

2025 THIRD QUARTER REPORT

QUESTERRE ENERGY CORPORATION



QUESTERRE

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

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

President's Message

We are one step closer to our goal of commercially developing oil shale with the acquisition of PX Energy. Their production platform and refining assets round out our portfolio of upstream assets including resources and access to the next generation of technology through our investment in Red Leaf. We are now a vertically integrated oil shale company with assets across the entire value chain.

We joint ventured with a subsidiary of Nimofast, one of the largest private fuel distributors in Brazil, to develop this opportunity. Their expertise in logistics and distribution will be vital to improving product margins and profitability. They will be able to leverage PX Energy's other assets including ownership of one among ten private refinery licenses issued in the country.

The acquisition also prompted us to sidecar our Quebec assets. We expect to finalize the structure of this arrangement shortly. Our plan is to distribute to existing shareholders, on a one for one basis, a new security, a tracking share, representing ownership in these assets.

We are continuing our work in Quebec towards a business and political solution while protecting our shareholder rights. We are working with the Government on the approvals for our pilot carbon storage project. We are also consulting on proposed legislation for carbon storage in the province. On the legal front, we completed the examination of key Government witnesses in advance of our trial on the merits of the case.

Highlights

- Questerre closes PX Energy acquisition with over 4,000 boe per day of oil shale production
- Questerre to form a 50/50 joint venture for PX Energy with a subsidiary of Nimofast, a leading private fuel distribution company in Brazil
- Examination of key witnesses underway to protect legal rights in Quebec
- Average daily production of 2,926 boe per day and net cash flow from operating activities of \$1.3 million and adjusted funds flow from operations of \$2.8 million

PX Energy

We have two primary ways to realize value from this acquisition. First, financially restructure the business to go from essentially operating at a breakeven at US\$65 per barrel to profitability at current prices. Second, utilize the production platform to advance Red Leaf's technology through a commercial scale pilot.

This was reflected in our consideration for the acquisition that was completed through a wholly owned subsidiary. Equity to be issued is Common Shares representing 15% of our share capital, largely subject to the achievement of cash flow targets from the business. Additionally, this included the assumption by relevant entities of a working capital deficit and non-recourse debt obligations including US\$80 million in senior secured bonds and US\$11 million in convertible notes subject to the applicable conditions precedent.

Increasing the volume of oil produced from the facility is a top priority as most of the operating costs are fixed in nature. In addition to the oil produced from shale, PX Energy also processes large volumes of oil sludge from adjacent refineries. This accounts for one third of their production volumes and much more on a margin basis. As a result, most of the growth capex projects are targeting this oil sludge processing to increase production to an estimated 6,000 boe per day.

We are eager to work with Nimofast on renegotiating PX Energy's existing sales contracts and forward sales to reflect market prices. Previously, these have been primarily optimized to generate financial liquidity. We are also looking forward to expanding into new business lines including fuel imports and blending to become a fuel production company in Brazil.

Concurrently, together with Red Leaf, we have begun the engineering work for a small-scale demonstration project for their HCCO technology in Brazil. PX Energy's production facilities include existing mining operations, utilities and other infrastructure necessary for a pilot project. On a proforma basis, a full scale commercial HCCO facility could double production at a cost materially below the replacement cost of the current facilities.

Quebec

In June, the Government of Quebec enacted Bill 69 under closure to address the impending energy shortage in the province. We understand the provincial utility is still assessing the natural gas fired Bécancour power plant as part of its supply inventory, specifically during peak demand periods. We continue to advocate for our discovery, less than ten kilometres from this plant, as a more cost-effective and reliable source of supply both in the short term and long term.

We were recently approached by the Government to consult on new legislation for carbon storage in Quebec. This is an encouraging development given our existing application for a carbon storage pilot project. We are hopeful using sequestration as a tool to reduce emissions opens the door to the production of local gas with low emissions.

Although the Supreme Court of Canada declined to hear our motion to appeal the decision from the Quebec Court of Appeal which overturned the Superior Court's decision on the stay of application of Bill 21 at the interim stage, we are moving forward on the merits of the main case regarding, inter alia, the constitutionality of Bill 21. Over the last two months, we completed the pre-trial examination of key Government witnesses. The evidence, in our view, strongly supports our legal position. Our next step is to request a trial date for the hearing.

Operating & Financial

Production for the quarter averaged just over 2,900 boe per day, down slightly from the prior quarter. The three (1.5 net) new wells at Kakwa North contributed to our year to date production averaging 2,500 boe per day compared to 1,700 boe per day last year.

Consistent with the second quarter, lower commodity prices largely blunted the benefit of these higher production volumes. Excluding transaction costs related to the PX Energy acquisition, our adjusted funds flow from operations was \$2.8 million compared to \$3.4 million last year.

Our capital expenditures in the quarter were \$2.2 million and year to date totaled \$21.2 million, reflecting the costs of the three (1.5 net) Kakwa North wells. Subject to the closing of our joint venture agreement with Nimofast, we plan to fund any growth capital required by PX Energy through our existing financial resources. Our working capital deficit at the quarter end was \$40 million and reflects the working capital deficit of \$52 million acquired through PX Energy.

Outlook

The PX Energy acquisition has revitalized our strategy to commercialize oil shale, one of the last undeveloped oil resources globally with trillions of barrels of oil in place. For the remainder of this year, we are focused on concluding our joint venture agreement with Nimofast and integrating the management of PX Energy.

A handwritten signature in black ink, appearing to read "Mike Binnion".

Michael Binnion
President and Chief Executive Officer

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 November 12, 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 and nine month periods ended September 30, 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:

- anticipated benefits of the Acquisition to the Company and its shareholders, including any operational and economic synergies;

- the issuance of the Common Shares as consideration for the Acquisition;
- the Joint Venture with Nice, the liquidity commitment by the parties and the funding thereof with a priority to secure third party financing;
- the appointment of two directors to the Board of Questerre and the issuance of options to such directors when appointed;
- the issuance of warrants in connection with the Joint Venture;
- the form of the Quebec Spinout, and any changes to the anticipated structure thereof;
- the closing of the Quebec Spinout, including the timing thereof, if it is to close at all;
- the completion of the transactions contemplated in the BCA, if closed;
- the assumption of debt in connection with the Acquisition;
- the achievement of the performance milestones attached to the consideration payable, and the timing thereof, if at all;
- 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 and the funding thereof;
- hedging policy;
- 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:

- PX Energy operations are in Brazil and may be adversely affected by changes in foreign government policies and legislation, social instability or other factors not in the control of Questerre;
- the Quebec Spinout not being completed on the terms anticipated or at all;
- the synergies expected from the Acquisition not being realized;
- the synergies expected from the Joint Venture being realized;
- loss of key personnel of PX Energy in connection with the Acquisition;
- the impact of the secured bonds on FRBH and PX Energy;
- 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;
- The impact of the convertible promissory notes and other liabilities to be assumed in connection with the Acquisition;
- the impact of transactions contemplated in the BCA;
- 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

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Net cash from operating activities	\$ 1,294	\$ 4,060	\$ 10,940	\$ 9,829
Transaction costs related to PX Energy Acquisition	2,689	–	2,689	–
Change in non-cash operating working capital	(1,170)	(632)	(2,268)	1,027
Adjusted Fund Flow from Operations ⁽¹⁾	\$ 2,813	\$ 3,428	\$ 11,361	\$ 10,856

(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 and excluding the transaction costs related to the PX Energy acquisition.

This document also contains the terms “operating netbacks”, “cash netbacks” and “working capital surplus (deficit)”, 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 (deficit)”. Working capital surplus (deficit), 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 (deficit), as used by the Company, is calculated as current assets less current liabilities excluding any outstanding risk management contracts and lease liabilities.

Select Information

<i>As at/for the period ended,</i>	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2025	2024	2025	2024
Financial (\$ thousands, except as noted)				
Petroleum and Natural Gas Sales	11,801	9,460	34,606	27,305
Net Income (Loss)	(5,334)	(273)	(6,007)	814
Adjusted Funds Flow from Operations ⁽¹⁾	2,813	3,428	11,361	10,856
Cash Flow from Operations	1,294	4,060	10,940	9,829
Basic and diluted (\$/share)	0.00	0.01	0.02	0.02
Capital Expenditures	2,248	3,433	21,160	13,097
Working Capital Surplus (Deficit) ⁽²⁾	(40,330)	27,608	(40,330)	27,608
Total Assets	384,853	178,731	384,853	178,731
Shareholders' Equity	135,053	145,887	135,053	145,887
Common Shares Outstanding (thousands)	428,516	428,516	428,516	428,516
Weighted average - basic (thousands)	428,516	428,516	428,516	428,516
Weighted average - diluted (thousands)	434,523	431,804	432,472	431,439
Operations (units as noted)				
Average Production				
Crude Oil and Natural Gas Liquids (bbls/d)	1,512	1,106	1,402	1,006
Natural Gas (Mcf/d)	8,485	4,842	7,111	4,236
Total (boe/d)	2,926	1,913	2,587	1,712
Average Sales Price ⁽³⁾				
Crude Oil and Natural Gas Liquids (\$/bbl)	82.96	94.38	82.29	92.54
Natural Gas (\$/Mcf)	0.79	0.81	1.65	1.64
Total (\$/boe)	44.32	53.75	49.00	58.21
Netback (\$/boe)				
Petroleum and Natural Gas Sales	44.32	53.75	49.00	58.21
Royalties Expense	(4.01)	(5.65)	(5.41)	(4.53)
Percentage	9%	11%	11%	8%
Direct Operating Expense	(23.80)	(21.04)	(21.75)	(24.15)
Operating Netback	16.50	27.06	21.84	29.52
Wells Drilled				
Gross	1.00	–	–	3.00
Net	1.00	–	–	0.75

(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 and excluding the transaction costs related to the PX Energy acquisition.

(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

- Questerre closes PX Energy acquisition with over 4,000 boe per day of oil shale production
- Questerre to form a 50/50 joint venture for PX Energy with the subsidiary of Nimofast, a leading private fuel distribution company in Brazil
- Examination of key witnesses underway to protect legal rights in Quebec
- Average daily production of 2,926 boe per day and net cash flow from operating activities of \$1.3 million and adjusted funds flow from operations of \$2.8 million

Third Quarter 2025 Activities

Paraná Xisto S.A. ("PX Energy") Acquisition and Strategic Joint Venture Formation

On September 26, 2025, the Company closed the acquisition of 100% of the common shares PX Energy, a privately held oil shale production and refining company based in southern Brazil (the "Acquisition"). The Acquisition was completed by the purchase of all issued and outstanding shares of its parent company, Forbes Resources Brazil Holding SA ("FRBH") from the vendors through a wholly owned subsidiary of the Company.

The Acquisition advances the Company's strategy to commercially develop oil shale resources globally. It provides a platform of producing oil shale operations, including mining, processing and refining facilities as well as oil shale reserves and resources. Average daily production from PX Energy for the quarter ended September 30, 2025, was 4,000 boe per day.

PX Energy has over thirty years of operations and utilizes a technology to produce oil from oil shale developed by an integrated energy company. The Acquisition includes downstream production expertise and complements the Company's experience with upstream resource development and technology assessment. It expands the Company's existing portfolio of oil shale assets including its project in the Kingdom of Jordan and its investment in Red Leaf, specifically its rights to use Red Leaf's proprietary technology to produce oil from shale that incorporates carbon capture.

Purchase Price Allocation

The consideration includes the issuance of 15 million Common Shares (post the Quebec Spinout – see Corporate) subject to a lock-up and voting agreement (the "First Tranche Common Shares") with a deemed value of \$4.7 million and contingent equity consideration of two additional tranches of 25 million Common Shares as detailed below:

- 25 million Common Shares subject to the achievement of US\$30 million in free cash flow or the completion of an equity issue by the Company of \$25 million at a price of \$0.50 per Common Share no later than September 30, 2027; and

- 25 million Common Shares subject to the achievement of US\$40 million in free cash flow or the completion of an equity issue by the Company of \$25 million at a price of \$1.00 per Common Share no later than September 30, 2028.

The contingent share consideration was valued at \$13.9 million.

The consideration for the Acquisition also included the assumption of the vendor's obligations under a business combination agreement ("BCA") as amended, with a special purpose acquisition company ("SPAC"). Pursuant to the BCA, the Company's wholly owned subsidiary has assumed the obligation to combine with the SPAC in a go-public transaction. The BCA is subject to conditions precedent including receipt of regulatory approvals, the filing of a Proxy/Registration Statement with the Securities and Exchange Commission and the completion of this transaction prior to December 31, 2026. Under the BCA, the Company's subsidiary assumed obligations related to the SPAC, along with other liabilities, with an estimated fair value of \$8.7 million.

Related to the SPAC and subject to the issuance of the First Tranche Common Shares and associated transactions, the Company's subsidiary will assume convertible promissory notes originally issued by the vendor in the principal amount of \$14.9 million. The notes bear interest at 12% per annum and are due on December 31, 2026. PX Energy has issued a US\$5 million guarantee for these notes. Subject to conditions precedent in the BCA and the closing of the SPAC transaction, the notes are convertible into common shares of the SPAC. If the SPAC transaction does not proceed, the notes are due and payable or convertible into equity of the Company's subsidiary. Liabilities acquired under the acquisition included US\$80 million in senior secured callable bonds issued by FRBH with a maturity date of April 24, 2028. The bonds have a face value of US\$80 million and an acquisition date fair value of US\$64 million. The carrying amount will accrete from US\$64 million to US\$80 million with the accretion recognized on the income statement as finance costs at the effective interest rate. Interest will also be recognized as incurred. The bonds are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy. In conjunction with the closing of the Acquisition, the holders of bonds representing a requisite majority agreed to amend the terms of the bonds as follows:

Interest lowered from 16% per annum to 10% per annum effective August 1, 2025. All accrued and unpaid interest up to December 31, 2025, converts into shares in the SPAC transaction. If the SPAC transaction does not proceed, no interest is payable in 2025. Thereafter, interest is payable quarterly based on Brent pricing ranging from 4% based on Brent pricing under US\$55 per barrel to 20% based on Brent pricing greater than US\$95 per barrel with interest not to exceed 16% over the term of the bonds. Interest in 2026 may be payable in cash or in kind at the issuer's election with interest in 2027 onwards payable in kind if Brent prices are below US\$65 per barrel.

Acquisition Related Costs

Acquisition related costs incurred in connection with the transaction were expensed as incurred. These costs totaled \$2.7 million for the three and nine months ended September 30, 2025.

Strategic Joint Venture Formation

Concurrent with the Acquisition, the Company entered a binding term sheet with Nice Capital Holdings Ltda. (“Nice”) for a 50/50 joint venture for the ownership and management of PX Energy (the “Joint Venture”). Nice is a member of the Nimofast Group (“Nimofast”), one of the leading private fuel importers and distributors in Brazil. Through Nice, Nimofast contributes not only local expertise but is also anticipated to assist in enhancing supply chain efficiency, market access, and profitability for PX Energy.

The Joint Venture is subject to certain conditions precedent including the approval by the Brazilian Administrative Council for Economic Defense (“CADE”). On October 29, 2025, the CADE Secretariat approved the participation of Nice in the Acquisition pursuant to the term sheet. Subject to a review by the CADE Tribunal if required, final approval is expected by November 18, 2025.

Control and management of PX Energy will be shared equally between Nice and Questerre. Both parties will have equal shareholder rights, the rights to appoint board representatives, and the responsibility to make equal financial and other contributions to the Joint Venture. The parties have agreed on an initial liquidity commitment of up to an aggregate of US\$10 million on an as needed basis to be shared equally with a priority to secure third party financing. To the extent any equity contribution is required in the near term, Questerre anticipates it will be able to fund its share through its existing financial resources.

In conjunction with the execution of the term sheet, Questerre also reported that Ramon Reis, principal and founder of Nimofast, will be joining the Board of Questerre. Additionally, William Con Steers will also be appointed to the Board of Questerre. Mr. Steers has over 30 years of experience in capital markets and project development primarily in Brazil. Mr. Reis and Mr. Steers will be granted 1,500,000 and 500,000 options respectively to acquire Common Shares in accordance with the Company’s stock option plan.

Nimofast will also be granted warrants to acquire 40 million Common Shares of Questerre with an exercise price per share equal to the 5-day VWAP as of the date of closing of the Acquisition (the “Warrants”) for a period of 18 months following the closing of the Acquisition and shall be exercisable once Questerre’s share price is trading at a weighted average price of \$0.50 per Common Share over any 20 consecutive trading days. The appointment of the new directors and the issuance of the Warrants are subject to regulatory and other approvals.

Kakwa, Alberta

Following the tie-in of three wells at Kakwa North, the operator is assessing a follow-up program. At Kakwa Central, the operator commenced a three well drilling program in the fourth quarter of this year. The Company is assessing its participation in this program.

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 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").

Discussions remain ongoing with the Quebec Ministry of Economy, Innovation and Energy, for the Company's carbon storage pilot project application under Bill 21. The project includes a comprehensive program to assess the carbon storage potential including injection and monitoring wells, compression facilities and a pipeline to an adjacent industrial park. The Company is seeking Government funding for this pilot project. The Company is participating in the consultation process for new regulations proposed by the province related to carbon sequestration legislation.

During the quarter, the Company was advised that the Supreme Court of Canada declined to hear its application to appeal the decision from the Quebec Court of Appeal on the stay of application of Bill 21. The ruling by the Quebec Court of Appeal in May 2025 annulled a decision by the Quebec Superior Court justice in January 2024 suspending key provisions of Bill 21. The Government of Quebec is now permitted to enforce the specific provisions related to the abandonment and reclamation of existing wells.

The Company is also proceeding with the main hearing on the merits of the case in accordance with procedural rules in Quebec, including its debate on the constitutional validity of Bill 21. The questioning of key Government representatives was completed in September and October. Our next step is to request a trial date for the hearing.

Corporate

In connection with the Acquisition, the Company announced its plans to spin out its Quebec-based assets (the "Quebec Spinout"). Once the proposed structure for the Quebec Spinout is finalized, it is anticipated that existing shareholders of Questerre will receive a new financial instrument representing their interest in the Quebec assets. The Quebec Spinout is intended to be completed prior to the issuance of any Common Shares in connection with the Acquisition or pursuant to the Warrants.

Production

Three months ended September 30,	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	1,282	8,485	2,696	814	4,842	1,621
Saskatchewan and Manitoba	230	–	230	292	–	292
	1,512	8,485	2,926	1,106	4,842	1,913

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

<i>Nine months ended September 30,</i>	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	1,163	7,111	2,348	697	4,236	1,403
Saskatchewan and Manitoba	239	–	239	309	–	309
	1,402	7,111	2,587	1,006	4,236	1,712

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

Production volumes increased over the same period last year and year to date, with the three (1.50 net) new wells at Kakwa North that came on-stream in the second quarter. By comparison, in the third quarter of last year, three (0.75 net) wells at Kakwa Central were brought on production.

The increased production from Kakwa contributed to this area representing over 90% of corporate volumes. Volumes from the Kakwa area are split 60/40 between Kakwa Central and Kakwa North with an approximately equal weighting between natural gas and liquids.

The remaining corporate volumes are light oil from Saskatchewan and Manitoba. Lower production in 2025 reflects natural declines and the conversion of producing wells into injectors for the pilot secondary recovery scheme. These light oil volumes contribute to the corporate liquids weighing just over 50% for both the quarter and year to date periods in both years.

Excluding the incremental production in the fourth quarter from one (1.0 net) new well in Saskatchewan, the Company anticipates its production volumes from Western Canada will decline over the remainder of this year. Subject to the execution of the joint venture agreement related to the Acquisition, the Company expects to add approximately 2,000 boe per day of production from the PX Energy assets for the remainder of this year.

Third Quarter 2025 Financial Results

Petroleum and Natural Gas Sales

<i>Three months ended September 30,</i>	2025			2024		
	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
<i>(\$ thousands)</i>						
Alberta	\$ 9,351	\$ 644	\$ 9,995	\$ 6,368	\$ 507	\$ 6,875
Saskatchewan and Manitoba	1,806	–	1,806	2,585	–	2,585
	\$ 11,157	\$ 644	\$ 11,801	\$ 8,953	\$ 507	\$ 9,460

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

<i>Nine months ended September 30,</i>	2025			2024		
	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
<i>(\$ thousands)</i>						
Alberta	\$ 25,689	\$ 3,199	\$ 28,888	\$ 17,203	\$ 1,957	\$ 19,160
Saskatchewan and Manitoba	5,718	–	5,718	8,145	–	8,145
	\$ 31,407	\$ 3,199	\$ 34,606	\$ 25,348	\$ 1,957	\$ 27,305

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

Higher production volumes offset the lower commodity prices for both the quarter and year to date periods. For the quarter ended September 30, 2025, a 52% increase due to production volumes was offset by a nearly 30% decrease due to commodity prices. Similarly, for the year to date period, the 51% increase due to volumes was largely offset by a 24% decrease due to prices for a net 25% increase in revenue.

Pricing

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2025	2024	2025	2024
Benchmark prices:				
Natural Gas - AECO, daily spot (\$/Mcf)	0.63	0.68	1.42	1.45
Crude Oil - Mixed Sweet Blend (\$/bbl)	86.39	97.85	88.65	98.94
Realized prices:				
Natural Gas (\$/Mcf)	0.79	0.81	1.65	1.64
Crude Oil and Natural Gas Liquids (\$/bbl)	82.96	94.38	82.29	92.54

Although crude oil prices remained largely flat over the prior quarter, they decreased over the prior year. For the quarter, the benchmark West Texas Intermediate ("WTI") averaged US\$64.93 per barrel (2024: US\$75.09 per barrel) and year to date, it averaged US\$66.70 per barrel (2024: US\$77.54 per barrel).

Despite the risks from the conflicts in the Middle East and Ukraine, supply remained resilient with the unwinding of OPEC+ production cuts and growing non-OPEC volumes. These included record volumes from the US and Alberta where, respectively, crude grew to 13.6 million barrels per day in July and 4.2 million barrels per day in September. Demand remains challenged by the impact of proposed tariffs by the US administration, in particular, the risks of a trade war with China. The market consensus is for supply to outpace demand next year leading to increased inventory builds and lower crude prices.

Questerre's realized liquid prices in the third quarter of this year averaged \$82.96 per barrel (2024: \$94.38 per barrel) compared to the benchmark Canadian Mixed Sweet Blend price of \$86.39 per barrel (2024: \$97.85 per barrel).

In the third quarter of this year, US natural gas prices increased over last year while Canadian natural gas prices decreased. The benchmark Henry Hub averaged US\$3.03 per MMBtu (2024: US\$2.11 per MMBtu) while the AECO 5A benchmark averaged \$0.63 per GJ (2024: \$0.65 per GJ).

US natural gas production continues to reach new highs at over 110 Bcf per day in August. Although demand for power generation remains below the peak of last year, overall demand remained strong particularly when combined with growing LNG exports. Natural gas production in Canada also reached new highs at over 17 Bcf per day. This supply substantially exceeded existing demand and takeaway capacity resulting in record inventory levels with gas prices briefly turning negative in September.

The higher heat content from gas production at Kakwa contributed to realized prices of \$0.79 per Mcf (2024: 0.81 per Mcf) compared to the benchmark of \$0.63 per Mcf in the quarter (2024: \$0.68 per Mcf).

Royalties

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Alberta	\$ 906	\$ 806	\$ 3,336	\$ 1,508
Saskatchewan and Manitoba	163	188	486	620
	\$ 1,069	\$ 994	\$ 3,822	\$ 2,128
% of Revenue:				
Alberta	9%	12%	12%	8%
Saskatchewan and Manitoba	9%	7%	8%	8%
Total Company	9%	11%	11%	8%

Gross royalties increased for both the three and nine month periods ended September 30, 2025, compared to last year. As a percentage of revenue this decreased to 9% for the three month period and increased to 11% for the nine month period.

Royalties in Alberta reflect the Crown and overriding royalties payable on production from Kakwa. For the quarter, these royalties increased with higher revenue offset partly by Crown royalty incentives for the new production from Kakwa North. Year to date, these have increased due to a reduction in credits received for processing the Crown's share of production in Alberta.

Gross royalties on production from Saskatchewan and Manitoba decreased with revenue and increased marginally as a percentage of revenue for both the three and nine month periods ended September 30, 2025.

Operating Expenses

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Alberta	\$ 5,297	\$ 2,855	\$ 12,663	\$ 8,503
Saskatchewan and Manitoba	912	670	2,196	2,310
Quebec	129	178	500	514
	\$ 6,338	\$ 3,703	\$ 15,359	\$ 11,327
\$/boe:				
Alberta	\$ 21.58	\$ 19.15	\$ 19.75	\$ 22.12
Saskatchewan and Manitoba	43.56	24.90	33.62	27.28
Total Company	\$ 23.79	\$ 21.04	\$ 21.75	\$ 24.15

For the three months ended September 30, 2025, operating costs increased by \$2.6 million or nearly 70% over last year to \$6.3 million. For the nine months then ended, they increased by \$4 million or 36% over last year to \$15.4 million.

New production at Kakwa North contributed to the higher costs in Alberta with approximately \$1.9 million related to the trucking and disposal of produced water from these wells. Operating costs in Saskatchewan and Manitoba for the quarter increased over last year with higher workover expense in the current year. Year to date, this decreased slightly to \$2.2 million from \$2.3 million last year. Operating costs in Quebec reflect the ongoing expenditures to maintain the Company's assets in the province.

General and Administrative Expenses

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
General and administrative expenses, gross	\$ 4,505	\$ 1,668	\$ 7,411	\$ 4,115
Transaction costs related to PX Energy Acquisition	(2,689)	–	(2,689)	–
Capitalized expenses and overhead recoveries	(127)	(88)	(402)	(268)
General and administrative expenses, net	\$ 1,689	\$ 1,580	\$ 4,320	\$ 3,847

Transaction costs related to the Acquisition were largely responsible for the increase in gross General and Administrative Expenses ("G&A") over the quarter and year to date periods compared to last year.

Excluding these transaction costs of \$2.7 million, G&A increased by 9% for the quarter and 15% year to date due to higher legal and advisory costs. Capitalized expenses are G&A expenses directly attributed to the Company's producing assets in Alberta and Saskatchewan.

Depletion, Depreciation and Accretion Expense

Questerre recorded depletion, depreciation and accretion expense of \$5.3 million for the quarter ended September 30, 2025, (2024: \$3.5 million) and \$14.1 million for the first nine months of 2025 (2024: \$9.2 million). Depletion accounts for over 95% of these amounts. The variance over the last year is due to both the higher production volumes and an increase in the depletable base. The depletable base increased on a unit of production basis to \$19.42 per boe from \$18.44 per boe last year.

Net Interest, Other Income and Share Based Compensation Expense

During the nine months ended September 30, 2025, the Company reported net interest and other income of \$0.5 million (2024: \$0.9 million). This represents interest earned on its cash deposits and decreased over the last year due to lower cash deposits and lower interest rates.

For the year to date, the Company recorded share based compensation expense of \$0.9 million (2024: \$0.9 million) net of \$0.2 million in expense capitalized during the period (2024: \$0.2 million).

Other Comprehensive Income (Loss)

For the third quarter of 2025, the Company recorded other comprehensive income of \$1.8 million (2024: \$0.1 million loss). Other comprehensive income (loss) relates to the impact of changes in foreign exchange. The appreciation of the Brazilian reais resulted in income of \$1.7 million on the Company's reais denominated assets in Brazil for the quarter. Conversely, the appreciation in the US dollar resulted in income of \$0.1 million on its US dollar denominated investment in Red Leaf.

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

For the third quarter of 2025, higher revenue was offset by the increase in all expense categories. As a result, the Company realized a net loss of \$5.3 million compared to a net loss of \$0.3 million in the prior year. Including other comprehensive income (loss), the total comprehensive loss for the quarter was \$3.5 million (2024: \$0.4 million loss). On a year to date basis the net loss was \$6 million (2024: \$0.8 million income) and total comprehensive loss for the nine months ended was \$4.5 million (2024: \$1.1 million).

Cash Flow From Operating Activities

For the three months ended September 30, 2025, net cash from operating activities was \$1.3 million compared to \$4.1 million last year. This includes an increase in non-cash working capital of \$1.2 million in the current year and \$0.6 million in the prior year.

Year to date net cash from operating activities was \$10.9 million compared to \$9.8 million last year. This included an increase in non-cash working capital of \$2.3 million in the current year and a decrease of \$1.0 million in the prior year.

Cash Flow Used In Investing Activities

Net cash used in investing activities for the first nine months of the year increased with the capital spending at Kakwa to \$23.9 million from \$9 million last year. The Company reduced its payables related to capital spending of \$4.0 million year to date and nominally increased these payables in the quarter.

Cash Flow Used In Financing Activities

For the three and nine months ended September 30, 2025, the net cash used in financing activities was effectively nil.

Capital Expenditures

<i>(\$ thousands)</i>	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2025	2024	2025	2024
Alberta	\$ 1,055	\$ 3,270	\$ 17,718	\$ 11,982
Saskatchewan, Manitoba and Jordan	1,193	163	3,442	1,115
Total Company	\$ 2,248	\$ 3,433	\$ 21,160	\$ 13,097

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

For the first nine months of 2025, the Company incurred capital expenditures of \$21.2 million as follows:

- In Alberta, \$17.7 million was incurred to complete and tie-in three (1.5 net) wells at Kakwa North;
- In Saskatchewan, \$3.3 million was incurred to drill a new well and expand the pressure maintenance scheme; and
- \$0.2 million was invested in other assets.

For the first nine months of 2024, the Company incurred capital expenditures of \$13.1 million as follows:

- In Alberta, \$12 million was incurred to drill three (0.75 net) wells at Kakwa Central; and
- \$1.1 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 September 30, 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.

<i>(thousands)</i>	November 12, 2025	September 30, 2025	December 31, 2024
Common Shares	428,516	428,516	428,516
Stock Options	35,790	35,790	38,295
Weighted average common shares			
Basic		428,516	428,516
Diluted		432,472	431,715

A summary of the Company's stock option activity for the nine months ended September 30, 2025, and the year ended December 31, 2024, follows:

	September 30, 2025		December 31, 2024	
	Number of Options <i>(thousands)</i>	Weighted Average Exercise Price	Number of Options <i>(thousands)</i>	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	(2,880)	0.22	(620)	0.27
Expired	(325)	0.16	(6,175)	0.29
Exercised	(5,975)	0.22	–	–
Outstanding, end of period	35,790	\$ 0.25	38,295	\$ 0.25
Exercisable, end of period	26,844	\$ 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, existing cash resources and available debt facilities.

As at September 30, 2025, the Company had cash and cash equivalents of \$18.8 million, available undrawn credit facilities of \$16 million and a working capital deficit of \$40.3 million. Total debt of \$107 million exceeded the Company's existing liquidity (cash plus available undrawn capacity) by approximately \$72 million.

The amounts above include the assumption of a working capital deficit of \$52 million and subject to the terms of related agreements, the assumption of convertible promissory notes of \$14.9 million and secured debt of \$91.8 million related to the Acquisition. The Company expects its financial liquidity to improve materially following the

conclusion of the Joint Venture whereby Nimofast's subsidiary will acquire a 50% interest in the Joint Venture and assume its proportionate share of the liabilities and assets of PX Energy.

Furthermore, the Company anticipates that Nimofast's expertise in supply chain efficiency, market access and logistics will contribute to improving the profitability of PX Energy through optimization and new business development. While both the Company and Nice have agreed on an initial liquidity commitment of up to US\$10 million on an as needed basis to be shared equally, priority will be given to securing third party financing. To the extent any equity contribution is required in the near term, the Company intends to fund its share through its existing financial resources. There can be no certainty that the Joint Venture will be completed as contemplated if at all or that the Company will be able to fund its share of the liquidity commitment.

The Company believes that the amendments to the secured debt terms provide sufficient flexibility under a range of commodity price environments to support the financial liquidity of PX Energy.

The Company's credit facilities with a Canadian chartered bank remain at \$16 million. 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.

At September 30, 2025, and December 31, 2024, a very small amount was drawn on the credit facilities and the Company is compliant with all of its covenants under the credit facilities. The Company's credit facilities are to be utilized solely for its assets in Western Canada. As such, the calculation of the covenants below excludes any amounts related to the Acquisition. 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 September 30, 2025, was 3.82 and the covenant was met. See Note 14 of the Financial Statements.

In connection with the Acquisition, the Company acquired liabilities including senior secured bonds issued by FRBH with a maturity date of April 24, 2028. The bonds have a face value of US\$80 million and an acquisition date fair value of US\$64 million. The bonds are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy. In conjunction with the closing of the Acquisition, the holders of bonds representing a requisite majority agreed to amend the terms of the bonds related to interest and maturity with such changes taking effect on the closing of the Acquisition. See Note 15 of the Financial Statements.

Subject to the completion of the Joint Venture, 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 September 30, 2025, are as follows:

<i>(\$ thousands)</i>	2025	2026	2027	Total
Transportation and Processing	\$ 1,689	\$ 2,219	\$ 1,094	\$ 5,002

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, exchange 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.

Questerre's foreign operations are subject to elevated political, regulatory and legal risks that are beyond its control. These risks include nationalization or expropriation without fair or market compensation; unilateral renegotiation or nullification of concessions and contracts; mandated development or abandonment obligations; changes in energy, environmental and pricing policies (and changes in the personnel administering them); actions by national labour unions; currency devaluations, exchange controls and economic sanctions; increases in royalties and taxes; and other assertions of foreign governmental sovereignty, as well as social instability, political and civil strife. These factors can disrupt operations, impair the economic integrity of projects and, if prolonged, threaten commercial viability. There can be no assurance that existing or future contracts, licenses, applications or other arrangements will not be adversely affected by governmental changes, actions of authorities or uneven enforcement. In the event of disputes, Questerre may be subject to the exclusive jurisdiction of foreign courts, face difficulties subjecting foreign parties to Canadian jurisdiction, or be unable to enforce Canadian judgments abroad, and its ability to enforce rights against governmental instrumentalities may be limited by sovereign immunity.

These risks are particularly acute in Brazil, where Questerre's assets and operations are located and where current sales are derived from crude oil production. Brazilian laws and policies affecting foreign trade, the oil and gas fiscal regime and investment may change, and conducting business often entails numerous procedural requirements and formalities that can cause unexpected or lengthy delays; failure to comply may call into question the validity of corporate acts. Management cannot predict the impact of additional corporate or regulatory formalities that may be adopted, including whether they would materially increase costs or restrict operations. Questerre's financial condition and results of operations therefore depend to a significant extent on macroeconomic, political and regulatory conditions in Brazil and on exchange rates between the Brazilian reais, the U.S. dollar, and Canadian dollar any of which—individually or in combination—could have a material adverse effect on the Company.

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.

In Canada, 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. In Brazil, accounts receivable related to the sale of petroleum and natural gas production are collected in advance or at point of sale. Pursuant to IFRS 9, the Company made a provision of \$0.05 million at September 30, 2025, for its expected credit losses related to its accounts receivable.

Receivables from joint venture partners are typically collected within one to six 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 September 30, 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 and other acquired debt instruments. 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 September 30, 2025, the Company had credit facilities outstanding of \$0.02 million (December 31, 2024: \$0.05 million) with an effective rate of 6.06%. The amendments to the interest rate terms for the bonds include the ability to pay interest in kind during periods of low commodity prices, mitigating the impact of changes in interest rates.

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 July 1, 2025, and ended on September 30, 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. The Acquisition closed on September 26, 2025, and the results of the acquired companies have been included since that date but Management has not yet assessed their internal controls over financial reporting and, as a result, have excluded these companies from their ICFR assessment. We anticipate we will be able to complete our assessment early in the new year.

Quarterly Financial Information

	Sep 30	Jun 30	Mar 31	Dec 31
<i>(\$ thousands, except as noted)</i>	2025	2025	2025	2024
Production (boe/d)	2,926	3,091	1,729	1,887
Average Realized Price (\$/boe)	44.32	48.62	58.66	55.43
Petroleum and Natural Gas Revenue	11,801	13,675	9,130	9,622
Adjusted Funds Flow from Operations ⁽¹⁾	2,813	5,005	3,543	3,703
Cash Flow from Operations	1,294	6,288	3,359	3,844
Net Income (Loss)	(5,334)	(677)	4	(8,143)
Basic and Diluted (\$/share)	(0.01)	–	–	(0.02)
Capital Expenditures, net of acquisitions and dispositions	2,248	1,048	17,864	7,543
Working Capital Surplus (Deficit) ⁽²⁾	(40,330)	13,157	9,202	23,091
Total Assets	384,853	169,976	181,519	170,723
Shareholders' Equity	135,053	138,355	139,006	138,629
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	434,523	431,505	431,700	432,473
	Sep 30	Jun 30	Mar 31	Dec 31
<i>(\$ thousands, except as noted)</i>	2024	2024	2024	2023
Production (boe/d)	1,913	1,559	1,664	1,794
Average Realized Price (\$/boe)	53.75	62.36	59.43	59.04
Petroleum and Natural Gas Revenue	9,460	8,847	8,998	9,743
Adjusted Funds Flow from Operations ⁽¹⁾	3,428	4,455	2,973	3,209
Cash Flow from Operations	4,060	3,141	2,628	5,154
Net Income (Loss)	(273)	1,262	(175)	(26,003)
Basic and Diluted (\$/share)	–	–	–	(0.06)
Capital Expenditures, net of acquisitions and dispositions	3,433	7,034	2,630	3,588
Working Capital Surplus ⁽²⁾	27,608	27,620	30,211	29,866
Total Assets	178,731	179,248	172,968	172,346
Shareholders' Equity	145,887	145,941	144,148	143,667
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	431,804	431,327	431,175	429,270

(1) Adjusted Funds Flow from Operations is a non-GAAP measure defined as cash flows from operating activities before changes in non-cash operating working capital and excluding the transaction costs related to the PX Energy acquisition.

(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 have fluctuated with production volumes and realized commodity prices. Adjusted funds flow from operations has varied in large part by the fluctuating revenues and changes in operating expenses related to production volumes.
- Production volumes reflect the capital investment in new 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 first half of 2025, \$18.9 million was spent on new drills. Similarly, in the prior year, \$9.6 million was also invested at Kakwa and Antler.
- The working capital position has generally increased when capital expenditures and other investments have been lower than adjusted funds flow from operations and cash from financing activities.
- Shareholders equity generally decreased as a result of overall net loss incurred over the last eight quarters.
- Total assets and liabilities increased in the third quarter of 2025 due to the Acquisition.

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 period ended September 30, 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 September 30, 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)*

<i>(\$ thousands)</i>	Note	September 30, 2025	December 31, 2024
Assets			
Current Assets			
Cash and cash equivalents		\$ 18,793	\$ 31,791
Accounts receivable		9,313	3,242
Prepaid tax contributions	3	2,324	–
Inventory	8	8,407	–
Deposits and prepaid expenses		5,648	1,402
		44,485	36,435
Right-of-use assets			
Investments	4	825	128
Property, plant and equipment	5	4,235	4,359
Intangible assets	6	312,811	116,695
Exploration and evaluation asset	7	5,790	–
Restricted cash	3	6,545	13,106
Deferred tax assets	3	1,260	–
		8,902	–
		\$ 384,853	\$ 170,723
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 38,146	\$ 12,496
Advances from customers	3	14,228	–
Tax contributions	3	17,535	–
Contingent consideration for original acquisition of PX Energy	3	6,016	–
Pending share issuance for acquisition	3	4,650	–
Lease liabilities		1,268	56
Credit facilities	14	–	49
Current portion of asset retirement obligation	3,9	1,704	799
		83,547	13,400
Lease liabilities			
Provisions	3	532	83
Contingent equity consideration	3	6,010	–
Contingent consideration for original acquisition of PX Energy	3	13,921	–
Secured debt and convertible promissory notes	3,15	6,728	–
Asset retirement obligation	3,9	107,066	–
		31,996	18,611
		\$ 249,800	\$ 32,094
Shareholders' Equity			
Share capital	10	\$ 429,878	\$ 429,878
Contributed surplus		30,158	29,283
Accumulated other comprehensive income (loss)		2,452	896
Deficit		(327,435)	(321,428)
		135,053	138,629
		\$ 384,853	\$ 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)*

(\$ thousands)	Note	Three months ended September 30,		Nine months ended September 30,	
		2025	2024	2025	2024
Revenue					
Petroleum and natural gas sales including royalty revenue	13	\$ 11,801	\$ 9,460	\$ 34,606	\$ 27,305
Royalties		(1,069)	(994)	(3,822)	(2,128)
Petroleum and natural gas sales, net of royalties		10,732	8,466	30,784	25,177
Expenses					
Direct operating		6,338	3,703	15,359	11,327
General and administrative		1,689	1,580	4,320	3,847
Depletion, depreciation, and accretion	5,9	5,289	3,458	14,057	9,184
Transaction costs related to PX Energy acquisition	3	2,689	–	2,689	–
Share based compensation	11	191	260	858	922
Net interest and other income		(130)	(262)	(492)	(917)
		16,066	8,739	36,791	24,363
Net income (loss)		\$ (5,334)	\$ (273)	\$ (6,007)	\$ 814
Other comprehensive income (loss), net of tax					
<i>Items that may be reclassified subsequently to net income:</i>					
Foreign currency translation adjustment	3,7	1,700	(37)	1,698	177
Gain (loss) on foreign exchange	4	85	(64)	(142)	92
		1,785	(101)	1,556	269
Total comprehensive income (loss)		\$ (3,549)	\$ (374)	\$ (4,451)	\$ 1,083
Net income (loss) per share					
Basic and diluted	10	\$ (0.01)	\$ –	\$ (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,	
	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	875	1,137
Balance, end of period	\$ 30,158	\$ 29,045
Accumulated Other Comprehensive Income		
Balance, beginning of period	896	(20)
Other comprehensive income (loss)	1,556	269
Balance, end of period	\$ 2,452	\$ 249
Deficit		
Balance, beginning of period	(321,428)	(314,099)
Net income (loss)	(6,007)	814
Balance, end of period	\$ (327,435)	\$ (313,285)
Total Shareholders' Equity	\$ 135,053	\$ 145,887

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,	
		2025	2024	2025	2024
Operating Activities					
Net income (loss)		\$ (5,334)	\$ (273)	\$ (6,007)	\$ 814
Adjustments for:					
Depletion, depreciation, and accretion	5,9	5,289	3,458	14,057	9,184
Share based compensation	11	191	260	679	922
Gain on equity investment	4	(6)	(6)	(18)	(20)
Abandonment expenditures	9	(16)	(11)	(39)	(44)
		124	3,428	8,672	10,856
Change in non-cash working capital		1,170	632	2,268	(1,027)
Net cash from operating activities		\$ 1,294	\$ 4,060	\$ 10,940	\$ 9,829
Investing Activities					
Property, plant and equipment expenditures	5	(1,301)	(3,330)	(5,151)	(4,098)
Exploration and evaluation expenditures	7	(947)	(103)	(16,009)	(8,999)
Cash acquired through business combination	3	1,233	–	1,233	–
Change in non-cash working capital		186	(1,824)	(3,966)	4,142
Net cash used in investing activities		\$ (829)	\$ (5,257)	\$ (23,893)	\$ (8,955)
Financing Activities					
Principal portion of lease payments		(15)	(18)	(45)	(46)
Net cash used in financing activities		\$ (15)	\$ (18)	\$ (45)	\$ (46)
Change in cash, cash equivalents		450	(1,215)	(12,998)	828
Cash and equivalents, beginning of period		18,343	37,081	31,791	35,038
Cash, cash equivalents, end of period		\$ 18,793	\$ 35,866	\$ 18,793	\$ 35,866

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, 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 and nine months ended September 30, 2025, and 2024 comprise the Company and its wholly owned subsidiaries. On September 26, 2025, the Company concluded the acquisition of Paraná Xisto S.A. (“PX Energy”) (the “Acquisition”). See Note 3.

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business.

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, 2025.

2. Material Accounting Policies and use of Estimates and Judgements

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.

Business Combination

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The acquisition date

is the closing date of the business combination. Revisions may be made to the initial recognized amounts determined during the measurement period, which shall not exceed one year after the acquisition date. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and considerations issued. If the cost of the acquisition is greater than the fair value of the net identifiable assets acquired, the difference is recorded as goodwill on the consolidated balance sheet. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, the difference is recognized immediately in the Consolidated Statement of Comprehensive Income (Loss).

Transaction costs incurred in connection with business combinations are expensed as incurred and presented separately in the consolidated statements of profit or loss.

Upon acquisition of a business, the Company evaluates assets and liabilities assumed to their correct classification and designation based on the contractual terms, economic conditions and other relevant factors existing at the acquisition date.

Foreign Currency Conversion

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company. Each entity determines its own functional currency whether it be Jordanian dinar or Brazilian reais, and in those whose functional currencies are different from the Canadian dollar, the financial statements are translated into Canadian dollar at the reporting date.

Transactions in foreign currency are initially recorded at the exchange rate of the functional currency in effect on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate at the reporting date.

All differences are recorded in the income statement, except for the foreign exchange differences in the translation of the subsidiary's statement of financial position. This difference is recognized as other comprehensive income. Tax charges and effects attributed to the foreign exchange differences in these monetary items are also recognized in other comprehensive income.

Non-monetary items measured at historical cost in a foreign currency are translated using the average exchange rate for the period presented. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the dates the fair value was measured. Gains or losses arising on the translation of non-monetary items measured at fair value are treated in accordance with the recognition applicable to the gain or loss on the change in the fair value of the item (i.e. translation differences for items whose fair value gain or loss is recognized in other comprehensive income or profit or loss for the period are also recognized in other comprehensive income or profit or loss for the period, respectively).

Inventories

Inventories are measured at their weighted average cost of purchase or production and are adjusted to their net

realizable value when the latter is lower than the items' carrying amount.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and expenses necessary to make the sale. Changes in selling prices after the reporting date are considered in the calculation of net realizable value to the extent that they confirm the conditions existing at the reporting date.

Materials and supplies are measured at average purchase cost, provided that such cost does not exceed replacement cost.

Provisions for obsolescence of materials and supplies are determined with reference to specific inventory items, through periodic reviews to determine the extent of any need for a provision. The classification of obsolescence losses in the statement of profit or loss is presented under cost of goods sold.

Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if they can not be estimated and are probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes if their recovery is deemed probable.

Contingent consideration

Where the Company acquires a business, any contingent consideration is recognized at its acquisition date fair value as part of the consideration transferred. Contingent consideration is classified as a financial liability, asset, or equity in accordance with IAS 32. Amounts classified as equity are not remeasured subsequent to initial recognition; settlement is accounted for within equity. Amounts classified as financial assets or liabilities are subsequently measured at fair value with changes recognized in profit or loss. Contingent consideration denominated in a foreign currency is retranslated at period-end rates with resulting gains or losses recognized in profit or loss. Amounts that, in substance, compensate for post-combination services are recognized in profit or loss over the service period and are not included in consideration transferred.

For transactions that are not business combinations, the cost of the acquired asset(s) includes contingent amounts when the related obligation arises or when payment becomes probable and can be reliably measured. Production

linked payments are recognized as the related production occurs and are capitalized or expensed in accordance with the Company's accounting policies for the related asset and nature of the cost.

Fair value measurements of contingent consideration use valuation techniques consistent with IFRS 13, generally resulting in Level 3 measurements. Significant unobservable inputs include probabilities of achieving operational or regulatory milestones, commodity price assumptions, production profiles and decline rates, development timing, and discount rates reflecting the time value of money and non-performance risk.

Management exercises judgment in determining whether an acquisition is a business combination or an asset acquisition, in classifying contingent consideration, in distinguishing purchase consideration from compensation for post combination services, and in estimating fair values.

Critical Accounting Estimates

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment and exploration and evaluation assets acquired generally require the most judgment and include estimates of oil and gas reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill.

Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the nine months period ended September 30, 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. Business Combination

On September 26, 2025, the Company closed the acquisition of 100% of the common shares PX Energy, a privately held oil shale production and refining company based in southern Brazil. The Acquisition was completed by the purchase of all issued and outstanding shares of its parent company, Forbes Resources Brazil Holding SA ("FRBH") from the vendors through a wholly owned subsidiary of the Company.

The primary reason for the Acquisition is to advance the Company's strategy of seeking to commercially develop oil shale resources globally. It provides a platform of producing oil shale operations, including mining, processing and refining facilities as well as oil shale reserves and resources. PX Energy has over thirty years of operations and utilizes technology to produce oil from oil shale developed by an integrated energy company. The Acquisition includes downstream production expertise and complements the Company's experience with upstream resource development and technology assessment. It expands the Company's existing portfolio of oil shale assets including

its project in the Kingdom of Jordan and its investment in Red Leaf, specifically its rights to use Red Leaf's proprietary technology to produce oil from shale that incorporates carbon capture.

The Acquisition has been accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. Under the acquisition method, assets and liabilities are measured at their estimated fair value on the date of acquisition. The total consideration was allocated to the assets acquired and liabilities assumed. Transaction related costs are recorded in the income statement.

Purchase Price Allocation

The Consideration includes the issuance of 15 million Class "A" common voting shares of Questerre ("Common Shares") subject to a lock-up and voting agreement (the "First Tranche Common Shares") with a deemed value of \$4.7 million and contingent equity consideration of two additional tranches of 25 million Common Shares as detailed below:

- 25 million Common Shares subject to the achievement of US\$30 million in free cash flow or the completion of an equity issue by the Company of \$25 million at a price of \$0.50 per Common Share no later than September 30, 2027; and
- 25 million Common Shares subject to the achievement of US\$40 million in free cash flow or the completion of an equity issue by the Company of \$25 million at a price of \$1.00 per Common Share no later than September 30, 2028.

The contingent share consideration was valued at \$13.9 million.

Secured Debt and Convertible Promissory Notes

See Note 15 for the liabilities related to the secured debt and convertible promissory notes obligations acquired pursuant to the Acquisition. The convertible promissory notes and other liabilities were measured at their estimated fair value at closing date.

The following table summarizes the details of the consideration and the recognized amounts of assets acquired and liabilities assumed at the date of the acquisition:

<i>Consideration Transferred</i>	<i>(\$ thousands)</i>
Pending share issuance for acquisition	\$ 4,650
Contingent equity consideration	13,921
Obligations related to convertible promissory notes	14,920
Assumed liabilities	8,724
Total consideration transferred	\$ 42,215
<hr/>	
<i>Identifiable Assets Acquired and Liabilities Assumed</i>	<i>(\$ thousands)</i>
Cash and cash equivalents	\$ 1,228
Restricted cash	1,254
Accounts receivable	5,820
Prepaid tax contributions	2,314
Inventory	8,372
Deposits and prepaid expenses	3,351
Right-of-use assets	737
Property, plant and equipment	179,005
Intangible asset	5,766
Deferred tax assets	8,864
Total assets acquired	\$ 216,711
<hr/>	
Accounts payable and accrued liabilities	\$ (17,375)
Advances from customers	(14,168)
Tax Contributions	(17,461)
Lease liabilities	(1,698)
Provisions	(5,985)
Contingent consideration for original acquisition of PX Energy	(12,690)
Secured debt	(91,759)
Asset retirement obligation	(13,360)
Total liabilities assumed	\$ (174,496)
<hr/>	
Net Identifiable Assets Acquired	\$ 42,215

The fair values above are initial estimates and are subject to final adjustment.

Identifiable net assets

The fair value of trade and other receivables acquired as part of the acquisition was \$5.8 million, with a nominal allowance for the expected credit loss.

Inventory includes finished goods, in process products and materials and supplies with an estimated provision for inventory obsolescence.

The acquisition included recognition of identifiable contingent liabilities for labour and tax risks which the likelihood of loss and disbursement by PX Energy is deemed probably. These are measured at fair value and included in the purchase price allocation.

Deferred income tax liabilities (net) are recognized and measured per IAS 12, which are calculated on temporary differences between the assigned fair values and tax bases of assets/liabilities, not at fair value.

Acquisition Related Costs

Acquisition related costs incurred in connection with the transaction were expensed as incurred. These costs totaled \$2.7 million for the three and nine months ended September 30, 2025.

PX Energy's Contribution to Group results

The acquisition of the acquired assets contributed revenues of \$1.4 million and a loss before finance costs and taxes of \$0.1 million from September 26, 2025, to September 30, 2025. Had the acquisition of these assets closed on January 1, 2025, estimated contributed revenues would have been \$89.8 million and estimated contributed loss before finance costs and taxes would have been \$12.1 million for the nine months ended September 30, 2025.

Proposed Joint Venture Formation

Concurrent with the Acquisition, the Company entered a binding term sheet with Nice Capital Holdings Ltda. ("Nice") a subsidiary of Nimofast, a private fuel distributor in Brazil, for a 50/50 joint venture for the ownership and management of PX Energy (the "Joint Venture"). The Joint Venture is subject to certain conditions precedent including the approval by the Brazilian Administrative Council for Economic Defence ("CADE").

Control and management of PX Energy will be shared equally between Nice and Questerre. Both parties will have equal shareholder rights, the rights to appoint board representatives, and the responsibility to make equal financial and other contributions to the Joint Venture. The parties have agreed on an initial liquidity commitment of up to an aggregate of US\$10 million on an as needed basis to be shared equally with a priority to secure third party financing. To the extent any equity contribution is required in the near term, Questerre anticipates it will be able to fund its share through its existing financial resources.

4. 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 HCCO 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:

	September 30, 2025	December 31, 2024
<i>(\$ thousands)</i>		
Balance, beginning of year	\$ 4,359	\$ 4,471
Gain (loss) on equity investment	18	(474)
Gain (loss) on foreign exchange	(142)	362
Balance, end of period	\$ 4,235	\$ 4,359

For the nine months ended September 30, 2025, the loss on foreign exchange relating to investments was \$0.2 million (December 31, 2024: \$0.4 million gain).

5. Property, Plant and Equipment

The following table provides a reconciliation of the Company's property, plant, and equipment ("PP&E") 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		5,982
Acquired on close of business combination (see Note 3)		179,005
Gain on foreign exchange		2,283
Transfer from exploration and evaluation assets		22,569
Balance, September 30, 2025	\$	536,765

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		13,723
Balance, September 30, 2025	\$	223,954

(\$ thousands)

Net book value:		
At December 31, 2024	\$	116,695
At September 30, 2025	\$	312,811

During the period ended September 30, 2025, the Company capitalized \$0.5 million (2024: nil) in administrative overhead and \$0.2 million (2024: nil) in share-based compensation expense directly related to development activities. The September 30, 2025, depletion calculation includes 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 September 30, 2025.

6. Intangible Assets

The following table provides a reconciliation of the Company's intangible assets:

	September 30,
	2025
<i>(\$ thousands)</i>	
Balance, beginning of year	\$ –
Software (acquired on close of business combination see Note 3)	5,766
Gain on foreign exchange	24
Balance, end of period	\$ 5,790

Intangible assets are measured at historical acquisition cost or at fair value when acquired in a business combination, net of accumulated amortization and, if applicable, accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate.

Amortization is calculated using the straight-line method based on the estimated useful life of the assets, which is reviewed at each statement of financial position date.

There were no indicators that the carrying amount of intangible assets exceeded their recoverable amount as of September 30, 2025.

7. Exploration and Evaluation

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

	September 30,	December 31,
	2025	2024
<i>(\$ thousands)</i>		
Balance, beginning of year	\$ 13,106	\$ 12,287
Additions	16,008	16,344
Transfers to property, plant and equipment	(22,569)	(8,605)
Foreign currency translation adjustment	–	943
Impairment of Jordan asset	–	(7,863)
Balance, end of period	\$ 6,545	\$ 13,106

During the period ended September 30, 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 September 30, 2025.

8. Inventory

<i>(\$ thousands)</i>	September 30,	December 31,
	2025	2024
Finished goods ⁽¹⁾	1,877	\$ –
In-process products ⁽²⁾	959	–
Materials and supplies ⁽³⁾	9,482	–
Provision for inventory obsolescence	(3,837)	–
Provision for adjustments to net realizable value	(109)	–
Gain on foreign exchange	35	–
Balance, end of period	\$ 8,407	\$ –

(1) Includes fuel oil, LPG, sulfur, naphtha, shale water and fuel gas

(2) Shale oil and oily water

(3) Includes operating materials and sludge acquired from third-party

Crude oil inventories may be marketed in their raw state, as well as consumed in the production process of their by-products. Work-in-process products are composed of product streams that have already gone through at least one processing unit but still need to be processed, treated, or converted to be made available for sale. Materials and supplies mainly represent production inputs and operating materials that will be used in the Company's activities and are presented at average purchase cost.

Inventories are adjusted to their realizable value by means of provisions for adjustment to market value and other provisions, when necessary. The classification of losses due to obsolescence and provisions for adjustment to realizable value in the statement of profit or loss are presented under cost of goods sold. Inventories are measured at their weighted average cost of purchase or production and are adjusted to their net realizable value when the latter is lower than the items' carrying amount.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and expenses necessary to make the sale. Changes in selling prices after the reporting date are considered in the calculation of net realizable value to the extent that they confirm the conditions existing at the reporting date. Materials and supplies are measured at average purchase cost, provided that such cost does not exceed replacement cost.

Provisions for obsolescence of materials and supplies are determined with reference to specific inventory items, through periodic reviews to determine the extent of any need for a provision. The classification of obsolescence losses in the statement of profit or loss is presented under cost of goods sold.

9. 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 \$33.7 million as at September 30, 2025 (December 31, 2024: \$19.4 million) based on an undiscounted total future liability of \$48 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 2.87% (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:

<i>(\$ thousands)</i>	September 30, 2025	December 31, 2024
Balance, beginning of year	\$ 19,410	\$ 19,064
Acquired on close of business combination (see Note 3)	13,360	–
Gain on foreign exchange	56	–
Liabilities settled	(39)	(49)
Revisions due to change in estimates and discount rates	474	(537)
Liabilities incurred	55	352
Accretion	384	580
Balance, end of period	\$ 33,700	\$ 19,410
Current portion	1,704	799
Non-current portion	31,996	18,611
Balance, end of period	\$ 33,700	\$ 19,410

10. 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, 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 September 30, 2025	428,516	\$ 429,878

b) *Per share amounts*

Basic and diluted net income (loss) 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>	
	2025	2024	2025	2024
Net income (loss)	\$ (5,334)	\$ (273)	\$ (6,007)	\$ 814
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)	\$ –	\$ (0.01)	\$ –

<i>(thousands, except as noted)</i>	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	2025	2024	2025	2024
Net income (loss)	\$ (5,334)	\$ (273)	\$ (6,007)	\$ 814
Weighted average Common Shares outstanding (basic)	428,516	428,516	428,516	428,516
Effect of outstanding options	–	–	–	2,923
Weighted average Common Shares outstanding (diluted)	428,516	428,516	428,516	431,439
Diluted net income (loss) per share	\$ (0.01)	\$ –	\$ (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, 2025, 22.5 million options (September 30, 2024: 24.1 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.

Quebec asset spinout

In conjunction with the Acquisition, the Company anticipates its Quebec assets (the "Quebec Assets") will be transferred into a separate sidecar subsidiary company. If completed, Questerre anticipates distributing either preferred shares of Questerre or shares of the new entity to its existing shareholders ahead of the issuance of Common Shares in connection with the Acquisition or warrants to be issued in connection with the Joint Venture in order not to dilute its existing shareholders' position in the Quebec Assets.

11. 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. In the first quarter, the Company cash settled 5.9 million options for a payment of \$0.2 million.

For the nine months ending September 30, 2025, the Company granted 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:

	September 30, 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	(2,880)	0.22	(620)	0.27
Expired	(325)	0.16	(6,175)	0.29
Exercised	(5,975)	0.22	–	–
Outstanding, end of period	35,790	\$ 0.25	38,295	\$ 0.25
Exercisable, end of period	26,844	\$ 0.26	29,704	\$ 0.25

12. 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, 2025, included cash and cash equivalents, accounts receivable, deposits, investments, credit facilities, and accounts payable and accrued liabilities. As at September

30, 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 September 30, 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. Expenditures in its Brazilian subsidiary are denominated in Brazil reais.

As at September 30, 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.

13. Petroleum and Natural Gas Sales

(\$ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Crude oil and natural gas liquids	\$ 10,968	\$ 8,942	\$ 31,062	\$ 25,317
Natural gas	637	487	3,163	1,925
Royalty revenue	196	31	381	63
	\$ 11,801	\$ 9,460	\$ 34,606	\$ 27,305

14. Credit Facilities

As at September 30, 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. As such the calculation of the covenants below excludes any amounts related to the Acquisition. The effective interest rate on the facilities for the nine months ended September 30, 2025, was 6.06% (Sept 30, 2024: 8.01%). As at September 30, 2025, and December 31, 2024, a very nominal amount was drawn on the facility and the Company held unrestricted cash of over \$17.6 million and \$31.8 million respectively. 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 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 September 30, 2025, was 3.82 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.

15. Secured Debt and Convertible Promissory Notes

In connect with the Acquisition, the Company acquired liabilities including senior secured bonds issued by FRBH with a maturity date of April 24, 2028. The bonds have a face value of US\$80 million and an acquisition date fair value of US\$64 million. The carrying amount will accrete from US\$64 million to US\$80 million with the accretion recognized on the income statement as finance costs at the effective interest rate. Interest will also be recognized as incurred. The bonds are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy.

In conjunction with the closing of the Acquisition, the holders of bonds representing a requisite majority agreed to amend the terms of the bonds as follows with such changes taking effect on the closing of the Acquisition:

- Interest lowered from 16% per annum to 10% per annum effective August 1, 2025. All accrued and unpaid interest up to December 31, 2025, converts into shares in the SPAC transaction. If the SPAC transaction does not proceed, no interest is payable in 2025. Thereafter, interest is payable quarterly based on Brent pricing ranging from 4% based on Brent pricing under US\$55 per barrel to 20% based on Brent pricing greater than US\$95 per barrel with interest not to exceed 16% over the term of the bonds. Interest in 2026 may be payable in cash or in kind at the issuer's election with interest in 2027 onwards payable in kind if Brent prices are below US\$65 per barrel.
- The maturity may be extended for two one year terms for a fee of 2% of the principal for each extension.

Additional amendments to the bond terms were also approved including covenant waivers to permit the normal operation of bank accounts and working capital, including waivers to reduce the minimum liquidity to US\$3.2 million and a waiver to comply with the interest coverage ratio until December 31, 2025. Such additional amendments are to take effect following the negotiation of definitive documents within twenty days from closing of the Acquisition. The Company continues to negotiate the definitive documents for these additional amendments with the bondholders.

Below are the main financial covenant clauses of the outstanding bonds:

- Interest coverage ratio greater than 1.3x;
- Minimum liquidity of US\$3.2 million.

The consideration for the Acquisition also included the assumption of the vendor's obligations under a business combination agreement ("BCA") with a special purpose acquisition company ("SPAC"). Pursuant to the BCA, the Company's wholly owned subsidiary has assumed the obligation to combine with the SPAC in a go-public transaction. The BCA is subject to conditions precedent including receipt of regulatory approvals, the filing of a Proxy/Registration Statement with the Securities and Exchange Commission and the completion of this transaction prior to December 31, 2026. Under the BCA, the Company's subsidiary assumed obligations related to the SPAC, and other liabilities, with an estimated fair value of \$8.7 million.

Related to the SPAC and subject to the issuance of the First Tranche Common Shares and associated

transactions, the Company's subsidiary will assume convertible promissory notes originally issued by the vendor in the principal amount of \$14.9 million. The notes bear interest at 12% per annum and are due on December 31, 2026. PX Energy has issued a US\$5 million guarantee for these notes. Subject to conditional precedent in the BCA and the closing of the SPAC transaction, the notes are convertible into common shares of the SPAC. If the SPAC transaction does not proceed, the notes are due and payable or convertible into equity of the Company's subsidiary.

The contingent obligations under the convertible promissory notes and other liabilities were measured at their estimated fair value at the closing date. See Note 3.

16. Subsequent Events

On October 29, 2025, the CADE Secretariat approved the participation of Nice in the Acquisition pursuant to the Term Sheet. Subject to a review by the CADE Tribunal if required, final approval is expected by November 18, 2025.

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