are consistent with the principles of UNDRIP and to implement an action plan to address UNDRIP's objectives.

On June 21, 2022, the Minister of Justice and Attorney General issued the First Annual Progress Report on the implementation of UNDRIP (the "**Progress Report**"). The Progress Report provides that, as of June 2022, the federal government has sought to implement UNDRIP by, among other things, creating a Secretariat within the Department of Justice to support Indigenous participation in the implementation of UNDRIP, consulting

with Indigenous peoples to identify their priorities, drafting an action plan to align federal laws with UNDRIP, and implementing efforts to educate federal departments on UNDRIP's principles.

Continued development of common law precedent regarding existing laws relating to Indigenous consultation and accommodation as well as the adoption of new laws such as DRIPA and UNDRIP are expected to continue to add uncertainty to the ability of entities operating in the Canadian oil and gas industry to execute on major resource development and infrastructure projects, including, among other projects, pipelines. The Government of Canada has expressed that implementation of UNDRIP has the potential to make meaningful change in how Indigenous peoples collaborate in impact assessment moving forward but has confirmed that the current IAA already establishes a framework that aligns with UNDRIP and does not need to be changed in light of UNDRIP.

On June 29, 2021, the British Columbia Supreme Court issued its judgement in the *Yahey v British Columbia* (the "**Blueberry Decision**") with respect to a claim brought forth by the Blueberry River First Nation ("**BRFN**") against the province of British Columbia regarding the cumulative impact of industrial development within the BRFN treaty claim area. The Blueberry Decision found that the Province of British Columbia breached the Treaty 8 rights of the BRFN by allowing extensive industrial development on the BRFN's traditional territory without first assessing the cumulative impacts of this development on the ability of the members of the BRFN to exercise their Treaty 8 rights to hunt, fish, and trap on their traditional territory. The Blueberry Decision calls for the province of British Columbia to pause some development in the BRFN traditional area pending the results of an investigation into the cumulative impacts of industrial development in the BRFN's traditional territory. The Blueberry Decision gave six months for the Government of British Columbia and the BRFN to negotiate changes to the regulatory regime that recognizes and respects treaty rights.

On January 18, 2023, the Government of British Columbia and the BRFN signed the Blueberry River First Nations Implementation Agreement (the "**BRFN Agreement**"). The BRFN Agreement aims to address the cumulative effects of development on BRFN's claim area through restoration work, establishment of areas protected from industrial development, and a constraint on development activities. Such measures will remain in place while a long-term cumulative effects management regime is implemented. Specifically, the BRFN Agreement includes, among other measures, the establishment of a \$200-million restoration fund by June 2025, an ecosystem-based management approach for future land-use planning in culturally important areas, limits on new petroleum and natural gas development, and a new planning regime for future oil and gas activities. The BRFN will receive \$87.5 million over three years, with an opportunity for increased benefits based on petroleum and natural gas revenue sharing and provincial royalty revenue sharing in the next two fiscal years.

The BRFN Agreement has acted as a blueprint for other agreements between the Government of British Columbia and Indigenous groups in Treaty 8 territory. In late January 2023, the Government of British Columbia and four Treaty 8 First Nations –Fort Nelson, Salteau, Halfway River and Doig River First Nations –reached consensus on a collaborative approach to land and resource planning (the "**Consensus Agreement**"). The Consensus Agreement implements various initiatives including a "cumulative effects" management system linked to natural resource landscape planning and restoration initiatives, new land-use plans and protection measures, and a new revenue-sharing approach to support the priorities of Treaty 8 First Nations communities.

In July 2022, Duncan's First Nation filed a lawsuit against the Government of Alberta relying on similar arguments to those advanced successfully by the BRFN. Duncan's First Nation claims in its lawsuit that Alberta has failed to uphold its treaty obligations by authorizing development without considering the cumulative impacts on the First Nation's treaty rights. The long-term impacts of the Blueberry Decision and the Duncan's First Nation lawsuit on the Canadian oil and gas industry remain uncertain.

## DIVIDENDS OR DISTRIBUTIONS

Questerre has not paid any dividends or made any distributions on its Common Shares since incorporation. Dividends or distributions on its Common Shares will be paid solely at the discretion of Questerre's board of directors after considering the financial condition of Questerre and the economic environment in which it is operating. No dividends or distributions are expected to be paid in the foreseeable future.

## DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Corporation consists of an unlimited number of Common Shares, an unlimited number of Class B Common voting shares ("**Class B Shares**") and an unlimited number of preferred shares, issuable in one or more series ("**Preferred Shares**"). As at the date hereof, 428,515,836 Common Shares, no Preferred Shares and no Class B Shares were issued and outstanding. The following is a description of the rights, privileges, restrictions and conditions attaching to the Common Shares, the Class B Shares and the Preferred Shares.

### Common Shares and Class B Shares

The holders of Common Shares and Class B Shares are entitled to receive notice of and to attend at and to vote one vote per Common Share or Class B Share, at meetings of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote. In addition, the holders of Common Shares are entitled to receive dividends declared on the Common Shares, subject to the rights of the holders of shares ranking prior to the Common Shares, and the holders of Class B Shares are entitled to receive dividends declared on the Class B Shares, subject to the rights of the holders of shares ranking prior to the Class B Shares. Holders of Common Shares and Class B Shares are entitled to receive pro rata the remaining property of the Corporation upon dissolution in equal rank with the holders of other Common Shares and Class B Shares.

### Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Preferred Shares as may be determined by the board of directors of the Corporation who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. Unless the directors otherwise specify in the articles of amendment designating a series of Preferred Shares, the holder of each series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the ABCA. The Preferred Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, be entitled to preference over the Common Shares and Class B Shares and over any other shares of the Corporation ranking by their terms junior to the Preferred Shares of that series.



## MARKET FOR SECURITIES

### Price Range and Volume of Trading of Common Shares

The following tables set forth the reported high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares of Questerre on each of the Toronto Stock Exchange and the Oslo Stock Exchange as reported by sources Questerre believes to be reliable for the periods indicated:

#### Toronto Stock Exchange

|              | Price Range (C\$) |      | Trading Volume |
|--------------|-------------------|------|----------------|
|              | High              | Low  |                |
| <b>2024</b>  |                   |      |                |
| January      | 0.31              | 0.17 | 1,567,031      |
| February     | 0.29              | 0.25 | 263,265        |
| March        | 0.27              | 0.21 | 262,501        |
| April        | 0.25              | 0.20 | 325,862        |
| May          | 0.24              | 0.21 | 279,683        |
| June         | 0.34              | 0.22 | 901,067        |
| July         | 0.29              | 0.22 | 222,642        |
| August       | 0.25              | 0.21 | 380,509        |
| September    | 0.32              | 0.22 | 553,043        |
| October      | 0.38              | 0.26 | 463,750        |
| November     | 0.28              | 0.24 | 454,790        |
| December     | 0.27              | 0.23 | 285,564        |
| <b>2025</b>  |                   |      |                |
| January      | 0.25              | 0.22 | 449,899        |
| February     | 0.29              | 0.24 | 547,761        |
| March (1-26) | 0.33              | 0.26 | 392,317        |

## Oslo Stock Exchange

|              | Price Range (NOK) |      | Trading Volume |
|--------------|-------------------|------|----------------|
|              | High              | Low  |                |
| <b>2024</b>  |                   |      |                |
| January      | 2.68              | 1.31 | 93,997,623     |
| February     | 2.15              | 1.85 | 47,283,769     |
| March        | 2.04              | 1.75 | 16,082,160     |
| April        | 1.86              | 1.66 | 8,559,145      |
| May          | 1.86              | 1.68 | 9,149,196      |
| June         | 2.81              | 1.82 | 67,874,296     |
| July         | 2.09              | 1.89 | 8,980,564      |
| August       | 2.08              | 1.81 | 11,151,252     |
| September    | 2.59              | 1.80 | 32,598,018     |
| October      | 2.80              | 2.00 | 49,790,747     |
| November     | 2.22              | 1.87 | 16,091,228     |
| December     | 2.10              | 1.76 | 14,425,872     |
| <b>2025</b>  |                   |      |                |
| January      | 2.10              | 1.74 | 16,385,410     |
| February     | 2.36              | 1.81 | 29,501,010     |
| March (1-26) | 2.48              | 2.03 | 32,096,045     |

### PRIOR SALES

The following table sets forth, for each class of securities of the Corporation that is outstanding but not listed or quoted on a marketplace, the price at which securities of the class have been issued during the financial year ended December 31, 2024 and the number of securities of the class issued at that price and the date on which the securities were issued.

| Class of Securities | Issue Price or Exercise Price | Number of Securities Issued | Date of Issue    |
|---------------------|-------------------------------|-----------------------------|------------------|
| Stock Options       | \$ 0.25                       | 6,950,000                   | February 5, 2024 |

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date hereof, except as disclosed below the Corporation does not have any securities in escrow or that are subject to contractual restriction on transfer.

## DIRECTORS AND OFFICERS

The following table sets forth the names and residences of the current officers and directors of the Corporation, their position and offices with the Corporation, the periods during which they have served as officers or directors of the Corporation and their principal occupations for the past five years.

| Name and Municipality of Residence  | Offices Held and Time as Director or Officer                        | Principal Occupation During the Last Five Years   |
|---|---|---|
| Michael R. Binnion<br>President, Chief Executive Officer and Director<br>Calgary, Alberta, Canada | President, Chief Executive Officer and director since November 2000 | President, Chief Executive Officer and Director of Questerre.   |
| Dennis F. Sykora <sup>(2)(4)</sup><br>Director<br>Calgary, Alberta, Canada                        | Director since March 2013   | Independent businessperson. Director and Chair of the Audit Committee of Dominion Lending Centres Inc., a TSX listed company that is the largest independent mortgage broker in Canada  |
| Bjorn Inge Tonnessen <sup>(2)(3)(4)</sup><br>Chairman<br>Oslo, Norway                             | Director since November 2007  | Independent businessperson. Executive Chair of Transitus Energy, a private energy transition company. Executive Chair of Geothermal Energy Nordic. CEO and CFO of Edge Petroleum, a private exploration and production company focused on the Norwegian Continental Shelf from June 2017 to March 2021. |
| Hans Jacob Holden <sup>(2)(4)</sup><br>Director<br>Oslo, Norway                                   | Director since April 2017   | Independent businessperson. Business Development at AF Gruppen a leading Norwegian contracting and industrial group from January 2018 to March 2022.  |
| Mireille Fontaine <sup>(3)</sup><br>Director<br>Montreal, Quebec                                  | Director since June 2020  | Partner, Lapointe Rosenstein Marchand Melancon since December 2023. Previously partner with another Quebec-based law firm from 2016 to 2023.  |
| Jauvonne Kitto<br>Director<br>Calgary, Alberta  | Director since February 2024  | Independent businessperson. Chief Executive Officer of the Saa Dene Group, a holding company for several Indigenous-owned of controlled businesses since May 2019.  |
| John Brodylo, P. Geol<br>Vice President, Exploration<br>Calgary, Alberta, Canada                  | Vice President, Exploration since January 2004                      | Vice President, Exploration of Questerre since January 2004.  |
| Jason D'Silva<br>Chief Financial Officer<br>Calgary, Alberta, Canada                              | Chief Financial Officer since 2005                                  | Chief Financial Officer of Questerre since 2005.  |
| Rick Tityk<br>Vice President, Land<br>Calgary, Alberta, Canada                                    | Vice President, Land since November 2005                            | Vice President, Land of Questerre since November 2005.  |

**Notes:**

- (1) The term of office of each director will expire at the end of the next annual meeting of shareholders of Questerre, or until successors are elected or directors vacate the offices in accordance with Questerre's by-laws.
- (2) Audit Committee member.
- (3) ESG, Compensation and Nominating Committee member.
- (4) Reserve Committee member.
- (5) Questerre does not have an Executive Committee.

The directors and officers of Questerre, as a group, beneficially own, directly or indirectly, or exercise control or direction over 24,100,304 Common Shares or approximately 5.6% of the outstanding Common Shares at the date of this AIF.

The information as to shares beneficially owned, directly or indirectly or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective individuals indicated.

**CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

None of the directors or executive officers of the Corporation (nor any personal holding company of any of such persons) is, as of the date of this AIF, or was within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Questerre), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer or was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

None of the directors or executive officers of the Corporation (nor any personal holding company of any of such persons), or security holder holding a sufficient number of our securities to affect materially the control of Questerre is, as of the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of our securities to affect materially the control of us, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## AUDIT COMMITTEE

Under National Instrument 52-110 *Audit Committees*, the Corporation is required to include in its AIF the disclosure required under Form 52-110F1 with respect to its Audit Committee, including the text of its audit committee charter, the composition of the Audit Committee and the fees paid to the external auditor. This information is provided in Appendix D and Appendix E attached hereto.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The management of the Corporation is not aware of any material interests, direct or indirect, of any directors or executive officers of the Corporation, any person or company which beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares of the Corporation, or any known associate or affiliate of such persons, in any transaction within the last three financial years of the Corporation, or during the current financial year which has materially affected or is reasonably expected to materially affect the Corporation.

## TRANSFER AGENT AND REGISTRAR

The transfer agents and registrars for the Common Shares of Questerre are Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario and DNB Bank ASA at its principal office in Oslo, Norway.

## MATERIAL CONTRACTS

Except for contracts entered in the ordinary course of business, there are no material contracts entered into by Questerre and still in effect as at the date hereof that can be reasonably regarded as presently material.

## INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report, valuation or opinion described or included in a filing, or referred to in a filing, made under NI 51-102 by Questerre during, or related to, the year ended December 31, 2024 other than McDaniel, Questerre's independent qualified reserves evaluator, and Ernst & Young LLP, Questerre's auditor. To Questerre's knowledge, none of the principals of McDaniel had any registered or beneficial interests, direct or indirect, in any securities or other property of Questerre or of Questerre's associates or affiliates either at the time they prepared the statement, report, valuation or opinion prepared by it, at any time thereafter or to be received by them.

The Corporation's auditors are Ernst & Young LLP, Chartered Professional Accountants, who have prepared an independent auditor's report dated March 26, 2025, in respect of the Corporation's consolidated financial statements as at and for the year ended December 31, 2024. Ernst & Young LLP is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Questerre or any associate or affiliate of Questerre.

## CONFLICTS

There are potential conflicts of interest to which the directors and officers of Questerre will be subject in connection with the operations of Questerre. In particular, certain of the directors and officers of Questerre are involved in managerial or director positions with other oil and gas companies whose operations may, from

time to time, be in direct competition with those of Questerre or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Questerre. See "Directors and Officers". Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

## LEGAL PROCEEDINGS

To the knowledge of the Corporation, there are no legal proceedings material to the Corporation to which the Corporation is or was a party to or of which any of its property is or was the subject of, during the financial year ended December 31, 2024.

## REGULATORY ACTIONS

To the knowledge of the Corporation, there were no: (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the Corporation's last financial year; (ii) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during the last financial year.

## ADDITIONAL INFORMATION

Additional information, including directors' and officers' remunerations, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions is contained in the Corporation's management information circular filed in May 2024 relating to its most recent annual meeting of shareholders of the Corporation. Additional financial information is contained in the Corporation's comparative financial statements and management's discussion and analysis for the year ended December 31, 2024. Additional information relating to the Corporation may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) and the Corporation's web site at [www.questerre.com](http://www.questerre.com).

Additional copies of this AIF, the materials listed in the preceding paragraph, any interim financial statements which have been issued by the Corporation and any other document incorporated herein by reference will be available upon request by contacting the Chief Financial Officer of the Corporation at its offices at Suite 1650 AMEC Place, 801 Sixth Avenue S.W., Calgary, Alberta T2P 3W2, Phone: (403) 777-1185 or Fax: (403) 777-1578.

## SELECTED ABBREVIATIONS

### Oil and Natural Gas Liquids

|        |                              |
|--------|------------------------------|
| bbl    | barrel                       |
| Mbbl   | thousand barrels             |
| bbls/d | barrels per day              |
| API    | American Petroleum Institute |
| NGLs   | natural gas liquids          |

### Natural Gas

|                |                               |
|----------------|-------------------------------|
| Mcf            | thousand cubic feet           |
| MMcf           | million cubic feet            |
| Mcf/d          | thousand cubic feet per day   |
| MMcf/d         | million cubic feet per day    |
| Bcf            | billion cubic feet            |
| MMbtu          | million British thermal units |
| GJ             | gigajoule                     |
| GJ/d           | gigajoules per day            |
| m <sup>3</sup> | cubic metres                  |

## Other

|         |   |
|---------|---|
| boe     | barrel of oil equivalent converting six Mcf of natural gas to one barrel of oil (6:1)             |
| boe/d   | barrels of oil equivalent per day   |
| MMcfe/d | Million cubic feet of natural gas Equivalent converting 1 barrel of oil to six Mcf of natural gas |
| Mboe    | thousand barrels of oil equivalent  |
| M\$     | thousands of dollars  |
| MMboe   | million barrels of oil equivalent   |
| NPV     | net present value   |

In this AIF the calculation of barrels of oil equivalent (boe) is calculated at a conversion rate of six thousand cubic feet (6 Mcf) of natural gas for one barrel (bbl) of oil based on an energy equivalency conversion method. Boe may be misleading particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable to the burner tip and does not represent a 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 equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this AIF and in certain documents incorporated by reference into this AIF, constitute forward-looking statements. These statements relate to future events or the Corporation's 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 words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe", "prospect", "future", "possible", "can", "speculative", "perhaps" 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. The Corporation believes that 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, or incorporated by reference into, this AIF should not be unduly relied upon. These statements speak only as of the date of this AIF or as of the date specified in the documents incorporated by reference into this AIF, as the case may be.

Forward-looking information and statements are included throughout this AIF (and the documents incorporated by reference herein) and include, but are not limited to, statements pertaining to the following:

- the impacts of Bill 21 enacted by the Government of Quebec;
- Questerre's corporate strategy;
- the scalability and impact of Questerre's projects;
- Questerre's competitive position;
- Questerre's reserves and resources;
- any estimate of present value or future net cash flow;
- drilling inventory, drilling plans and timing of drilling, completion and tie-in of wells;
- plans for facilities and infrastructure construction;
- the assessment of the design of the oil shale project in Jordan;

- negotiation of the concession for the oil shale project in Jordan;
- assessment of the Utica shale gas discovery in the St. Lawrence Lowlands, Quebec;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- joint venture participation;
- drilling, completion and facilities costs;
- results of various projects, current and anticipated, of Questerre;
- the implementation of processing, transportation and marketing agreements;
- regulatory approvals;
- Questerre's development plans;
- the tax horizon and taxability of Questerre;
- properties with no attributed reserves;
- abandonment and reclamation costs;
- Questerre's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of governmental regulation on Questerre;
- projections of commodity prices and costs;
- expectations regarding the ability to raise capital;
- Questerre's ability to finance future development costs;
- expected royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses including, but not limited to, financial commitments;
- the evaluation of the proprietary process developed by Red Leaf;
- capital expenditure programs;
- treatment under current, new and proposed government regulation and fiscal regimes, including those in Quebec;
- the Company's dividend policy;
- potential conflicts of interest; and
- expectations regarding the risk factors faced by Questerre, including mitigation thereof and the potential effects thereof.

The Corporation's 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 AIF:

- Quebec's Bill 21 and compensation prescribed therein;
- 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 conflict in the Middle East;
- trade disputes involving Canada, Mexico, China, the European Union and the United States;
- general economic conditions in Canada, the United States and globally including reduced availability of debt and equity financing generally;
- industry conditions, including fluctuations in the price of oil, NGLs and natural gas;
- governmental regulation of the oil and natural gas industry, including environmental regulation;
- adverse judicial rulings, regulatory rulings, orders and decisions;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and natural gas operations;
- geological, technical, drilling and processing problems and other difficulties in producing reserves;
- uncertainties associated with estimating oil and natural gas reserves;
- insufficient advancement by Red Leaf in the engineering of its EcoShale process;
- incorrect assessments of the value of acquisitions;



- unanticipated operating events which can reduce production or cause production to be shut in or delayed;
- failure to realize anticipated benefits of acquisitions;
- failure to obtain industry partner and other third-party consents and approvals, when required;
- stock market volatility and market valuations;
- geopolitical instability;
- availability of financing on acceptable terms;
- competition for, among other things, capital, acquisitions of reserves, undeveloped land, and skilled personnel;
- competition for and inability to retain drilling rigs and other services;
- rights to surface access;
- the need to obtain required approvals from regulatory authorities;
- general business and market conditions; and
- the other factors considered under "Risk Factors" in this AIF and other risk factors identified in other documents incorporated herein by reference.

These factors should not be considered exhaustive. Statements relating to "reserves" and "resources" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves and resources described can be profitably produced in the future. With respect to forward-looking statements contained or incorporated by reference in this AIF, Questerre has made assumptions regarding: future exchange rates; energy markets and the price of oil and natural gas; the impact of increasing competition; condition of general economic, commodity and financial markets; availability of drilling and related equipment; availability of skilled labour; availability of prospective drilling rights; current technology; cash flow; commodity prices; production rates; effects of regulation and environmental and tax laws; future operating costs and the Corporation's ability to obtain financing on acceptable terms. In addition, forward-looking statements in documents incorporated by reference herein may be based on additional assumptions as disclosed in such documents. Readers are cautioned that the foregoing list of factors is not exhaustive.

The above summary of assumptions and risks related to forward-looking information has been provided in this AIF and the documents incorporated by reference herein to provide readers with a more complete perspective on Questerre's future operations and prospects. Readers are cautioned that this information may not be appropriate for other purposes.

Certain information set out in this AIF may be considered as "financial outlook" within the meaning of applicable securities laws. The purpose of this financial outlook is to provide readers with disclosure regarding Questerre's reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

**The forward-looking statements contained in this AIF and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Corporation does not intend, and does not assume any obligation, to update or revise these forward-looking statements except as required pursuant to applicable securities laws.**

#### NON-GAAP MEASURES

This AIF uses "netback" which does not have standardized meanings prescribed by generally accepted accounting principles and therefore may not be comparable measures to other companies where similar terminology is used. Netback denotes petroleum and natural gas revenue less royalties, operating expenses and transportation and marketing expenses.

## PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this AIF and the documents incorporated by reference herein, has been prepared and presented in accordance with NI 51-101. The actual oil and gas reserves and future production will be greater than or less than the estimates provided herein. The estimated value of future net revenue from the production of the disclosed oil and gas reserves does not represent the fair market value of these reserves. There is no assurance that the forecast prices and costs or other assumptions made in connection with the reserves disclosed herein will be attained and variances could be material.

For more information on reserves categories, see Appendix C – *Definitions Used for Reserves Categories*.

**APPENDIX A  
FORM 51-101F2  
REPORT ON RESERVES DATA  
BY AN INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR**

To the Board of Directors of Questerre Energy Corporation (the “Company”):

1. We have evaluated the Company’s reserves data as at December 31, 2024. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2024 estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company’s management. Our responsibility is to express an opinion on the reserves data based on our evaluation.
3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the “COGE Handbook”) maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved + probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2024, and identifies the respective portions thereof that we have evaluated and reported on to the Company’s Board of Directors:

| Independent Qualified Reserves Evaluator | Effective Date of Evaluation Report | Location of Reserves | Net Present Value of Future Net revenue \$M (before income taxes, 10% discount rate) |           |          |           |
|--|-------------------------------------|----------------------|--|-----------|----------|-----------|
|  |                                     |                      | Audited  | Evaluated | Reviewed | Total     |
| McDaniel                                 | December 31, 2024                   | Canada               | —  | 195,341.0 | —        | 195,341.0 |

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.
7. We have no responsibility to update our report referred to in paragraph 5 for events and circumstances occurring after the effective date of our report.
8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

**McDaniel & Associates Consultants Ltd.**  
2000, 525 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta T2P 1G1

Per: Signed “Michael Verney”  
Michael J. Verney, P.Eng.  
Executive Vice President

Calgary, Alberta, Canada  
March 4, 2025

APPENDIX B  
FORM 51-101F3  
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Questerre Energy Corporation (the “**Company**”) is responsible for the preparation and disclosure of information with respect to the Company’s oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2024, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company’s reserves data. The report of the independent qualified reserves evaluators is presented above.

The Reserves Committee of the board of directors of the Company has

- (a) reviewed the Company’s procedures for providing information to the independent qualified reserves evaluators;
- (b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the board of directors has reviewed the Company’s procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has, on the recommendation of the Reserve Committee, approved

- (a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data, contingent resources data and prospective resources data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary, and the variations may be material.

(signed) “Michael Binnion”  
Michael Binnion  
President and Chief Executive Officer

(signed) “David Pellegrin”  
David Pellegrin  
Senior Production Engineer

(signed) “Hans Jacob Holden”  
Hans Jacob Holden  
Director

(signed) “Bjorn Inge Tonnessen”  
Bjorn Inge Tonnessen  
Director

March 26, 2025

## APPENDIX C DEFINITIONS USED FOR RESERVE CATEGORIES

The following reserves definitions are set out by the Canadian Securities Administrators in CSA Staff Notice 51-324 and are derived from Section 5 of Volume 1 of the COGE Handbook (Second Edition, September 1, 2007). Readers should consult a current edition of the COGE Handbook for updates and for additional explanation and guidance.

### ***Reserve Categories***

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates

- (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- (c) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the categorization of reserves are provided in Section 5.5 of the COGE Handbook.

### ***Development and Production Status***

Each of the reserve categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
  - (i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
  - (ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

- (b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

### ***Levels of Certainty for Reported Reserves***

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported Reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, most reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5 of the *COGE Handbook*.

**APPENDIX D  
AUDIT COMMITTEE INFORMATION  
REQUIRED IN AIF**

*The Audit Committee Mandate and Terms of Reference*

The Mandate and Terms of Reference of the Audit Committee of the board of directors is attached hereto as Appendix E.

*Composition of the Audit Committee*

The following table sets forth the names of each current member of the Audit Committee, whether such member is independent, whether such member is financially literate and the relevant education and experience of such member:

| <u>Name</u>                | <u>Independent</u> | <u>Financially<br/>Literate</u> | <u>Relevant Education and<br/>Experience</u>   |
|----------------------------|--------------------|---------------------------------|--|
| Dennis Frank Sykora, Chair | Yes                | Yes                             | <p>Mr. Sykora is an independent businessperson.</p> <p>Director and Chair of the Audit Committee of Dominion Lending Centres Inc., a TSX listed corporation that is Canada's leading network of mortgage professionals with over 8500 agents across Canada.</p> <p>Mr. Sykora was formerly a director of High Arctic Energy Services Inc. ("<b>High Arctic</b>"), a TSX listed oilfield services company from 2007 to 2016. He was also employed in various executive positions at High Arctic, including Chief Executive Officer, Executive Vice President, General Counsel and Chief Restructuring Officer.</p> <p>Mr. Sykora was a director and member of the Audit Committee for Canadian First Financial Group and CFF Bank from 2012 to 2014.</p> <p>Prior to joining High Arctic, Mr. Sykora was President of Roll'n International Group from 1996 to 2007.</p> |

| Name              | Independent | Financially<br>Literate | Relevant Education and<br>Experience  |
|-------------------|-------------|-------------------------|---|
| Hans Jacob Holden | Yes         | Yes                     | <p>Mr. Sykora is both a Chartered Professional Accountant and a lawyer and a member of the Law Society of Alberta. He practiced with Felesky Flynn LLP from 1991 to 1996 and with Ernst &amp; Young from 1981 to 1990.</p> <p>Mr. Sykora holds a Bachelor of Commerce from the University of Saskatchewan and a Bachelor of Laws from the University of Calgary.</p> <p>Mr. Holden is an independent businessperson. Previously, a business development advisor at AF Gruppen a leading contracting and industrial group based in Norway from January 2018 to March 2022.</p> <p>Mr. Holden served as a Director of Seatankers Group from January to November 2017.</p> <p>Mr. Hans Jacob Holden served as Section Manager of the Reservoir Department of Saga Petroleum ASA.</p> <p>Mr. Holden has over twenty-five years' experience in the international oil and natural gas industry, with a focus on corporate finance, in the last sixteen years. From 2004 to 2016, Mr. Holden was employed by Pareto Securities AS.</p> |



| Name                 | Independent | Financially<br>Literate | Relevant Education and<br>Experience   |
|----------------------|-------------|-------------------------|--|
| Bjorn Inge Tonnessen | Yes         | Yes                     | <p>Mr. Tonnessen is an independent businessman, Executive Chair of Transitus Energy, a private energy transition company and Executive Chair of Geothermal Energy Nordic. He was formerly CEO and CFO of Edge Petroleum AS from 2017 to 2021. From June 2012 to May 2017, he was President of Spike Exploration, a private Norwegian exploration and production company. Prior thereto, he was Managing Director in Norway and Executive Vice President License Management for the Svenska Group, a private Swedish based exploration and production company.</p> <p>He was formerly the senior energy analyst with DNB NOR Markets ASA from January 2003 to July 2007 and an equity analyst with Handelsbanken Capital Markets from October 2001 to November 2002. Prior thereto he was employed by the Svenska Group in a variety of progressively more senior roles including exploration and production manager for a large part of the company's portfolio. Mr. Tonnessen has also been working as an offshore drilling engineer for several years.</p> <p>Mr. Tonnessen holds a Bachelors' degree in Petroleum Engineering from Stavanger University in Norway and an MBA equivalent degree from Stockholm University in Sweden.</p> |

## **Pre-Approval of Policies and Procedures**

As of the date hereof the Audit Committee has not adopted specific policies or procedures in respect of the provision of non-audit services to the Corporation.

## **External Auditor Service Fees**

### ***Audit Fees***

The aggregate fees billed by our external auditor in each of the last two fiscal years for audit services were \$205,509 in 2024 and \$195,591 in 2023.

### ***Audit – Related Fees***

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements that are not reported under "Audit Fees" above were \$16,695 and \$15,900 in 2024 and 2023.

### ***Tax Fees***

The aggregate fees billed in 2024 for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning were \$17,082 (2023: \$8,300).

### ***All Other Fees***

There were no additional fees for products and services provided by the Corporation's auditors other than services reported above.

**APPENDIX E  
AUDIT COMMITTEE MANDATE  
AND TERMS OF REFERENCE  
CHARTER**

**A. Composition and Process**

- 1) The Audit Committee shall be composed of a minimum of three directors, all of whom shall be independent as that term is defined in National Instrument 52-110, Audit Committees (“NI 52-110”). An independent member of the audit committee is a member who has no direct or indirect material relationship with the Corporation. A material relationship means a relationship which could, in the view of the Corporation’s board of directors, reasonably interfere with the exercise of the member’s independent judgment. Pursuant to NI 52-110, a person who is or has been, or whose immediate family member is or has been:
  - i) an officer or employee of the Corporation, a subsidiary or affiliate;
  - ii) an affiliate, partner or employee of a current or former internal/external auditor of the Corporation;
  - iii) employed as an executive officer of an entity if any of the Corporation’s current executives serve or have served on the entity’s compensation committee;
  - iv) a person who accepts or has accepted, directly or indirectly, a consulting, advisory or compensatory fee from the issuer or subsidiary of the Corporation;
  - v) a person who is an affiliate of the Corporation or subsidiary of the Corporationis considered to have a material relationship with the Corporation unless the period prescribed by NI 52-110 has elapsed.
- 2) Members shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
- 3) The Chairperson shall be appointed by the Board of Directors for a one-year term and may serve any number of consecutive terms.
- 4) All members of the Audit Committee shall be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity comparable to the Corporation’s financial statements.
- 5) The Chairperson shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Audit Committee. The Audit Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
- 6) The Audit Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Audit Committee shall be its Chairperson and one of its other members or the Chairman of the Board of Directors. The Audit Committee may hold its meetings, and members of the Audit Committee may attend meetings, by telephone conference if this is deemed appropriate.

- 7) The minutes of the Audit Committee meetings shall accurately record the decisions reached and shall be distributed to Audit Committee members with copies to the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
- 8) The Audit Committee reviews, prior to their presentation to the Board of Directors and their release, all material financial information required by securities regulations.
- 9) The Audit Committee enquires about potential claims, assessments and other contingent liabilities.
- 10) The Audit Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.
- 11) The Charter of the Audit Committee shall be reviewed by the Board of Directors on an annual basis.

**B. Authority**

- 12) Appointed by the Board of Directors pursuant to provisions of the *Business Corporations Act* (Alberta) and the bylaws of the Corporation.
- 13) Primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board of Directors. The Audit Committee is a standing committee of the Board of Directors established to assist it in fulfilling its responsibilities in this regard. The Audit Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.
- 14) The Audit Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
- 15) The Audit Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss and review specific issues as appropriate.
- 16) The Audit Committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties.
- 17) The Audit Committee shall set and pay the compensation for any advisors employed by the Audit Committee.

**C. Relationship with External Auditors**

- 18) An external auditor must report directly to the Audit Committee.
- 19) The Audit Committee is solely responsible for overseeing the work of the external auditor including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 20) The Audit Committee shall implement structures and procedures to ensure that it meets with the external auditor on a regular basis in the absence of management.

**D. Accounting Systems, Internal Controls and Procedures**

- 21) Obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.
- 22) The Audit Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.
- 23) The Audit Committee shall review with the external auditor the quality and not just the acceptability of the Corporation's accounting principles.
- 24) Direct the external auditor's examinations to particular areas.
- 25) Review control weaknesses identified by the external auditors, together with management's response.
- 26) Review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
- 27) In order to preserve the independence of the external auditor the Audit Committee will:
  - i) recommend to the Board of Directors the external auditor to be nominated;
  - ii) recommend to the Board of Directors the compensation of the external auditor's engagement; and
  - iii) review and pre-approve any engagements for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.
- 28) Review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
- 29) The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- 30) The Audit Committee shall establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52-108-Auditor Oversight.
- 31) The Audit Committee will review and approve the Corporation's hiring policies with regards to partners, employees and former partners and employees of the present and former auditor of the Corporation.

**E. Statutory and Regulatory Responsibilities**

- 32) Annual Financial Information - review the annual audited financial statements, including Letter to Shareholders and related press releases and recommend their approval to the Board of Directors, after

discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.

- 33) Annual Report - review the management's discussion and analysis ("MD&A") section and all other relevant sections of the annual report to ensure consistency of all financial information included in the annual report.
- 34) Interim Financial Statements - review the quarterly interim financial statements, including the Letter to Shareholders and related press releases and recommend their approval to the Board.
- 35) Earnings Guidance/Forecasts - review forecasted financial information and forward-looking statements.
- 36) Review the Corporation's financial statements, MD&A and earnings press releases before the Corporation publicly discloses this information.

**F. Reporting**

- 37) Report, through the Chairperson of the Audit Committee, to the Board of Directors following each meeting on the major discussions and decisions made by the Committee.
- 38) Report annually to the Board of Directors on the Committee's responsibilities and how it has discharged them.
- 39) Review the Committee's Charter annually and propose recommended changes to the Board.

**G. Other Responsibilities**

- 40) Investigating fraud, illegal acts or conflicts of interest.
- 41) Discussing selected issues with corporate counsel or the outside auditor or management.