

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 September 30, 2024, 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 and 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)*

| <i>(\$ thousands)</i> | Note | September 30, 2024 | December 31, 2023 |
|--|------|-----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 35,866 | \$ 35,038 |
| Accounts receivable | | 3,511 | 3,016 |
| Deposits and prepaid expenses | | 1,781 | 1,419 |
| | | 41,158 | 39,473 |
| Right-of-use assets | | 143 | 180 |
| Investments | 3 | 4,580 | 4,471 |
| Property, plant and equipment | 4 | 119,904 | 115,935 |
| Exploration and evaluation | 5 | 12,946 | 12,287 |
| | | \$ 178,731 | \$ 172,346 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | | \$ 13,379 | \$ 9,387 |
| Lease liabilities | | 59 | 58 |
| Credit facilities | 11 | 22 | 36 |
| Current portion of asset retirement obligation | 6 | 149 | 184 |
| | | 13,609 | 9,665 |
| Lease liabilities | | 94 | 134 |
| Asset retirement obligation | 6 | 19,141 | 18,880 |
| | | \$ 32,844 | \$ 28,679 |
| Shareholders' Equity | | | |
| Share capital | 7 | \$ 429,878 | \$ 429,878 |
| Contributed surplus | | 29,045 | 27,908 |
| Accumulated other comprehensive income (loss) | | 249 | (20) |
| Deficit | | (313,285) | (314,099) |
| | | 145,887 | 143,667 |
| | | \$ 178,731 | \$ 172,346 |

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)*

| (\$ thousands) | Note | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------|----------------------------------|-----------|---------------------------------|-----------|
| | | 2024 | 2023 | 2024 | 2023 |
| Revenue | | | | | |
| Petroleum and natural gas sales including royalty revenue | 10 | \$ 9,460 | \$ 10,725 | \$ 27,305 | \$ 31,958 |
| Royalties | | (994) | (1,377) | (2,128) | (4,442) |
| Petroleum and natural gas sales, net of royalties | | 8,466 | 9,348 | 25,177 | 27,516 |
| Expenses | | | | | |
| Direct operating | | 3,703 | 5,470 | 11,327 | 12,571 |
| General and administrative | | 1,580 | 1,088 | 3,847 | 3,380 |
| Depletion, depreciation, and accretion | 4,5,6 | 3,458 | 3,160 | 9,184 | 9,387 |
| Share based compensation | 8 | 260 | 315 | 922 | 1,119 |
| Net interest and other income | | (262) | (348) | (917) | (1,236) |
| | | 8,739 | 9,685 | 24,363 | 25,221 |
| Net income (loss) | | \$ (273) | \$ (337) | \$ 814 | \$ 2,295 |
| Other comprehensive income (loss), net of tax | | | | | |
| <i>Items that may be reclassified subsequently to net income:</i> | | | | | |
| Foreign currency translation adjustment | | (37) | 160 | 177 | (96) |
| Gain (loss) on foreign exchange on investments | 3 | (64) | (2) | 92 | (6) |
| | | (101) | 158 | 269 | (102) |
| Total comprehensive income (loss) | | \$ (374) | \$ (179) | \$ 1,083 | \$ 2,193 |
| Net income (loss) per share | | | | | |
| Basic and diluted | 7 | \$ — | \$ — | \$ — | \$ 0.01 |

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

Condensed Consolidated Interim Statements of Changes in Equity

(unaudited)

| (\$ thousands) | Nine months ended September 30, | |
|---|---------------------------------|-------------------|
| | 2024 | 2023 |
| Share Capital | | |
| Balance, beginning and end of period | \$ 429,878 | \$ 429,878 |
| Contributed Surplus | | |
| Balance, beginning of period | 27,908 | 26,301 |
| Share based compensation | 1,137 | 1,315 |
| Balance, end of period | \$ 29,045 | \$ 27,616 |
| Accumulated Other Comprehensive Income | | |
| Balance, beginning of period | (20) | 296 |
| Other comprehensive income (loss) | 269 | (102) |
| Balance, end of period | \$ 249 | \$ 194 |
| Deficit | | |
| Balance, beginning of period | (314,099) | (290,347) |
| Net income | 814 | 2,295 |
| Balance, end of period | \$ (313,285) | \$ (288,052) |
| Total Shareholders' Equity | \$ 145,887 | \$ 169,636 |

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 September 30, | | Nine months ended September 30, | |
|--|-------|----------------------------------|------------------|---------------------------------|------------------|
| | | 2024 | 2023 | 2024 | 2023 |
| Operating Activities | | | | | |
| Net income (loss) | | \$ (273) | \$ (337) | \$ 814 | \$ 2,295 |
| Adjustments for: | | | | | |
| Depletion, depreciation, and accretion | 4,5,6 | 3,458 | 3,160 | 9,184 | 9,387 |
| Share based compensation | 8 | 260 | 315 | 922 | 1,119 |
| Other income | | (6) | (4) | (20) | (13) |
| Abandonment expenditures | 6 | (11) | (100) | (44) | (142) |
| | | 3,428 | 3,034 | 10,856 | 12,646 |
| Change in non-cash working capital | | 632 | (652) | (1,027) | (1,483) |
| Net cash from operating activities | | \$ 4,060 | \$ 2,382 | \$ 9,829 | \$ 11,163 |
| Investing Activities | | | | | |
| Property, plant and equipment expenditures | 4 | (3,330) | (759) | (4,098) | (3,247) |
| Exploration and evaluation expenditures | 5 | (103) | (86) | (8,999) | (3,313) |
| Change in non-cash working capital | | (1,824) | (3,416) | 4,142 | (814) |
| Net cash used in investing activities | | \$ (5,257) | \$ (4,261) | \$ (8,955) | \$ (7,374) |
| Financing Activities | | | | | |
| Principal portion of lease payments | | (16) | (16) | (46) | (43) |
| Drawdown under credit facilities | | (2) | – | – | 2 |
| Net cash used in financing activities | | \$ (18) | \$ (16) | \$ (46) | \$ (41) |
| Change in cash, cash equivalents | | (1,215) | (1,895) | 828 | 3,748 |
| Cash and equivalents, beginning of period | | 37,081 | 35,233 | 35,038 | 29,590 |
| Cash, cash equivalents, end of period | | \$ 35,866 | \$ 33,338 | \$ 35,866 | \$ 33,338 |

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2024, and 2023 (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 and nine months ended September 30, 2024, and 2023 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 November 12, 2024.

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, 2023, 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 nine month period ended September 30, 2024, 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, 2023.

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 Company measures the fair market value of its investment using a net liquidation approach. The net liquidation value is calculated as the net current assets of Red Leaf less abandonment and other liabilities, the accrued and unpaid dividends associated with the preferred shares and an estimate of research and development and general and administrative expenses for the current fiscal year.

The following table sets out the changes in the investment over the respective year to date periods:

| | September 30, | December 31, |
|----------------------------------|----------------------|--------------|
| | 2024 | 2023 |
| <i>(\$ thousands)</i> | | |
| Balance, beginning of year | \$ 4,471 | \$ 5,796 |
| Gain (loss) on equity investment | 17 | (1,232) |
| Gain (loss) on foreign exchange | 92 | (93) |
| Balance, end of period | \$ 4,580 | \$ 4,471 |

For the nine months ended September 30, 2024, the gain on foreign exchange relating to investments was \$0.1 million (December 31, 2023: \$0.1 million loss).

4. Property, Plant and Equipment

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

| <i>(\$ thousands)</i> | |
|--|-------------------|
| Cost or deemed cost: | |
| Balance, December 31, 2022 | \$ 303,826 |
| Additions including change to asset retirement | 4,188 |
| Transfer from exploration and evaluation assets | 6,307 |
| Balance, December 31, 2023 | 314,321 |
| Additions including change to asset retirement | 4,029 |
| Transfer from exploration and evaluation assets | 8,605 |
| Balance, September 30, 2024 | \$ 326,955 |
| Accumulated depletion, depreciation and impairment losses: | |
| Balance, December 31, 2022 | \$ 162,759 |
| Depletion and depreciation | 11,890 |
| Impairments | 23,737 |
| Balance, December 31, 2023 | 198,386 |
| Depletion and depreciation | 8,665 |
| Balance, September 30, 2024 | \$ 207,051 |

| <i>(\$ thousands)</i> | |
|-----------------------|-------------------|
| Net book value: | |
| At December 31, 2023 | \$ 115,935 |
| At September 30, 2024 | \$ 119,904 |

During the period ended September 30, 2024, and the year ended December 31, 2023, the Company did not capitalize any administrative overhead or share based compensation expense directly related to development activities. Included in the September 30, 2024, depletion calculation is estimated future development costs of \$330.1 million (December 31, 2023: \$319.6 million).

No indicators of impairment nor indicators to reverse previously recorded impairment were identified as at September 30, 2024.

5. Exploration and Evaluation

The following table provides a reconciliation of the Company's exploration and evaluation assets on a year to date basis:

| <i>(\$ thousands)</i> | September 30, | December 31, |
|--|----------------------|--------------|
| | 2024 | 2023 |
| Balance, beginning of year | \$ 12,287 | \$ 14,227 |
| Additions | 9,089 | 5,591 |
| Transfers to property, plant and equipment | (8,605) | (6,307) |
| Undeveloped lease impairments | – | (826) |
| Undeveloped lease expiries and farmouts | – | (139) |
| Foreign currency translation adjustment - Jordan | 175 | (259) |
| Balance, end of period | \$ 12,946 | \$ 12,287 |

During the period ended September 30, 2024, the Company capitalized administrative overhead charges of \$0.5 million (December 31, 2023: \$0.4 million) and \$0.2 million of share based compensation expense (December 31, 2023: \$0.2 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 September 30, 2024.

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 \$19.3 million as at September 30, 2024 (December 31, 2023: \$19.1 million) based on an undiscounted total future liability of \$24.2 million (December 31, 2023: \$24.3 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 2.93% (December 31, 2023: 3.39%). An inflation rate of 2% (December 31, 2023: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

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

| <i>(\$ thousands)</i> | September 30, 2024 | December 31, 2023 |
|---|-------------------------------|----------------------|
| Balance, beginning of year | \$ 19,064 | \$ 19,441 |
| Liabilities settled | (44) | (255) |
| Revisions due to change in estimates and discount rates | (236) | (878) |
| Liabilities incurred | 84 | 73 |
| Accretion | 422 | 683 |
| Balance, end of period | \$ 19,290 | \$ 19,064 |
| Current portion | 149 | 184 |
| Non-current portion | 19,141 | 18,880 |
| Balance, end of period | \$ 19,290 | \$ 19,064 |

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 September 30, 2024, there were no Class "B" Common voting shares or preferred shares outstanding.

a) Issued and outstanding – Common Shares

| | Number <i>(thousands)</i> | Amount <i>(\$ thousands)</i> |
|--|------------------------------|---------------------------------|
| Balance December 31, 2023 and September 30, 2024 | 428,516 | \$ 429,878 |

b) Per share amounts

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

| <i>(thousands, except as noted)</i> | <i>Three months ended September 30,</i> | | <i>Nine months ended September 30,</i> | |
|--|---|----------|--|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) | \$ (273) | \$ (337) | \$ 814 | \$ 2,295 |
| Weighted average Common Shares beginning of period and outstanding | 428,516 | 428,516 | 428,516 | 428,516 |
| Basic net income (loss) per share | \$ – | \$ – | \$ – | \$ 0.01 |

| <i>(thousands, except as noted)</i> | <i>Three months ended September 30,</i> | | <i>Nine months ended September 30,</i> | |
|--|---|----------|--|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) | \$ (273) | \$ (337) | \$ 814 | \$ 2,295 |
| Weighted average Common Shares outstanding (basic) | 428,516 | 428,516 | 428,516 | 428,516 |
| Effect of outstanding options | | | 2,923 | 2,157 |
| Weighted average Common Shares outstanding (diluted) | 428,516 | 428,516 | 431,439 | 430,673 |
| Diluted net income (loss) per share | \$ – | \$ – | \$ – | \$ 0.01 |

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 nine months ended September 30, 2024, 24.1 million options (September 30, 2023: 23.4 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.

For the nine months ending September 30, 2024, the Company issued 6.95 million options with an estimated fair value of \$0.19 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 (%): 103.47, Risk Free Rate (%): 3.54, Expected Life (years): 5.0 and Unvested Forfeiture Rate (%): 8.85.

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

| | September 30, 2024 | | December 31, 2023 | |
|----------------------------------|-------------------------------------|--|-------------------------------------|--|
| | Number of Options (thousands) | Weighted Average Exercise Price | Number of Options (thousands) | Weighted Average Exercise Price |
| Outstanding, beginning of period | 38,140 | \$ 0.26 | 35,298 | \$ 0.28 |
| Granted | 6,950 | 0.25 | 6,000 | 0.24 |
| Forfeited/cancelled | (620) | 0.27 | – | – |
| Expired | (5,800) | 0.29 | (3,158) | 0.48 |
| Outstanding, end of period | 38,670 | \$ 0.25 | 38,140 | \$ 0.26 |
| Exercisable, end of period | 28,004 | \$ 0.25 | 28,153 | \$ 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 September 30, 2024, included cash and cash equivalents, accounts receivable, deposits, investments, credit facilities and accounts payable and accrued liabilities. As at September 30, 2024, excluding the investment in Red Leaf, the fair values of the Company's financial assets and liabilities equaled their carrying values due to the short-term maturity.

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 both by the relationship between the Canadian and United States dollar and 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 flows from 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 September 30, 2024, the Company had no outstanding commodity risk management contracts.

Currency risk

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

As at September 30, 2024, 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

| (\$ thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------------|----------------------------------|-----------|---------------------------------|-----------|
| | 2024 | 2023 | 2024 | 2023 |
| Crude oil and natural gas liquids | \$ 8,942 | \$ 9,424 | \$ 25,317 | \$ 27,622 |
| Natural gas | 487 | 1,270 | 1,925 | 4,251 |
| Royalty revenue | 31 | 31 | 63 | 85 |
| | \$ 9,460 | \$ 10,725 | \$ 27,305 | \$ 31,958 |

11. Credit Facilities

As at September 30, 2024, 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 nine months ended September 30, 2024, was 8.01% (2023: 7.87%). As at September 30, 2024, and December 31, 2023, a very nominal amount was drawn on the facility and the Company held unrestricted cash of over \$30 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 September 30, 2024, was 4.21 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.