2026 SECOND QUARTER REPORT

QUESTERRE ENERGY CORPORATION

QUESTERRE

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QUESTERRE

QUESTERRE ENERGY CORPORATION is an energy technology and innovation company focused on responsibly developing oil and gas resources. 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 and its Preferred Shares are traded on the Oslo Stock Exchange under the symbol QGAS.

President's Message

This quarter, we advanced the three core assets in our portfolio.

The successful HCCO™ test in Brazil is a major proof point for our oil shale refining technology. In May, we demonstrated the homogeneous charge of low-temperature oxygen in our working gas using a commercial-scale vessel. An extended test is the next step to establish the commercial parameters required to implement our HCCO process in the existing Petrosix refinery. We expect the process could materially reduce internal fuel usage, which currently represents nearly 15% of our production.

In June, our preferred shares, representing defined economic rights linked to our Quebec assets under either a settlement or development scenario, were listed on Euronext Growth in Oslo under the ticker QGAS. Depending on the outcome, these rights provide shareholders with 95% of the net proceeds from a settlement or a 50% carried interest in the future development of our Utica discovery. Shortly after the shares started trading, as noted below, the Quebec government formally recognized the strategic importance of natural gas. This supports our efforts to work with government and industry toward a commercial solution for developing the discovery.

We also completed the sale of our minority working interest at Kakwa Central. Consideration for the assets, which were producing approximately 650 boe per day, was $23.5 million in cash and the assumption of associated reclamation obligations. The proceeds will primarily fund future development at Kakwa North and the expansion of our operated assets in Saskatchewan.

Highlights

- Successful HCCO test using a commercial-scale vessel at the PX Energy facility
- Preferred shares listed for trading on Euronext Growth under the ticker QGAS
- Sale of the Kakwa Central assets for $23.5 million in cash
- Like for like average production increased in the second quarter to 5,700 boe per day from 5,530 boe per day last quarter (overall production reduced from 6,180 boe per day following the Kakwa disposition of 650 boe per day)
- Adjusted funds flow from operations of $18.3 million, including $6.9 million related to deferred sales revenue, compared to net cash from operating activities of $9.4 million
- Working capital deficit reduced to $19.1 million at June 30, 2026 from $49.6 million at March 31, 2026 including cash and cash equivalents of $44.2 million

Oil Shale

The successful HCCO test advances both our long-term technology strategy and our efforts to improve the near-term profitability of PX Energy.

Low-temperature oxygen is key to the patented Homogeneous Charged Continuous Oxidation or HCCO process. Conventional processes, including the one currently used by PX Energy, generate heat externally to the main processing vessel, known as a retort. HCCO instead generates heat internally as injected oxygen reacts with residual carbon on the spent shale and with lighter hydrocarbons.

This eliminates the need for external heat-generation facilities, reducing capital costs by an estimated 40% per barrel. It also create a pure stream of carbon dioxide that can potentially be used for sequestration or enhanced oil recovery.

This was the first demonstration in a commercial-scale vessel measuring more than 10 metres in diameter and 30 metres tall. The largest previous test was conducted in a vessel measuring less than one metre in diameter and four metres tall. Supported by Red Leaf Resources, our team in Brazil designed, implemented and safely completed the test in less than two months. Over a two-week period, we precisely controlled the rate of oxidation, experienced no runaway temperatures and achieved even, homogeneous heat distribution without hot spots.

We believe this test will improve the Technology Readiness Level of the HCCO process from 4 to 6 on a scale where 9 represents ready for commercial use. We are incorporating the results into the design of a commercial-scale HCCO test.

Our next step is an extended test with continuous oxygen injection to establish commercial operating parameters and determine how much internal fuel consumption can be reduced. We estimate the reduction could be as high as 15% of existing usage, split approximately equally between fuel oil and gas.

Another priority for the team has been restoring the efficiency of the existing retort. Retort efficiency declined during the current quarter to just over 75% from a historical level of approximately 90%. The decline reflects agglomeration, or a buildup of shale on the vessel walls, following an improper restart after scheduled maintenance. This remedial maintenance work is underway during the shutdown.

Higher oil prices, while increasing revenue, have also made it more difficult for some customers to meet their minimum volume commitments under our take-or-pay contracts, as cheaper, lower-quality fuel oil has competed for market share in southern Brazil. We continue to collect cash for shortfall volumes but have incurred additional transportation and storage costs as a result. We are working with the affected customer to recover these costs and help them meet their contractual commitments, although arbitration may ultimately be required to resolve the issue. Of note our customers met 100% of their minimum contract volumes in the month of July as oil prices fell from their highs in April and winter demand increases.

Quebec

The Government of Quebec has formally acknowledged that natural gas will remain important to the province's energy needs through 2050.

As Hydro-Québec rations electricity allocations for major industrial users, the Quebec Integrated Energy Resource Management Plan 2026-2050 – Our Plan for Quebec's Energy Future, or "PGIRE," confirms that electricity alone cannot meet Quebec's growing energy demand. Released in early July, the PGIRE states that natural gas will remain part of Quebec's energy mix and play a strategic role as the province gradually decarbonizes its energy system.(1)

The PGIRE also notes that Énergir, the provincial natural gas distribution company, sources its supply almost entirely from Canadian producers under existing contracts. Physically, however, close to half of the gas consumed in Quebec originates in the United States, reflecting the flow of supply from Western Canada and the United States through Ontario and into Quebec.

Our Utica discovery remains a shovel-ready solution to Quebec's emerging energy challenges. It is positioned to provide reliable energy for baseload industrial demand and peak winter heating while relieving pressure on the electricity grid. It could also reduce Quebec's reliance on imported natural gas and high-cost renewable natural gas while supporting economic growth. Designed with a low-emissions footprint, locally produced natural gas from the Utica could reduce greenhouse gas emissions compared with imported natural gas at a cost of less than one-third to one-fifth that of imported renewable natural gas(2).

We look forward to resuming discussions with the Government of Quebec following the provincial election this October.

We are also proactively advancing our legal action to protect shareholder rights. At a case management hearing in May, we pushed for an expedited path to a trial on the merits of our case and the quantum of economic damages. The Court established deadlines for the next pre-trial motions, which should allow a hearing date to be scheduled next year.

Operating and Financial

Production averaged 5,700 boe per day in the second quarter, compared to 6,180 boe per day in the first quarter with the disposition completed in May. This reflects the lower volumes from Canada following the Kakwa Central disposition, partly offset by a modest increase in production from Brazil.

Higher oil prices contributed to revenue increasing to $50 million for the quarter and $93 million year to date.

Operating costs in Brazil were approximately $3 million higher than in the previous quarter. This includes $2 million for additional energy costs and an additional $1 million was incurred for increased purchases of waste oil as feedstock to supplement our production due to the lower efficiency of the retort in the quarter. Costs were also incurred for the transportation and storage of under-lifted oil volumes under our sales contracts.

The net finance income for the quarter was $5.9 million and year to date was an expense of $4.6 million. Most of these amounts are non-cash and relate to interest expense and changes in the embedded derivative of the secured bonds that are ring-fenced to PX Energy and its assets. Our cash interest expense in the quarter was $8.5 million including $5 million in accrued interest on the bonds. Interest expense on the bonds in 2026 is added to the principal and not payable in cash until next year. We have the option to continue to add interest to principal in 2027 if oil prices fall below US$65 per barrel.

We reported net income of $27.8 million for the quarter, including a $17.5 million gain on the Kakwa Central disposition. Year-to-date net income was $10.0 million, including a first-quarter loss of $17.8 million. Adjusted funds flow from operations was $18.3 million for the quarter and included $6.9 million related to minimum sales contracts. Year to date, our adjusted funds flow from operations was $39.1 million and included $13.7 million related to minimum sales contracts.

Our working capital deficit at the end of the quarter was $19.1 million, compared with $49.6 million at the end of the first quarter. In addition, the long term debt on our balance sheet is solely the PX Energy secured bonds. These bonds mature in April 2028, and we can extend it until April 2030 for an additional fee.

Outlook

Improving the profitability of PX Energy remains our near-term priority.

The current maintenance will restore plant operations and should increase our production volumes by over 10%. We expect to be fully operational by the end of August, or three to four weeks since the shutdown. During this time, we are managing our oil inventory to satisfy current sales and our contractual commitments.

We are on track to realize $11 million in cost savings this year and are targeting a further $11 million through a second round of cost reductions. On the revenue side, our goal is to diversify our market exposure. Potential new markets include marine fuel supply, which may be better suited to the characteristics of our product. These and other initiatives are intended to build a $10 million reserve to fund the scheduled plant turnaround next spring that will take about a month to complete.

The successful HCCO test advances both our efforts to improve the near-term profitability of PX Energy and our long-term technology strategy. This technology is key to unlocking the significant oil shale resources under our licenses but we must remain profitable in the interim.

The proceeds from the Kakwa Central disposition will support the future development of Kakwa North and the expansion of our operated assets in Saskatchewan.

The release of Quebec's long term energy plan marked an important turning point. The discussion is no longer whether natural gas has a role in Quebec's future, but where that gas should come from. Polling conducted by the Quebec Energy Association confirms that Quebecers prefer locally produced natural gas to imports when it is developed using best production practices. We believe our Utica discovery represents the best opportunity to provide that supply while strengthening Quebec's economy, improving energy security and supporting lower-emission development.

Michael Binnion
President and Chief Executive Officer

Forward Looking Advisory

Please refer to the section Forward Looking Statements in the Management Discussion and Analysis regarding the forward-looking information provided in this President's Message.

Footnotes:

(1) https://www.quebec.ca/gouvernement/ministeres-organismes/economie/publications/plan-ressources-energetiques

(2) https://energir.com/en/business/customer-centre/billing-and-pricing/pricing

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 8.3 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 consumption to lower emissions is essential to meeting this challenge.

Our project in Quebec was designed with a goal to significantly reduce emissions associated with the 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.

Our project in Brazil includes creating a permanent forest reserve, contributing to biodiversity and creating a carbon sink. We are targeting further reductions to our emissions footprint through the planned usage of our proprietary process that incorporates carbon capture.

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 help address the world's energy and environmental challenges. Delivering on projects like ours in Quebec 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 for local benefits. For example, we have committed to share a portion of 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 August 11, 2026, and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes of Questerre Energy Corporation ("Questerre" or the "Company") as at and for the three and six months ended June 30, 2026 and 2025, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2025. Additional information relating to Questerre, including Questerre's Annual Information Form for the year ended December 31, 2025, dated March 31, 2026 ("AIF"), is available on SEDAR+ under Questerre's profile at www.sedarplus.ca.

The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2025, and Note 2 of the unaudited interim consolidated financial statements for the period ended June 30, 2026. The unaudited interim consolidated financial statements of Questerre have been prepared by management and approved by the Company's Board of Directors.

Description of Business

Questerre is an energy technology and innovation company actively involved in the acquisition, exploration and development of oil and gas projects with a particular focus on 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 Euronext Oslo Stock Exchange under the symbol "QEC". The Company's Series 2 Preferred Shares ("Preferred Shares") are listed on Euronext Growth Oslo under the symbol "QGAS".

Following the acquisition of Paraná Xisto S.A. ("PX Energy") on September 26, 2025 (the "Acquisition") and the acquisition of the remaining interest in Red Leaf Resources Inc. ("Red Leaf") on December 30, 2025, Questerre's operations are organized into four operating segments:

- Brazil — Integrated oil shale operations conducted through PX Energy, comprising mining, processing, refining and distribution activities in São Mateus do Sul, in the state of Paraná in southern Brazil. PX Energy represents Questerre's largest business and the primary contributor to its production, revenue and adjusted funds flow.
- Western Canada — Conventional and unconventional exploration, development and production activities across Alberta, Saskatchewan and Manitoba, producing crude oil, natural gas liquids and natural gas.
- Quebec — Pursuing development of its Utica natural gas discovery through a collaborative approach with the Government of Quebec while protecting shareholder rights for the attempted revocation of its licences, including the discovery, through the legal process.

- Corporate & Other — Head office administration, exploration activity in the Kingdom of Jordan, and ownership of Red Leaf, a U.S.-based company with a proprietary technology to produce oil from organic material, including oil shale ("HCCO").

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:

- the issuance of the Common Shares as consideration for the Acquisition;
- the assumption of convertible promissory notes;
- the completion of the transactions contemplated in the BCA, if closed;
- the achievement of the performance milestones attached to the contingent consideration payable pursuant to the Acquisition, and the timing thereof, if at all;
- the utilization of Red Leaf technology, including the testing, results and commercialization of the HCCO process;
- impact of the emergency shutdown at the PX facility;
- impact of and ability to recover costs related to customers’ inability to meet their minimum volume commitments under take-or-pay contracts;
- 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 seeking of a date for the main hearing;
- working collaboratively to find a political and business solution with the Government of Quebec;
- future production of oil, natural gas and natural gas liquids;
- the enhancement of existing production through workovers and expanding the pilot secondary recovery scheme while assessing future drilling locations;
- 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;

- liquidity and capital resources;
- the financial liquidity of PX Energy;
- the restructuring of the balance sheet and the optimization of the operations of PX Energy (including remediation plan to address deficiencies in internal controls over financial reporting);
- targeting and meeting future anticipated cost reductions;
- 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;
- the finding of acquisitions;
- 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;
- 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 dispute regarding the First Tranche Common Shares and the working capital pursuant to the Acquisition;
- litigation in connection with the Acquisition, including with prior prospective joint venture participants;
- loss of key personnel of PX Energy in connection with the Acquisition;
- debt obligations of 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 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 land, 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. The discounted and undiscounted net present values of future net revenue attributable to reserves do not represent the fair market value thereof.

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 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. 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 6:1, utilizing a conversion on a 6:1 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 IFRS Accounting Standards and may not be comparable to similar measures presented by other issuers. 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. Questerre considers adjusted funds flow from operations to be a key measure because it demonstrates the Company's ability to generate the cash necessary to fund operations and support activities related to its major assets. The measure includes changes in contract liabilities related to minimum sales volumes. Contract liabilities related to minimum sales volumes represent cash collected from customers under take-or-pay contracts in respect of volumes the customer has not yet lifted. Management includes these amounts in adjusted funds flow from operations because they represent cash the Company has already received and that is available to fund operations, notwithstanding the Company's continuing obligation to deliver the underlying product against future lifting by the customer. A reconciliation of adjusted funds flow from operations to net cash from operating activities is set out below. 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.

Adjusted Funds Flow from Operations Reconciliation

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2026**	2025	**2026**	2025
Net cash from operating activities	**$ 9,428**	$ 6,288	**$ 12,510**	$ 9,646
Change in non-cash operating working capital	**1,909**	(1,283)	**12,896**	(1,099)
Change in contract liabilities	**6,926**	–	**13,651**	–
Adjusted Funds Flow from Operations[1]	**$ 18,263**	$ 5,005	**$ 39,057**	$ 8,547

(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, other than changes in non-cash contract liabilities related to minimum sales volumes, which are included in the measure.

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

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.

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.

Select Information

	Three months ended June 30,		*Six months ended June 30,*	
As at/for the period ended,	**2026**	2025	**2026**	2025
Financial ($ thousands, except as noted)				
Petroleum and Natural Gas Sales	**50,140**	13,675	**93,110**	22,805
Adjusted Funds Flow from Operations[(1)]	**18,263**	5,005	**39,057**	8,547
Cash Flow from Operations	**9,428**	6,288	**12,510**	9,646
Basic and diluted ($/share)	**0.02**	0.01	**0.03**	0.02
Net (Loss) Income	**27,839**	(677)	**10,002**	(673)
Basic and diluted ($/share)	**0.06**	–	**0.02**	–
Capital Expenditures	**2,220**	1,048	**3,992**	18,912
Working Capital Surplus (Deficit)[(2)]	**(19,131)**	13,157	**(19,131)**	13,157
Total Assets	**421,667**	169,976	**421,667**	169,976
Shareholders' Equity	**90,894**	138,355	**90,894**	138,355
Common Shares Outstanding (thousands)	**452,763**	428,516	**452,763**	428,516
Preferred Shares Outstanding (thousands)	**45,276**	–	**45,276**	–
Weighted average - basic (thousands)	**452,213**	428,516	**451,204**	428,516
Weighted average - diluted (thousands)	**454,081**	431,505	**453,007**	431,593

(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, other than changes in non-cash contract liabilities related to minimum sales volumes, which are included in the measure.

(2) Refer to the Current Assets and Current Liabilities in the Balance Sheet for the years ended June 30, 2026 and 2025.

As at/for the period ended,	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Operations (units as noted)				
Average Production				
Crude Oil and Natural Gas Liquids (bbls/d)	**4,311**	1,690	**4,392**	1,346
Natural Gas (Mcf/d)	**8,295**	8,409	**9,259**	6,412
Total (boe/d)	**5,694**	3,091	**5,935**	2,414
Average Sales Price[(3)(5)]				
Crude Oil and Natural Gas Liquids in Canada ($/bbl)	**115.31**	81.83	**100.40**	83.39
Crude Oil and Natural Gas Liquids in Brazil ($/bbl)	**149.30**	–	**131.81**	–
Natural Gas in Canada ($/Mcf)	**1.62**	2.00	**2.23**	2.21
Natural Gas in Brazil ($/Mcf)	**18.08**	–	**18.18**	–
Total ($/boe)	**118.94**	48.62	**103.25**	52.19
Netback ($/boe)				
Petroleum and Natural Gas Sales	**118.94**	48.62	**103.25**	52.19
Royalties Expense	**(6.33)**	(7.84)	**(4.28)**	(6.30)
Percentage	**5%**	16%	**4%**	12%
Direct Operating Expense	**(54.77)**	(18.87)	**(50.02)**	(20.64)
Operating Netback	**57.84**	21.90	**48.95**	25.24
General and Administrative Expense [(4)]	**(17.28)**	(4.59)	**(13.57)**	(6.02)
Cash Netback	**40.56**	17.32	**35.38**	19.22

(3) Refer to MD&A pricing chart in the Consolidated Financial Statements for the years ended June 30, 2026 and 2025.

(4) Refer to MD&A chart for general and administrative costs for the years ended June 30, 2026 and 2025.

(5) Prices per boe are based on sales volumes representing produced volumes less volumes consumed in internal processes.

Highlights

- Successful HCCO test using a commercial-scale vessel at the PX Energy facility
- Preferred shares listed for trading on Euronext Growth under the ticker QGAS
- Sale of the Kakwa Central assets for $23.5 million in cash
- Like for like average production increased in the second quarter to 5,700 boe per day from 5,530 boe per day last quarter (overall production reduced from 6,180 boe per day following the Kakwa Central disposition of approximately 650 boe per day).
- Adjusted funds flow from operations of $18.3 million, including $6.9 million related to deferred sales revenue, compared to net cash from operating activities of $9.4 million
- Working capital deficit reduced to $19.1 million at June 30, 2026 from $49.6 at March 31, 2026 including cash and cash equivalents of $44.2 million.

Second Quarter 2026 Activities

Oil Shale

The Company's objective for PX Energy is to develop a cash-flowing operating platform supported by long-life reserves and existing infrastructure. To achieve this objective and improve profitability the Company has implemented a cost reduction program and is working to diversify revenue. Additionally, the Company plans to demonstrate Red Leaf's HCCO technology at scale at the facility in southern Brazil.

During the second quarter the Company successfully tested the HCCO process in a commercial scale vessel at the PX Energy facility. Subject to the results of a future long-term test the Company plans to implement this technology commercially at the PX Energy facility to reduce the facility's internal fuel consumption and related costs. The Company plans to incorporate the results from this test into the design of its planned small scale commercial demonstration plant for the HCCO process.

Operations during the quarter were focused on improving the efficiency of the central processing facility, which fell from over 90% to 75%. The decline was due to an improper restart after the scheduled maintenance last year, resulting in the buildup of shale on the interior walls of the processing facility. This reduced efficiency and lowered production from oil shale during the current quarter. To mitigate the production impact the Company increased oil production from waste oil processing by purchasing additional volumes during the period. During the current emergency shutdown (subsequent June 30, 2026) as detailed below, work is underway to resolve the issue and restore efficiency.

Although the PX Energy production volumes increased nominally to 4,149 boe per day from 3,982 boe per day in the prior quarter, sales volumes declined slightly to 3,088 boe per day from 3,138 boe per day. As a result, production in inventory increased, incurring additional transportation and storage costs during the quarter.

Consistent with the prior quarter, the variance between production and sales volumes is due to unlifted volumes under a long-term take-or-pay contract with a customer. Rising oil prices in the local market have attracted new products that are cheaper but lower quality, reducing demand for the Company's higher quality fuel oil. The Company has collected the cash associated with these unlifted volumes in the period. It is also seeking a reimbursement of the additional transportation and storage costs as part of a settlement with the customer.

Notwithstanding the increased costs incurred during the quarter PX Energy is on track to reduce operating costs by $11 million in 2026 and is targeting an additional $11 million in additional savings through a second round of cost cutting.

In July, the Company temporarily shut down the facility for emergency corrective maintenance. This follows a critical pipe failure in the furnace that supplies heat to the main processing facility. No injuries resulted from the incident and no damage was sustained to the main processing facility. The shutdown is currently estimated to last approximately three to four weeks. During this time, the facility will be offline, resulting in lost production and revenue for the period. The Company estimates the direct cost of the corrective work at approximately $1.5 million. The Company plans to use the shutdown to carry out additional maintenance work to increase production.

Western Canada

On May 1, 2026, the Company closed the previously announced sale of its non-operated minority working interest in the Kakwa Central assets for total cash consideration of $23.5 million (the "Disposition"). The purchaser also assumed the associated decommissioning liabilities and the Company's commitments under related firm transportation and processing contracts. The Company recognized a gain on disposition of $17.5 million in respect of the transaction for the quarter ended June 30, 2026.

The Company plans to participate in future drilling at its Kakwa North joint venture subject to the operator's plans, commodity prices and the proposed drilling and completion programs.

Quebec

The Company's strategic objective in Quebec remains the pursuit of a business and political solution for the development of its natural gas discovery in the province. Concurrently, the Company continues to protect 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").

Shortly after the quarter end, the Government of Quebec published its Integrated Energy Resource Management Plan ("PGIRE"). PGIRE inventories the province's future energy supply. It confirms that natural gas will remain part of Quebec's energy mix and will play a strategic role as the province gradually decarbonizes its energy system.

Corporate

On June 30, 2026, the Company completed the listing of its Preferred Shares on Euronext Growth Oslo under the ticker symbol QGAS. The Preferred Shares were issued in January 2026 as part of the reorganization of the capital of the Company. The Preferred Shares represent an economic rights to the Company's Quebec assets. Prior to the listing, the Company's shareholders approved a consolidation of the Preferred Shares outstanding on a 10:1 basis.

Production and Sales Volumes

Three months ended June 30,

Production Volumes	**2026**			2025		
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**789**	**4,535**	**1,545**	1,690	8,409	3,091
Brazil	**3,522**	**3,760**	**4,149**	–	–	–
	4,311	**8,295**	**5,694**	1,690	8,409	3,091

Sales Volumes	**2026**			2025		
	Oil and Liquids (bbls/d)	**Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**789**	**4,535**	**1,545**	1,690	8,409	3,091
Brazil	**2,884**	**1,222**	**3,088**	–	–	–
	3,673	**5,757**	**4,633**	1,690	8,409	3,091

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

Six months ended June 30,

Production Volumes	**Oil and Liquids (bbls/d)**	**2026** **Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	2025 Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**961**	**5,450**	**1,869**	1,346	6,412	2,414
Brazil	**3,431**	**3,809**	**4,066**	–	–	–
	4,392	**9,259**	**5,935**	1,346	6,412	2,414

Sales Volumes	**Oil and Liquids (bbls/d)**	**2026** **Natural Gas (Mcf/d)**	**Equivalent (boe/d)**	Oil and Liquids (bbls/d)	2025 Natural Gas (Mcf/d)	Equivalent (boe/d)
Canada	**961**	**5,450**	**1,869**	1,346	6,412	2,414
Brazil	**2,913**	**1,200**	**3,113**	–	–	–
	3,874	**6,650**	**4,982**	1,346	6,412	2,414

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

Production volumes for the second quarter of 2026 and year to date ended June 30, 2026 increased over the comparative periods of 2025 following the Acquisition.

In Canada, production volumes decreased due to natural declines with no new wells at either Kakwa joint venture in 2026. By comparison, volumes in the second quarter of 2025 included three (1.5 net) new wells at Kakwa North. Current quarter volumes also reflect the Disposition, which accounted for 650 boe per day in the first quarter.

In Brazil, production in the second quarter of 2026 increased by almost 5% to 4,149 boe per day from the prior quarter. With reduced processing efficiency during the quarter, lower production from oil shale processing was partly offset by higher production from waste oil processing.

The variance of 1,061 boe per day for the quarter between production and sales volumes is due to internal fuel usage and the unlifted volumes under take-or-pay contracts with its customers with the remainder increasing inventory. During the quarter, internal fuel usage was 748 boe per day, a decline of 20% or 195 boe per day from the first quarter. This reflects in part the commissioning of a biomass boiler in April 2026 as an alternative source of heat for fuel oil production.

Brazil sales volumes for the second quarter decreased by under 2% to 3,088 boe per day from 3,138 boe per day in the prior quarter. With reduced demand due to competing products, fuel oil sales volumes were 405 boe per day below contractual minimums, an improvement of 25% from 540 boe per day in the prior quarter. Year to date, the variance attributable to the shortfall between sales and contractual commitments was 472 boe per day. Although the Company continues to collect cash for these shortfall volumes, it is seeking to diversify its customer base by targeting new markets to reduce the risk of future shortfalls.

Sales volumes in Brazil, specifically fuel oil, are subject to contractual minimum monthly sales volumes with existing customers. The Company's indirect subsidiary, PX Energy, invoices customers for any shortfall between actual sales and the minimum contract sales volumes. These amounts are invoiced and collected by PX Energy in the following month. The amounts related to the shortfall are not included in revenue for the current period and are to be settled in accordance with the terms of the contracts.

For the remainder of this year, production in Canada is expected to decline naturally. Production in Brazil is expected to stabilize pending completion of the proposed turnaround to restore operating efficiency with sales reflecting the ability of customers to meet their contractual volume commitments.

Petroleum and Natural Gas Revenue

Three months ended June 30,	**2026**			2025		
($ thousands)	**Oil and Liquids**	**Natural Gas**	**Total**	Oil and Liquids	Natural Gas	Total
Canada	**$ 8,282**	**$ 669**	**$ 8,951**	$ 12,077	$ 1,598	$ 13,675
Brazil	**39,179**	**2,010**	**41,189**	–	–	–
	$ 47,461	**$ 2,679**	**$ 50,140**	$ 12,077	$ 1,598	$ 13,675

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

Six months ended June 30,	**2026**			2025		
($ thousands)	**Oil and Liquids**	**Natural Gas**	**Total**	Oil and Liquids	Natural Gas	Total
Canada	**$ 17,465**	**$ 2,201**	**$ 19,666**	$ 20,251	$ 2,554	$ 22,805
Brazil	**69,495**	**3,949**	**73,444**	–	–	–
	$ 86,960	**$ 6,150**	**$ 93,110**	$ 20,251	$ 2,554	$ 22,805

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

Consistent with the increase in production volumes following the Acquisition, the Company reported higher petroleum and natural gas revenue for both the current quarter and year to date period ended June 30 compared with the corresponding periods of 2025.

Despite materially higher oil prices in the second quarter of this year, revenue in Canada declined due to lower sales volumes. In Brazil, revenue increased by 28% over the first quarter, due largely to higher oil prices offset partly by the lower sales volumes.

Pricing

	Three months ended June 30,		Six months ended June 30,	
	2026	2025	**2026**	2025
Benchmark prices:				
Natural Gas - AECO, daily spot ($/Mcf)	**1.47**	1.60	**1.72**	1.83
Crude Oil - Mixed Sweet Blend ($/bbl)	**131.74**	84.25	**111.67**	89.79
Crude Oil - Brent ($/bbl)	**133.81**	–	**120.17**	–
Realized prices:				
Natural Gas in Canada ($/Mcf)	**1.62**	2.00	**2.23**	2.21
Natural Gas in Brazil ($/Mcf)	**18.08**	–	**18.18**	–
Crude Oil and Natural Gas Liquids in Canada($/bbl)	**115.31**	81.83	**100.40**	83.39
Crude Oil and Natural Gas Liquids in Brazil ($/bbl)	**149.30**	–	**131.81**	–

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

Global crude oil prices rose in the second quarter of 2026, reflecting hostility in the Middle East and its impacts on global supply. This contributed to the Canadian Mixed Sweet Blend benchmark averaging $131.74 per barrel for the quarter (Q2 2025: $84.25 per barrel). The Company's realized price for crude oil and natural gas liquids in Canada averaged $115.31 per barrel for the quarter (Q2 2025: $81.83 per barrel), reflecting the higher benchmark price partially offset by widening quality differentials on the Company's products.

In Brazil, prices for the Company’s oil production are primarily based on Brent pricing with applicable quality differentials and premiums. For the second quarter of 2026, the benchmark Brent crude oil price averaged $133.81 per barrel, compared with the Company’s realized price of $149.30 per barrel. The realized price reflects produced volumes net of volumes used in the production process, product quality, and commercial arrangements. Year to date, the realized price averaged $131.81 per barrel, compared with the Brent benchmark of $120.17 per barrel.

North American natural gas prices were lower in the second quarter of this year compared to the same period last year. The AECO daily spot price averaged $1.47 per Mcf for the second quarter of 2026 (Q2 2025: $1.60 per Mcf), reflecting continued oversupply in the Western Canadian market relative to demand. Year to date, AECO averaged $1.72 per Mcf (H1 2025: $1.83 per Mcf). The Company's realized natural gas price in Canada was $1.62 per Mcf for the second quarter of 2026 (Q2 2025: $2.00 per Mcf), reflecting the lower benchmark price partially offset by the higher heat content of the Company's gas volumes from Kakwa.

Royalties

($ thousands)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Canada	**$ 1,247**	$ 2,205	**$ 1,456**	$ 2,753
Brazil	**1,422**	–	**2,403**	–
	$ 2,669	$ 2,205	**$ 3,859**	$ 2,753
% of Revenue:				
Canada	**14%**	16%	**7%**	12%
Brazil	**3%**	–	**3%**	–
Total Company	**5%**	16%	**4%**	12%

Higher royalty expense for the second quarter of 2026 and year to date was due to the Acquisition.

Royalties on production in Canada declined in the second quarter of this year following the Disposition. Year to date, royalties have been lower than the prior year due to an increase in the credits received for processing the Crown's share of production in Alberta.

Royalties on production in Brazil averaged 3% of revenue in both the current quarter and year to date. This reflects a 5% royalty on the value of oil shale production and a 2% royalty on volumes from waste oil processing.

Operating Costs

($ thousands)	Three months ended June 30, 2026	2025	Six months ended June 30, 2026	2025
Canada	**$ 2,671**	$ 5,309	**$ 7,157**	$ 9,021
Brazil	**20,419**	–	**37,954**	–
	$ 23,090	$ 5,309	**$ 45,111**	$ 9,021
$/boe:				
Canada	**$ 19.00**	$ 18.87	**$ 21.15**	$ 20.64
Brazil	**72.67**	–	**67.36**	–
Total Company	**$ 54.77**	$ 18.87	**$ 50.02**	$ 20.64

Operating costs for the second quarter of 2026 and year to date increased over the corresponding periods of 2025 due to the Acquisition.

In Canada, operating costs were $2.7 million for the quarter (Q2 2025: $5.3 million) and $7.2 million year to date (H1 2025: $9.0 million). Lower production volumes from Kakwa North in the current quarter compared to last year accounted for most of the variance with lower costs from the Disposition accounting for the remainder. On a boe basis, operating costs were relatively stable for both the second quarter of 2026 and year to date.

Operating costs in Brazil are largely fixed and include mining, refining, energy and other costs associated with PX Energy's operations. Brazil operating costs increased by $2.9 million in the second quarter to $20.4 million from $17.5 million in the first quarter. The increase reflects $2 million for higher energy costs and $0.9 million to acquire incremental waste oil for processing. The Company anticipates these costs related to additional waste oil purchases should reduce in the next two quarters following the proposed plant turnaround to restore operating efficiency.

Because the costs are largely fixed, changes in sales volumes have a significant impact on unit costs. On a boe basis, operating costs rose to $72.67 from $62.13 in the first quarter, reflecting both the higher absolute cost base and the impact of a modest decline in sales volumes to 3,088 boe per day from 3,138 boe per day in the first quarter.

Notwithstanding these specific cost increases, PX Energy is on track to achieve savings of $11 million in the current year through its cost-cutting program. It is targeting a further $11 million in additional savings through a second round of cost cuts.

General and Administrative Expenses

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2026**	2025	**2026**	2025
Canada general and administrative expenses	**$ 3,527**	$ 1,291	**$ 5,703**	$ 2,631
Brazil general and administrative expenses	**3,758**	–	**6,538**	–
General and administrative expenses, net	**$ 7,285**	$ 1,291	**$ 12,241**	$ 2,631

General and Administrative expenses ("G&A") were $7.3 million for the second quarter of 2026 (Q2 2025: $1.3 million) and $12.2 million year to date (H1 2025: $2.6 million).

G&A increased in the current year following the Acquisition and the consolidation of its ownership of Red Leaf Resources. In Canada, G&A increased over the prior quarter in part due to the one-time fees incurred for the listing of the Series 2 Preferred Shares of approximately $0.6 million. Additionally, higher legal costs were incurred for the Company's Quebec assets.

In Brazil, G&A of $3.8 million in the second quarter increased from $2.8 million incurred in the first quarter, primarily reflecting higher consulting services and marketing costs.

The year-over-year increase in consolidated G&A primarily reflects inclusion of Brazilian G&A of $6.5 million following the acquisition of PX Energy in September 2025, together with higher Canadian G&A for the current quarter. No comparable Brazilian G&A were incurred in the 2025 comparative periods as the Acquisition closed in September 2025.

Depletion, Depreciation, and Impairment

For the second quarter of 2026, the Company recorded depletion and depreciation expense of $13.8 million (Q2 2025: $5.4 million). Of this amount, $2.1 million related to production from Canada and $11.7 million related to production from Brazil.

The increase in depletion and depreciation expense compared to the prior year period reflects the inclusion of expense related to the Brazil assets following the Acquisition. Depletion and depreciation in Brazil are higher than in Canada due to the higher production and nature of the acquired asset base, including the integrated mining, processing and refining operations of PX Energy.

For the quarter, on a corporate boe basis this increased from $19.02 last year to $32.70 this year. In Canada, on a unit of production basis, depletion and depreciation decreased to $14.95 per boe from $19.02 per boe in the comparative period due to the Disposition. In Brazil, on a unit of production basis, depletion and depreciation was $41.58 per boe.

Year to date, the Company recorded depletion and depreciation expense of $28.7 million (H1 2025: $8.5 million). Of this amount, $5.9 million related to production from Canada and $22.8 million related to production from Brazil. On a unit of production basis this expense increased to $31.80 per boe from $19.45 per boe for the six months ended June 30, 2025.

At June 30, 2026, the Company assessed its property, plant, and equipment assets for indicators of impairment or impairment reversals. No impairment was recorded for the three and six months ended June 30, 2026. Commodity prices increased compared to year-end 2025, and as a result, no new impairment indicators were identified. The Company also considered whether the increase in commodity prices represented an indicator of impairment reversal for the impairments recorded at year-end 2025. No impairment reversal was recorded during the quarter. Management concluded that the increase in commodity prices may be temporary and influenced by geopolitical factors. Therefore it did not provide sufficient evidence of sustained improvement in long-term pricing assumptions or asset recoverability.

Share Based Compensation

For the quarter, the Company recorded share-based compensation expense of $0.5 million (Q2 2025: $0.2 million) net of $0.1 million (Q2 2025: $0.1 million) in expense that was capitalized during the quarter. Year to date, the Company recorded share-based compensation expense of $1.0 million (H1 2025: 0.7 million) net of $0.1 million (H1 2025: $0.1 million) in expense that was capitalized during the year.

Finance income and expenses

For the second quarter of 2026, the Company recorded finance income of $6.6 million and finance expense of $0.8 million (Q2 2025: finance income of $0.2 million; finance expense of nil), resulting in net finance income of $5.9 million (Q2 2025: 0.2 million net finance income).

Year to date, the Company recorded finance income of $14.0 million and finance expense of $18.6 million (H1 2025: finance income of $0.4 million; finance expense of nil), resulting in net finance expense of $4.6 million (H1 2025: $0.4 million net finance income).

The significant variability between the second quarter of 2026 and year to date results reflects fair value movements in the embedded derivative associated with the Brent-linked interest component of the senior secured bonds. As forward Brent prices rose in the first quarter, the Company recognized a fair value loss on the embedded derivative during the period. This amount is recorded as a finance expense in the period. As forward Brent prices declined in the second quarter, the Company recognized a fair value gain on the embedded derivative in finance income, largely offsetting the first quarter fair value loss.

Finance income for the current periods largely relates to gains on (i) foreign currency exchange on U.S. dollar and Brazilian real denominated balances, primarily the U.S. dollar denominated senior secured bonds; and (ii) fair value on the embedded derivative associated with the Brent-linked interest component of the bonds.

Finance expense for year to date of $18.6 million comprises principally: (i) accretion expense of $4.3 million on the secured bonds, as the carrying value accretes from the acquisition-date fair value toward face value over the bonds' remaining term; (ii) interest expense on the secured bonds of $9.3 million, which the issuer has elected to settle in kind for 2026 (accrued interest is added to outstanding principal rather than paid in cash); and (iii) interest expense on other obligations, including customer working capital loans at PX Energy and lease liabilities.

The embedded derivative will continue to be remeasure each reporting period, with changes recognized in finance expense or income. As a result, this will increase or decrease in future periods depending on movements in forward Brent prices and other valuation inputs. Under the agreed terms, the interest rate on the secured bonds was revised to a variable rate based on forward Brent prices with a maximum rate of 20% if Brent prices are US$95 per barrel or higher in the applicable quarter. Notwithstanding, the interest on the secured bonds is capped at 16% over the life of the bond. The issuer, being the Company's indirect subsidiary, has elected to pay interest for 2026 in kind and not in cash.

The Company's reported finance income and expenses are expected to remain volatile from period to period given the sensitivity of the embedded derivative fair value to movements in forward Brent prices. Refer to 'Risk Management — Interest Rate Risk' for further discussion.

Other Comprehensive Loss

For the second quarter of 2026 and year to date, the Company recorded foreign currency translation adjustments of $0.5 million gain (Q2 2025: $0.2 million loss) and $1.8 million gain (H1 2025: $0.2 million loss) related to its foreign subsidiaries.

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

For the second quarter of 2026, the Company recorded net income of $27.8 million (Q2 2025: net loss of $0.7 million). Net income for the quarter reflects the $17.5 million gain on the Disposition, higher realized commodity prices, and a deferred tax recovery of $7.3 million. Year to date, the Company recorded net income of $10.0 million (H1 2025: net loss of $0.7 million) reflecting the second quarter of 2026 net income of $27.8 million, partially offset by the first quarter net loss of $17.8 million. Total comprehensive income for the second quarter was $28.4 million (Q2 2025: 0.9 million loss) and year to date was $11.8 million (H1 2025: 0.9 million loss) primarily reflecting foreign currency translation gains on the Company's foreign subsidiaries in addition to net income.

Cash Flow from Operating Activities

The Company reported net cash from operating activities of $9.4 million for the second quarter of 2026 (Q2 2025: $6.3 million) and $12.5 million year to date (H1 2025: $9.6 million). Before changes in non-cash working capital, cash generated from operations was $11.3 million for the quarter and $25.4 million year-to-date, compared with $5.0 million and $8.5 million respectively in the comparative periods.

The increase in cash from operations before working capital changes over the comparative periods reflects the net cash contribution from PX Energy following the Acquisition.

Changes in non-cash working capital used $2.0 million of cash during the quarter (Q2 2025: $1.3 million provided) and used $12.9 million year to date (H1 2025: $1.1 million provided). Included in the accounts receivable at June 30, 2026 is $0.8 million in amounts due from customers for shortfalls on minimum sales volumes. These amounts were collected after the end of the quarter.

Cash Flow from (used in) Investing Activities

The investing activities resulted in a net cash inflow of $18.7 million for the second quarter of 2026 (Q2 2025: $14.6 million outflow). The current quarter reflects $23.5 million in cash proceeds from the Disposition, offset by $2.2 million of capital expenditures, $1.6 million paid to Petrobras for year-to-date contingent consideration arising on sludge processing and a $1.3 million increase in restricted cash. Non-cash working capital changes added $0.3 million inflow in the quarter. Year to date, investing activities generated a net cash inflow of $13.4 million (H1 2025: $23.1 million outflow), reflecting the same $23.5 million in disposition proceeds, partly offset by $4.0 million of cumulative capital expenditures, $2.2 million of contingent consideration payments, $2.2 million of cash consideration paid on the Red Leaf preferred shares, a $1.3 million increase in restricted cash, and $0.5 million of unfavourable non-cash working capital movement. The comparative period reflected outflows for the Company's 2025 Kakwa North development program.

Cash Flow used in Financing Activities

Cash used in financing activities was $3.9 million for the second quarter of 2026 and $7.3 million year to date. For the current quarter, this included $3.6 million in repayments on customer-funded working capital loans held at PX Energy and $0.3 million in lease liability payments. For the first half of the year, financing activities included cumulative customer loan repayments of $7.9 million and lease payments of $0.5 million, partially offset by $1.2 million in proceeds received from the exercise of stock options in the first quarter.

Capital Expenditures

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2026**	2025	**2026**	2025
Canada	**$ 461**	$ 1,048	**$ 940**	$ 18,912
Brazil	**1,759**	–	**3,052**	–
Total Company	**$ 2,220**	$ 1,048	**$ 3,992**	$ 18,912

For the second quarter of 2026 and year to date, the Company incurred capital expenditures of $2.2 million and $4.0 million, respectively, as follows:

- In Canada, $0.9 million was incurred to finish one well in Antler and expand the pressure support scheme; and
- In Brazil, $3.1 million was spent on production assets.

For the second quarter of 2025 and year to date 2025, the Company incurred capital expenditures of $1.0 million and $18.9 million, respectively, as follows:

- In Alberta, $15.7 million to completing and tying-in three (1.5 net) wells at the Kakwa North;
- In Saskatchewan, $2 million was invested in a pressure maintenance scheme; and
- The remaining $0.2 million was spent on other assets including Jordan.

Liquidity and Capital Resources

The Company's objectives when managing its capital are, first, to maintain financial flexibility and the ability to meet financial obligations as they come due, and second, to optimize the cost of capital at an acceptable level of risk to sustain the long-term development of the business. Management approaches liquidity management on both a consolidated basis and on a standalone entity basis. The financial obligations of its Brazil subsidiary including its senior secured bonds are non-recourse to the parent. For more information, please refer to Note 4 of the Financial Statements.

Sources of liquidity include cash, cash flow generated by operating activities and subject to the renewal, its existing credit facility. Subject to market conditions, the Company may have access to equity and debt capital markets as well as future asset dispositions or joint venture arrangements where such transactions are accretive to shareholder value.

At June 30, 2026, the Company's consolidated current liabilities were $106.2 million. These include $28.5 million of liabilities that relate primarily to the Acquisition and are expected to be settled in equity. Additionally, $15.7 million in liabilities relate to contract liabilities and the Company anticipates these will not be settled in cash. This reduces the current liabilities requiring cash settlement to $62.0 million. The Company's consolidated current assets were $87.1 million, including $44.2 million in cash and cash equivalents.

On a consolidated basis, the Company reported a working capital deficit of $19.1 million. This compares to a deficit of $49.6 million at March 31, 2026, and $52.0 million at December 31, 2025. The material improvement in the reported working capital deficit during the second quarter reflects the $23.5 million cash proceeds from the Disposition and the cash generated from operating activities.

At June 30, 2026, the Company's indirect subsidiary, Forbes Resources Brazil Holding SA, has senior secured bonds issued and outstanding. The secured bonds have a face value of US$80 million, mature on April 26, 2028, with the option for two one-year extensions and are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy. The bonds are non-recourse to Questerre, the parent company.

For 2026, interest incurred will not be paid in cash. It is accrued and added to the principal outstanding. The carrying value of these bonds at June 30, 2026, increased to $112.2 million from $100.8 million at December 31, 2025. The reported value of secured bonds of $112.2 million is net of a $4.5 million for the fair value of the embedded derivative associated with the Brent-linked interest feature. The increase reflects accretion expense of $4.3 million as the bonds increase from their fair value to face value, $9.3 million in accrued interest expense and $2.4 million in foreign exchange adjustments offset by a $4.5 million decrease in the fair value of the embedded derivative.

During the quarter, the Company's wholly owned subsidiary notified the counterparties of the business combination agreement ("BCA") with a special purpose acquisition company ("SPAC") that it was terminating the BCA for breaches asserted by the subsidiary. The counterparties have disputed the validity of the termination. The Company believes the termination was validly effected in accordance with the terms of the BCA. The outcome of this matter cannot be determined at this time, and there can be no assurance as to how or when it will be resolved. The Company intends to vigorously defend its position and continues to reserve all its rights and remedies. In connection with the

Acquisition, the Company recorded a liability of $7.6 million representing the estimated fair value of its obligations under the BCA.

At June 30, 2026, there were no material borrowings under the Company's Canadian credit facility. The credit facility is under review following the Disposition. During this time any borrowings are subject to posting cash security. Following the closing of the Disposition, the lender has advised that the credit facility will be reduced from $16 million to $10 million. The Company and the lender are discussing the final terms of the credit facility including any requirements for the decommissioning obligations in Quebec.

The credit facility is 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.

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.

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, 2026, and 2025, there were no Class "B" common voting shares outstanding and no other preferred shares outstanding besides the Series 2 Preferred Shares.

The following table summarizes outstanding Common Shares, Preferred Shares and options as at the date of the MD&A and the current reporting date and the preceding fiscal year-end.

(thousands)	**Aug 11, 2026**	**June 30, 2026**	December 31, 2025
Common Shares	**452,763**	**452,763**	445,763
Series 2 Preferred Shares	**45,276**	**45,276**	–
Stock Options - Common shares	**40,135**	**40,085**	35,790
Stock Options - Preferred shares	**1,255**	**1,250**	–
Weighted average common shares			
Basic		**451,204**	450,183
Diluted		**453,007**	452,115

During the second quarter of 2026, the Company also issued 0.55 million Common Shares and 55,000 Series 2 Preferred Shares, with a combined value of $0.2 million, partially settling the pending share issuance liability arising on the December 30, 2025 acquisition of the remaining interest in Red Leaf Resources Inc. (see Note 5). The Preferred Share component reflects the mechanical entitlement under the January 2026 capital reorganization; no additional dollar value was ascribed to the Preferred issuance.

During the first quarter, the Company issued 6.5 million Common Shares on the exercise of stock options at a weighted average exercise price of $0.18 per share, resulting in gross cash proceeds of approximately $1.2 million. The exercise of these options increased share capital by the cash proceeds received and the transfer of the related amount previously recorded in contributed surplus.

In connection with the exercise, the Company will reimburse employees for the withholding tax obligations as an incentive to promote share ownership subject to the optionees holding the shares for a minimum of six months from the date of exercise.

As of June 30, 2026, there are 1.25 million options on Preferred Shares outstanding. There are an additional 3.1 million Preferred Shares issuable on the exercise of options on Common Shares issued prior to the ex- date of January 22, 2026, that entitle the holder to acquire both Common Shares and Preferred Shares on exercise.

On June 30, 2026, the Company completed the listing of its Preferred Shares on Euronext Growth Oslo under the ticker symbol QGAS. The Preferred Shares were issued in January 2026 as part of the reorganization of the capital of the Company that conveyed the economic benefits of the Company's Quebec assets to Preferred shareholders. The listing occurred on the final day of the reporting period, with administrative completion of the trading arrangements extending into the subsequent event period.

At the Annual and Special Meeting of Shareholders held on June 23, 2026, shareholders approved a consolidation of the Company's Series 2 Preferred Shares on the basis of one new Preferred Share for every ten Preferred Shares previously outstanding. The consolidation was implemented on June 30, 2026, prior to the first day of trading of the Preferred Shares.

As part of the Acquisition at the end of the third quarter of 2025, the Company was obligated to issue 15 million Class “A” common voting shares with a deemed value of $5.0 million (the “First Tranche Common Shares”). As at June 30, 2026, these shares had not yet been issued, and the related amount has been recognized as a current liability.

The consideration also includes contingent equity consideration comprised of two additional tranches of 25 million Common Shares. At the acquisition date, these contingent shares were measured at an estimated fair value of $13.9 million and have been classified as equity and recorded in contributed surplus.

A summary of the Company’s common stock option activity during the periods ended June 30, 2026, and December 31, 2025, are as follows:

	June 30, 2026			December 31, 2025		
	Number of Options *(thousands)*		**Weighted Average Exercise Price**	Number of Options *(thousands)*		Weighted Average Exercise Price
Outstanding, beginning of period	**35,790**	**$**	**0.25**	38,295	$	0.25
Granted	**13,075**		**0.27**	6,675		0.23
Forfeited	**(1,005)**		**0.28**	(2,880)		0.22
Expired	**(1,325)**		**0.18**	(325)		0.16
Exercised	**(6,450)**		**0.18**	(5,975)		0.20
Outstanding, end of period	**40,085**	**$**	**0.27**	35,790	$	0.25
Exercisable, end of period	**23,300**	**$**	**0.28**	28,288	$	0.26

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, foreign exchange, interest rates, access to capital, credit exposure, exploration and development drilling, and production operations. Unforeseen significant changes in markets, prices, royalties, government regulations and global economic conditions could have an impact on the Company's future operating results or financial condition. While management realizes that all such risks may not be controllable, Questerre believes they can be monitored and managed. For more information, refer to the "Risk Factors" and "Industry Conditions" sections of the AIF and Note 15 to these condensed interim consolidated financial statements.

The Company operates in an industry that is highly sensitive to commodity prices, market access, regulatory developments and the availability of capital. The Company's financial performance is substantially dependent on crude oil prices (both Brent and WTI benchmarks) and, to a lesser extent, on North American natural gas prices and refined product pricing in Brazil. In 2026, oil markets remained sensitive to geopolitical and trade uncertainty and expectations of supply growth exceeding demand growth.

A sustained decline in commodity prices, or widening price differentials, could reduce the Company’s cash flow from operations, limit funds available for capital expenditure and adversely affect the economic viability and value of its reserves and development opportunities. This may impair the Company’s ability to replace production, advance projects and maintain financial flexibility.

Following the Acquisition, a substantial portion of the Company's operations and cash generation is located in Brazil. 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.In Canada, the Company remains exposed to Western Canadian pricing dynamics, natural gas market conditions, infrastructure availability and evolving regulatory and environmental requirements. Although the Trans Mountain Expansion has improved crude oil market access and reduced certain export constraints, the Canadian oil and natural gas industry continues to face risks relating to transportation availability, permitting timelines and emissions-related regulation, including methane requirements.

Access to capital is also a significant risk for the Company. As a junior exploration and production company, Questerre relies on cash flow from operations, debt and equity financing and strategic arrangements to fund its activities. There can be no assurance that sufficient capital will be available when required or that it will be available on acceptable terms. If the Company is unable to obtain sufficient capital, it may be required to defer, reduce or restructure planned capital programs or other strategic initiatives. 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 to the Company arises principally from cash and cash equivalents, restricted cash, accounts receivable from petroleum and natural gas customers and fuel distributors, receivables from joint venture partners, financial-asset deposits (including Brazilian tax contributions recoverable from Brazilian tax authorities) and the fair value of derivative financial assets. . 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. The maximum credit exposure at the reporting date is equal to the carrying amounts of these financial assets as reported in the condensed consolidated interim balance sheet. Cash and cash equivalents and restricted cash are held with major Canadian chartered banks and with regulated Brazilian financial institutions; management monitors the credit standing of these counterparties on an ongoing basis and 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 and fuel distributors in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production are paid in the following month from major oil and natural gas marketing and infrastructure companies and fuel distribution companies and the Company has not experienced any credit loss relating to these sales to date. Pursuant to IFRS 9, the Company made a provision for Canada of $0.06 million at June 30, 2026, for its expected credit losses related to its accounts receivable.

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

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

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

The Company may use financial instruments to reduce corporate risk in certain situations. Questerre's hedging policy permits hedging up to a maximum of 40% of total production at management's discretion. During year to date, the Company entered into commodity risk management contracts to manage its exposure to commodity price risk. At June 30, 2026, the Company had an AECO natural gas swap and a WTI crude oil swap outstanding for the period from July 1, 2026, to January 1, 2027, with a combined fair value of $0.5 million. The fair value of these contracts is based on observable forward commodity prices and foreign exchange rates and is classified as a Level 2 fair value measurement.

					June 30, 2026
($) Term effective July 1, 2026 - December 31, 2026	Volume		Rate		Fair Value
Swap AECO 7A (GJ)	535,000	$	1.94	$	61,039
Swap WTI (USD) (bbl)	85,600	$	74.50	$	472,739
Total					**533,778**

The following table details the composition of the Company's gain (loss) on risk management contracts:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2026**	2025	**2026**	2025
Realized loss on risk management contracts	**$ (820)**	$ –	**$ (820)**	$ –
Unrealized gain on risk management contracts	**1,287**	–	**534**	–
Total gain (loss) on risk management contracts	**$ 467**	$ –	**$ (286)**	$ –

Environmental Regulation and Risk

The Company's operations are subject to extensive environmental laws and regulations in the jurisdictions in which it operates. These requirements govern, among other things, emissions, water use, waste handling, site restoration, abandonment and reclamation, and remediation of contaminated properties. Compliance with these requirements may increase capital expenditures, operating costs and administrative obligations, and may affect the timing and economics of the Company's exploration, development and production activities. Failure to comply could result in penalties, the suspension or revocation of approvals, remediation orders or other liabilities.

In Alberta, the Company remains exposed to changing emissions and methane requirements, including the TIER regime and enhanced methane rules that will require additional compliance, monitoring and operational costs over time. In Québec, the regulatory environment remains highly restrictive for hydrocarbon development. Québec has revoked exploration and production licences and requires the permanent closure and restoration of wells drilled under those licences, which may limit the Company's ability to realize value from those assets and may increase closure and reclamation obligations.

More broadly, climate-related policy, carbon regulation, methane requirements and changing stakeholder expectations may increase the Company's costs, reduce operational flexibility and affect the competitiveness and economic viability of certain projects. These developments may also affect reserve values, access to capital and the Company's ability to advance portions of its asset base. While the Company seeks to manage these risks through compliance, operational planning and ongoing monitoring of regulatory developments, there can be no assurance that future environmental or climate-related measures will not have a material adverse effect on its business, financial condition and results of operations.

For more information, please refer to the "Risk Factors" and "Industry Conditions" sections of the AIF.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Following the Acquisition, the Company is exposed to financing cost variability through the senior secured bonds assumed as part of the transaction. While the bonds have a fixed principal amount of US$80 million, the amended interest terms include a variable interest rate mechanism linked to Brent crude oil prices.

Under the amended bond terms, accrued and unpaid interest up to December 31, 2025, will convert into shares if the contemplated SPAC transaction is completed. If the SPAC transaction does not proceed, no interest is payable for 2025. Beginning in 2026, interest is payable quarterly at rates determined by reference to Brent crude oil prices, ranging from 4% per annum when Brent is below US$55 per barrel to 20% per annum when Brent exceeds US$95 per barrel, subject to an overall cap such that interest does not exceed 16% per annum over the term of the bonds.

Interest in 2026 may be settled in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel.

The Brent-linked interest feature introduces variability in the Company's future finance costs and may impact the amount and timing of interest payments. The Company has separated the Brent-linked interest feature as an embedded derivative measured at fair value through profit or loss, giving rise to material non-cash movements in reported finance expense as forward Brent prices change. Higher forward Brent prices generally increase the fair value of the embedded derivative liability and result in non-cash finance expense; lower forward prices have the opposite effect. Because the issuer has elected payment-in-kind settlement for 2026, movements in the embedded derivative do not affect cash finance costs during the current year.

At June 30, 2026, the Company's exposure to the Brent-linked interest feature was based on the bonds' US$80 million face value. The Company monitors this exposure as part of its assessment of financing costs, expected liquidity requirements, fair value movements and the potential cash or payment-in-kind settlement of future interest obligations.

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 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.

Petroleum and Natural Gas Reserves

All of Questerre's petroleum and natural gas reserves are evaluated and reported on by independent petroleum engineering consultants in accordance with *National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities* and the COGE Handbook. For further information, please refer to "Statement of Reserves Data and Other Oil and Gas Information" in the AIF.

The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, commodity prices and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. The Company expects that its estimates of reserves will change to reflect updated information. Reserve estimates can be revised upward or downward based on the results of future drilling, testing, production levels and changes in costs and commodity prices. These estimates are evaluated by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. If probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimated proved plus probable reserves and there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves.

Reserve estimates impact a number of the areas, in particular, the valuation of property, plant and equipment and the calculation of depletion.

Cash Generating Units ("CGU")

A CGU is defined as the lowest grouping of assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include geography and the way management monitors and makes decisions about its operations.

Impairment of Property, Plant and Equipment, Exploration and Evaluation Assets and Goodwill

The Company assesses its oil and natural gas properties, including exploration and evaluation assets and goodwill, for possible impairment or reversal of previously recognized impairments, other than goodwill, if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable or indications that previously recognized losses should be reversed. Determining if there are facts and circumstances present that indicate that carrying values of the assets may not be recoverable requires management's judgment and analysis of the facts and circumstances. Goodwill is tested for impairment annually.

The recoverable amounts of CGUs have been determined based on the higher of value in use and fair value less costs of disposals. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated future commodity prices, expected production volumes, the discount rate, future operating and development costs and recent land transactions. Changes to these assumptions will affect the recoverable amounts of the CGUs and may require a material adjustment to their related carrying value.

Asset Retirement Obligation

Determination of the Company's asset retirement obligation is based on Government regulations, operator estimates, internal estimates using current costs and technology in accordance with existing legislation and industry practice and must also estimate timing, a risk-free rate and inflation rate in the calculation. These estimates are subject to change over time and, as such, may impact the charge against profit or loss. The amount recognized is the present value of estimated future expenditures required to settle the obligation using a risk-free rate. The associated abandonment and retirement costs are capitalized as part of the carrying amount of the related asset. The capitalized amount is depleted on a unit of production basis in accordance with the Company's depletion policy. Changes to assumptions related to future expected costs, risk-free rates and timing may have a material impact on the amounts presented.

Share Based Compensation

The Company has a stock option plan enabling employees, officers and directors to receive Common Shares or cash at exercise prices equal to the market price or above on the date the option is granted. Under the equity settled method, compensation costs attributable to stock options granted to employees, officers or directors are measured at fair value using the Black-Scholes option pricing model. The assumptions used in the calculation are: the volatility of the stock price, risk-free rates of return and the expected lives of the options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Changes to assumptions may have a material impact on the amounts presented.

Income Tax Accounting

Deferred tax assets are recognized when it is considered probable that deductible temporary differences will be recovered in the foreseeable future. To the extent that future taxable income and the application of existing tax laws in each jurisdiction differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

The determination of the Company's income and other tax assets or liabilities requires interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset or liability may differ significantly from that estimated and recorded by management.

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

Questerre is required to comply with National Instrument 52-109 "*Certification of Disclosure in Issuers' Annual and Interim Filings*" ("NI 52-109") and is required to make specific disclosures with respect to NI 52-109 as follows:

- The Company has designed and evaluated the effectiveness of Disclosure Controls and Procedures ("DC&P"). The President and Chief Executive Officer and the Chief Financial Officer have concluded that DC&P are designed appropriately and are operating effectively as at June 30, 2026.
- The Chief Executive Officer and the Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR"), in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's ICFR as at June 30, 2026, and have concluded that such ICFR have been designed appropriately and are operating effectively as at June 30, 2026, other than in respect of certain deficiencies identified in the internal controls of PX Energy for which a remediation plan is being implemented, as described further below.
- The Company reports that no changes were made to ICFR during the quarter ended June 30, 2026, that have materially affected or are reasonably likely to materially affect the Company's ICFR.

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. Since the date of the Acquisition, Management has completed preliminary assessments of the internal controls over financial reporting of PX Energy and has identified certain deficiencies. Management is developing a remediation plan to address these deficiencies during the fiscal year 2026 and to integrate PX Energy's controls into the Company's overall internal control framework.

Quarterly Financial Information

($ thousands, except as noted)	Jun 30 2026	Mar 31 2026	Dec 31 2025	Sep 30 2025
Production (boe/d)	**5,694**	6,180	7,046	2,926
Average Realized Price ($/boe)	**118.94**	89.47	65.61	44.32
Petroleum and Natural Gas Revenue	**50,140**	42,970	42,530	11,801
Adjusted Funds Flow from Operations(1)	**18,263**	20,801	4,322	2,813
Cash Flow from Operations	**9,428**	3,089	1,680	1,294
Net Income (Loss)	**27,839**	(17,832)	(75,066)	(5,334)
Basic and Diluted ($/share)	**0.06**	(0.04)	(0.17)	–
Capital Expenditures, net of acquisitions and dispositions	**2,220**	1,772	4,459	2,248
Working Capital Deficit(2)	**(19,131)**	(49,628)	(51,971)	(40,330)
Total Assets	**421,667**	401,366	395,262	384,853
Shareholders' Equity	**90,894**	61,800	76,659	135,053
Weighted Average Common Shares Outstanding				
Basic (thousands)	**452,213**	450,183	429,083	428,516
Diluted (thousands)	**454,081**	452,115	434,968	434,523

(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 changes in non-cash contract revenue liability.
(2) Working capital surplus is a non-GAAP measure calculated as current assets less current liabilities excluding the current portion of risk management and lease liabilities.

($ thousands, except as noted)	Jun 30 2025	Mar 31 2025	Dec 31 2024	Sep 30 2024
Production (boe/d)	3,091	1,729	1,887	1,913
Average Realized Price ($/boe)	48.62	58.66	55.43	53.75
Petroleum and Natural Gas Revenue	13,675	9,130	9,622	9,460
Adjusted Funds Flow from Operations(1)	5,005	3,543	3,703	3,428
Cash Flow from Operations	6,288	3,359	3,844	4,060
Net Income (Loss)	(677)	4	(8,143)	(273)
Basic and Diluted ($/share)	–	–	(0.02)	–
Capital Expenditures, net of acquisitions and dispositions	1,048	17,864	7,543	3,433
Working Capital Surplus(2)	13,157	9,202	23,035	27,608
Total Assets	169,976	181,519	170,723	178,731
Shareholders' Equity	138,355	139,006	138,629	145,887
Weighted Average Common Shares Outstanding				
Basic (thousands)	428,516	428,516	428,516	428,516
Diluted (thousands)	431,505	431,700	432,473	431,804

(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 changes in non-cash contract revenue liability.
(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:

- The Acquisition significantly changed the Company's financial and operating profile effective September 26, 2025. It increased production, revenue, adjusted funds flow, total assets, total liabilities and the working capital deficit.
- Production increased in the last quarter of 2025 following the Acquisition and decreased in the first quarter of 2026 reflecting lower volumes in Brazil and natural declines in Canada. It decreased further in the second quarter of 2026 following the Disposition.
- Petroleum and natural gas revenue increased to $50.1 million in the second quarter of 2026 from $43.0 million in the first quarter of 2026, reflecting higher realized crude oil prices in both Canada and Brazil.
- Adjusted funds flow increased materially during the half year following the Acquisition.
- Capital expenditures varied by quarter based on the timing and number of wells drilled, completed and brought on production in Canada. Current period capital expenditures relates to sustaining capital in Brazil.
- The working capital deficit decreased to $19.1 million at June 30, 2026, from $49.6 million at March 31, 2026, primarily due to cash proceeds from the Disposition and cash generated from operating activities.
- Total assets increased to $421.7 million at June 30, 2026, primarily due to the Acquisition and subsequent foreign exchange movements.

- Shareholders' equity increased to $90.9 million at June 30, 2026 from $61.8 million at March 31, 2026, reflecting the second quarter of 2026 net income, partially offset by foreign currency translation adjustments.

Off-Balance Sheet Transactions

The Company did not engage in any off-balance sheet transactions during the quarter ended June 30, 2026.

Notice of No Auditor Review of Condensed Interim Consolidated 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 condensed interim consolidated financial statements of Questerre Energy Corporation for the interim reporting period of three and six months ended June 30, 2026, have been prepared in accordance with International Accounting Standard 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 condensed interim consolidated 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 Interim Consolidated Balance Sheets *(unaudited)*

($ thousands)	Note		June 30, 2026		December 31, 2025
Assets					
Current Assets					
Cash and cash equivalents		**$**	**44,245**	$	25,419
Accounts receivable	15		**13,666**		11,160
Inventory	6		**13,437**		8,593
Deposits and prepaid expenses			**15,219**		6,408
Risk management contracts	15		**534**		–
			87,101		51,580
Right-of-use assets	12		**1,058**		1,459
Property, plant and equipment	7		**259,062**		275,924
Exploration and evaluation asset	8		**5,599**		5,599
Intangible assets	9		**5,792**		5,452
Restricted cash	11		**5,501**		3,521
Other non current assets			**7,155**		5,766
Goodwill	4		**50,399**		45,961
		$	**421,667**	$	395,262
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	15	**$**	**26,400**	$	44,752
Advances from customers	15		**6,207**		13,367
Contract liabilities	15		**15,677**		2,026
Contingent consideration for original acquisition of PX Energy	13,15		**8,161**		3,259
Pending share issuance for acquisition	4,15		**5,783**		8,153
Lease liabilities	12,15		**634**		988
Liabilities related to business combination	4,15		**22,760**		22,760
Other current liabilities	14,15		**18,790**		5,301
Current portion of asset retirement obligation	11		**1,820**		2,945
			106,232		103,551
Lease liabilities	12,15		**419**		485
Contingent consideration for original acquisition of PX Energy	13,15		**10,063**		13,228
Long-term debt	10,15		**112,203**		100,755
Asset retirement obligation	11		**30,536**		33,100
Other long-term liabilities	14,15		**10,431**		10,187
Deferred tax liability			**60,889**		57,297
		$	**330,773**	$	318,603
Shareholders' Equity					
Share capital	17(a)	**$**	**437,439**	$	435,225
Contributed surplus	17(b)		**44,611**		44,427
Accumulated other comprehensive loss			**(795)**		(2,630)
Deficit			**(390,361)**		(400,363)
			90,894		76,659
		$	**421,667**	$	395,262

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

Signed on behalf of the Board of Directors

(Signed) Bjorn Inge Tonnessen, Director (Signed) Dennis Sykora, Director

Condensed Interim Consolidated Statements of Net Income (Loss)

(unaudited)

		Three months ended June 30,		Six months ended June 30,	
($ thousands)	Note	**2026**	2025	**2026**	2025
Revenue					
Petroleum and natural gas sales including royalty revenue	18	**$ 50,140**	$ 13,675	**$ 93,110**	$ 22,805
Royalties		**(2,669)**	(2,205)	**(3,859)**	(2,753)
Gain (loss) on commodity contracts	15	**467**	–	**(286)**	–
		47,938	11,470	**88,965**	20,052
Expenses					
Operating		**23,089**	5,309	**45,111**	9,021
General and administrative		**7,285**	1,291	**12,241**	2,631
Depletion and depreciation	7,9,12	**13,784**	5,350	**28,673**	8,501
Accretion	11	**866**	141	**1,434**	267
Gain on equity investment	5	**–**	(6)	**–**	(12)
Share based compensation	16	**542**	213	**968**	667
Gain on asset disposition	7	**(17,452)**	–	**(17,452)**	–
Other loss		**5,132**	–	**5,275**	–
Total Expenses		**33,246**	12,298	**76,250**	21,075
Finance income	19	**6,623**	151	**14,018**	350
Finance expense	19	**(757)**	–	**(18,620)**	**–**
Net income (loss) before taxes		**$ 20,558**	$ **(677)**	**$ 8,113**	$ **(673)**
Deferred tax recovery		**7,281**	**–**	**1,889**	**–**
Net income (loss)		**$ 27,839**	$ (677)	**$ 10,002**	$ (673)
Net income per share					
Basic and diluted	17	**$ 0.06**	$ –	**$ 0.02**	$ –

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

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

($ thousands)	Three months ended June 30, **2026**		Three months ended June 30, 2025		Six months ended June 30, **2026**		Six months ended June 30, 2025
Net income (loss)	**$**	**27,839**	$	(677)	**$**	**10,002**	$ (673)
Other comprehensive income (loss), net of tax							
Items that may be reclassified subsequently to net income:							
Foreign currency translation adjustment		**537**		(1)		**1,835**	(2)
Income (loss) on foreign exchange on investment		**–**		(223)		**–**	(227)
		537		(224)		**1,835**	(229)
Total comprehensive income (loss)	**$**	**28,376**		(901)	**$**	**11,837**	$ (902)

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)

		Six months ended June 30,	
($ thousands)	Note	**2026**	2025
Share Capital			
Balance, beginning of period		**$ 435,225**	$ 429,878
Shares issued for pending share issuance liability		**171**	–
Share based compensation reclassification		**882**	–
Proceeds from the exercise of stock options	17	**1,161**	–
Balance, end of period		**$ 437,439**	$ 429,878
Contributed Surplus			
Balance, beginning of period		**44,427**	29,283
Share based compensation reclassification		**(882)**	–
Share based compensation expense		**1,066**	628
Balance, end of period		**$ 44,611**	$ 29,911
Accumulated Other Comprehensive Income			
Balance, beginning of period		**(2,630)**	896
Other comprehensive income (loss)		**1,835**	(229)
Balance, end of period		**$ (795)**	$ 667
Deficit			
Balance, beginning of period		**(400,363)**	(321,428)
Net income (loss)		**10,002**	(673)
Balance, end of period		**$ (390,361)**	$ (322,101)
Total Shareholders' Equity		**$ 90,894**	$ 138,355

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

Condensed Interim Consolidated Statements of Cash Flows *(unaudited)*

		Three months ended June 30,		Six months ended June 30,	
($ thousands)	Note	**2026**	2025	**2026**	2025
Operating Activities					
Net income (loss)		**$ 27,839**	$ (677)	**$ 10,002**	$ (673)
Adjustments for:					
Accretion of asset retirement	11	**866**	141	**1,434**	267
Depletion, depreciation	7,9,12	**13,784**	5,350	**28,673**	8,501
Unrealized Loss (gain) of commodity contracts	15	**(1,287)**	–	**(534)**	–
Share based compensation	16	**542**	213	**968**	487
Gain on asset disposition		**(17,452)**	–	**(17,452)**	–
Unrealized foreign exchange gain		**(1,150)**	–	**(8,253)**	–
Deferred tax recovery		**(7,281)**	–	**(1,889)**	–
Gain on equity pickup on investment		**–**	(6)	**–**	(12)
Net interest expense (income)		**(7,321)**	–	**8,361**	–
Other items not involving cash	20	**5,538**	–	**8,451**	–
Cash taxes paid		**(1,196)**	–	**(1,826)**	–
Cash interest paid		**(1,033)**	–	**(1,108)**	–
Abandonment expenditures	11	**(512)**	(16)	**(1,421)**	(23)
		11,337	5,005	**25,406**	8,547
Change in non-cash working capital	20	**(1,909)**	1,283	**(12,896)**	1,099
Net cash from operating activities		**$ 9,428**	$ 6,288	**$ 12,510**	$ 9,646
Investing Activities					
Property, plant and equipment expenditures	7	**(2,220)**	(1,048)	**(3,991)**	(3,850)
Exploration and evaluation expenditures	8	**–**	–	**–**	(15,062)
Settlement of preferred shares liability for asset acquisition	5	**(15)**	–	**(2,200)**	–
Cash proceeds from asset disposition	7	**23,500**	–	**23,500**	–
Payment for contingent consideration paid by subsidiary	13	**(1,586)**	–	**(2,204)**	–
Restricted cash		**(1,254)**	–	**(1,254)**	–
Change in non-cash working capital	20	**290**	(13,536)	**(454)**	(4,152)
Net cash from (used) in investing activities		**$ 18,715**	$ (14,584)	**$ 13,397**	$ (23,064)
Financing Activities					
Proceeds from issue of share capital for options exercised	17	**–**	–	**1,161**	–
Principal portion of lease payments	12	**(256)**	(15)	**(547)**	(30)
Repayment of loans and financing		**(3,609)**	–	**(7,873)**	–
Net cash used in financing activities		**$ (3,865)**	$ (15)	**$ (7,259)**	$ (30)
Effect of foreign exchange on cash and cash equivalents		**23**	–	**178**	–
Change in cash, and cash equivalents		**24,278**	(8,311)	**18,648**	(13,448)
Cash and equivalents, beginning of period		**19,944**	26,654	**25,419**	31,791
Cash, and cash equivalents, end of period		**$ 44,245**	$ 18,343	**$ 44,245**	$ 18,343

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

Notes to the Consolidated Financial Statements

For the three and six months ended June 30, 2026, and 2025.

1. Reporting Entity and Basis of Preparation

Questerre Energy Corporation (“Questerre” or the “Company”) is an energy technology and innovation company actively engaged in the acquisition, exploration and development of oil and gas projects, specifically, non-conventional projects such as tight oil, oil shale, shale oil and shale gas. 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 Sixth Avenue SW, Calgary, Alberta.

The unaudited condensed interim consolidated financial statements include Questerre Energy Corporation, and its wholly-owned subsidiaries including Questerre Energy Corporation/Jordan, which holds interests in Jordan; Paraná Xisto S.A. (“PX Energy”), based in Brazil that owns the integrated oil shale assets in the country; and Red Leaf Resources Inc. (“Red Leaf”), a U.S. based technology company focused on developing its proprietary technology to produce oil from organic material, primarily oil shale.

These unaudited condensed interim consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

The financial statements follow the same accounting policies as the most recent annual audited consolidated financial statements. The financial statements note disclosures do not include all of those required by IFRS Accounting Standards applicable for annual consolidated financial statements. Accordingly, these financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2025.

The Financial Statements have been prepared on a historical cost basis except those items that are presented at fair value with changes in fair value recorded in profit or loss and changes due to currency translation adjustments recorded through other comprehensive income or loss.

These Financial Statements are presented in Canadian dollars, which is the functional currency of the parent company. The functional currency of PX Energy is the Brazilian real, Jordanian dinar for Questerre Energy corporation/Jordan, and the United States dollar for Red Leaf.

These financial statements were authorized for issuance by the Company’s board of directors on August 11, 2026.

2. Recent Accounting Pronouncements

New Accounting Standards and Interpretations not yet Adopted

Presentation and Disclosure in Financial Statements

IFRS 18 'Presentation and Disclosure in Financial Statements' ("IFRS 18") was issued in April 2024 by the International Accounting Standards Board and replaces IAS 1 'Presentation of Financial Statements'. The standard introduces a new defined structure to the Statement of Comprehensive Income with related disclosure requirements. Key changes to the Statement of Comprehensive Income and Notes to the Consolidated Financial Statements include:

- classification of income and expenses into defined categories with mandatory new subtotals;
- disclosure of management-defined performance measures in the notes to the financial statements; and
- enhanced aggregation and disaggregation requirements to improve the effectiveness of how information is communicated.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is required to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the extent of the impact of IFRS 18 on its consolidated financial statements. IFRS 18 results in a consequential amendment to IAS 7 'Statement of Cash Flows' which will result in a material change to the presentation of the Company's consolidated statement of cash flows, as interest and financing expense currently classified within operating activities will be presented within financing activities. The Company will continue its assessment of the presentation and disclosure impacts of IFRS 18, including finalizing the identification of management-defined performance measures and implementation of the related presentation and disclosure requirements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On May 30, 2024, the IASB issued amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include clarifications on the derecognition of financial liabilities and the classification of certain financial assets. In addition, new disclosure requirements for equity instruments designated as FVOCI were added. The amendments are effective for annual periods beginning on or after January 1, 2026, and will be applied retrospectively. The amendments did not have a material impact on the financial Statements.

3. Segment Information

Management has determined the operating segments based on information regularly reviewed for the purposes of decision making, allocating resources, and assessing operational performance by Questerre’s chief operating decision makers comprising of the Chief Executive Officer and other members of executive management. The operating segments have been aggregated based on several factors including geographic location and stage of development as well as the assignment of reserves and resources.

The accounting policies applied by the segments are the same as those applied by the Company.

The Company’s operating segments at June 30, 2026 are as follows:

- Brazil – Integrated oil shale operations conducted through PX Energy, comprising mining, processing, refining and distribution activities in São Mateus do Sul, in the state of Paraná in southern Brazil. PX Energy represents Questerre’s largest business and the primary contributor to its production, revenue and adjusted funds flow.
- Western Canada – Conventional and unconventional exploration, development and production activities across Alberta, Saskatchewan and Manitoba, producing crude oil, natural gas liquids and natural gas.

- Quebec – Pursuing development of its Utica natural gas discovery through a collaborative approach with the Government of Quebec while protecting shareholder rights for the attempted revocation of its licences, including the discovery, through the legal process.
- Corporate & other – Head office administration, exploration activity in the Kingdom of Jordan, and ownership of Red Leaf, a U.S.-based company with a proprietary technology to produce oil from organic material, including oil shale ("HCCO").

Segment assets are those assets associated with each operating segment as recorded on the consolidated balance sheets.

The table below presents assets by operating segment and their reconciliation to the consolidated balance sheets, together with the reconciliation of earnings before interest, taxes, depreciation and accretion (“EBITDA“) by operating segment to the condensed consolidated interim statements of net income (loss).

($ thousands)	Brazil	Western Canada	Quebec	Corporate & other	Consolidated
Assets by operating segment					
Exploration and evaluation	$ –	$ 5,599	$ –	$ –	$ 5,599
Property, plant & equipment	189,418	66,100	–	3,544	259,062
Other	99,382	56,340	–	1,284	157,006
Total assets, June 30, 2026	**$ 288,800**	**$ 128,039**	**$ –**	**$ 4,828**	**$ 421,667**
Exploration and evaluation	$ –	$ 5,599	$ –	$ –	$ 5,599
Property, plant & equipment	190,765	81,589	–	3,570	275,924
Other	35,004	51,456	–	27,278	113,739
Total assets, December 31, 2025	$ 225,770	$ 138,644	$ –	$ 30,848	$ 395,262

($ thousands)	Brazil	Western Canada	Quebec	Corporate & other	Consolidated
Results by operating segment for three months ended June 30, 2026					
Revenue	$ 41,189	$ 8,951	$ –	$ –	$ 50,140
Royalties	(1,422)	(1,247)	–	–	(2,669)
Gain (loss) on commodity contracts	–	467	–	–	467
Operating costs	(20,419)	(2,547)	(123)	–	(23,089)
General and administrative	(3,760)	(3,072)	–	(453)	(7,285)
Other income (expenses)	(5,132)	(542)	–	–	(5,674)
EBITDA	$ 10,456	$ 2,010	$ (123)	$ (453)	$ 11,890
Depletion, depreciation, accretion and impairment	(12,398)	(2,224)	–	(28)	(14,650)
Gain on asset disposition	–	17,452	–	–	17,452
Net finance income	5,744	44	–	78	5,866
Deferred tax recovery	–	–	–	–	7,281
Net Income (loss)	$ 3,802	$ 17,282	$ (123)	$ (403)	$ 27,839

Results by operating segment for three months ended June 30, 2025					
Revenue	$ –	13,675	–	–	$ 13,675
Royalties	–	(2,205)	–	–	(2,205)
Operating costs	–	(5,309)	–	–	(5,309)
General and administrative	–	(1,291)	–	–	(1,291)
Other income (expenses)	–	–	–	(207)	(207)
EBITDA	$ –	$ 4,870	–	$ (207)	$ 4,663
Depletion, depreciation, accretion and impairment	–	(5,491)	–	–	(5,491)
Net finance income	–	151	–	–	151
Net loss	$ –	$ (470)	$ –	$ (207)	$ (677)

($ thousands)	Brazil	Western Canada	Quebec	Corporate & other	Consolidated
Results by operating segment for six months ended June 30, 2026					
Revenue	$ 73,444	$ 19,666	$ –	$ –	$ 93,110
Royalties	(2,403)	(1,456)	–	–	(3,859)
Loss on commodity contracts	–	(286)	–	–	(286)
Operating costs	(37,954)	(6,916)	(241)	–	(45,111)
General and administrative	(6,539)	(4,734)	(235)	(733)	(12,241)
Other income (expenses)	(5,305)	(968)	–	30	(6,243)
EBITDA	$ 21,243	$ 5,306	$ (476)	$ (703)	$ 25,370
Depletion, depreciation, accretion and impairment	(23,869)	(6,183)	–	(55)	(30,107)
Gain on asset disposition	–	17,452	–	–	17,452
Net finance income (expense)	(4,798)	13	–	183	(4,602)
Deferred tax recovery	–	–	–	–	1,889
Net Income (loss)	**$ (7,424)**	**$ 16,588**	**$ (476)**	**$ (575)**	**$ 10,002**

Results by operating segment for six months ended June 30, 2025					
Revenue	$ –	$ 22,805	$ –	$ –	$ 22,805
Royalties	–	(2,753)	–	–	(2,753)
Operating costs	–	(8,718)	(303)	–	(9,021)
General and administrative	–	(2,499)	(132)	–	(2,631)
Other expenses	–	–	–	(655)	(655)
EBITDA	$ –	$ 8,835	$ (435)	$ (655)	$ 7,745
Depletion, depreciation, accretion and impairment	–	(8,768)	–	–	(8,768)
Net finance income		350			350
Net Income (loss)	$ –	$ 417	$ (435)	$ (655)	$ (673)

4. Business Combination

On September 26, 2025, the Company closed the acquisition of 100% of the common shares of PX Energy, a privately held oil shale production and refining company based in southern Brazil (the “Acquisition”), through the purchase of all issued and outstanding shares of its parent company, Forbes Resources Brazil Holding SA (“FRBH”). The Acquisition was accounted for as a business combination using the acquisition method under IFRS 3.

As disclosed in the Company’s annual consolidated financial statements for the year ended December 31, 2025, the preliminary purchase price allocation included total consideration of $41.7 million, comprised of the pending issuance of common shares valued at $5 million (the “First Tranche Common Shares”), contingent equity consideration of $13.9 million, and assumed vendor liabilities of $22.8 million. The assumed vendor liabilities included convertible promissory notes with principal of $15.2 million, and the assumption of a certain liabilities including obligations under a business combination agreement (“BCA”) with a special purpose acquisition company (“SPAC”) with an estimated fair value of $7.6 million.

The contingent equity consideration is issuable upon the earlier of: (a) achievement of US$30 million in free cash flow within any twelve month period between the closing of the Acquisition and September 30, 2027, or completion of an equity financing of $25 million at $0.50 per common share on or before September 30, 2027; and (b) achievement of US$40 million in free cash flow within any twelve month period between the closing of the Acquisition and September 30, 2028, or completion of an equity financing of $25 million at $1.00 per common share on or before September 30, 2028. The contingent equity consideration has been classified as equity. As of June 30, 2026, PX Energy has not met the free cash flow target for the issuance of the contingent equity consideration.

As of June 30, 2026, and December 31, 2025, the First Tranche Common Shares had not been issued, and the related consideration remains recognized as a liability. Issuance is subject to the resolution of a dispute between the Company and the vendor regarding the closing working capital adjustment.

Convertible Promissory Notes and Current Liabilities

As part of the Acquisition, the Company's subsidiary, 2744026 Alberta Ltd., assumed the vendor's obligations under the BCA with the SPAC. Pursuant to the BCA, the Company's wholly owned subsidiary is required to complete a go-public transaction with the SPAC, subject to certain conditions precedent, including regulatory approvals, the filing of a Proxy/Registration Statement with the US Securities and Exchange Commission and the completion of this transaction prior to December 31, 2026. At the acquisition date, the Company recognized assumed obligations and other liabilities related to BCA with an estimated fair value of $7.6 million.

In addition, subject to the issuance of the First Tranche Common Shares and related conditions under the BCA, the Company's subsidiary will assume convertible promissory notes. An obligation has been recorded to assume the notes measured at their fair value of $15.2 million. As at June 30, 2026, and December 31, 2025, the notes have not been assumed and the obligation remains outstanding.

Upon completion 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.

In connection with the Acquisition, the Company recorded a liability of $7.6 million representing the estimated fair value of its obligations under the BCA. During the second quarter, the Company's wholly owned subsidiary notified the counterparties of the BCA that it was terminating the BCA for breaches asserted by the subsidiary. The counterparties have disputed the validity of the termination. The Company believes the termination was validly effected in accordance with the terms of the BCA. The outcome of this matter cannot be determined at this time, and there can be no assurance as to how or when it will be resolved. The Company intends to vigorously defend its position and continues to reserve all its rights and remedies.

The following table summarizes the preliminary allocation of the consideration and the fair values of the assets acquired and liabilities assumed at the date of the acquisition and is subject to change upon the final adjustments to working capital:

Consideration Transferred		*($ thousands)*
Pending share issuance for acquisition	**$**	**4,950**
Contingent equity consideration		**13,941**
Obligations related to convertible promissory notes		**15,188**
Assumed liabilities		**7,572**
Total consideration transferred	**$**	**41,651**

Identifiable Assets Acquired and Liabilities Assumed		*($ thousands)*
Cash and cash equivalents	**$**	**1,228**
Restricted cash		**1,254**
Accounts receivable		**5,920**
Prepaid tax contributions		**7,572**
Inventory		**9,128**
Deposits and prepaid expenses		**3,351**
Right-of-use assets		**1,698**
Property, plant and equipment		**209,203**
Intangible asset		**5,755**
Goodwill		**47,900**
Other assets		**709**
Total assets acquired	**$**	**293,718**
Accounts payable and accrued liabilities	**$**	**(15,792)**
Advances from customers		**(10,320)**
Tax Contributions		**(24,964)**
Lease liabilities		**(1,698)**
Deferred tax liabilities		**(61,873)**
Other liabilities		**(15,333)**
Contingent consideration for original acquisition of PX Energy		**(17,348)**
Secured debt		**(95,539)**
Asset retirement obligation		**(9,200)**
Total liabilities assumed	**$**	**(252,067)**
Net Identifiable Assets Acquired	**$**	**41,651**

Goodwill

($ thousands)		**June 30, 2026**		December 31, 2025
Balance, beginning of year	**$**	**45,961**	$	–
Arising on a business combination (Note 4)		**–**		47,900
Foreign currency translation adjustment		**4,438**		(1,939)
Balance, end of period	**$**	**50,399**	$	45,961

Goodwill of $47.9 million was recognized on the Acquisition, principally due to the recognition of deferred tax liabilities arising from difference between the assigned fair values and the tax basis of the acquired assets and liabilities assumed in a business combination. At June 30, 2026, goodwill was $50.4 million, compared with $46.0 million at December 31, 2025. The $4.4 million increase during the half year was due to foreign currency translation adjustments.

Acquisition Related Costs
Acquisition related costs incurred in connection with the transaction were expensed as incurred. These costs totalled $3.3 million for the year ended December 31, 2025. No additional acquisition related costs were recognized during the current quarter and half year 2026.

5. Red Leaf Acquisition

On December 30, 2025, the Company acquired the remaining equity interest in Red Leaf, increasing its ownership from approximately 38% to 100%. Total consideration of $8.6 million consisted primarily of (i) the issuance of Questerre Common Shares to Red Leaf common shareholders and (ii) cash consideration payable in respect of the acquisition of Red Leaf preferred shares. During the first quarter of 2026, the Company paid the $2.2 million cash consideration for the Red Leaf preferred shares. During the second quarter of 2026, the Company issued additional Common Shares to Red Leaf common shareholders with a value of $0.2 million, partially settling the pending share issuance liability (see Note 17).

The Company assessed the acquired set of activities and assets and concluded that Red Leaf did not meet the definition of a business under IFRS 3 *Business Combinations*. As substantially all of the fair value of the gross assets acquired was concentrated in a group of similar identifiable assets, the transaction was accounted for as an asset acquisition and not as a business combination.

		($ thousands)
Cash and cash equivalents	**$**	**10,792**
Restricted cash		**2,050**
Property, plant and equipment		**3,570**
Asset retirement obligation		**(3,098)**
Net Assets Acquired	**$**	**13,314**

6. Inventory

($ thousands)		**June 30, 2026**		December 31, 2025
Finished goods (1)		**5,943**	$	2,646
In-process products (2)		**641**		876
Materials and supplies (3)		**10,949**		8,904
Provision for inventory obsolescence		**(4,096)**		(3,814)
Provision for adjustments to net realizable value		**–**		(19)
Balance, end of period	**$**	**13,437**	$	8,593

(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

7. Property, Plant and Equipment

A reconciliation of the PP&E assets is detailed below.

($ thousands)		
Cost or deemed cost:		
Balance, December 31, 2024	$	326,926
Acquired on close of business combination (Note 4)		209,203
Asset acquisition (Note 5)		3,570
Capital additions		9,609
Transfer from exploration and evaluation assets		23,515
Changes to asset retirement obligation		426
Foreign exchange adjustments		(8,403)
Balance, December 31, 2025	$	564,846
Capital additions		4,007
Changes to asset retirement obligation		(269)
Disposition of assets		(36,646)
Foreign exchange adjustments		19,660
Balance, June 30, 2026	**$**	**551,598**

Accumulated depletion, depreciation and impairment losses:		
Balance, December 31, 2024	$	210,231
Depletion and depreciation		29,280
Impairment		49,795
Foreign exchange adjustments		(384)
Balance, December 31, 2025	$	288,922
Depletion and depreciation		27,962
Disposition of assets		(26,063)
Foreign exchange adjustments		1,715
Balance, June 30, 2026	**$**	**292,536**

($ thousands)		
Net book value:		
At December 31, 2025	$	275,924
At June 30, 2026	**$**	**259,062**

During the period ended June 30, 2026, and 2025, the Company capitalized administrative overhead charges of $0.3 million (2025: $0.3 million) and shared based compensation of $0.1 million (2025: $0.1 million) that were directly attributable to development activities. Included in the depletion calculation at June 30, 2026, are future development costs of $279.2 million (December 31, 2025: $279.2 million) for Canada and $165.9 million (December 31, 2025: 165.9) for Brazil. Property, plant and equipment include land valued at $8.3 million and assets under construction valued at $5.2 million, which are not subject to depletion or depreciation.

At June 30, 2026, there were no indicators of impairment or impairment reversal for PP&E assets.

Disposition of Kakwa Central assets

On May 1, 2026, the Company completed the sale of its non-operated minority working interest in the Kakwa Central assets located in Alberta, Canada, which were producing approximately 650 boe per day at the date of closing. Cash consideration of $23.5 million was received, and the purchaser assumed the associated decommissioning obligations and the Company's commitments under related firm transportation and processing contracts. The Company recognized a gain on disposition of $17.5 million for the three and six months ended June 30, 2026, representing the excess of total consideration (comprising cash proceeds and the fair value of obligations transferred) over the net carrying value of the assets and liabilities derecognized.

8. Exploration and Evaluation Assets

Exploration and evaluation assets consist of the Company’s exploration projects which are pending the determination of technical feasibility and commercial viability. Additions represent the Company’s share of costs incurred on exploration and evaluation assets during the period.

A reconciliation of the movements in exploration and evaluation assets is detailed below.

($ thousands)	**June 30, 2026**	December 31, 2025
Balance, beginning of year	**$ 5,599**	$ 13,106
Additions	**–**	16,008
Transfers to property, plant and equipment	**–**	(23,515)
Balance, end of period	**$ 5,599**	$ 5,599

During the periods ended June 30, 2026 and December 31, 2025, the Company did not capitalize any administrative overhead or share based compensation expense directly related to exploration and evaluation activities. On June 30, 2026, there were no indicators of impairment for E&E assets.

9. Intangible Assets

($ thousands)	June 30, 2026	December 31, 2025
Balance, beginning of year	**$ 5,452**	$ –
Software (acquired on close of business combination see Note 4)	**–**	5,755
Additions	**11**	14
Depreciation	**(192)**	(85)
Foreign exchange adjustments	**521**	(232)
Balance, end of period	**$ 5,792**	$ 5,452

($ thousands)		
Net book value:		
Costs	**$ 6,069**	$ 5,537
Accumulated depreciation	**(277)**	(85)
Balance, end of period	**$ 5,792**	$ 5,452

10. Debt

($ thousands)	June 30, 2026	December 31, 2025
Balance, beginning of year	**$ 100,755**	$ –
Secured bonds acquired through a business combination (see Note 4)	**–**	95,539
Accretion	**4,282**	2,271
Interest expense	**9,263**	–
Foreign currency translation adjustments	**2,405**	2,945
Total Secured bonds	**$ 116,705**	$ 100,755
Fair value of embedded derivative	**(4,502)**	–
Balance, end of period	**$ 112,203**	$ 100,755

[1] Current portion of the long-term debt is related to the current portion of the embedded derivative.

Secured Bonds

In connection with the Acquisition, the Company acquired senior secured bonds issued by FRBH with a maturity date of April 26, 2028. The bonds have a face value of US$80 million and had an acquisition date fair value of US$64 million. The carrying amount accretes to the face value over the term of the bonds, with accretion recognized as finance costs using the effective interest method. The bonds are secured by a fiduciary assignment of the equity of PX Energy and security over the assets of PX Energy. The bonds are non-recourse to Questerre Energy Corporation, the parent entity, and to Questerre's other subsidiaries. Bondholder claims are limited to the equity and assets of PX Energy and its subsidiaries.

In conjunction with the closing of the Acquisition, the holders of the bonds representing a requisite majority agreed to amend certain bond terms including a reduction in interest from 16% to 10% per annum effective August 1, 2025.

Accrued and unpaid interest to December 31, 2025, will convert into shares in the SPAC transaction. If the SPAC transaction does not proceed, no interest is payable for 2025. Beginning in 2026, interest is payable quarterly based on Brent pricing, ranging from 4% per annum when Brent is below US$55 per barrel to 20% per annum when Brent is above US$95 per barrel, subject to interest not exceeding 16% over the term of the bonds. Interest in 2026 may be paid in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel, as detailed below.

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 up to and including December 31, 2025.

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.

During the current quarter, the Company's wholly owned subsidiary notified the SPAC counterparties that it was terminating the BCA. The counterparties have disputed the validity of the termination. Pending resolution, no accrued 2025 bond interest has been converted into shares.

As at June 30, 2026, the Company was in compliance with the covenants under the amended bond terms.

Embedded derivative

The amended bond terms include a variable interest rate mechanism whereby interest payable after December 31, 2025 varies quarterly based on Brent crude oil prices. This feature results in interest increasing or decreasing as Brent prices change, subject to the limits set out in the amended bond terms.

The Company has determined that the Brent-linked interest feature represents an embedded derivative as the economic characteristics and risks of the variable interest feature are not closely related to the host debt instrument. The embedded derivative has been separated from the host debt instrument and is measured at fair value through profit or loss. The host debt instrument is measured at amortized cost using the effective interest method.

At June 30, 2026, the fair value of the embedded derivative was an asset valued at $4.5 million and was included in the carrying value of the secured bonds on the consolidated balance sheets. The fair value of the embedded derivative is determined using a valuation model that incorporates Brent forward pricing, the contractual interest rate formula, expected interest payment dates, expected cash or payment-in-kind settlement assumptions, foreign exchange rates and a market-based discount rate. The embedded derivative is classified as a Level 3 fair value measurement within the fair value hierarchy.

Credit Facilities

Following the closing of the Kakwa Central asset disposition on May 1, 2026, the Company's credit facility has been reduced to $10 million from $16 million, pending completion of the annual review. Any borrowing during this review are subject to posting of cash security in the amount of 110% of the borrowing. It can be used for general corporate purposes, ongoing operations, and capital expenditures within Canada. As such, the calculation of the covenant below excluded as amounts related to the Acquisition. Any borrowing under the credit facilities, with the exception of letters of credit, bears interest at the bank's prime interest rate and an applicable basis point margin.

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 Facility A availability) to current liabilities (excluding outstanding bank debt and unrealized hedging losses) and only relates to the Company's assets in Canada. The Adjusted Working Capital Ratio at June 30, 2026, was 2.49 (June 30, 2025: 3.49) and the covenant was met. At June 30, 2026, and December 31, 2025, nil was drawn on the facility.

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, 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.

11. 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. For the Canadian assets, the Company has estimated the net present value of the asset retirement obligation to be $15.5 million as at June 30, 2026 (December 31, 2025: $20.2 million) based on an undiscounted total future liability of $17.8 million (December 31, 2025: $23.4 million). These payments are expected to be made over the next 5-20 years. The average discount factor, being the risk-free rate related to the liabilities, is 3.13% (2025: 3%). An inflation rate of 2% (2025: 2%) over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

For the Brazilian assets, the Company has estimated the net present value of the asset retirement obligation to be $13.7 million as at June 30, 2026, (December 31, 2025: $13.0 million) based on an undiscounted total future liability of $35.6 million (December 31, 2025: $23.9 million). These payments are expected to be made over the next 17 years. The average discount factor, being the risk-free rate related to the liabilities, is 14.0% (December 31, 2025: 12.3%). An inflation rate of 3.5% (December 31, 2025: 3.5%) 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:

($ thousands)	June 30, 2026	December 31, 2025
Balance, beginning of year	**$ 36,045**	$ 19,410
Acquired through a business combination (Note 4)	**–**	9,200
Revalue of obligation acquired through a business combination	**–**	2,676
Acquired on a asset acquisition	**–**	3,098
Liabilities incurred	**30**	110
Change in estimates and discount rates	**(413)**	315
Liabilities settled	**(1,421)**	(1,072)
Liabilities disposed (Note 7)	**(4,535)**	–
Accretion	**1,434**	2,817
Foreign exchange adjustments	**1,216**	(509)
Balance, end of period	**$ 32,356**	$ 36,045
Current portion	**1,820**	2,945
Non-current portion	**30,536**	33,100
Balance, end of period	**$ 32,356**	$ 36,045

PX Energy maintains deposits of $2.5 million in financial institutions to comply with the requirements of ANP Resolution No. 854/2021 related to these asset retirement obligations. These deposits have restricted cash characteristics, and the required balance is reset annually based on the ANP's review of the subsidiary's environmental liabilities and its determination of the amount to be maintained as restricted cash. The current-period increase in the required balance reflects both an ANP-directed revision to the required security amount and the impact of foreign currency movements between the Brazilian real and the Canadian dollar.

Red Leaf maintains a deposit of US$1.4 million (December 31, 2025: US$1.4 million) to secure its abandonment and reclamation obligations in the State of Utah.

12. Right-of-use Assets and Lease Liabilities

a) *Right-of-use assets*

($ thousands)	June 30, 2026	December 31, 2025
Balance, beginning of year	**$ 1,459**	$ 128
Acquired through a business combination (Note 4)	**–**	1,698
Additions	**(2)**	(12)
Depreciation	**(519)**	(285)
Currency translation adjustment	**120**	(70)
Balance, end of year	**$ 1,058**	$ 1,459

b) *Lease liabilities*

($ thousands)		**June 30, 2026**		December 31, 2025
Balance, beginning of year	**$**	**1,473**	$	139
Additions		**–**		2
Acquired through a business combination (Note 4)		**–**		1,698
Interest expense		**66**		22
Lease payments		**(604)**		(319)
Currency translation adjustment		**118**		(69)
Balance, end of period	**$**	**1,053**	$	1,473
Current portion		**634**		988
Long term portion		**419**		485
Balance, end of period	**$**	**1,053**	$	1,473

13. Contingent consideration for the acquisition

($ thousands)		**June 30, 2026**		December 31, 2025
Balance, beginning of year	**$**	**16,487**	$	–
Acquired through a business combination (Note 4)		**–**		17,348
Fair value adjustment in profit and loss		**3,622**		(255)
Payment		**(2,204)**		(2,160)
Reclass to other liabilities		**(1,276)**		–
Foreign currency translation adjustment		**1,595**		1,554
Balance, end of period	**$**	**18,224**	$	16,487

($ thousands)		**June 30, 2026**		December 31, 2025
Current	**$**	**8,161**	$	3,259
Long Term		**10,063**		13,228
Balance, end of period	**$**	**18,224**	$	16,487

In connection with the Acquisition, the Company assumed a liability that formed part of the acquired business and recognized it as an identifiable liability assumed in the business combination. The liability was initially measured at its fair value at the acquisition date.

As part of the prior acquisition agreement in respect of PX Energy, additional contingent consideration is payable annually to Petrobras, the original owner of PX Energy, until the end of 2027. The contingent consideration is determined based on incremental volumes of oil sludge purchased by PX Energy from the seller and is linked to the future price of fuel oil.

The contingent consideration is classified as a financial liability and measured at fair value, taking into account the projected volumes of oil sludge purchases for the remaining term of the arrangement and forecast fuel oil prices. The fair value measurement incorporates significant unobservable inputs and is therefore classified within Level 3 of the fair value hierarchy.

Subsequent changes in the fair value of the contingent consideration, other than measurement period adjustments recorded in accordance with IFRS 3, are recognized in profit or loss in the period of remeasurement.

14. Other Long-Term Liabilities

($ thousands)	**June 30, 2026**	December 31, 2025
Taxes and contributions	**$ 15,823**	$ **7,077**
Provision for contingencies	**9,306**	**7,876**
Other Long-term liabilities	**4,092**	**535**
Less: Current Other liabilities	**(18,790)**	**(5,301)**
Other long-term liabilities	**$ 10,431**	$ **10,187**

15. Financial Instruments and Risk Management

Financial Instruments

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.

At June 30, 2026, the Company's financial instruments included cash and cash equivalents, accounts receivable, deposits, risk management contracts, credit facilities and accounts payable and accrued liabilities, lease obligations, debt and embedded derivative. As at June 30, 2026, the fair values of cash and cash equivalents, accounts receivable, deposits, credit facilities and accounts payable and accrued liabilities approximated their carrying values due to their short-term maturity.

The Company's long-term debt and long-term financial liabilities are recorded at amortized cost using the effective interest method. At June 30, 2026, the carrying value of secured debt accounted for under amortized cost was $116.7million (December 31, 2025: $100.8 million) and the fair value at June 30, 2026, was $95.9 million (December 31, 2025: $115.7 million). The Company's risk management contracts and the estimated fair value of long-term debt is based on pricing sourced from market data, which are considered as Level 2 measurement in the three level fair value measurement hierarchy.

Disclosures about the inputs to fair value measurements are required, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

The fair value measurement of PP&E, E&E, right-of-use assets and contingent payments made by subsidiary for acquisition have a fair value hierarchy of Level 3.

Credit risk

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 principally from the Company's receivables from joint venture partners and oil and gas marketers, restricted cash, financial assets deposits (including Brazilian tax contributions recoverable from Brazilian tax authorities) and the fair value of derivative financial assets. The maximum credit exposure at the reporting date is equal to the carrying value of these financial assets as reported in the condensed interim consolidated balance sheet.

Cash and cash equivalents and restricted cash are held with major Canadian chartered banks, US banks and with regulated Brazilian financial institutions. Management monitors the credit standing of these counterparties on an ongoing basis and does not expect any counterparty to fail to meet its obligations.

Substantially all of the accounts receivable are with oil and natural gas marketers including fuel distributors 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 companies and the Company has not experienced any credit loss relating to these sales. In Brazil, accounts receivable, including invoiced take-or-pay shortfalls, are collected in accordance with contractual terms and monitored by management on an ongoing basis.

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

The Company’s accounts receivables are aged as follows:

($ thousands)		**June 30, 2026**		December 31, 2025
Current	**$**	**10,773**	$	11,016
31 - 60 days		**2,783**		3
61 - 90 days		**–**		105
>90 days		**110**		36
Balance, end of period	**$**	**13,666**	$	11,160

The Company does not anticipate any material default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. There are no material financial assets that the Company considers past due that are considered impaired.

The Company's derivative financial assets consist of commodity swap contracts entered into with a Canadian chartered bank counterparty. The Company's exposure to counterparty credit risk on these contracts is not considered material.

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.

The timing of cash outflows relating to financial liabilities as at June 30, 2026, and December 31, 2025, are as follows:

($ thousands)	**Less than one year**	**One - Two years**	**Remaining years**	**Total**
Accounts payable and accrued liabilities	**$** 26,400	**$** –	$ –	**$** 26,400
Advances from customers	6,207	–	–	6,207
Contract liabilities	15,677	–	–	15,677
Pending Share issuance for acquisition	5,783	–	–	5,783
Lease liabilities	634	101	318	1,053
Secured debt	–	112,203	–	112,203
Current liabilities related to business combination	22,760	–	–	22,760
Contingent consideration for original acquisition of PX Energy	8,161	10,063	–	18,224
Other liabilities	18,790	8,760	1,671	29,221
June 30, 2026	$ 104,412	$ 131,127	$ 1,989	$ 237,528

($ thousands)	Less than one year	One - Two years	Remaining years	Total
Accounts payable and accrued liabilities	**$** 44,752	**$** –	$ –	**$** 44,752
Advances from customers	13,367	–	–	13,367
Contract liabilities	2,026	–	–	2,026
Share issuance for acquisition	8,153	–	–	8,153
Lease liabilities	988	304	181	1,473
Secured debt	–	100,755	–	100,755
Current liabilities related to business combination	22,760	–	–	22,760
Contingent consideration for original acquisition of PX Energy	3,259	13,228	–	16,487
Other liabilities	5,301	10,187	–	15,488
December 31, 2025	$ 100,606	$ 124,474	$ 181	$ 225,261

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 the 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. The Company's financial performance is closely linked to crude oil and refined product prices (including pricing differentials for various product types) and, to some extent to electricity prices as one of the major costs of production. Commodity prices for oil and natural gas are impacted not only by the relationship between the

Canadian and United States dollar, Brazilian Reais and US Dollar, but also world economic events that dictate the levels of supply and demand.

To reduce cash flow volatility, the Company may enter into commodity risk management contracts for future sales of oil and natural gas. These contracts are intended to reduce volatility in revenue by fixing prices on a portion of future production.

At June 30, 2026, the Company had the following outstanding commodity risk management contracts covering the period from July 1, 2026 to December 31, 2026. These contracts had a fair value of $0.5 million recorded as an asset at June 30, 2026, compared to nil at December 31, 2025.

					June 30, 2026
($) Term effective July 1, 2026 - December 31, 2026	Volume		Rate		Fair Value
Swap AECO 7A (GJ)	535,000	$	1.94	$	61,039
Swap WTI (USD) (bbl)	85,600	$	74.50	$	472,739
Total					**533,778**

The following table details the composition of the Company's gain (loss) on risk management contracts:

	Three months ended June 30,				*Six months ended June 30,*			
($ thousands)		**2026**		2025		**2026**		2025
Realized loss on risk management contracts	**$**	**(820)**	$	–	**$**	**(820)**	$	–
Unrealized gain on risk management contracts		**1,287**		–		**534**		–
Total gain (loss) on risk management contracts	**$**	**467**	$	–	**$**	**(286)**	$	–

When assessing the potential impact of these commodity price changes, the Company believes a ten percent volatility is a reasonable measure. A ten percent increase or decrease in commodity prices would have resulted in $9.3 million year to date net impact on revenue and net income before tax.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from transactions and balances denominated in currencies other than the functional currency of the applicable entity, primarily the Brazilian real, Canadian dollar, U.S. dollar and Jordanian dinar.

The Company's Canadian petroleum and natural gas sales are denominated in Canadian dollars. However, the underlying market prices for these commodities are influenced by benchmark prices denominated in U.S. dollars and, accordingly, are indirectly affected by movements in the Canadian dollar relative to the U.S. dollar.

In Brazil, revenues are denominated in Brazilian reals; however, commodity prices fluctuate with underlying market prices denominated in U.S. dollars. Operating and capital expenditures in Brazil are primarily denominated in local currency, resulting in exposure to fluctuations in the Brazilian real relative to the Canadian dollar.

The Company also incurs expenditures through its Jordanian subsidiary that are denominated in Jordanian dinars and U.S. dollars, which gives rise to additional foreign currency exposure.

Following the Acquisition, the Company was also exposed to foreign currency risk in respect of the senior secured bonds, which are denominated in U.S. dollars. Fluctuations in the U.S. dollar exchange rate relative to the Company's functional currency may affect the carrying amount of the debt and the related finance expense recognized in the consolidated financial statements.

The Company does not currently hedge its exposure to foreign exchange risk associated with these bonds and, as at June 30, 2026, and December 31, 2025, the Company had no forward foreign exchange contracts in place. Management monitors foreign exchange rates on an ongoing basis in assessing the impact of currency movements on the Company's financial position and cash flows.

Based on the Company's foreign operations at June 30, 2026, a 10% strengthening or weakening of the Canadian dollar relative to the functional currencies of the Company's subsidiaries, with all other variables held constant, would have increased or decreased net income before taxes by approximately $0.5 million as a result of translating the results of those subsidiaries into the Company's presentation currency, the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Following the Acquisition, the Company is exposed to variable-rate risk through the senior secured bonds acquired as part of that transaction.

Under the terms of the bonds, all accrued and unpaid interest up to December 31, 2025, converts into shares if the contemplated SPAC transaction is completed. If the SPAC transaction does not proceed, no interest is payable in 2025. Thereafter, interest is payable quarterly at variable rates determined by reference to Brent crude oil prices, ranging from 4% when Brent is below US$55 per barrel to 20% when Brent exceeds US$95 per barrel, subject to an overall cap such that interest does not exceed 16% over the term of the bonds. Interest in 2026 may be settled in cash or in kind at the issuer's election. From 2027 onward, interest is payable in kind if Brent prices are below US$65 per barrel. The maturity of the bonds may also be extended for up to two additional one-year terms for a fee equal to 2% of principal for each extension.

At June 30, 2026 and December 31, 2025, the Company's exposure to variable-rate debt under these bonds was US$80 million. As a result, changes in Brent pricing may affect the amount and timing of interest payable and, in certain periods, whether interest is settled in cash or in kind. The Company monitors this exposure in assessing its financing costs and expected liquidity requirements.

At June 30, 2026, and 2025, the Company's credit facilities outstanding balance was nil.

Capital management

The Company's objective in managing capital is to maintain financial flexibility, preserve its ability to meet financial obligations as they become due and provide sufficient liquidity to fund ongoing operations and execute its business strategy. The Company believes that, with expected cash flow from operations, existing credit facilities and other available sources of financing, it will be able to meet its foreseeable capital obligations in the normal course of operations in the near term. The Company defines its capital structure as shareholders' equity, long-term debt, including the senior secured bonds assumed in connection with the Acquisition, and working capital. The Company monitors its capital structure having regard to current and projected cash flow from operations, debt levels, available liquidity and forecast capital expenditures.

The volatility of commodity prices has a material impact on the Company's cash flow from operations. The Company attempts to mitigate the effect of lower prices by entering into risk management contracts, shutting in production in unusually low pricing environments, reallocating capital to more profitable areas and reducing capital spending based on results and other market considerations. The Company will adjust its capital structure to minimize risk and its cost of capital through the issuance of shares, securing additional credit facilities and adjusting its capital spending as required. The Company monitors its capital structure based on the current and projected funds flow from operations.

Annual and updated budgets are approved by the Board of Directors and are regularly reviewed to assess the Company's funding requirements and financial flexibility.

16. Share Based Compensation

The Company has a stock option program that provides for the issuance of options to purchase Common Shares 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 or one year from the grant date. The grants expire five years from the grant date.

The option plan includes a put right that permits an option holder to request settlement of vested options in cash or Common Shares, subject to the terms and conditions of the plan. Where cash settlement is approved, the settlement amount is calculated as the difference between the closing market price of the Common Shares on the date the put notice is delivered and the exercise price of the options. The Company has the option to decline a put right exercise at any time.

During the year, the Company granted 13.0 million stock options with a weighted average exercise price of $0.27 per option. In addition, 6.5 million stock options were exercised at a weighted average exercise price of $0.18 per option, resulting in gross proceeds of approximately $1.2 million. The related amount previously recorded in contributed surplus was reclassified to share capital upon exercise.

The following table summarizes information about stock options on common shares outstanding and exercisable at June 30, 2026, and December 31, 2025:

	June 30, 2026		December 31, 2025	
	Number of Options *(thousands)*	**Weighted Average Exercise Price**	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	**35,790**	**$ 0.25**	38,295	$ 0.25
Granted	**13,075**	**0.27**	6,675	0.23
Forfeited	**(1,005)**	**0.28**	(2,880)	0.22
Expired	**(1,325)**	**0.18**	(325)	0.16
Exercised	**(6,450)**	**0.18**	(5,975)	0.20
Outstanding, end of period	**40,085**	**$ 0.27**	35,790	$ 0.25
Exercisable, end of period	**23,300**	**$ 0.28**	28,288	$ 0.26

As of June 30, 2026, there are 1.25 million options on Preferred Shares outstanding. There are an additional 3.1 million Preferred Shares issuable on the exercise of options on Common Shares issued prior to the ex- date of January 22, 2026, that entitle the holder to acquire both Common Shares and Preferred Shares on exercise.

The fair value of the options granted were calculated using the Black-Scholes valuation model. The following weighted average assumptions were used in the model for options granted in 2026 and 2025:

	June 30, 2026	December 31, 2025
Weighted average fair value per award ($)	**0.18**	0.18
Volatility (%)	**86.50**	102.60
Forfeiture rate (%)	**8.66**	8.46
Expected life (years)	**5.00**	5.00
Risk free interest rate (%)	**2.90**	2.91

This forfeiture rate estimate is adjusted to the actual forfeiture rate. Expected volatility and expected life is based on historical information.

The number and weighted average exercise prices of stock options are as follows:

	Options Outstanding			Options Exercisable		
	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Years to Expiry	Weighted Average Exercise Price
$0.21 - $0.23	11,275	2.26	0.23	7,860	2.22	0.23
$0.24 - $0.26	10,850	3.53	0.26	4,804	2.78	0.25
$0.27 - $0.34	17,960	2.34	0.31	10,635	0.08	0.34
	40,085	**2.74**	**$ 0.27**	**23,299**	**1.69**	**$ 0.28**

17. 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, 2026, and 2025, there were no Class “B” common voting shares outstanding and no other preferred shares outstanding besides the Series 2 Preferred Shares.

a) Issued and outstanding

	Number *(thousands)*	Amount *($ thousands)*
Balance December 31, 2024	428,516	$ 429,878
Shares issued for acquisition (see Note 5)	17,248	5,347
Balance December 31, 2025	445,763	$ 435,225
Shares issued for pending share issuance liability	550	171
Proceeds from the exercise of stock options	6,450	1,161
Share based compensation reclassification	–	882
Series 2 Preferred Shares reclassification	–	(4,522)
Balance Common Shares June 30, 2026	**452,763**	**$ 432,917**
Balance December 31, 2025	–	$ –
Series 2 Preferred Shares issued	452,213	4,522
Series 2 Preferred Shares consolidation on 10-for-1 basis	(406,992)	–
Shares issued for pending share issuance liability	55	–
Balance Preferred Shares June 30, 2026	**45,276**	**$ 4,522**
Balance June 30, 2026	**45,276**	**$ 437,439**

In January 2026, the Company completed the economic spin out its Quebec-based assets through a reorganization of its capital. The reorganization consisted of the exchange of one old Common Share for one new Common Share and one Series 2 Preferred Share. The Preferred Shares entitle holders to the economic benefits of the Quebec assets, and the Common Shares represent ownership of the remaining assets of the Company.

At the Annual and Special Meeting of Shareholders held on June 23, 2026, shareholders approved a consolidation of the Company's Series 2 Preferred Shares on the basis of one new Preferred Share for every ten Preferred Shares previously outstanding. The consolidation was implemented on June 30, 2026, prior to the first day of trading of the Preferred Shares on Euronext Growth Oslo under the ticker QGAS.

Immediately prior to the consolidation, there were 452,213,450 Series 2 Preferred Shares outstanding. Following the consolidation, there were 45,221,345 Series 2 Preferred Shares outstanding. The consolidation did not affect the aggregate dollar value ascribed to the Series 2 Preferred Shares in share capital.

During the six months ended June 30, 2026, 6.5 million stock options were exercised for cash proceeds of $1.2 million. In connection with the exercise of these stock options, $0.9 million previously recorded in contributed surplus was transferred to share capital. With the issuance of the Series 2 Preferred shares, $4.5 million was reclassified to Series 2 preferred Shares. While these movements reduced common share capital by approximately $2.3 million during the period, the initial recognition of the Series 2 Preferred Shares increased total share capital (common and preferred) by approximately $2.2 million.

As part of the Acquisition, the Company is obligated to issue 15 million Class “A” common voting shares (“Common Shares”) with a deemed value of $5.0 million. As at December 31, 2025, these shares had not yet been issued, and the related amount has been recognized as a current liability. See note 4.

b) Contributed surplus

($ thousands)	**June 30, 2026**	December 31, 2025
Balance, beginning of year	**$ 44,427**	$ 29,283
Contingent equity consideration	**–**	13,941
Share based compensation reclassification	**(882)**	–
Share based compensation expense	**1,066**	1,203
Balance, end of period	**$ 44,611**	$ 44,427

The Company recognized $0.5 million and $1.0 million of share-based compensation expense during the three and six months ended June 30, 2026, respectively, with a corresponding increase to contributed surplus. In addition, $0.9 million previously recorded in contributed surplus was transferred to share capital resulting from the exercise of stock options during the current quarter.

As part of the Acquisition completed in prior period, the consideration also included contingent equity consideration comprised of two additional tranches of 25 million Common Shares each. At the acquisition date, these contingent shares were measured at an estimated fair value of $13.9 million, was classified as equity and recorded in contributed surplus.

The contingent equity consideration meets the definition of an equity instrument under IFRS and, accordingly, is not subject to subsequent remeasurement. See Note 4 for further details regarding the Acquisition.

c) Per share amounts

Basic and Diluted net loss per share is calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
(thousands, except as noted)	**2026**	2025	**2026**	2025
Net income (loss)	$ **27,839**	**$** (677)	$ **10,002**	**$** (673)
Issued Common Shares at beginning of period	**445,763**	428,516	**445,763**	428,516
Effect of shares issued pursuant to:				
Exercise of share options	**6,450**	–	**6,450**	–
Weighted average Common Shares end of period (Basic)	**452,213**	428,516	**451,204**	428,516
Weighted average Common Shares end of period (diluted)	**454,081**	428,516	**453,007**	428,516
Basic and diluted net income (loss) per share	$ **0.06**	**$** -	$ **0.02**	**$** –

Under the current stock option plan, options can be exchanged for Common Shares of the Company, or for cash at the Company's discretion. They are considered potentially dilutive and are included in the calculation of diluted net loss per share for the period. The average market value of the Common Shares for purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding.

For the three and six months ended June 30, 2026, 22.8 million options (three and six months ended June 30, 2025: 22.5 million) were excluded from the diluted weighted average number of Common Shares outstanding calculation as their effect would have been anti-dilutive.

18. Petroleum and Natural Gas Revenue

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2026**	2025	**2026**	2025
Oil and liquids	**$ 8,173**	$ 11,929	**$ 17,271**	$ 20,094
Natural gas	**696**	1,575	**2,201**	2,526
Royalty revenue	**82**	171	**194**	185
Total Canada	**$ 8,951**	$ 13,675	**$ 19,666**	$ 22,805
Oil and liquids	**$ 39,179**	$ –	**$ 69,495**	$ –
Natural gas	**2,010**	–	**3,949**	–
Total Brazil	**$ 41,189**	$ –	**$ 73,444**	$ –
Total Company	**$ 50,140**	$ 13,675	**$ 93,110**	$ 22,805

19. Net Finance Expenses

($ thousands)	Three months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Finance Income				
Foreign exchange gain	**$ 1,153**	$ –	**$ 8,254**	$ –
Income from financial investments	**351**	151	**503**	350
Interest income from leases	**26**	–	**50**	–
Fair value of embedded derivative related to bond interest expense	**4,539**	–	**4,539**	–
Other finance income	**554**	–	**672**	–
Total finance income	**$ 6,623**	$ 151	**$ 14,018**	$ 350
Finance expenses				
Lease finance costs	**$ 30**	$ –	**$ 65**	$ –
Interest expense on bond	**4,982**	–	**9,263**	–
Accretion on bond	**2,189**	–	**4,282**	–
Fair value of embedded derivative related to bond interest expense	**(10,113)**	–	**-**	–
Interest expense on other obligations	**3,533**	–	**4,788**	–
Other	**136**	–	**222**	–
Total finance expense	**$ 757**	$ –	**$ 18,620**	$ **–**
Net finance (expense) income	**$ 5,866**	$ 151	**$ (4,602)**	$ 350

20. Supplemental Cash Flow Information

Changes in non-cash working capital are detailed below:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2026**	2025	**2026**	2025
Accounts receivable	**$ (1,564)**	(1,022)	**$ (4,823)**	$ (1,393)
Deposits and prepaid expenses	(8,459)	(499)	**(15,464)**	(453)
Inventory	(2,996)	–	**(4,739)**	–
Other long term assets	1,937	–	**5,148**	–
Accounts payable and accrued liabilities	2,964	(10,732)	**(18,328)**	(1,207)
Other liabilities	(426)	–	**11,205**	–
Contract liability	6,926	–	**13,651**	–
Change in non-cash working capital	**$ (1,619)**	$ (12,253)	**$ (13,350)**	$ (3,053)

Related to:

Operating activities	**$** (1,909)	1,283	**$ (12,896)**	$ 1,099
Investing activities	290	(13,536)	**(454)**	(4,152)
	$ (1,619)	$ (12,253)	**$ (13,350)**	$ (3,053)

Other Non-cash items:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2026**	2025	**2026**	2025
Inventory obsolescence	**$** (122)	**$** –	**$ (105)**	$ –
Fair value adjustment for contingent consideration of former owner	3,128	–	**3,622**	–
Provision for contingencies	343	–	**652**	–
Bond accretion	2,189	–	**4,282**	–
Total other non-cash items	**$ 5,538**	**$** –	**$ 8,451**	$ –

21. Subsequent Events

Subsequent to June 30, 2026, the Company temporarily shut down the PX Energy facility following a critical pipe failure in the furnace that supplies heat to the main processing facility. No injuries occurred and no damage was sustained to the main processing facility. The shutdown is expected to last approximately three to four weeks, and the direct cost of corrective work is estimated at approximately $1.5 million. The financial impact of lost production and revenue cannot yet be reliably estimated.

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