Questfire Energy Corp.

Condensed Interim Financial Statements

For the three months ended March 31, 2016

(amounts in Canadian dollars) (unaudited)

Questfire Energy Corp.

Condensed Interim Balance Sheets

(amounts in Canadian dollars) (unaudited)

	Note	**March 31, 2016**	December 31, 2015
		$	$
Assets			
Current assets			
Accounts receivable	4(c)	**3,891,397**	4,900,981
Deposits and prepaid expenses		**769,009**	861,926
Total current assets		**4,660,406**	5,762,907
Non-current assets			
Property and equipment	5	**105,792,127**	108,507,075
Exploration and evaluation assets		**1,375,118**	1,340,456
Total assets		**111,827,651**	115,610,438
Liabilities			
Current liabilities			
Bank overdraft		**255,293**	172,382
Accounts payable and accrued liabilities		**9,928,096**	9,812,620
Current portion of long-term contract obligation	6	**356,482**	344,448
Convertible Class B shares	7	**5,197,655**	5,086,857
Total current liabilities		**15,737,526**	15,416,307
Non-current liabilities			
Bank debt	8	**41,839,415**	41,406,473
Decommissioning provisions	9	**27,665,081**	27,635,555
Long-term contract obligation	6	**14,061,935**	14,155,697
Deferred tax liabilities		**1,536,828**	2,745,062
Total liabilities		**100,840,785**	101,359,094
Shareholders' Equity			
Share capital	10(b)	**6,945,345**	6,945,345
Equity component of convertible Class B shares		**(2,061,132)**	(2,061,132)
Contributed surplus		**1,719,160**	1,565,190
Retained earnings		**4,383,493**	7,801,941
Total equity attributable to equity holders of the Corporation		**10,986,866**	14,251,344
Total liabilities and shareholders' equity		**111,827,651**	115,610,438

Going concern (note 2)
Commitments (notes 4(e) and 14)
Subsequent events (notes 4(e), 10(d) and 15)

(Signed) "Richard Dahl", Director

(Signed) "Roger MacLeod", Director

See accompanying notes to the financial statements.

Questfire Energy Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
(amounts in Canadian dollars) (unaudited)

	Note	Three months ended March 31, 2016	2015
		$	$
Revenue			
Oil and natural gas sales		**7,284,889**	10,854,042
Royalties		**(284,441)**	(803,444)
		7,000,448	10,050,598
Realized gain on risk management		**-**	430,560
Unrealized loss on risk management		**-**	(923,254)
		7,000,448	9,557,904
Expenses			
Production and operating		**4,846,677**	5,419,122
Transportation		**470,814**	434,458
General and administrative		**1,422,542**	1,388,952
Share-based compensation		**153,970**	175,182
Exploration and evaluation		**237,403**	187,087
Depletion and depreciation	5	**2,959,960**	3,129,782
		10,091,366	10,734,583
Operating Loss		**(3,090,918)**	(1,176,679)
Finance expense	11	**(1,535,764)**	(1,430,069)
Loss Before Income Taxes		**(4,626,682)**	(2,606,748)
Deferred income tax recovery		**1,208,234**	606,683
Loss and Comprehensive Loss for the Period		**(3,418,448)**	(2,000,065)
Loss per Share			
Basic	10(c)	**(0.20)**	(0.12)
Diluted	10(c)	**(0.20)**	(0.12)

See accompanying notes to the financial statements.

Questfire Energy Corp.

Condensed Interim Statements of Changes in Equity

(amounts in Canadian dollars) (unaudited)

	Note	Share capital	Equity component of convertible Class B shares	Contributed surplus	Retained earnings	Total
		$	$	$	$	$
Balance, January 1, 2015		6,945,345	(2,061,132)	840,576	18,188,722	23,913,511
Share-based compensation		-	-	175,182	-	175,182
Loss for the period		-	-	-	(2,000,065)	(2,000,065)
Balance, March 31, 2015		6,945,345	(2,061,132)	1,015,758	16,188,657	22,088,628
Share-based compensation		-	-	549,432	-	549,432
Loss for the period		-	-	-	(8,386,716)	(8,386,716)
Balance, December 31, 2015		6,945,345	(2,061,132)	1,565,190	7,801,941	14,251,344
Share-based compensation		-	-	153,970	-	153,970
Loss for the period		-	-	-	(3,418,448)	(3,418,448)
Balance, March 31, 2016		6,945,345	(2,061,132)	1,719,160	**4,383,493**	**10,986,866**

See accompanying notes to the financial statements.

Questfire Energy Corp.
Condensed Interim Statements of Cash Flows
(amounts in Canadian dollars) (unaudited)

	Note	Three months ended March 31, 2016	2015
		$	$
Cash flows related to:			
Operating Activities			
Loss		**(3,418,448)**	(2,000,065)
Add (deduct) items not involving cash:			
Unrealized loss on risk management	4(e)	**-**	923,254
Share-based compensation		**153,970**	175,182
Depletion and depreciation	5	**2,959,960**	3,129,782
Deferred income tax recovery		**(1,208,234)**	(606,683)
Finance expense	11	**1,535,764**	1,430,069
Funds flow from operations		**23,012**	3,051,539
Decommissioning costs incurred	9	**(536,600)**	(594,734)
Change in non-cash working capital	12	**1,085,259**	921,382
Cash from operating activities		**571,671**	3,378,187
Investing Activities			
Exploration and evaluation expenditures		**(34,662)**	-
Property and equipment expenditures	5	**(104,199)**	(1,648,568)
Purchase of risk management contracts		**-**	(252,563)
Change in non-cash working capital	12	**131,318**	(3,428,193)
Cash used in investing activities		**(7,543)**	(5,329,324)
Financing Activities			
Net bank debt draws		**432,942**	1,774,076
Long-term contract obligation repayments	6	**(81,728)**	(71,240)
Interest and financing costs paid	11	**(999,653)**	(892,731)
Change in non-cash working capital	12	**1,400**	(9,772)
Cash from (used in) financing activities		**(647,039)**	800,333
Decrease in cash and cash equivalents		**(82,911)**	(1,150,804)
Cash and cash equivalents (bank overdraft), beginning of period		**(172,382)**	1,193,207
Cash and cash equivalents (bank overdraft), end of period		**(255,293)**	42,403

See accompanying notes to the financial statements.

1. General business description

Questfire Energy Corp. ("Questfire" or the "Corporation") is engaged in the exploration for, and development and production of, oil and natural gas in Alberta. The Corporation's Class A shares and Class B shares are listed on the TSX Venture Exchange (TSXV). The address and principal place of business of the Corporation is 1100, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

The condensed interim financial statements were approved and authorized for issuance by the Corporation's Board of Directors on May 24, 2016.

2. Basis of preparation

Statement of compliance

These condensed interim financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and Canadian generally accepted accounting principles (GAAP) as applicable to interim financial statements, including International Accounting Standard (IAS) 34, *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which were prepared in accordance with IFRS. The disclosure provided is incremental to that included with the annual financial statements. Certain information and disclosure included in the notes to the annual financial statements is condensed in the interim financial statements or disclosed only on an annual basis.

Basis of measurement

These condensed interim financial statements were prepared on a historical cost basis, except for certain financial instruments and share-based compensation transactions, which were measured at fair value.

The Corporation conducts many of its oil and natural gas production activities through jointly controlled operations and the condensed interim financial statements reflect only the Corporation's proportionate interest in such revenues, expenses, assets and liabilities. Joint control for contractual arrangements governing the Corporation's assets is indicated where the Corporation has less than 100 percent working interest, and the partners control the arrangement collectively.

Going concern

These condensed interim financial statements were prepared on a going concern basis, which assumes that the Corporation will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is uncertainty as to the Corporation's ability to continue as a going concern due to:

- Uncertainty as to the determination of the borrowing base that will be provided by the lenders in May 2016;
- As at March 31, 2016, the Corporation had a working capital deficit of $5.9 million, excluding the Convertible Class B shares which will be converted into Class A shares during 2016 (note 7) and do not involve cash;
- Internally prepared forecasts for 2016 indicate the Corporation may breach the covenant in its credit facilities concerning its ratio of debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The lenders waived this covenant for the quarter ended March 31, 2016. The Corporation violating this covenant subsequent to March 31, 2016 would represent an event of default under the credit facility, resulting in all outstanding amounts being payable on demand; and
- Forecast funds flow from operations, when combined with cash finance expense and anticipated decommissioning costs and property and equipment expenditures, are positive for the remainder of 2016 when using commodity strip pricing forecasts. The direction and magnitude of commodity price movements through the remainder of 2016 remain uncertain, however.

There is no certainty that the syndicate providing the Corporation's credit facility will waive covenant breaches past March 31, 2016. The above matters cause material uncertainty casting significant doubt on the Corporation's ability to continue as a going concern. The Corporation and its Board of Directors have initiated a strategic alternatives process to evaluate options for the Corporation. Subsequent to quarter end, the Corporation disposed of non-core assets for approximately $1.95 million (note 15) in cash, which was used to reduce bank debt.

These condensed interim financial statements do not reflect any adjustments to the carrying amounts of the Corporation's assets, liabilities, revenues, expenses or balance sheet classifications that would be necessary if the going-concern assumption is not appropriate. The Corporation may, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business at amounts different from those reflected in these condensed interim financial statements.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim financial statements and the reported amount of revenue and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, are reported in the period in which they become known. By their nature, these estimates and related future cash flows are subject to measurement uncertainty, and the impact on future financial statements could be material.

In preparing these condensed interim financial statements, the significant estimates and judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the financial statements for the year ended December 31, 2015, with the exception of changes in estimates that are required in determining the provision for income taxes. Income taxes in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual profit or loss.

3. Significant accounting policies

The accounting policies followed in these condensed interim financial statements are consistent with those for the year ended December 31, 2015. There were no new or amended accounting standards or interpretations adopted during the three months ended March 31, 2016 that had a material effect on the Corporation's financial statements.

4. Financial instruments and risk management

a) Risk management overview

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and its management of capital. Further quantitative disclosure is included throughout this document. Questfire employs risk management strategies and policies to ensure its risk exposure is consistent with its business objectives and risk tolerance. While the Board of Directors has overall responsibility for Questfire's risk management framework, Questfire's management monitors the risks and administers the risk management measures.

b) Fair value of financial instruments

The fair value of convertible Class B shares at March 31, 2016, based on a discounted cash flow model assuming an 8.65 percent effective interest rate, is approximately $5.2 million (December 31, 2015 – $5.1 million).

The fair value of the long-term contract obligation at March 31, 2016, based on a discounted cash flow model assuming a 13.41 percent effective interest rate, is approximately $14.4 million (December 31, 2015 – $14.5 million).

(amounts in Canadian dollars) (unaudited)

c) Credit risk

The Corporation considers all accounts receivable greater than 90 days to be past due. At March 31, 2016, $528,559 is past due (December 31, 2015 – $528,559). The Corporation considers this amount fully collectible. As at March 31, 2016, $349,916 of the past due balance relates to claims with the Orphan Well Association. During the three months ended March 31, 2016, the Corporation recognized bad debt expense of $Nil (three months ended March 31, 2015 – $Nil) related to past due accounts receivable.

d) Liquidity risk

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational, capital and other obligations through future operating cash flow, as well as future equity and debt financings. The next borrowing base re-determination on the Corporation's credit facility (note 8) is to occur before May 30, 2016. Assuming current economic conditions persist, management anticipates the borrowing base could be reduced and, if so, the Corporation will experience liquidity risk. Possible risk mitigation options are to sell assets or issue equity. Subsequent to quarter end, the Corporation disposed of non-core assets for approximately $1.95 million (note 15) in cash, which was used to reduce bank debt.

The timing of undiscounted cash flows relating to the financial liabilities outstanding at March 31, 2016 is outlined below:

	1 year	2 years	3 years	>3 years	Total
	$	$	$	$	$
Bank overdraft	255,293	-	-	-	255,293
Accounts payable and accrued liabilities	9,928,096	-	-	-	9,928,096
Bank debt [(1)]	-	41,839,415	-	-	41,839,415
Long-term contract obligation [(2)]	2,326,300	15,979,267	-	-	18,305,567

(1) Excludes future interest payable on amounts drawn on the bank credit facility.

(2) Includes the payments required if the long-term contract obligation is repaid within 48 months of inception.

The Corporation strives to ensure it will have sufficient access to funds to meet short-term obligations by actively monitoring its credit facilities, and coordinating payment cycles with revenue cycles.

The Corporation is also subject to commitments as disclosed in note 14.

e) Market risk

Market risks are as follows:

Foreign currency risk

At March 31, 2016 and December 31, 2015, the Corporation had no forward exchange rate contracts nor any working capital denominated in foreign currencies.

Interest rate risk

For the three months ended March 31, 2016, a 1 percent increase in interest rates would decrease income by approximately $77,000 (three months ended March 31, 2015 – approximately $76,500). The Corporation had no interest rate swaps or contracts as at or during the three months ended March 31, 2016 or 2015.

(amounts in Canadian dollars) (unaudited)

Commodity price risk

At March 31, 2016, the Corporation had no forward commodity contracts. Subsequent to the end of the quarter, the Corporation entered into risk management contracts as follows:

Period	Commodity	Type of contract	Notional quantity	Pricing point	Contract price
May 1/16 - Dec. 31/17	Natural Gas	Swap	5,000 GJ/d	AECO 7A	Cdn$2.010/GJ
May 1/16 - Mar. 31/17	Natural Gas	Swap	2,500 GJ/d	AECO 7A	Cdn$1.910/GJ
May 1/16 - Mar. 31/17	Natural Gas	Swap	2,500 GJ/d	AECO 7A	Cdn$1.875/GJ
May 1/16 - Oct. 31/16	Oil	Costless collar	100 bbls/d	WTI Nymex	Cdn$55.00/bbl-Cdn$60.70/bbl

f) Capital management

There were no changes to the Corporation's approach to capital management during the three months ended March 31, 2016.

5. Property and equipment (P&E)

	Oil and natural gas interests	Corporate and other	Total
	$	$	$
Cost			
Balance, December 31, 2015	145,893,243	252,670	146,145,913
Additions	104,199	-	104,199
Decommissioning provision	140,813	-	140,813
Balance, March 31, 2016	**146,138,255**	**252,670**	**146,390,925**
Accumulated depletion and depreciation			
Balance, December 31, 2015	37,514,441	124,397	37,638,838
Depletion and depreciation	2,952,135	7,825	2,959,960
Balance, March 31, 2016	**40,466,576**	**132,222**	**40,598,798**
Balance, December 31, 2015	108,378,802	128,273	108,507,075
Balance, March 31, 2016	**105,671,679**	**120,448**	**105,792,127**

To date, the Corporation has not capitalized any interest nor general and administrative expenses to P&E.

6. Long-term contract obligation

On March 26, 2014, the Corporation entered into a facilities joint venture agreement with a third party (the "Partner"), transferring beneficial ownership of Questfire's natural gas processing facilities at Lookout Butte and Medicine Hat, in return for $15.0 million in cash, which was used to repurchase convertible debentures. Questfire operates the facilities and continues to process its Lookout Butte and Medicine Hat natural gas production through the facilities. The Corporation will pay an annual facility fee of $2,326,300 for 17.5 years, after which beneficial ownership will revert to Questfire.

Questfire has the option to terminate the joint venture agreement on payment of an amount which will provide the Partner with a compound annual yield on its investment of 13.25 percent to the later of 48 months or the date the option is exercised. Upon the payment of aggregate facility fees to the Partner of a minimum of $19.5 million, the Partner has the option to sell back to Questfire its beneficial interest in the facilities for the sum equal to the total remaining scheduled facility payments, discounted at 17.5 percent to the time of exercise. The long-term contract obligation is secured by Questfire's Lookout Butte and Medicine Hat natural gas processing facilities. Questfire has also indemnified the Partner for all costs and expenses that may arise out of operating the facilities.

(amounts in Canadian dollars) (unaudited)

This transaction effectively left substantially all of the economic risks and rewards of ownership with Questfire, whereby Questfire recorded the facility as P&E on its balance sheet and accounted for the $15.0 million proceeds as a long-term contract obligation and the annual facility fee payments as blended repayments of principal and interest expense.

The following reconciles the long-term contract obligation:

Three months ended	**March 31, 2016**
	$
Balance, beginning of period	14,500,145
Principal repayments	(81,728)
Balance, end of period	**14,418,417**

At March 31, 2016, $356,482 (December 31, 2015 – $344,448) of the balance is classified as a current liability.

7. Convertible Class B shares

Class B shares are convertible (at Questfire's option) into Class A shares any time before November 30, 2016. The number of Class A shares to be issued upon conversion of one Class B share is calculated by dividing $10 by the greater of $1 and the 30-day weighted-average market price of the Class A shares. If conversion has not occurred by the close of business on November 30, 2016, the Class B shares become convertible (at the shareholder's option) into Class A shares on the same basis. Effective at the close of business on December 31, 2016, all remaining Class B shares will be automatically converted into Class A shares. The Class B shares are listed and posted for trading on the TSXV under the symbol "Q.B".

8. Bank debt

The Corporation has a $35.0 million extendible revolving term credit facility with a syndicate of Canadian banks (the "Syndicate") and a $10.0 million operating facility with one member of the Syndicate (together the "Credit Facility"), for a total amount available under the Credit Facility of $45.0 million. The Credit Facility provides that advances may be made by way of direct advances, bankers' acceptances or standby letters of credit, with advances secured by a $150 million first charge demand debenture on the Corporation's oil and natural gas interests.

The Credit Facility bears interest at a floating rate based on the applicable Canadian prime rate, plus between 1.0 percent and 4.0 percent depending on the Corporation's ratio of senior debt, which excludes amounts under the long-term contract, to earnings before interest, taxes, depreciation and amortization (EBITDA) as defined by the agreement, effectively adjusting earnings for all other non-cash items. The Credit Facility constitutes a revolving facility for a 364-day term which is extendible annually for a further 364-day revolving period, subject to a one-year term-out period should the lender not agree to an annual extension. The current conversion date, should the loan not be extended, is May 30, 2016.

The Corporation is subject to certain reporting and financial covenants under its Credit Facility. The financial covenants require the Corporation to maintain, at the end of each quarter, a maximum consolidated net debt of $47.5 million, which for purposes of the covenant is calculated as long-term bank debt and working capital, excluding convertible Class B shares, and risk management contracts. The covenants also require the Corporation to maintain at the end of each quarter a debt to EBITDA ratio, as defined by the agreement, of less than 5.0:1 at March 31, 2016 and June 30, 2016; 4.5:1 at September 30, 2016; 3.5:1 at December 31, 2016; and 3.0:1 thereafter. Debt, for purposes of this calculation, includes bank debt and the long-term contract obligation. The calculated figures for March 31, 2016 are $47.9 million and 5.88:1, respectively. Prior to March 31, 2016, the Corporation obtained a waiver from the Syndicate for the covenants pertaining to March 31, 2016.

(amounts in Canadian dollars) (unaudited)

At March 31, 2016, $41.8 million of the Credit Facility was drawn (December 31, 2015 – $41.4 million). For the three months ended March 31, 2016, the average effective interest rate was 4.7 percent (year ended December 31, 2015 – 4.1 percent).

At March 31, 2016, the Corporation had letters of credit of $200,000, reducing the borrowing capacity under the Credit Facility.

9. Decommissioning provisions

The Corporation's decommissioning provisions result from its ownership interest in oil and natural gas assets, including well sites, facilities and gathering systems. The total decommissioning provision is estimated based on the Corporation's net ownership interest, estimated costs to reclaim and abandon its wells, facilities and gathering systems and the estimated timing of the costs to be incurred in future years. The estimated cash flows required to settle the provisions, excluding salvage, are approximately $77.4 million at March 31, 2016 (December 31, 2015 – $76.9 million). This was inflated using a weighted-average rate of 2.0 percent (December 31, 2015 – 2.0 percent) to arrive at undiscounted future cash flows of approximately $142.4 million (December 31, 2015 – $142.4 million) and then discounted using a weighted-average credit-adjusted risk-free rate of 6.70 percent at March 31, 2016 (December 31, 2015 – 6.69 percent) to arrive at the present value of the decommissioning provision as disclosed below. The weighted-average credit-adjusted risk-free rate is based on a combination of Government of Canada benchmark bond rates and an adjustment for Questfire's estimated credit risk. These obligations are to be settled based on the estimated economic lives of the underlying assets, which currently extend up to 50 years, and will be funded from general corporate resources at the time of abandonment.

The following reconciles the decommissioning provisions:

Three months ended	**March 31, 2016**
	$
Balance, beginning of period	27,635,555
Costs incurred	(536,600)
Accretion (note 11)	425,313
Change in estimated future cash flows	159,168
Change in discount rate	(18,355)
Balance, end of period	**27,665,081**

Sensitivities

Changes to the discount rate or the inflation rate would have had the following impact on the decommissioning provisions:

As at	**March 31, 2016**	
	Credit-adjusted risk-free discount rate	Inflation rate
	$	$
1 percent increase	(3,553,255)	4,909,561
1 percent decrease	4,703,701	(3,726,131)

(amounts in Canadian dollars) (unaudited)

10. Share capital

a) Authorized – Unlimited number of Class A and Class B common shares with no par value.

b) Issued – Class A shares

	Shares	Amount
	#	$
Balance, March 31, 2016 and December 31, 2015	**17,318,001**	**6,945,345**

c) Loss per share

The following sets forth the computation of per share amounts:

Three months ended March 31,	**2016**	2015
	$	$
Numerator		
Loss attributable to Class A shares	**(3,418,448)**	(2,000,065)
Numerator for diluted per share amounts	**(3,418,448)**	(2,000,065)
Denominator		
Weighted-average number of shares outstanding for basic per share calculation	**17,318,001**	17,318,001
Denominator for diluted per share amounts	**17,318,001**	17,318,001
	$	$
Basic loss per share attributable to Class A shares	**(0.20)**	(0.12)
Diluted loss per share attributable to Class A shares	**(0.20)**	(0.12)

For the three months ended March 31, 2016, the Corporation excluded the following instruments from the calculation of diluted loss per share as they would be anti-dilutive:

i. Stock options – 3,488,500 (three months ended March 31, 2015 – 2,751,000, with a weighted-average exercise price of $0.81 (three months ended March 31, 2015 – $0.93).
ii. Class B shares – 550,440 (three months ended March 31, 2015 – 550,440).

d) Share-based compensation

During the three months ended March 31, 2016, the Corporation granted Nil options (three months ended March 31, 2015 – 75,000 options) to acquire Class A shares. The options vest one-third on each of the first, second and third anniversaries of grant and expire ten years from grant. The initial fair value of the options granted during the three months ended March 31, 2016 was estimated at $Nil (three months ended March 31, 2015 – $84,203), using the Black-Scholes option pricing model.

(amounts in Canadian dollars) (unaudited)

The following provides information with respect to stock option transactions:

Three months ended	**March 31, 2016**	
	Options	Weighted-average exercise price
	#	$
Outstanding, beginning of period	3,566,000	0.82
Forfeited	(77,500)	0.99
Outstanding, end of period	**3,488,500**	**0.81**

The following provides information about stock options outstanding at March 31, 2016:

Range of exercise prices ($)	**Number outstanding**	**Weighted-average remaining contractual life (years)**	**Options outstanding – weighted-average exercise price ($)**	**Number exercisable**	**Options exercisable – weighted-average exercise price ($)**
0.20 - 0.65	1,311,000	5.62	0.22	1,296,000	0.21
0.95 - 1.00	1,622,500	8.33	0.99	545,000	0.98
1.30 - 2.05	555,000	8.50	1.71	100,000	2.05
	3,488,500	**7.34**	**0.81**	**1,941,000**	**0.52**

Subsequent to the end of the quarter, 55,000 options to acquire Class A shares, with a weighted-average exercise price of $0.99 per share, were forfeited as a result of staffing reductions.

11. Finance expense

Three months ended March 31,	**2016**	2015
	$	$
Finance expense		
Interest on bank debt (note 8)	**499,989**	382,554
Interest on long-term contract obligation (note 6)	**499,664**	510,177
Cash finance expense	**999,653**	892,731
Accretion on decommissioning provisions (note 9)	**425,313**	435,690
Accretion on convertible Class B share liability (note 7)	**110,798**	101,648
Non-cash finance expense	**536,111**	537,338
Total finance expense	**1,535,764**	1,430,069

(amounts in Canadian dollars) (unaudited)

12. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

Three months ended March 31,	**2016**	2015
	$	$
Cash flows related to:		
Accounts receivable	**1,009,584**	1,160,844
Deposits and prepaid expenses	**92,917**	(438,824)
Accounts payable and accrued liabilities	**115,476**	(3,238,603)
Changes in non-cash working capital	**1,217,977**	(2,516,583)
Relating to:		
Operating activities	**1,085,259**	921,382
Investing activities	**131,318**	(3,428,193)
Financing activities	**1,400**	(9,772)
	1,217,977	(2,516,583)

13. Related-party transactions

A director of Questfire was a partner of a law firm that provides legal services to Questfire. The director retired from the law firm on December 31, 2015, but remains as a director of Questfire. Legal fees of $10,000 were incurred by Questfire to the law firm in the three months ended March 31, 2016 (three months ended March 31, 2015 – $25,712), all of which was related to general and administrative expenses. At March 31, 2016, $10,500 (December 31, 2015 – $12,988) of these amounts was included in accounts payable and accrued liabilities and was due under normal credit terms.

14. Commitments

As part of its normal operations, Questfire has committed to paying certain amounts over the next five years and thereafter as follows:

	2016	**2017**	**2018**	**2019**	**2020**	**Thereafter**
	$	$	$	$	$	$
Office lease	602,440	803,254	803,254	468,565	-	-

Questfire's commitments related to its long-term contract obligation are disclosed in note 4(d), and to its risk management program are disclosed in note 4(e).

15. Subsequent Events

In May 2016, the Corporation disposed of non-core P&E assets in the Brazeau River and East Central CGUs to two private oil and natural gas companies for approximately $1.95 million.