2025 FIRST QUARTER REPORT

QUESTERRE ENERGY CORPORATION

QUESTERRE

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QUESTERRE

QUESTERRE ENERGY CORPORATION is an energy technology and innovation company. It is leveraging its expertise gained through early exposure to low permeability reservoirs to acquire significant high-quality resources. We believe we can successfully transition our energy portfolio. With new clean technologies and innovation to responsibly produce and use energy, we can sustain both human progress and our natural environment.

Questerre is a believer that the future success of the oil and gas industry depends on a balance of economics, environment and society. We are committed to being transparent and are respectful that the public must be part of making the important choices for our energy future. Questerre's common shares are traded on the Toronto Stock Exchange and Oslo Stock Exchange under the symbol QEC.

President’s Message

Three wells at Kakwa North were completed this quarter. Including flush volumes, our daily production has averaged over 3,500 boe per day since the tie-in in early April[(1)]. We plan to participate in a follow-up three (1.5 net) well program that could begin this fall.

Securing energy supplies and diversifying markets is a priority in Canada following the seismic shift in US trade policy. This is especially true in Quebec where imports account for nearly half their total energy demand[(2)]. There is a growing consensus in the province that energy infrastructure, including pipelines and LNG export facilities, should be revisited. Our discovery could provide a secure supply of natural gas and help solve their existing electrical energy shortage while reducing Canadian and global emissions.

We are following the legal process to protect our shareholders’ rights. At a recent hearing, the Justice approved our request to interview several key Government representatives including current and former ministers. The Attorney General is requesting leave to appeal this decision.

In January, Red Leaf completed a larger-scale lab test of its process, producing just over one barrel of oil per day. This technical validation will revise the design and goals for the small-scale commercial project. As a result, the recently appointed special committee of the Red Leaf Board has recommended discontinuing the letter of intent with a potential partner in Jordan to allow for an update of the project design.

Highlights

- Kakwa North wells completed in the quarter and on production in early April bringing production to over 3,500 boe per day
- Red Leaf completes larger-scale pilot demonstration of technology
- Average daily production of 1,729 boe per day and net cash flow from operating activities of $3.4 million and adjusted funds flow from operations of $3.5 million

Quebec

In response to the tariffs put forward by the US administration, the Federal government and provinces agreed on the importance of a national trade and energy corridor[(3)]. At a meeting of provincial premiers and the Prime Minister in March, when asked specifically about oil and gas pipelines, the Premier of Quebec noted ‘We’re open to these kind of projects’ though social acceptability is still required[(4)]. More recently, leadership candidates for the Quebec Liberal party also noted their openness to oil and gas projects to boost Canada’s energy independence[(5)].

While local production was not yet mentioned, the Government of Quebec is now looking to natural gas to alleviate the near-term electricity shortage. The provincial utility is assessing the conversion of an existing combined cycle natural gas power plant to provide power during peak demand periods. This plant requires 150 MMcf/d of natural gas or nearly one quarter of current winter consumption in Quebec.

During the winter, demand for power generally peaks with demand for natural gas. With limited pipeline capacity, imports required for this plant would increase the pressure on a system that already often curtails supply for customers on interruptible service. In discussions with the plant operator, we have highlighted that our local gas, less than ten kilometres away from their facility, would eliminate the transportation bottleneck, be more reliable, less expensive and reduce overall global emissions.

The legal process in Quebec has been slow but steady. The Attorney General is preparing their expert witness report to be produced this fall. Subject to the possible leave to appeal, our preliminary questioning of key Government representatives has been ordered by the Court and is to take place this September and October. To this end, we expect the collaboration of the Attorney General to respond to our pre-examination requests during the summer.

Operating & Financial

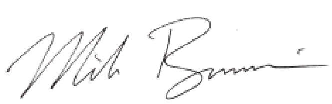
Production for the quarter averaged over 1,700 boe per day, about 10% lower than the prior quarter and up slightly from the same period last year. Higher oil and liquids prices contributed to cash flow from operations of $3.4 million and adjusted funds flow from operations of $3.5 million for the first quarter compared to $2.6 million and $3 million respectively last year.

Our capital expenditures for the quarter totalled nearly $18 million, mainly representing the remaining drilling and completion costs for our new Kakwa North wells. This was funded by our existing working capital. We ended the quarter with a surplus of $9.2 million and our credit facility remaining undrawn.

Outlook

We look forward to the next drilling program at Kakwa North, assuming the wells continue to meet expectations and oil prices do not deteriorate further. Sustaining existing production volumes will require additional drilling given the high initial declines from these wells.

Although Bill 21 was introduced nearly three years ago we remain hopeful for a business and political solution. Our goal for this year is to improve energy literacy in Quebec and how our project can meet their energy security needs. We are also firmly following the timelines for our legal claim with the goal of establishing a trial date for the main case next year.



Michael Binnion
President and Chief Executive Officer

1. Consisting of 8.4 MMcf/d of natural gas and 2,129 bbls/d of condensate and estimated natural gas liquids
2. https://www.canadianenergycentre.ca/big-vulnerability-how-ontario-and-quebec-became-reliant-on-u-s-oil-and-gas/
3. https://tj.news/new-brunswick/feds-provinces-agree-to-create-national-trade-and-energy-corridor
4. https://www.theglobeandmail.com/politics/article-quebec-premier-says-opinion-is-shifting-in-province-on-oil-and-gas/
5. https://boereport.com/2025/05/03/quebec-liberal-leadership-hopefuls-say-theyre-open-to-fossil-fuel-projects/

Environmental, Social and Governance

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

From today to 2050, the world's population is estimated to grow from 7.6 billion to almost 10 billion who will expect a better standard of living[1]. We believe providing the increased energy needed tomorrow, with lower environmental impacts than today, is the challenge of our times. Transforming our energy diet to lower emissions is essential to meet this challenge and we believe the oil and gas industry have made major improvements and must continue to do so.

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

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

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

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

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared as of May 14, 2025. This interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Questerre Energy Corporation ("Questerre" or the "Company") for the three month periods ended March 31, 2025, and 2024, and the audited annual consolidated financial statements of the Company for the year ended December 31, 2024, and the MD&A prepared in connection therewith. Additional information relating to Questerre, including Questerre's Annual Information Form ("AIF") for the year ended December 31, 2024, is available on SEDAR under Questerre's profile at www.sedarplus.ca.

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

Basis of Presentation

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

Forward-Looking Statements

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

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

- drilling plans and the development and optimization of producing assets;
- the judicial plans to achieve a hearing of the Company's claim made in connection with Quebec's Bill 21 and the questioning of key government representatives;
- working collaboratively to find a political and business solution with the Government of Quebec;
- future production of oil, natural gas and natural gas liquids;

- future commodity prices in light of decisions by OPEC and its allies, including Saudi Arabia and Russia on production levels, the war in Ukraine, and the conflict in the Middle East;
- legislative and regulatory developments in the Province of Quebec;
- the transfer of wells drilled in 2025 from the proved undeveloped to the proved producing category;
- the Company plans for a carbon storage pilot project under Bill 21;
- hedging policy;
- the impact on natural gas prices from the commissioning of the LNG Canada project;
- liquidity and capital resources;
- the Company's plans to utilize the Red Leaf technology for its project in Jordan;
- the Company's compliance with the terms of its credit facility;
- timing of the next review of the Company's credit facility by its lender;
- ability of the Company to meet its foreseeable obligations;
- capital expenditures and the funding thereof;
- impacts of capital expenditures on the Company's reserves;
- commitments and Questerre's participation in future capital programs;
- risks and risk management;
- potential for equity and debt issuances and farm-out arrangements;
- counterparty creditworthiness;
- the timing of receivables from joint venture partners;
- flow-through shares and use of proceeds and renunciation and indemnity obligations associated therewith;
- insurance;
- use of financial instruments; and
- critical accounting estimates.

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

- potential tariffs and counter tariffs on trade with the United States and other countries;
- Quebec's Bill 21, the revocation of licenses in Quebec and potential compensation;
- volatility in market prices for oil, natural gas liquids and natural gas due to, among other things, the production agreements between OPEC and its allies, including Saudi Arabia and Russia, on production levels, the war in Ukraine, and the conflict in the Middle East;
- access to capital;
- general economic conditions;
- the terms and availability of credit facilities;
- counterparty credit risk;
- changes or fluctuations in oil, natural gas liquids and natural gas production levels;
- liabilities inherent in oil and natural gas operations;
- adverse judicial rulings, regulatory rulings, orders and decisions;
- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves and resources;

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

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

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

BOE Conversions

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas ("Mcf") to one barrel of oil ("bbl"), and the conversion ratio of one barrel to six thousand cubic feet is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalent at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a conversion on a six to one basis may be misleading as an indication of value.

Non-GAAP Measures

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

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

As an indicator of the Company's performance, adjusted funds flow from operations should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with GAAP. The Company's determination of adjusted funds flow from operations may not be comparable to that reported by other companies. Questerre considers adjusted funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund operations and support activities related to its major assets.

Adjusted Funds Flow From Operations Reconciliation

	Three months ended March 31,	
($ thousands)	**2025**	2024
Net cash from operating activities	**$ 3,359**	$ 2,628
Change in non-cash operating working capital	**184**	345
Adjusted Fund Flow from Operations[1]	**$ 3,543**	$ 2,973

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

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

The Company considers netbacks a key measure as it demonstrates its profitability relative to current commodity prices. Operating and cash netbacks, as presented, do not have any standardized meaning prescribed by GAAP and may not be comparable with the calculation of similar measures for other entities. Operating netbacks have been defined as revenue less royalties, transportation and operating costs. Cash netbacks have been defined as operating netbacks less general and administrative costs. Netbacks are generally discussed and presented on a per boe basis.

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

Select Information

As at/for the period ended,	Three months ended March 31, 2025	2024
Financial ($ thousands, except as noted)		
Petroleum and Natural Gas Sales	**9,130**	8,998
Net Income (Loss)	**4**	(175)
Adjusted Funds Flow from Operations(1)	**3,543**	2,973
Cash Flow from Operations	**3,359**	2,628
Basic and diluted ($/share)	**0.01**	0.01
Capital Expenditures	**17,864**	2,630
Working Capital Surplus(2)	**9,202**	30,211
Total Assets	**181,519**	172,968
Shareholders' Equity	**139,006**	144,148
Common Shares Outstanding (thousands)	**428,516**	428,516
Weighted average - basic and diluted (thousands)	**428,516**	428,516
Weighted average - diluted (thousands)	**431,700**	429,270
Operations (units as noted)		
Average Production		
Crude Oil and Natural Gas Liquids (bbls/d)	**998**	978
Natural Gas (Mcf/d)	**4,388**	4,114
Total (boe/d)	**1,729**	1,664
Average Sales Price(3)		
Crude Oil and Natural Gas Liquids ($/bbl)	**91.34**	88.89
Natural Gas ($/Mcf)	**2.43**	2.71
Total ($/boe)	**58.66**	59.43
Netback ($/boe)		
Petroleum and Natural Gas Sales	**58.66**	59.43
Royalties Expense	**(3.52)**	(6.91)
Percentage	**6%**	12%
Direct Operating Expense	**(23.85)**	(26.94)
Operating Netback	**31.29**	25.58
Wells Drilled		
Gross	**–**	2.00
Net	**–**	0.50

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.
(3) Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil and is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalency at the wellhead.

Highlights

- Kakwa North wells completed in the quarter and on production in early April bringing production to over 3,500 boe per day
- Red Leaf completes larger-scale pilot demonstration of technology
- Average daily production of 1,729 boe per day and net cash flow from operating activities of $3.4 million and adjusted funds flow from operations of $3.5 million

First Quarter 2025 Activities

Kakwa, Alberta

At Kakwa North, the operator finished drilling, completed and tested three (1.5 net) wells during the quarter. Questerre holds a 50% interest in these wells. Over the first thirty days, gross production from these wells averaged 4,100 boe/d consisting of 10.4 MMcf/d of natural gas and 2,408 bbls/d of condensate and natural gas liquids. While the initial rates from these wells are encouraging, they are not indicative of long-term performance or ultimate recovery. Subject to the operator's plans, the next drilling program could commence later this year.

At Kakwa Central, the operator drilled two wells as part of a three well program that commenced last fall. Questerre elected to not participate in this entire program due to the proposed inter-well spacing that could impact overall well recoveries.

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

Quebec

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

Following feedback from the Quebec Ministry of Economy, Innovation and Energy, the Company updated its application for a carbon storage pilot project under Bill 21 in the quarter. 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.

In accordance with the procedural rules in Quebec, the Company is continuing the process leading up to the trial on the merits of the case, including its debate on the constitutional validity of Bill 21. The preliminary questioning of key Government representatives would be one of the last steps prior to the establishment of a trial date for the hearing.

Production

Three months ended March 31,		2025			2024	
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Alberta	**748**	**4,388**	**1,479**	644	4,114	1,330
Saskatchewan and Manitoba	**250**	**–**	**250**	334	–	334
	998	**4,388**	**1,729**	978	4,114	1,664

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

Volumes in the first quarter increased by under 5% over the prior year and averaged 1,729 boe per day.

Kakwa currently accounts for over 85% of corporate volumes with production split 65/35 between the Kakwa Central and Kakwa North joint venture. Production from this area is generally equally weighted between natural gas and liquids. Additional light oil volumes from Saskatchewan and Manitoba contribute to a corporate liquids weighting of approximately 60%, unchanged from prior years. With no new wells drilled in the last year, production from this area declined naturally over the prior year.

The Company's production volumes in the second quarter will increase following the tie-in of the three (1.5 net) wells at Kakwa North. For the second half of the year, production will subsequently decline with no further wells planned for the remainder of this year. Subject to a follow-up program at Kakwa North, the Company could see incremental volumes added in the second quarter of 2026.

First Quarter 2025 Financial Results

Petroleum and Natural Gas Sales

Three months ended March 31,		2025			2024	
($ thousands)	**Oil and Liquids**	**Natural Gas**	**Total**	Oil and Liquids	Natural Gas	Total
Alberta	**$ 6,058**	**$ 956**	**$ 7,014**	$ 5,190	$ 1,086	$ 6,276
Saskatchewan and Manitoba	**2,116**	**–**	**2,116**	2,722	–	2,722
	$ 8,174	**$ 956**	**$ 9,130**	$ 7,912	$ 1,086	$ 8,998

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

Slightly higher production and oil prices marginally increased revenue over the prior year.

Pricing

	Three months ended March 31,	
	2025	2024
Benchmark prices:		
Natural Gas - AECO, daily spot ($/Mcf)	**2.05**	2.16
Crude Oil - Mixed Sweet Blend ($/bbl)	**95.33**	92.15
Realized prices:		
Natural Gas ($/Mcf)	**2.43**	2.71
Crude Oil and Natural Gas Liquids ($/bbl)	**91.34**	88.89

The benchmark West Texas Intermediate ("WTI") declined over last year and averaged US$71.42 per barrel in the first quarter compared to US$76.96 per barrel for the same period last year. In Canada, the impact of the decline was largely offset by the strengthening of the US dollar.

Oil prices in the quarter reflected the uncertainty and potential impacts to the global economy arising from the tariffs by the new US administration. However, most Canadian crude and natural gas exports to the US were exempt under the *Canada-United States-Mexico Agreement Implementation Act.* Prices were also impacted by the OPEC+ announcement of its plans to unwind voluntary production cuts beginning in the second quarter of this year.

Differentials between WTI and Canadian benchmark prices both for Mixed Sweet Blend ("MSW") and condensate, tightened over the prior year. This contributed to Questerre's realized price averaging $91.34 per barrel in the first quarter (2024: $88.89 per barrel) compared to the MSW benchmark of $95.33 per barrel (2024: $92.15 per barrel).

Natural gas prices improved more substantially over last year. The benchmark Henry Hub averaged US$4.15 per MMBtu in the quarter compared to US$2.13 per MMBtu last year. Prices reflected the increased demand from a colder than normal winter and growing LNG exports that reduced US natural gas inventories this winter.

In Canada, prices declined over the quarter with the benchmark AECO 5A averaging $2.05 per GJ compared to $2.16 per GJ for the same period last year. These prices reflect robust supply and limited market access resulting in inventory levels well above the five-year average. Prices are expected to improve later this year once the LNG Canada project is commissioned, providing takeaway capacity for 2 Bcf/d, representing just over 11% of Canadian gas production.

Questerre's natural gas includes higher heat content gas from Kakwa. Realized prices averaged $2.43 per Mcf compared to the benchmark of $2.05 per Mcf in the quarter.

Royalties

	Three months ended March 31,	
($ thousands)	**2025**	2024
Alberta	**$ 378**	$ 830
Saskatchewan and Manitoba	**170**	217
	$ 548	$ 1,047
% of Revenue:		
Alberta	**5%**	13%
Saskatchewan and Manitoba	**8%**	8%
Total Company	**6%**	12%

Royalties for the first quarter declined by nearly 50% over the prior year. As a percentage of revenue, this decreased from 12% to 6%.

The variance is attributed to the lower net royalties on production in Alberta. In the current year these include increased credits for processing the Crown's share of production through the Company's facilities at Kakwa. Royalties on production in Saskatchewan and Manitoba declined commensurate with the decline in revenue and remain unchanged as a percentage of revenue.

Operating Expenses

	Three months ended March 31,	
($ thousands)	**2025**	2024
Alberta	**$ 2,937**	$ 3,018
Saskatchewan and Manitoba	**643**	911
Quebec	**132**	149
	$ 3,712	$ 4,078
$/boe:		
Alberta	**$ 22.07**	$ 24.94
Saskatchewan and Manitoba	**28.52**	29.98
Total Company	**$ 23.85**	$ 26.94

In the first quarter of the year, operating costs decreased by just under 10% over the same period last year to $3.7 million. On a unit of production basis, these lower costs and nominally higher production volumes translated into a marginal decrease to $23.85 per boe from $26.94 per boe last year.

While operating costs in Alberta remained relatively flat, they declined in Saskatchewan due to higher workover expenses in the prior year. Operating costs in Quebec reflect the costs of maintaining the Company's assets in the province.

General and Administrative Expenses

	Three months ended March 31,	
($ thousands)	**2025**	2024
General and administrative expenses, gross	**$ 1,484**	$ 1,280
Capitalized expenses and overhead recoveries	**(144)**	(91)
General and administrative expenses, net	**$ 1,340**	$ 1,189

For the period ended March 31, 2025, gross general & administrative expenses ("G&A") increased 16% over the last year.

Higher costs in the current quarter are due to increased legal and advisory services related to the Company's assets in Quebec. Capitalized expenses are G&A directly attributed to the Company's producing assets in Antler and Kakwa.

Depletion, Depreciation and Accretion

Questerre recorded depletion, depreciation and accretion expense of $3.3 million for the quarter ended March 31, 2025 (2024: $3 million). Depletion accounts for over 95% of these amounts. The variance over last year is due to the slightly higher production volumes and the increase in the depletable base, on a unit of production basis, to $20.15 per boe from $18.41 per boe last year.

Net Interest, Other Income and Share Based Compensation Expense

During the three months ended March 31, 2025, the Company reported net interest and other income of $0.2 million (2024: $0.3 million). This represents interest earned on its cash deposits.

The Company recorded share based compensation expense of $0.5 million (2024: $0.3 million) net of $0.1 million in expense capitalized during the period (2024: $0.1 million). Included in this amount is $0.2 million representing the cashless exercise of 6 million options.

Other Comprehensive Income (Loss)

In 2025, the Company recorded other comprehensive loss of $0.01 million for the quarter (2024: $0.3 million income). Other comprehensive income (loss) relates to the impact of changes in foreign exchange. The depreciation of the Jordanian dinar resulted in a negligible loss (2024: $0.1 million income) on the Company's dinar denominated assets in the country for the quarter. Similarly, the depreciation in the US dollar also resulted in a loss on its US dollar denominated investment in Red Leaf (2024: $0.1 million gain).

Net Income (Loss) and Total Comprehensive Income (Loss)

With revenue offsetting expenses, net income for the current quarter was effectively nil (2024: $0.2 million loss). Including other comprehensive income (loss), the total comprehensive loss for the quarter was effectively nil (2024: $0.1 million loss).

Cash Flow From Operating Activities

For the three months ended March 31, 2025, net cash from operating activities was $3.4 million compared to $2.6 million last year. The variance is due largely to the net income in the current quarter and a smaller reduction in non-cash working capital compared to last year.

Cash Flow Used In Investing Activities

Cash flow used in investing activities for the first three months of the year increased to $8.5 million this year from $1.7 million last year. Total capital expenditures of $17.9 million for the period include three (1.50 net) new wells at Kakwa North, of which $9.4 million remained payable at the period end. This accounted for the increase in non-cash working capital this year.

Cash Flow Used In Financing Activities

For the first quarter, net cash used in financing activities was minimal and represents the principal portion of its operating leases.

Capital Expenditures

	Three months ended March 31,	
($ thousands)	**2025**	2024
Alberta	**$ 15,710**	$ 2,527
Saskatchewan, Manitoba and Jordan	**2,154**	103
Total Company	**$ 17,864**	$ 2,630

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

For the first three months of 2025, the Company incurred capital expenditures of $17.9 million as follows:

- In Alberta, $15.7 million was incurred to complete and tie-in three (1.5 net) wells at Kakwa North;
- In Saskatchewan, $2 million was invested in a pressure maintenance scheme; and
- $0.2 million was invested in other assets.

For the first three months of 2024, the Company incurred capital expenditures of $2.6 million as follows:

- In Alberta, $2.5 million was incurred to drill two (0.5 net) wells at Kakwa Central; and
- $0.1 million was invested in other assets.

Share Capital

The Company is authorized to issue an unlimited number of Common Shares. The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At March 31, 2025, there were no Class "B" Common voting shares or preferred shares outstanding. The following table provides a summary of the outstanding Common Shares and options as at the date of the MD&A, the current quarter-end and the preceding year-end.

(thousands)	May 14, 2025	March 31, 2025	December 31, 2024
Common Shares	**428,516**	**428,516**	428,516
Stock Options	**38,920**	**38,920**	38,295
Weighted average common shares			
Basic		**428,516**	428,516
Diluted		**431,700**	431,715

A summary of the Company's stock option activity for the three months ended March 31, 2025, and the year ended December 31, 2024, follows:

	March 31, 2025		December 31, 2024	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	**38,295**	**$ 0.25**	38,140	$ 0.26
Granted	**6,675**	**0.23**	6,950	0.25
Forfeited/cancelled	**–**	**–**	(620)	0.27
Expired	**(75)**	**0.20**	(6,175)	0.29
Exercised	**(5,975)**	**0.20**	–	–
Outstanding, end of period	**38,920**	**$ 0.25**	38,295	$ 0.25
Exercisable, end of period	**25,632**	**$ 0.26**	29,704	$ 0.25

Liquidity and Capital Resources

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

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

At March 31, 2025, and 2024, there were no material borrowings under its credit facility and the Company is compliant with all its covenants under the credit facilities. Under the terms of the credit facilities, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at March 31, 2025, was 2.08 (2024: 5.50) and the covenant was met. See Note 11 of the Financial Statements.

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

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

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

Commitments

A summary of the Company's net commitments at March 31, 2025, are as follows:

($ thousands)		2025		2026		2027		Total
Transportation and Processing	$	1,829	$	1,566	$	545	$	3,940

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

Risk Management

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

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

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

Another significant risk for Questerre as a junior exploration company is access to capital. The Company attempts to secure both equity and debt financing on terms it believes are attractive in current markets. Management also endeavors to seek participants to farm-in on the development of its projects on favorable terms. However, there can be no assurance that the Company will be able to secure sufficient capital if required or that such capital will be available on terms satisfactory to the Company.

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

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

The Company uses the following guidelines to address financial exposure:

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

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

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

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

Accounts receivable related to the sale of the Company’s petroleum and natural gas production are paid in the following month from major oil and natural gas marketing and infrastructure companies and the Company has not experienced any credit loss relating to these sales to date. Pursuant to IFRS 9, the Company made a provision of $0.04 million at March 31, 2025, for its expected credit losses related to its accounts receivable.

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

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

Company may be required to liquidate certain of its assets in order to meet the indemnity obligations under flow-through share subscription agreements.

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

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

As at March 31, 2025, the Company had no outstanding commodity risk management contracts in place.

Environmental Regulation and Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the applicable interest rates will impact the Company's interest expense related to its credit facilities. Given the unutilized credit facility, a 0.5% change in interest rates applicable to its credit facilities would have no impact on net income (loss). At March 31, 2025, the Company had credit facilities outstanding of $0.06 million (December 31, 2024: $0.05) with an effective rate of 6.24%.

Critical Accounting Estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. The use of critical accounting estimates made by management in the preparation of the interim financial statements are discussed under the section "Critical Accounting Estimates" in the MD&A for the year ended December 31, 2024.

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

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the period beginning on January 1, 2025, and ended on March 31, 2025, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Quarterly Financial Information

($ thousands, except as noted)	**Mar 31 2025**	Dec 31 2024	Sep 30 2024	Jun 30 2024
Production (boe/d)	**1,729**	1,887	1,913	1,559
Average Realized Price ($/boe)	**58.66**	55.43	53.75	62.36
Petroleum and Natural Gas Revenue	**9,130**	9,622	9,460	8,847
Adjusted Funds Flow from Operations[1]	**3,543**	3,703	3,428	4,455
Cash Flow from Operations	**3,359**	3,844	4,060	3,141
Net Income (Loss)	**4**	(8,143)	(273)	1,262
Basic and Diluted ($/share)	**–**	(0.02)	–	–
Capital Expenditures, net of acquisitions and dispositions	**17,864**	7,543	3,433	7,034
Working Capital Surplus[2]	**9,202**	23,091	27,608	27,620
Total Assets	**181,519**	170,723	178,731	179,248
Shareholders' Equity	**139,006**	138,629	145,887	145,941
Weighted Average Common Shares Outstanding				
Basic (thousands)	**428,516**	428,516	428,516	428,516
Diluted (thousands)	**431,700**	432,473	431,804	431,327

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.

($ thousands, except as noted)	Mar 31 2024	Dec 31 2023	Sep 30 2023	Jun 30 2023
Production (boe/d)	1,664	1,794	1,830	1,978
Average Realized Price ($/boe)	59.43	59.04	63.71	59.46
Petroleum and Natural Gas Revenue	8,998	9,743	10,725	10,702
Adjusted Funds Flow from Operations[1]	2,973	3,209	3,034	5,335
Cash Flow from Operations	2,628	5,154	2,382	4,133
Net Income (Loss)	(175)	(26,003)	(337)	1,692
Basic and Diluted ($/share)	–	(0.06)	–	–
Capital Expenditures, net of acquisitions and dispositions	2,630	3,588	845	2,469
Working Capital Surplus[2]	30,211	29,866	30,191	28,013
Total Assets	172,968	172,346	197,716	201,213
Shareholders' Equity	144,148	143,667	169,636	169,444
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	431,175	429,270	429,922	431,100

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.

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

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

Off-Balance Sheet and Related Party Transactions

The Company did not engage in any off-balance sheet transactions nor any related party transactions during the nine month period ended March 31, 2025.

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations,* Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of Questerre Energy Corporation for the interim reporting period ended March 31, 2025, have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board, and are the responsibility of the Company's management.

The Company's external auditors, Ernst & Young LLP, have not performed a review of these unaudited consolidated interim financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor.

Condensed Consolidated Interim Balance Sheets *(unaudited)*

($ thousands)	Note	March 31, 2025	December 31, 2024
Assets			
Current Assets			
Cash and cash equivalents		$ 26,654	$ 31,791
Accounts receivable		3,612	3,242
Deposits and prepaid expenses		1,360	1,402
		31,626	36,435
Right-of-use assets		113	128
Investments	3	4,361	4,359
Property, plant and equipment	4	139,820	116,695
Exploration and evaluation	5	5,599	13,106
		$ 181,519	$ 170,723
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		$ 22,020	$ 12,496
Lease liabilities		56	56
Credit facilities	11	60	49
Current portion of asset retirement obligation	6	344	799
		22,480	13,400
Lease liabilities		69	83
Asset retirement obligation	6	19,964	18,611
		$ 42,513	$ 32,094
Shareholders' Equity			
Share capital	7	$ 429,878	$ 429,878
Contributed surplus		29,661	29,283
Accumulated other comprehensive income (loss)		891	896
Deficit		(321,424)	(321,428)
		139,006	138,629
		$ 181,519	$ 170,723

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

Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income (Loss) *(unaudited)*

		Three months ended March 31,	
($ thousands)	Note	**2025**	2024
Revenue			
Petroleum and natural gas sales including royalty revenue	10	**$ 9,130**	$ 8,998
Royalties		**(548)**	(1,047)
Petroleum and natural gas sales, net of royalties		**8,582**	7,951
Expenses			
Direct operating		**3,712**	4,078
General and administrative		**1,340**	1,189
Depletion, depreciation, and accretion	4,6	**3,277**	2,868
Gain on equity investment	3	**(6)**	(8)
Share based compensation	8	**454**	317
Net interest and other income		**(199)**	(318)
		8,578	8,126
Net income (loss)		**$ 4**	$ (175)
Other comprehensive income (loss), net of tax			
Items that may be reclassified subsequently to net income:			
Foreign currency translation adjustment		**(1)**	145
Gain (loss) on foreign exchange on investments	3	**(4)**	118
		(5)	263
Total comprehensive income (loss)		**$ (1)**	$ 88
Net income (loss) per share			
Basic and diluted	7	**$ –**	$ –

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

Condensed Consolidated Interim Statements of Changes in Equity
(unaudited)

	Three months ended March 31,	
($ thousands)	**2025**	2024
Share Capital		
Balance, beginning and end of period	**$ 429,878**	$ 429,878
Contributed Surplus		
Balance, beginning of period	**29,283**	27,908
Share based compensation	**378**	393
Balance, end of period	**$ 29,661**	$ 28,301
Accumulated Other Comprehensive Income		
Balance, beginning of period	**896**	(20)
Other comprehensive income (loss)	**(5)**	263
Balance, end of period	**$ 891**	$ 243
Deficit		
Balance, beginning of period	**(321,428)**	(314,099)
Net income (loss)	**4**	(175)
Balance, end of period	**$ (321,424)**	$ (314,274)
Total Shareholders' Equity	**$ 139,006**	$ 144,148

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

Condensed Consolidated Interim Statements of Cash Flows
(unaudited)

($ thousands)	Note	*Three months ended March 31,* **2025**	2024
Operating Activities			
Net income (loss)		**$ 4**	$ (175)
Adjustments for:			
Depletion, depreciation, and accretion	4,6	**3,277**	2,868
Share based compensation	8	**275**	317
Gain on equity investment	3	**(6)**	(8)
Abandonment expenditures	6	**(7)**	(29)
		3,543	2,973
Change in non-cash working capital		**(184)**	(345)
Net cash from operating activities		**$ 3,359**	$ 2,628
Investing Activities			
Property, plant and equipment expenditures	4	**(2,802)**	49
Exploration and evaluation expenditures	5	**(15,062)**	(2,679)
Change in non-cash working capital		**9,383**	891
Net cash used in investing activities		**$ (8,481)**	$ (1,739)
Financing Activities			
Principal portion of lease payments		**(15)**	(15)
Drawdown under credit facilities		**–**	1
Net cash used in financing activities		**$ (15)**	$ (14)
Change in cash, cash equivalents		**(5,137)**	875
Cash and equivalents, beginning of period		**31,791**	35,038
Cash, cash equivalents, end of period		**$ 26,654**	$ 35,913

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2025, and 2024 (unaudited)

1. Reporting Entity and Basis of Presentation

Questerre Energy Corporation (“Questerre” or the “Company”) is an energy technology and innovation company. It is leveraging its expertise gained through early exposure to low permeability reservoirs to acquire significant high-quality resources. These condensed consolidated interim financial statements of the Company as at and for the three months ended March 31, 2025, and 2024 comprise the Company and its wholly owned subsidiaries.

Questerre is incorporated under the laws of the Province of Alberta and is domiciled in Canada. The address of its registered office is 1650, 801 – 6 Avenue SW, Calgary, Alberta.

These unaudited condensed consolidated interim financial statements of Questerre were approved by the Board of Directors on May 14, 2025.

2. Significant Accounting Policies

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The unaudited condensed interim consolidated financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The interim consolidated financial statements note disclosures do not include all of those required by International Financial Reporting Standards (“IFRS”) applicable for annual consolidated financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these condensed interim consolidated financial statements.

Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the three month period ended March 31, 2025, that are applicable to the Company in future periods. A detailed description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2024.

3. Investment in Red Leaf

Red Leaf Resources Inc. (“Red Leaf”) is a private Utah-based oil shale and technology company whose principal assets are its proprietary EcoShale technology to recover oil from shale, its oil shale leases and its assets in the Uinta Basin in the state of Utah.

Questerre holds 132,292 common shares, representing just over 40% of the common share capital of Red Leaf and 288 Series A Preferred Shares of Red Leaf representing less than 16% of the issued and outstanding preferred shares capital of Red Leaf.

Questerre has determined its investment in Red Leaf will be accounted for using the equity method. This is based on several criteria including its current equity interest in Red Leaf and ability to participate in the decision-making process of Red Leaf through its current Board representation. The following table sets out the changes in the investment over the respective year to date periods:

($ thousands)	March 31, 2025	December 31, 2024
Balance, beginning of year	$ 4,359	$ 4,471
Gain (loss) on equity investment	6	(474)
Gain (loss) on foreign exchange	(4)	362
Balance, end of period	$ 4,361	$ 4,359

For the three months ended March 31, 2025, the loss on foreign exchange relating to investments was $0.004 million (December 31, 2024: $0.4 million gain).

4. Property, Plant and Equipment

The following table provides a reconciliation of the Company's property, plant, and equipment assets:

($ thousands)	
Cost or deemed cost:	
Balance, December 31, 2023	$ 314,321
Additions including change to asset retirement	4,000
Transfer from exploration and evaluation assets	8,605
Balance, December 31, 2024	326,926
Additions including change to asset retirement	3,695
Transfer from exploration and evaluation assets	22,569
Balance, March 31, 2025	**$ 353,190**
Accumulated depletion, depreciation and impairment losses:	
Balance, December 31, 2023	$ 198,386
Depletion and depreciation	11,845
Balance, December 31, 2024	210,231
Depletion and depreciation	3,139
Balance, March 31, 2025	**$ 213,370**

($ thousands)	
Net book value:	
At December 31, 2024	$ 116,695
At March 31, 2025	**$ 139,820**

During the period ended March 31, 2025, the Company capitalized $0.2 million (2024: nil) in administrative overhead and $0.1 million (2024: nil) in share based compensation expense directly related to development activities. Included in the March 31, 2025, depletion calculation is estimated future development costs of $308.1 million (December 31, 2024: $293.6 million).

No indicators of impairment nor indicators to reverse previously recorded impairment were identified as at March 31, 2025.

5. Exploration and Evaluation

The following table provides a reconciliation of the Company's exploration and evaluation assets for the respective periods:

($ thousands)	March 31, 2025	December 31, 2024
Balance, beginning of year	**$ 13,106**	$ 12,287
Additions	**15,062**	16,344
Transfers to property, plant and equipment	**(22,569)**	(8,605)
Foreign currency translation adjustment - Jordan	**–**	943
Impairment of Jordan asset	**–**	(7,863)
Balance, end of period	**$ 5,599**	$ 13,106

During the period ended March 31, 2025, the Company did not capitalize administrative overhead charges (December 31, 2024: $0.4 million) or share based compensation expense (December 31, 2024: $0.3 million) directly related to exploration and evaluation activities.

The Company determined that there were no impairment indicators for its exploration and evaluation assets as of March 31, 2025.

6. Asset Retirement Obligation

The Company's asset retirement and abandonment obligations result from its ownership interest in oil and natural gas assets. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the asset retirement obligation to be $20.3 million as at March 31, 2025 (December 31, 2024: $19.4 million) based on an undiscounted total future liability of $23 million (December 31, 2024: $24.6 million). These payments are expected to be made over the next 40 years. The average discount factor, being the risk-free rate related to the liabilities, is 2.69% (December 31, 2024: 3.06%). An inflation rate of 2% (December 31, 2024: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

The following table provides a reconciliation of the Company's total asset retirement obligation on a year to date basis:

($ thousands)	March 31, 2025	December 31, 2024
Balance, beginning of year	$ 19,410	$ 19,064
Liabilities settled	(7)	(49)
Revisions due to change in estimates and discount rates	779	(537)
Liabilities incurred	–	352
Accretion	126	580
Balance, end of period	$ 20,308	$ 19,410
Current portion	344	799
Non-current portion	19,964	18,611
Balance, end of period	$ 20,308	$ 19,410

7. Share Capital

The Company is authorized to issue an unlimited number of Class "A" Common voting shares ("Common Shares"). The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At March 31, 2025, there were no Class "B" Common voting shares or preferred shares outstanding.

a) *Issued and outstanding – Common Shares*

	Number *(thousands)*	Amount *($ thousands)*
Balance December 31, 2024 and March 31, 2025	428,516	$ 429,878

b) *Per share amounts*

Basic and diluted net income (loss) per share is calculated as follows:

(thousands, except as noted)	*Three months ended March 31,* 2025	2024
Net income (loss)	$ 4	$ (175)
Weighted average Common Shares beginning of period and outstanding	428,516	428,516
Basic net income (loss) per share	$ –	$ –

(thousands, except as noted)	*Three months ended March 31,* 2025	2024
Net income (loss)	$ 4	$ (175)
Weighted average Common Shares outstanding (basic)	428,516	428,516
Effect of outstanding options	3,184	–
Weighted average Common Shares outstanding (diluted)	431,700	428,516
Diluted net income (loss) per share	$ –	$ –

Under the current stock option plan, options can be exchanged for Common Shares, or for cash at the Company's discretion. The average market value of the Company's shares for purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding. For the three months ended March 31, 2025, 24.6 million options (March 31, 2024: 23.9 million options) were excluded from the diluted weighted average number of Common Shares outstanding as they were out of the money and their effect would have been anti-dilutive.

8. Share Based Compensation

The Company has a stock option program that provides for the issuance of options to its directors, officers and employees at or above grant date market prices. The options granted under the plan generally vest evenly over a three-year period starting at the grant date. The grants expire five years from the grant date. The Company accounts for its share-based compensation awards on the basis that the options will be equity settled. During the quarter, the Company cash settled 5.9 million options for a payment of $0.2 million.

For the three months ending March 31, 2025, the Company issued 6.7 million options with an estimated fair value of $0.18 per option. The grant price was equivalent or greater than the market price on the date of issuance. The options were valued using the Black-Scholes option pricing model. The weighted average assumptions used by the Company in this pricing model were as follows: Volatility (%): 102.60, Risk Free Rate (%): 2.91, Expected Life (years): 5.0 and Unvested Forfeiture Rate (%): 8.46.

On a year to date basis, the number and weighted average exercise prices of the outstanding stock options are as follows:

	March 31, 2025		December 31, 2024	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	38,295	$ 0.25	38,140	$ 0.26
Granted	6,675	0.23	6,950	0.25
Forfeited/cancelled	–	–	(620)	0.27
Expired	(75)	0.20	(6,175)	0.29
Exercised	(5,975)	0.20	–	–
Outstanding, end of period	38,920	$ 0.25	38,295	$ 0.25
Exercisable, end of period	25,632	$ 0.26	29,704	$ 0.25

9. Financial Risk Management and Determination of Fair Values

a) *Overview*

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

b) *Fair value of financial instruments*

The Company's financial instruments as at March 31, 2025, included cash and cash equivalents, accounts receivable, deposits, investments, credit facilities and accounts payable and accrued liabilities. As at March 31, 2025, excluding the investment in Red Leaf, the fair values of the Company's financial assets and liabilities equaled their carrying values due to the short-term maturity.

c) *Market risk*

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

Commodity price risk

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

As at March 31, 2025, the Company had no outstanding commodity risk management contracts.

Currency risk

All of Questerre's petroleum and natural gas sales are denominated in Canadian dollars; however, the underlying market prices for these commodities are impacted by the exchange rate between Canada and the United States. The Company also incurs expenditures in its Jordanian subsidiary that are denominated in Jordanian Dinar and United States dollars.

As at March 31, 2025, the Company had no forward foreign exchange contracts in place.

d) *Credit risk*

Credit risk represents the potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises principally from the Company's receivables from joint venture partners and oil and gas marketers. The Company manages the credit risk associated with its oil and gas marketers by transacting with high quality counterparties, establishing concentration limits, monitoring credit ratings and if required the posting of guarantees.

e) *Liquidity risk*

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

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

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

10. Petroleum and Natural Gas Sales

	Three months ended March 31,	
($ thousands)	**2025**	2024
Crude oil and natural gas liquids	**$ 8,165**	$ 7,904
Natural gas	**951**	1,079
Royalty revenue	**14**	15
	$ 9,130	$ 8,998

11. Credit Facilities

As at March 31, 2025, the credit facilities consisted primarily of a revolving operating demand facility of $16 million. The facility can be used for general corporate purposes, ongoing operations and capital expenditures within Canada. The effective interest rate on the facility for the three months ended March 31, 2025, was 6.24% (March 31, 2024: 8.20%). As at March 31, 2025, and December 31, 2024, a very nominal amount was drawn on the facility and the Company held unrestricted cash of over $26 million. The credit facilities are secured by a debenture with a first floating charge over all assets of the Company and a general assignment of books debts. Under the terms of the credit facility, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at March 31, 2025, was 2.08 and the covenant was met.

The credit facilities are demand facilities and can be reduced, amended or eliminated by the lender for reasons beyond the Company’s control. Should the credit facilities, in fact, be reduced or eliminated, the Company would need to seek alternative credit facilities or consider the issuance of equity to enhance its liquidity.

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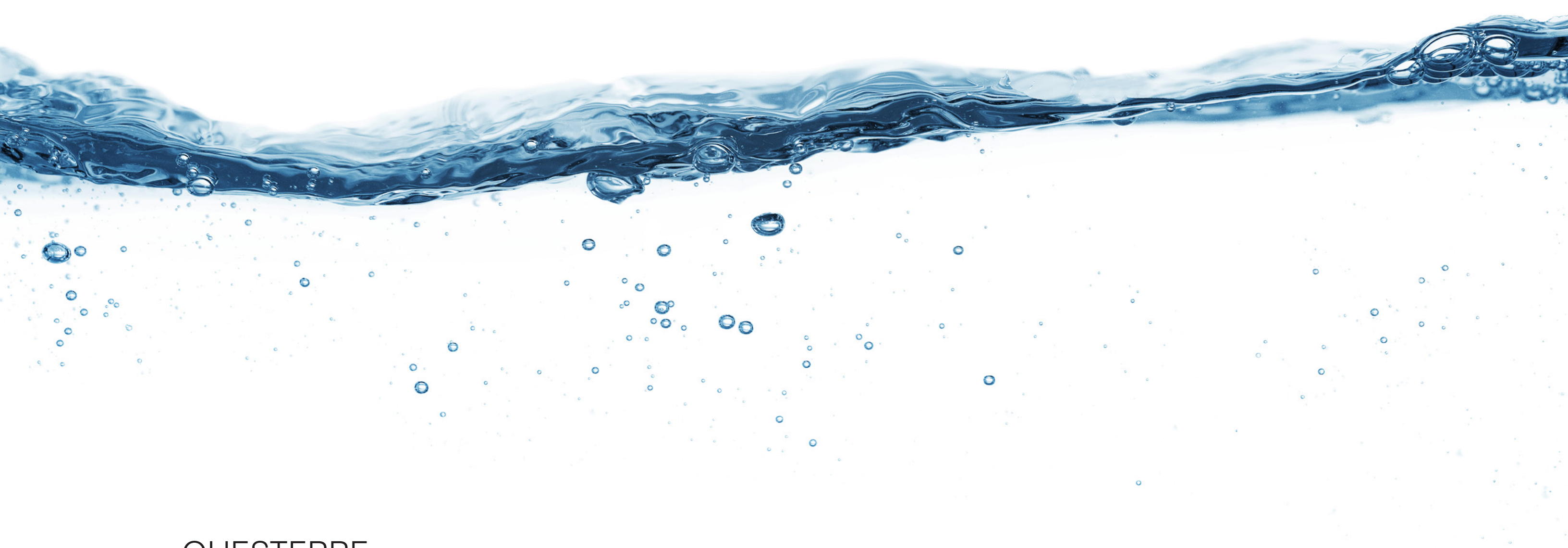
STOCK INFORMATION
Toronto Stock Exchange
Oslo Stock Exchange
Symbol: QEC



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