2023 SECOND QUARTER REPORT

QUESTERRE ENERGY CORPORATION

QUESTERRE

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QUESTERRE

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

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

President’s Message

Quebec is holding public consultations on a hydroelectricity shortage in the next two to three years. We are re-engaging with the Government on how our Clean Gas could be part of the solution. Our scalable, shovel-ready project can help mitigate the risks of curtailments and price spikes, all while retaining Quebec’s competitiveness in attracting new industries and helping meet their GHG emissions reductions targets. The Government of Quebec also proposed a stay of enforcement related to Bill 21. There is a hearing scheduled this October to extend this stay.

Red Leaf also advanced both their technology and their permitted wax processing facility in the Uintah Basin in Utah during the quarter. A pre-FEED study on the facility was completed and includes a Class IV capex estimate as well as an estimate to incorporate carbon capture directly in the design. Collaborating with local Jordanian companies, Red Leaf also began the design for a scaled version of their commercial production facility.

Highlights

- Hearing to suspend revocation of licenses under Bill 21 in Quebec scheduled for October 2023
- Red Leaf completes pre-FEED study for wax processing facility in Uintah Basin, Utah
- Average daily production of 1,978 boe/d with adjusted funds flow from operation of $5.3 million

In May, at a speech to the Montreal Chamber of Commerce, Minister Fitzgibbon commented that Quebec’s (hydroelectric) surpluses have ‘melted like glaciers’ and that ‘for the next ten years, it will be tight and choices will have to be made. ’The state-owned utility, Hydro-Quebec, in its 2023-2032 Supply Plan confirmed that surpluses will be depleted after 2026. It further notes it will need more than 100 terawatt hours – more than half its annual generating capacity – to reach the province’s goal of being carbon neutral by 2050.

The public hearings on clean energy development in Quebec are to assess possible solutions including new wind turbines and additional dams which, as Minister Fitzgibbon noted, ‘can easily take 10-15 years’. The Government was focused on energy conservation. In the meantime, residential and industrial consumers could experience price spikes during peak demand periods. Demand would need to be curtailed if additional electricity cannot be imported or alternatives such as natural gas sourced, particularly in the event of a natural disaster or other catastrophe.

Our Clean Gas discovery could help fill this gap, providing a standby source of power during peak demand. As an example, an under-utilized gas power plant in the Becancour area, adjacent to our lands, was used nearly 20 times during the winter of 2021-2022 to meet power needs during peak periods. Clean Gas could also provide power to support the growing energy needs of new industries like battery manufacturers and is a more efficient and inexpensive source of heat for industrial consumers. Moreover, when the market and infrastructure develop in the future, it can produce zero-emissions hydrogen as well.

It also has the potential to match the scale of large hydroelectric dams. We estimate our multi-Tcf natural gas discovery could contain as much energy as several decades of output from Churchill Falls, the second largest hydroelectric dam in Canada. If the gas was used to generate electricity, it could produce as much energy for 60 to 90 years.

As we ramp up our government relations efforts, we responded to the Government's request for pilot projects to fight climate change. We recently presented our application that was originally submitted nearly two years ago. The application is to test the carbon storage potential of a sub-surface formation covered by our licenses.

Concurrently, we are continuing to protect our legal rights. In June, the Justice agreed to defer a ruling on the Attorney General's motion to dismiss our claims until a hearing on the merits of our case next year. This deferred ruling will follow the upcoming hearing this October related to suspending certain elements of Bill 21 including the requirement to abandon wells, provide proprietary data to the Government of Quebec and, most importantly, the revocation of our licenses. We are also updating our damages report to assess several scenarios including the value to the Government of Quebec if it developed our discovery on its own.

We were pleased to see Red Leaf begin to engineer the design of a small-scale commercial project for a group of local companies in Jordan. This would be the first demonstration of this technology and among the first of its kind to produce oil at scale and on a continuous basis. We look forward to working with them and leveraging their local expertise that includes engineering design and fabrication capability to reduce overall costs.

There remains strong interest by lubricant manufacturers in the base oil feedstock from Red Leaf's proposed wax processing facility. In addition to securing offtake agreements with these manufacturers and supply contracts from producers, we also need to engage a qualified engineering firm to manage the construction risks. While the business case remains robust, we are looking for a strategic partner as this is a complex downstream market opportunity. This will also be important to secure project financing.

Operating & Financial

Production volumes averaged 1,978 boe/d for the quarter (2022: 1,909 boe/d) with one (0.25 net) Kakwa well on-stream and 1,884 boe/d for the first half of the year (2022: 1,600 boe/d). With a 30% reduction in realized prices, operating netbacks reduced by 50% to $34 per boe compared to $76 per boe last year. This contributed to adjusted funds flow from operations of $5.3 million for the quarter (2022: $12.2 million) and $9.6 million year to date (2022: $16.5 million).

Net of capital expenditures of $2.5 million in the quarter (2022: $2.8 million), our working capital surplus was $28 million at the end of the period including $35.2 million in cash and equivalents.

Outlook

A strong cash position and our undrawn credit facility are essential to fund future drilling at both Kakwa joint ventures, subject, of course, to commodity prices. We could see up to three (0.75 net) wells spud at Kakwa

Central this fall and up to three (1.5 net) at Kakwa North in late 2024 or early 2025. We have also segregated $7 million of our available cash to fund abandonment liabilities in Quebec.

We are still working towards a business and political solution in Quebec. We are hopeful that the Government engages with us on a path forward. But we are mindful they could choose a different course, and sidestep our project, and risk the impact to their economy. To this end, our legal claim allows us to keep all options open towards realizing the ultimate value of our discovery.

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 7.5 billion to almost 9.5 billion people who will expect a better standard of living. 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 has the biggest improvements to make.

Our Clean Tech Energy project was designed to deliver the world's first zero emissions natural gas production and consumption. It is an example of meeting this global challenge. It will have a dramatic impact on emissions in addition to other environmental criteria.

It requires a new way of thinking to become leaders on environmental issues. Our industry runs most of 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 zero emissions natural gas project is just one example of how our industry can be leaders on transforming our global energy systems.

Questerre has also taken leadership in working with communities and First Nations for local benefits. 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.

We unilaterally made the decision not to work in communities where the plurality of the community does not want development. Our approach of consulting first and applying for permits second is consistent with this approach.

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 produced. Questerre is an entrepreneurial leader in making the seemingly impossible task of producing more with less impact, possible.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") was prepared as of August 10, 2023. 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 six-month periods ended June 30, 2023, and 2022, and the audited annual consolidated financial statements of the Company for the year ended December 31, 2022 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, 2022, is available on SEDAR under Questerre's profile at www.sedar.com.

Questerre is an energy technology and innovative company. It is leveraging its expertise gained through early exposure to low permeability reservoirs to acquire significant high-quality resources. 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:

- Government of Quebec's enactment of Bill 21 and revocation of exploration licenses;
- the Company's protection of its legal rights following the enactment of Bill 21;

- the timing of the case management and hearings related to Bill 21;
- drilling plans and the development of producing assets;
- drilling and completion costs;
- the pursuit by the Company of available remedies to protect its legal rights in Quebec and its plans to assist other stakeholders;
- the inability of hydroelectricity generated by current infrastructure to keep up with power demands in the Province of Quebec;
- the seeking of opportunities to work with the Government of Quebec to advance the Company's Clean Tech Energy Project;
- the status of the Company's work with Red Leaf in developing its project;
- future production of oil, natural gas and natural gas liquids, including anticipated production increases and declines;
- future drilling and production rates at Kakwa Central and North, and the timing of the same on such properties;
- future commodity prices in light of decisions by OPEC and non-OPEC member countries, including Saudi Arabia and Russia on production levels, the war in Ukraine and related sanctions;
- tightness in the supply of oil and natural gas and market volatility;
- legislative and regulatory developments in the Province of Quebec;
- the transfer of wells drilled in 2023 from the proved undeveloped to the proved producing category;
- the development of producing assets to execute the Company business strategy;
- hedging policy;
- the renewal of the Company's credit facility with a Canadian chartered bank;
- liquidity and capital resources;
- the Company's compliance with the terms of its credit facility;
- timing of the next review and expected renewal of the Company's credit facility by its lender;
- ability of the Company to meet its foreseeable obligations;
- capital expenditures and the funding thereof;
- Questerre's reserves;
- impacts of capital expenditures on the Company's reserves;
- commitments and Questerre's participation in future capital programs;
- the Company's objectives when managing its capital;
- risks and risk management;
- potential for equity and debt issuances and farm-out arrangements;
- counterparty creditworthiness and expected credit losses;
- the timing of receivables from joint venture partners;
- 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:

- drilling plans and the development of producing assets;
- future production of oil, natural gas and natural gas liquids;
- future commodity prices in light of decisions by OPEC and non-OPEC member countries, including Saudi Arabia and Russia on production levels, the war in Ukraine and related sanctions;
- legislative and regulatory developments in the Province of Quebec including the enactment of Bill 21 and revocation of exploration licenses;
- Quebec Government's refusal to recognize the potential benefits from the Company's Clean Tech Energy Project;
- delays or changes in drilling plans on the Kakwa properties;
- the transfer of wells drilled in 2023 from the proved undeveloped to the proved producing category;
- failure to secure funding or otherwise advance the wax processing project with Red Leaf;
- the development of producing assets to execute the Company business strategy;
- hedging policy;
- liquidity and capital resources;
- 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;
- Questerre's reserves;
- impacts of capital expenditures on the Company's reserves;
- average royalty rates;
- 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;
- insurance;
- use of financial instruments; and
- critical accounting estimates.

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 an additional non-GAAP measure. The Company uses this measure to help evaluate its performance.

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

Adjusted Funds Flow From Operations Reconciliation

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
Net cash from operating activities	**$ 4,133**	$ 10,162	**$ 8,781**	$ 15,066
Change in non-cash operating working capital	**1,202**	2,021	**831**	1,407
Adjusted Fund Flow from Operations	**$ 5,335**	$ 12,183	**$ 9,612**	$ 16,473

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

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

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

Select Information

	Three months ended June 30,		Six months ended June 30,	
As at/for the period ended,	**2023**	2022	**2023**	2022
Financial ($ thousands, except as noted)				
Petroleum and Natural Gas Sales	**10,702**	17,013	**21,233**	26,587
Net Income	**1,692**	9,051	**2,632**	11,474
Basic and diluted ($/share)	**–**	0.02	**0.01**	0.03
Adjusted Funds Flow from Operations	**5,335**	12,183	**9,612**	16,473
Basic and diluted ($/share)	**0.01**	0.02	**0.02**	0.03
Capital Expenditures	**2,469**	2,843	**5,715**	7,769
Working Capital Surplus	**28,013**	10,564	**28,013**	10,564
Total Assets	**201,213**	194,419	**201,213**	194,419
Shareholders' Equity	**169,444**	161,969	**169,444**	161,969
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)	**431,100**	428,747	**431,060**	430,622
Operations (units as noted)				
Average Production				
Crude Oil and Natural Gas Liquids (bbls/d)	**1,159**	1,157	**1,091**	987
Natural Gas (Mcf/d)	**4,911**	4,510	**4,760**	3,682
Total (boe/d)	**1,978**	1,909	**1,884**	1,600
Average Sales Price				
Crude Oil and Natural Gas Liquids ($/bbl)	**89.27**	129.48	**92.45**	129.83
Natural Gas ($/Mcf)	**2.72**	8.25	**3.32**	6.61
Total ($/boe)	**59.46**	97.95	**62.26**	91.80
Netback ($/boe)				
Petroleum and Natural Gas Sales	**59.46**	97.95	**62.26**	91.80
Royalties Expense	**(7.77)**	(5.92)	**(8.99)**	(6.91)
Percentage	**13%**	6%	**14%**	8%
Direct Operating Expense	**(17.32)**	(15.99)	**(20.82)**	(20.21)
Operating Netback	**34.37**	76.04	**32.45**	64.68
Wells Drilled				
Gross	**–**	–	**1.00**	–
Net	**–**	–	**0.35**	–

Highlights

- Hearing to suspend revocation of licenses under Bill 21 in Quebec scheduled for October 2023
- Red Leaf completes pre-FEED study for wax processing facility in Uintah Basin, Utah
- Average daily production of 1,978 boe/d and adjusted funds flow from operations of $5.3 million for the quarter

Second Quarter 2023 Activities

Kakwa, Alberta

During the second quarter, the operator tied-in two wells that were recently drilled and completed at Kakwa Central. Questerre participated in only one of these two wells and holds a 25% working interest in this well. Gross production from this well for the quarter averaged 1,145 boe/d consisting of 3.2 MMcf/d of natural gas and 620 bbls/d of condensate and natural gas liquids. While the initial rates are encouraging, they are not indicative of the long-term performance or ultimate recovery. The operator has tentatively proposed to drill up to three (0.75 net) additional wells beginning in the fourth quarter.

Consistent with the prior quarters, limited activity was conducted at the Kakwa North joint venture. Last fall, Questerre converted its 5% royalty interest in the original farm-in wells to a 50% working interest following the recovery by the operator of the costs associated with the farm-in program. The operator could drill up to three (1.5 net) wells in late 2024 or early 2025.

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

St. Lawrence Lowlands, Quebec

The Company continues to seek opportunities to work with the Government of Quebec to advance its Clean Tech Energy Project. It is also protecting its legal rights following the enactment of Bill 21, *An Act mainly to end petroleum exploration and production and the public financing of those activities* ("Bill 21").

At a case management conference related to Bill 21 held in June, the Justice agreed to defer a hearing on the Attorney General of Quebec's summary motion to dismiss the claims by Questerre and other license holders until the hearing on the merits of the case to be scheduled next year. The Justice also accepted the Government's undertaking to suspend any enforcement actions until the next hearing scheduled for October of this year.

At this hearing, Questerre and other license holders are seeking to suspend certain provisions of Bill 21 including those related to the revocation of its licenses, the requirement to abandon and reclaim wells, provide proprietary data to the Government, the maintenance of proof of solvency and monitoring committees as well as certain financial penalties. Following this hearing and any subsequent appeals, a separate hearing will be scheduled on the merits of the case including the Company's position on the Government's breach of its contracts, lack of good faith and the establishment of any Government's liability to the plaintiffs as a result of its actions. The Company anticipates this second hearing could be held next year.

During the quarter, the Company presented the Quebec Ministry of Economy, Innovation and Energy with its plans for a carbon storage test. This follows their request for proposals for pilot projects that would foster the energy transition and attain targets in the fight against climate change. Originally submitted in the fall of 2021, the operation will consist primarily of an injectivity test to gather data on the safe rate of injection. The Company identified the storage formation underlying its licenses after studying its proprietary seismic and well data.

Oil Shale Mining

Questerre continues to assist its investee, Red Leaf Resources Inc. ("Red Leaf"), in advancing its wax upgrading facility and its proprietary technology to produce oil from shale.

During the quarter, Red Leaf completed a pre-FEED engineering study on the processing facility to validate the design and capital costs. A preliminary estimate of the capital costs to incorporate carbon capture into the facility design was also completed. The company also began the design for a potential project in Jordan in conjunction with local companies. The project is designed to demonstrate its technology at scale on a continuous basis.

Corporate

Following a review conducted in the second quarter, the Company's credit facilities with a Canadian chartered bank are expected to remain at $16 million. The renewal will take effect upon the execution of an amending agreement which the Company anticipates will be completed in late September 2023. The renewed facilities will consist of a revolving operating demand loan of $16 million. Any borrowing under the facilities, except letters of credit are subject to the Bank's prime rate and applicable basis point margin. The effective interest rate on the facility for the first half of 2023 was 7.74% (2022: 4.08%). As at June 30, 2023, there were no material draws on the facility and the Company held unrestricted cash and term deposits of $35.2 million.

The facilities are secured by a revolving credit agreement, a debenture including a first floating charge over all assets of the Company and a general assignment of book debts. The next scheduled review is the second quarter of 2024.

Production

Three months ended June 30,		**2023**			2022	
	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	**850**	**4,911**	**1,669**	872	4,510	1,624
Saskatchewan and Manitoba	**309**	**–**	**309**	285	–	285
	1,159	**4,911**	**1,978**	1,157	4,510	1,909

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

Six months ended June 30,		**2023**			2022	
	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	**777**	**4,760**	**1,570**	679	3,682	1,292
Saskatchewan and Manitoba	**314**	**–**	**314**	308	–	308
	1,091	**4,760**	**1,884**	987	3,682	1,600

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

Average daily production increased over the prior year for both the second quarter and the first half of the year.

The variance is attributable to changes at Kakwa that represents over 80% of the Company's production volumes. In the current quarter, one (0.25 net) well was brought on production compared to three (0.75 net) wells in the prior year. Year to date production includes working interest volumes from Kakwa North, accounting for 30% of total volumes. In the prior year, the Company held a royalty interest at Kakwa North representing only 6% of volumes.

The Company's oil and liquids weighting remained relatively unchanged at approximately 60%. In addition to liquids from Kakwa, corporate production includes volumes from Saskatchewan and Manitoba. In both the quarter and year to date periods, production increased nominally in these areas due to one (0.35 net) new well at Manitoba offsetting natural declines in Saskatchewan.

The Company anticipates its production volumes will decline over the second half of this year. Subject to the timing and participation in the drilling program on the Kakwa Central joint venture this fall, production could subsequently increase next year.

Second Quarter 2023 Financial Results

Petroleum and Natural Gas Sales

Three months ended June 30,	2023			2022		
($ thousands)	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
Alberta	$ 6,764	$ 1,269	$ 8,033	$ 10,067	$ 3,386	$ 13,453
Saskatchewan and Manitoba	2,669	–	2,669	3,560	–	3,560
	$ 9,433	$ 1,269	$ 10,702	$ 13,627	$ 3,386	$ 17,013

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

Six months ended June 30,	2023			2022		
($ thousands)	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
Alberta	$ 12,841	$ 3,002	$ 15,843	$ 14,819	$ 4,773	$ 19,592
Saskatchewan and Manitoba	5,390	–	5,390	6,995	–	6,995
	$ 18,231	$ 3,002	$ 21,233	$ 21,814	$ 4,773	$ 26,587

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

Lower prices for oil and gas offset the impact of higher production volumes for both the quarter and year to date, resulting in a decline in sales revenue over the prior year. Year to date, a 20% increase due to volumes was offset by a nearly 40% decrease due to realized prices. For the quarter, a similar drop in prices was offset by a less than 5% increase due to volumes, resulting in a nearly 40% decrease over last year.

Pricing

	Three months ended June 30,		*Six months ended June 30,*	
	2023	2022	2023	2022
Benchmark prices:				
Natural Gas - AECO, daily spot ($/Mcf)	2.27	6.41	2.93	5.41
Crude Oil - Mixed Sweet Blend ($/bbl)	94.97	137.79	96.99	128.80
Realized prices:				
Natural Gas ($/Mcf)	2.72	8.25	3.32	6.61
Crude Oil and Natural Gas Liquids ($/bbl)	89.27	129.48	92.45	129.83

Crude oil prices declined by nearly one third over the second quarter of last year and by less than 5% over the first quarter of this year. In the second quarter, the benchmark West Texas Intermediate ("WTI") averaged US$73.78 per barrel compared to US$76.13 per barrel last quarter and US$108.41 per barrel last year.

During the quarter, prices were supported by unexpected production cuts by OPEC+ and Saudi Arabia. However, concerns about rising interest rates and the related risk of a recession as well as slower than expected growth from China largely offset the optimism around these production cuts. In Canada, reduced demand for condensate as a diluent for heavy oil production resulted in the differential growing to US$1.44 per barrel in the quarter compared to premium of US$3.70 per barrel last quarter and nil in the same period last year.

Questerre's realized prices averaged $89.27 per barrel (2022: $129.48 per barrel) for the quarter compared to the benchmark Canadian Mixed Sweet Blend ("MSW") price of $94.97 per barrel (2022: $137.79 per barrel). MSW is typically priced at a discount to WTI.

Natural gas prices fell by over two thirds from last year. The benchmark Henry Hub averaged US$2.16 per MMBtu compared to US$2.65 per MMBtu last quarter and US$7.57 per MMBtu for the second quarter of last year.

A warmer than expected winter and reduced cooling demand to date weighed on prices and resulted in a 25% increase in storage levels at the end of the quarter over last year and 15% over the five-year average. Going forward, reduced natural gas drilling in the United States due to lower prices is expected to tighten the supply demand balance. In Canada, spring wildfires in Alberta shut-in just over 1 Bcf/d of production over the quarter, though increasing production and reduced exports to the US could translate into lower prices over the remainder of the year.

The higher heat content of natural gas from Kakwa translates to a premium over the benchmark AECO price. Realized prices averaged $2.72/Mcf (2022: $8.25/Mcf) compared to the AECO price of $2.27/Mcf (2022: $6.41/Mcf).

Royalties

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
Alberta	**$ 1,150**	$ 776	**$ 2,600**	$ 1,515
Saskatchewan and Manitoba	**248**	251	**465**	486
	$ 1,398	$ 1,027	**$ 3,065**	$ 2,001
% of Revenue:				
Alberta	**14%**	6%	**16%**	8%
Saskatchewan and Manitoba	**9%**	7%	**9%**	7%
Total Company	**13%**	6%	**14%**	8%

On a gross basis and as a percentage of revenue, royalties increased in 2023 for both the quarter and six months ended June 30, 2023.

Royalties in Kakwa were materially higher due to both the expiration of Crown incentive programs and the incremental working interest production at Kakwa North effective the fourth quarter of 2022. As a percentage of revenue, condensate and natural gas liquids from wells with no incentives attract royalty rates of 40% compared to rates of 5% for wells that benefit from the incentive programs. For the six months ended June 30, 2023, royalties on production from Kakwa North account for 30% of royalties compared to nil last year.

Although gross royalties payable on production from Saskatchewan and Manitoba declined slightly over the prior year, they increased as a percentage of revenue from 7% to 9%.

Operating Costs

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
Alberta	**$ 2,328**	$ 2,012	**$ 5,553**	$ 4,192
Saskatchewan and Manitoba	**693**	669	**1,438**	1,472
Quebec	**97**	96	**111**	189
	$ 3,118	$ 2,777	**$ 7,102**	$ 5,853
$/boe:				
Alberta	**15.33**	13.61	**19.53**	17.92
Saskatchewan and Manitoba	**24.59**	25.86	**25.32**	26.43
Total Company	**17.32**	15.99	**20.82**	20.21

Gross operating costs increased by 10% and 20% over the prior year for the respective three and six-month periods ended June 30. On a unit of production basis, the higher production volumes in the current year translated into a smaller increase of 8% and 3% for the same periods.

For the quarter, operating costs at Kakwa increased by 15% over the prior year quarter. This reflects the costs for the working interest production at Kakwa North offset by lower operating costs at Kakwa Central. These were attributable to an estimated credit for $0.3 million for the thirteen-month adjustment that reallocated plant operating costs based on actual volumes and lower unutilized take or pay expenses. The incremental working interest volumes at Kakwa North and the associated operating costs of $1.5 million substantively account for the increase in costs over the first half of last year.

Operating costs at Antler and Manitoba remained relatively unchanged for both periods. The costs for maintaining the company's assets in Quebec also remained unchanged for the quarter and decreased over the prior year for the six-month period ended June 30, 2023.

General and Administrative Expenses

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
General and administrative expenses, gross	**$ 1,236**	$ 1,071	**$ 2,444**	$ 1,971
Capitalized expenses and overhead recoveries	**(72)**	(58)	**(152)**	(116)
General and administrative expenses, net	**$ 1,164**	$ 1,013	**$ 2,292**	$ 1,855

In the current year, gross General and Administrative Expenses ("G&A") increased by 15% and 24% respectively over the three and six-month periods ended June 30 compared to last year. The increase reflects the reversal of the cost-cutting measures implemented in 2020. Capitalized expenses are G&A expenses directly attributable to the Company's exploration and evaluation assets in the Kingdom of Jordan.

Depletion, depreciation, accretion, lease expiries and impairment

Questerre recorded depletion, depreciation and accretion expense of $3.3 million for the quarter ended June 30, 2023 (2022: $2.7 million) and $6.2 million for the six months then ended (2022: $4.4 million). Depletion accounts for over 95% of these amounts. The variance is attributed to the increased production volumes and the increase in the depletable base on a unit of production basis from $14.56/boe to $17.16/boe for the year-to-date period. The latter largely reflects the increase in the future development costs over the prior year.

Net interest, other income and share based compensation expense

During the three months ended June 30, 2023, the Company reported net interest and other income of $0.3 million (2022: $0.1 million) and for the six months then ended, it reported $0.9 million (2022: $0.1 million). This includes $0.6 million in interest earned on its cash deposits and the remainder relates to a settlement received on a restructuring transaction in the first quarter.

Year to date, the Company recorded share-based compensation expense of $0.8 million (2022: $1.1 million) net of $0.1 million in expense capitalized during the period (2022: $0.2 million).

Other comprehensive gain (loss) and expenses

In 2023, the Company recorded other comprehensive loss of $0.1 million for the quarter (2022: $0.4 million gain) and $0.3 million for the first half of the year (2022: $0.2 million gain). These amounts relate to the impact of changes in foreign exchange for the respective periods. The depreciation of the Jordanian dinar resulted in a loss of $0.3 million (2022: $0.1 million gain) on the Company's dinar denominated assets in the country for the first half of the year. Similarly, the depreciation in the US dollar resulted in a nominal loss (2022: $0.1 million gain) on its US dollar denominated investment in Red Leaf.

Net income and total comprehensive income

Net income for the current quarter was $1.7 million (2022: $9.1 million) and $2.6 million year to date (2022: $11.5 million). The decline over the prior year is attributable to the decline in petroleum and natural gas sales and higher expenses in all categories for both periods. Including other comprehensive income, the total comprehensive income for the quarter was $1.6 million (2022: $9.4 million) and $2.4 million (2022: $11.7 million) year to date.

Cash flow from operating activities

For the six months ended June 30, 2023, net cash from operating activities was $8.8 million compared to $15.1 million last year. The variance is due to the lower adjusted funds flow from operations in the current year offset by a smaller decrease in non-cash working capital compared to last year. This also explains the variance in the net cash from operating activities for the quarter ended June 30, 2023, compared to the prior year.

Cash flow used in investing activities

Cash flow used in investing activities for the first half of the year decreased to $3.1 million this year from $6.3 million last year partly reflecting the lower capital spending at Kakwa due to participation in fewer wells. Year to date, this also reflects a larger increase in non-cash working capital over the prior year. Cash flow used in investing activities for the quarter also decreased over the prior year and reflects an increase in non-cash working capital compared to a decrease over last year.

Cash flow used in financing activities

For the second quarter and the year to date, net cash used in financing activities was negligible. In the prior year, the higher amounts reflect the net repayment of its credit facilities of $1.5 million and $8.8 million for the respective periods.

Capital Expenditures

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
Alberta	**$ 547**	$ 2,682	**$ 3,314**	$ 7,534
Saskatchewan, Manitoba and Jordan	**1,922**	161	**2,401**	235
Total Company	**$ 2,469**	$ 2,843	**$ 5,715**	$ 7,769

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

For the first half of 2023, the Company incurred capital expenditures of $5.7 million as follows:

- In Alberta, $3.3 million was incurred to finalize drilling and completion operations on one (0.25 net) well at Kakwa Central;
- In Saskatchewan, $1.6 million was invested in well workovers and a pressure maintenance scheme;
- $0.5 million was invested in Manitoba for the drilling and completion of one (0.35 net) new well; and
- The remaining $0.3 million capital was spent on the Company’s other assets.

For the first half of 2022, the Company incurred capital expenditures of $7.7 million as follows:

- In Alberta, $7.5 million was incurred to finalize drilling and commence completion operations on three (0.75 net) wells at Kakwa Central; and
- $0.2 million was invested in maintenance for the Company’s 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 June 30, 2023, there were no Class "B" Common voting shares or preferred shares outstanding. The following table provides a summary of the outstanding Common Shares and options as at the date of the MD&A, the current quarter-end and the preceding year-end.

(thousands)	Aug 10, 2023	June 30, 2023	December 31, 2022
Common Shares	428,516	428,516	428,516
Stock Options	38,140	41,298	35,298
Weighted average common shares			
Basic		428,516	428,516
Diluted		431,060	430,524

A summary of the Company's stock option activity for the six months ended June 30, 2023, and the year ended December 31, 2022, follows:

	June 30, 2023		December 31, 2022	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	35,298	$ 0.28	30,308	$ 0.35
Granted	6,000	0.24	11,490	0.34
Expired	–	–	(6,500)	0.69
Outstanding, end of period	41,298	$ 0.27	35,298	$ 0.28
Exercisable, end of period	27,003	$ 0.27	22,643	$ 0.28

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.

Although commodity prices have recovered since COVID-19 pandemic, they remain volatile as a result of recent geopolitical events. The Company continues to manage its financial liquidity through ensuring capital expenditures can be financed through a combination of cash flow from operations and available debt facilities.

At June 30, 2023, and the end of December 31, 2022, effectively nil was drawn on the credit facilities and the Company is compliant with all of its covenants under the credit facilities. Under the terms of the credit facilities, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at June 30, 2023, was 4.58 and the covenant was met. See Note 11 of the Financial Statements.

Following a review conducted in the second quarter, the Company's credit facilities with a Canadian chartered bank are expected to 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.

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 2023 future development costs associated with proved reserves in its independent reserves assessment as of December 31, 2022. It anticipates that, as a result, reserves associated with wells drilled in 2023 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 June 30, 2023, are as follows:

($ thousands)	2023	2024	2025	2026	Total
Transportation and Processing	$ 1,581	$ 2,884	$ 2,016	$ 1,240	$ 7,721

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

Risk Management

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

6 to the audited consolidated financial statements for the year ended December 31, 2022.

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, 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, 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, have caused significant volatility in commodity prices. Russia's invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices and global economies more broadly. These events and conditions have been a factor in the decrease in the valuation of oil and gas companies and a decrease in confidence in the oil and gas industry. These difficulties have been exacerbated in Canada by political and other actions resulting in uncertainty surrounding regulatory, tax and royalty changes and other environmental regulations.

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

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

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

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

The Company uses the following guidelines to address financial exposure:

- Internally generated cash flow provides the initial source of funding on which the Company's annual capital expenditure program is based.
- Equity, 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 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 from the Company's receivables from joint venture partners and oil and gas marketers. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Credit risk also arises from the Company's cash and cash equivalents. In the past, the Company manages credit risk exposure by investing in Canadian banks and credit unions. Management does not expect any counterparty to fail to meet its obligations.

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

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

Accounts receivable related to the sale of the Company's petroleum and natural gas production is 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. The Company has a provision of $0.04 million at June 30, 2023, for its expected credit losses related to its accounts receivable.

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

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 June 30, 2023, the Company had no outstanding commodity risk management contract in place.

Environmental Regulation and Risk

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the applicable interest rates will impact the Company's interest expense related to its credit facilities. Given the immateriality of interest expense relative to net income, a 0.5% change in interest rates applicable to its credit facilities would have a negligible impact on net income. At June 30, 2023, the Company had credit facilities outstanding of effectively nil (December 31, 2022: nil) with an effective rate of 7.74% (2022: 4.08%).

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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 April 1, 2023, and ended on June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Quarterly Financial Information

($ thousands, except as noted)	**June 30 2023**	Mar 31 2023	Dec 31 2022	Sept 30 2022
Production (boe/d)	**1,978**	1,790	2,023	1,629
Average Realized Price ($/boe)	**59.46**	65.38	72.87	77.40
Petroleum and Natural Gas Revenue	**10,702**	10,531	13,562	11,602
Adjusted Funds Flow from Operations	**5,335**	4,277	4,670	5,183
Net Income (Loss)	**1,692**	940	(122)	2,759
Basic and Diluted ($/share)	**–**	–	–	0.01
Capital Expenditures, net of acquisitions and dispositions	**2,469**	3,246	2,169	1,653
Working Capital Surplus	**28,013**	25,523	24,491	14,433
Total Assets	**201,213**	199,264	196,486	196,258
Shareholders' Equity	**169,444**	167,371	166,128	166,235
Weighted Average Common Shares Outstanding				
Basic (thousands)	**428,516**	428,516	428,516	428,516
Diluted (thousands)	**431,100**	431,064	428,516	430,727

($ thousands, except as noted)	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021
Production (boe/d)	1,909	1,288	1,398	1,363
Average Realized Price ($/boe)	97.95	82.56	69.11	58.83
Petroleum and Natural Gas Revenue	17,013	9,574	8,887	7,376
Adjusted Funds Flow from Operations	12,183	4,290	3,790	3,578
Basic and Diluted ($/share)	–	–	–	–
Net Income (Loss)	9,051	2,423	(10,107)	2,006
Basic and Diluted ($/share)	0.02	0.01	(0.02)	–
Capital Expenditures, net of acquisitions and dispositions	2,843	4,926	3,177	541
Working Capital Surplus (Deficit)	10,564	1,192	1,834	1,698
Total Assets	194,419	186,201	184,264	192,709
Shareholders' Equity	161,969	151,862	148,961	158,922
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	428,747	432,112	428,516	428,516

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

- Petroleum and natural gas revenues and adjusted funds flow from operations have generally fluctuated with production volumes and realized commodity prices. Commodity prices increased materially in the first half of 2022 and subsequently declined over the next four quarters.
- Production volumes reflect the capital investment in drilling and completing wells at Kakwa in preceding quarters. Since 2021, with the increase in prices, capital investment increased with the effect of increased production volumes realized in the second quarter of 2022 and subsequently in

the second quarter of 2023. Volumes also reflected the conversion of royalty interest to working interest volumes at Kakwa North in the fourth quarter of 2022.

- 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 increased as a result of net income, primarily from higher commodity prices and production volumes. It decreased in the fourth quarter of 2021 as a result of the impairment related to its investment in Quebec.

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 six-month period ended June 30, 2023.

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 June 30, 2023, 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 Corporation's external auditors, Ernst and Young LLP, have not performed a review of these unaudited consolidated interim financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's external auditor.

Condensed Consolidated Interim Balance Sheets *(unaudited)*

($ thousands)	Note	June 30, 2023	December 31, 2022
Assets			
Current Assets			
Cash and cash equivalents		$ 35,233	$ 29,590
Accounts receivable		3,326	4,600
Deposits and prepaid expenses		1,786	968
		40,345	35,158
Right-of-use assets		210	238
Investment	3	5,800	5,796
Property, plant and equipment	4	141,832	141,067
Exploration and evaluation	5	13,026	14,227
		$ 201,213	$ 196,486
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		$ 11,972	$ 10,634
Lease liabilities		60	59
Credit facilities	11	35	33
Current portion of asset retirement obligation	6	325	484
		12,392	11,210
Lease liabilities		190	191
Asset retirement obligation	6	19,187	18,957
		$ 31,769	$ 30,358
Shareholders' Equity			
Share capital	7	$ 429,878	$ 429,878
Contributed surplus		27,246	26,301
Accumulated other comprehensive income		35	296
Deficit		(287,715)	(290,347)
		169,444	166,128
		$ 201,213	$ 196,486

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

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

		Three months ended June 30,		Six months ended June 30,	
($ thousands)	Note	**2023**	2022	**2023**	2022
Revenue					
Petroleum and natural gas sales including royalty revenue	10	**$ 10,702**	$ 17,013	**$ 21,233**	$ 26,587
Royalties		**(1,398)**	(1,027)	**(3,065)**	(2,001)
Petroleum and natural gas sales, net of royalties		**9,304**	15,986	**18,168**	24,586
Expenses					
Direct operating		**3,118**	2,777	**7,102**	5,853
General and administrative		**1,164**	1,013	**2,292**	1,855
Depletion, depreciation, accretion and impairment	4,5,6	**3,252**	2,697	**6,227**	4,426
Share based compensation	8	**404**	559	**804**	1,121
Net interest and other income		**(320)**	(81)	**(889)**	(126)
Net income before taxes		**1,686**	9,021	**2,632**	11,457
Deferred tax expense		**(6)**	(30)	**–**	(17)
Net income		**$ 1,692**	$ 9,051	**$ 2,632**	$ 11,474
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to net income:					
Foreign currency translation adjustment		**(135)**	180	**(256)**	94
Gain (loss) on foreign exchange on investments	3	**41**	217	**(5)**	117
		(94)	397	**(261)**	211
Total comprehensive income		**$ 1,598**	$ 9,448	**$ 2,371**	$ 11,685
Net income per share					
Basic and diluted	7	**$ –**	$ 0.02	**$ 0.01**	$ 0.03

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

Condensed Consolidated Interim Statements of Changes in Equity

(unaudited)

($ thousands)	*Six months ended June 30,* **2023**	2022
Share Capital		
Balance, beginning and end of period	**$ 429,878**	$ 429,878
Contributed Surplus		
Balance, beginning of period	**26,301**	24,068
Share based compensation	**945**	1,323
Balance, end of period	**$ 27,246**	$ 25,391
Accumulated Other Comprehensive Income (Loss)		
Balance, beginning of period	**296**	(527)
Other comprehensive income (loss)	**(261)**	211
Balance, end of period	**$ 35**	$ (316)
Deficit		
Balance, beginning of period	**(290,347)**	(304,458)
Net income	**2,632**	11,474
Balance, end of period	**$ (287,715)**	$ (292,984)
Total Shareholders' Equity	**$ 169,444**	$ 161,969

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 June 30,* **2023**	2022	*Six months ended June 30,* **2023**	2022
Operating Activities					
Net income		**$ 1,692**	$ 9,051	**$ 2,632**	$ 11,474
Adjustments for:					
Depletion, depreciation, accretion and impairment	4,5,6	**3,252**	2,697	**6,227**	4,426
Share based compensation	8	**404**	559	**804**	1,121
Deferred tax expense		**(6)**	(30)	**–**	(17)
Other income		**(4)**	(80)	**(9)**	(112)
Abandonment expenditures	6	**(3)**	(14)	**(42)**	(419)
		5,335	12,183	**9,612**	16,473
Change in non-cash working capital		**(1,202)**	(2,021)	**(831)**	(1,407)
Net cash from operating activities		**$ 4,133**	$ 10,162	**$ 8,781**	$ 15,066
Investing Activities					
Property, plant and equipment expenditures	4	**(2,087)**	(797)	**(2,488)**	(767)
Exploration and evaluation expenditures	5	**(382)**	(2,046)	**(3,227)**	(7,002)
Change in non-cash working capital		**725**	(1,272)	**2,602**	1,460
Net cash used in investing activities		**$ (1,744)**	$ (4,115)	**$ (3,113)**	$ (6,309)
Financing Activities					
Principal portion of lease payments		**(14)**	(13)	**(27)**	(26)
Drawdown under credit facilities		**2**	765	**2**	5,413
Repayment of credit facilities		**–**	(1,500)	**–**	(8,800)
Net cash used in financing activities		**$ (12)**	$ (748)	**$ (25)**	$ (3,413)
Change in cash, cash equivalents and restricted cash		**2,377**	5,299	**5,643**	5,344
Cash, cash equivalents and restricted cash, beginning of period		**32,857**	16,235	**29,590**	16,190
Cash, cash equivalents and restricted cash, end of period		**$ 35,234**	$ 21,534	**$ 35,233**	$ 21,534

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2023, and 2022 (unaudited)

1. Nature of Operations 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 six months ended June 30, 2023, and 2022 comprise the Company and its wholly owned subsidiaries.

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

These unaudited condensed consolidated interim financial statements of Questerre were approved by the Board of Directors on August 10, 2023.

2. Significant Accounting Policies

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

The unaudited condensed interim consolidated financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The interim consolidated financial statements note disclosures do not include all of those required by International Financial Reporting Standards ("IFRS") applicable for annual consolidated financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these condensed interim consolidated financial statements.

Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the six-month period ended June 30, 2023, 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, 2022.

3. Investment in Red Leaf

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

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

Questerre has determined its investment in Red Leaf will be accounted for using the equity method. This is based on several criteria including its current equity interest in Red Leaf and ability to participate in the decision-making process of Red Leaf through its current Board representation. The Company measures the fair market value of its investment using a net liquidation approach. The net liquidation value is calculated as the net current assets of Red Leaf less abandonment and other liabilities, the accrued and unpaid dividends associated with the preferred shares and an estimate of research and development and general and administrative expenses for the current fiscal year.

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

($ thousands)	**June 30, 2023**	December 31, 2022
Balance, beginning of year	**$ 5,796**	$ 7,965
Gain (loss) on equity investment	**11**	(2,540)
Gain (loss) on foreign exchange	**(7)**	371
Balance, end of period	**$ 5,800**	$ 5,796

For the six months ended June 30, 2023, the loss on foreign exchange relating to investments was nil (year ended December 31, 2022: $0.4 million gain) which was recorded in other comprehensive income (loss) net of a deferred tax recovery.

4. Property, Plant and Equipment

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

($ thousands)		
Cost or deemed cost:		
Balance, December 31, 2021	$	292,617
Additions including change to asset retirement		1,361
Transfer from exploration and evaluation assets		9,848
Balance, December 31, 2022		303,826
Additions including change to asset retirement		2,441
Transfer from exploration and evaluation assets		4,165
Balance, June 30, 2023	**$**	**310,432**
Accumulated depletion, depreciation and impairment losses:		
Balance, December 31, 2021	$	152,497
Depletion and depreciation		9,405
Impairments		857
Balance, December 31, 2022		162,759
Depletion and depreciation		5,841
Balance, June 30, 2023	**$**	**168,600**

($ thousands)		Total Assets
Net book value:		
At December 31, 2022	$	141,067
At June 30, 2023	**$**	**141,832**

During the period ended June 30, 2023, the Company did not capitalize any administrative overhead or share based compensation expense directly related to development activities (year ended December 31, 2022: nil). Included in the June 30, 2023, depletion calculation is estimated future development costs of $314 million (December 31, 2022: $317.9 million).

No indicators of impairment nor indicators to reverse previously recorded impairment were identified as at June 30, 2023.

5. Exploration and Evaluation

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

($ thousands)		June 30, 2023		December 31, 2022
Balance, beginning of year	$	14,227	$	14,710
Additions		3,220		8,955
Transfers to property, plant and equipment		(4,165)		(9,849)
Undeveloped lease expiries and farmouts		–		(129)
Foreign currency translation adjustment - Jordan		(256)		540
Balance, end of period	$	13,026	$	14,227

During the period ended June 30, 2023, the Company capitalized administrative overhead charges of $0.2 million (December 31, 2022: $0.3 million) and $0.1 million of share-based compensation expense (December 31, 2022: $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 June 30, 2023.

6. Asset Retirement Obligation

The Company's asset retirement and abandonment obligations result from its ownership interest in oil and natural gas assets. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the asset retirement obligation to be $19.5 million as at June 30, 2023 (December 31, 2022: $19.4 million) based on an undiscounted total future liability of $22.3 million (December 31, 2022: $23.3 million). These payments are expected to be made over the next 40 years. The average discount factor, being the risk-free rate related to the liabilities, is 4.04% (December 31, 2022: 3.63%). An inflation rate of 2% (December 31, 2022: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

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

($ thousands)		June 30, 2023		December 31, 2022
Balance, beginning of year	$	19,441	$	21,495
Liabilities settled		(42)		(878)
Revisions due to change in estimates and discount rates		(321)		(2,330)
Liabilities incurred		16		335
Accretion		418		819
Balance, end of period	$	19,512	$	19,441
Current portion		325		484
Non-current portion		19,187		18,957
Balance, end of period	$	19,512	$	19,441

7. Share Capital

The Company is authorized to issue an unlimited number of Class "A" Common voting shares ("Common Shares"). The Company is also authorized to issue an unlimited number of Class "B" Common voting shares and an unlimited number of preferred shares, issuable in one or more series. At June 30, 2023, there were no Class "B" Common voting shares or preferred shares outstanding.

a) *Issued and outstanding – Common Shares*

	Number *(thousands)*		Amount *($ thousands)*
Balance December 31, 2022, and June 30, 2023	428,516	$	429,878

b) *Per share amounts*

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

	Three months ended June 30,				*Six months ended June 30,*			
(thousands, except as noted)		2023		2022		2023		2022
Net income	$	1,692	$	9,051	$	2,632	$	11,474
Weighted average Common Shares beginning of period and outstanding		428,516		428,516		428,516		428,516
Basic net income per share	$	–	$	0.02	$	0.01	$	0.03

(thousands, except as noted)	Three months ended June 30, 2023	2022	Six months ended June 30, 2023	2022
Net income	$ 1,692	$ 9,051	$ 2,632	$ 11,474
Weighted average Common Shares outstanding (basic)	428,516	428,516	428,516	428,516
Effect of outstanding options	2,584	231	2,544	2,106
Weighted average Common Shares outstanding (diluted)	431,100	428,747	431,060	430,622
Diluted net income per share	$ –	$ 0.02	$ 0.01	$ 0.03

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 six months ended June 30, 2023, 26.5 million options (June 30, 2022: 20.7 million) were excluded from the diluted weighted average number of common shares outstanding as they were out of the money and their effect would have been anti-dilutive.

8. Share Based Compensation

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

For the six months ending June 30, 2023, the Company issued 6.0 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 (%): 103.83, Risk Free Rate (%): 3.18, Expected Life (years): 5.0 and Unvested Forfeiture Rate (%): 9.35.

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

	June 30, 2023		December 31, 2022	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	35,298	$ 0.28	30,308	$ 0.35
Granted	6,000	0.24	11,490	0.34
Expired	–	–	(6,500)	0.69
Outstanding, end of period	41,298	$ 0.27	35,298	$ 0.28
Exercisable, end of period	27,003	$ 0.27	22,643	$ 0.28

9. Financial Risk Management and Determination of Fair Values

a) *Overview*

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

b) *Fair value of financial instruments*

The Company's financial instruments as at June 30, 2023, included cash and cash equivalents, accounts receivable, deposits, investments, credit facilities and accounts payable and accrued liabilities. As at June 30, 2023, 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.

<u>Commodity price risk</u>

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted both by the relationship between the Canadian and United States dollar and world economic events that dictate the levels of supply and demand. The Company may enter into oil and natural gas contracts to protect, to the extent possible, its cash flows from future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas.

As at June 30, 2023, the Company had no outstanding commodity risk management contracts.

<u>Currency risk</u>

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

As at June 30, 2023, 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 relates to amounts due under the credit facilities, including trade and other payables, which consist of invoices payable to trade suppliers relating to the office and field operating activities and its capital spending program. The Company processes invoices within a normal payment period and all amounts are due within the next 12 months.

10. Petroleum and Natural Gas Sales

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2023**	2022	**2023**	2022
Crude oil and natural gas liquids	**$ 9,428**	$ 13,248	**$ 18,210**	$ 21,091
Natural gas	**1,267**	3,145	**2,981**	4,372
Royalty revenue	**7**	620	**42**	1,124
	$ 10,702	$ 17,013	**$ 21,233**	$ 26,587

11. Credit Facilities

As at June 30, 2023, following a review conducted in the second quarter, the Company's credit facilities with a Canadian chartered bank are expected to remain at $16 million. The renewal will take effect upon the execution of an amending agreement which the Company anticipates will be completed in late September 2023. The renewed facilities will consist of a revolving operating demand loan of $16 million. Any borrowing under the facilities, except letters of credit, are subject to the Bank's prime rate and applicable basis point margin. The effective interest rate on the facility for the first half of 2023 was 7.75% (2022: 4.08%). As at

June 30, 2023, there were no material draws on the facility and the Company held unrestricted cash and term deposits of $35.2 million. As at June 30, 2023, and December 31, 2022, effectively nil was drawn on the facility and the Company held cash of over $30 million. The facilities are secured by a revolving credit agreement, a debenture including a first floating charge over all assets of the Company and a general assignment of book debts. The next scheduled review is the second quarter of 2024.

Under the terms of the credit facility, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at June 30, 2023, was 4.58 and the covenant was met.

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

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