Questfire Energy Corp.

Condensed Interim Financial Statements

For the three and six months ended June 30, 2015

(amounts in Canadian dollars) (unaudited)

Questfire Energy Corp.
Condensed Interim Balance Sheets
(amounts in Canadian dollars) (unaudited)

	Note	**June 30, 2015**	December 31, 2014
		$	$
Assets			
Current assets			
Cash and cash equivalents		**-**	1,193,207
Accounts receivable	4(c)	**5,996,219**	8,687,909
Risk management contracts	4(e)	**1,039,009**	2,366,210
Deposits and prepaid expenses		**1,011,545**	780,732
Total current assets		**8,046,773**	13,028,058
Non-current assets			
Property and equipment	5, 6	**115,772,232**	119,155,988
Exploration and evaluation assets		**1,679,187**	1,679,187
Total assets		**125,498,192**	133,863,233
Liabilities			
Current liabilities			
Bank overdraft		**223,936**	-
Accounts payable and accrued liabilities		**11,666,770**	17,515,287
Current portion of long-term contract obligation	8	**321,586**	300,242
Total current liabilities		**12,212,292**	17,815,529
Non-current liabilities			
Bank debt	7	**40,589,595**	39,000,000
Decommissioning provisions	9	**28,126,154**	28,172,822
Convertible Class B shares		**4,872,296**	4,666,785
Long-term contract obligation	8	**14,333,833**	14,500,145
Deferred tax liabilities		**5,003,299**	5,794,441
Total liabilities		**105,137,469**	109,949,722
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		**1,191,948**	840,576
Retained earnings		**14,284,562**	18,188,722
Total equity attributable to equity holders of the Corporation		**20,360,723**	23,913,511
Total liabilities and shareholders' equity		**125,498,192**	133,863,233

Commitments (note 14)

(Signed) "Richard Dahl", Director

(Signed) "Roger MacLeod", Director

See accompanying notes to the financial statements.

Questfire Energy Corp.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(amounts in Canadian dollars) (unaudited)

	Note	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
		$	$	**$**	$
Revenue					
Oil and natural gas sales		**10,602,982**	17,130,571	**21,457,024**	38,086,390
Royalties		**(915,691)**	(2,189,906)	**(1,719,135)**	(5,361,445)
		9,687,291	14,940,665	**19,737,889**	32,724,945
Realized gain (loss) on risk management		**787,365**	(1,102,833)	**1,217,925**	(2,190,816)
Unrealized gain (loss) on risk management	4(e)	**(911,878)**	1,075,912	**(1,835,132)**	(724,912)
		9,562,778	14,913,744	**19,120,682**	29,809,217
Expenses					
Production and operating		**5,258,954**	7,297,807	**10,678,076**	13,495,281
Transportation		**393,714**	449,412	**828,172**	902,326
General and administrative		**1,387,199**	1,637,223	**2,776,151**	3,250,358
Share-based compensation		**176,190**	173,715	**351,372**	235,338
Exploration and evaluation		**198,594**	112,500	**385,681**	225,000
Depletion and depreciation	5	**2,735,690**	2,966,516	**5,865,472**	5,973,648
		10,150,341	12,637,173	**20,884,924**	24,081,951
Operating Income (Loss)		**(587,563)**	2,276,571	**(1,764,242)**	5,727,266
Gain on sale of assets		**-**	1,516,469	**-**	1,947,731
Gain on repurchase of Class B shares		**-**	7,294,966	**-**	7,294,966
Gain on repurchase of convertible debentures		**-**	-	**-**	17,722,983
Finance expense	11	**(1,500,991)**	(2,164,907)	**(2,931,060)**	(4,580,504)
Income (Loss) Before Income Taxes		**(2,088,554)**	8,923,099	**(4,695,302)**	28,112,442
Deferred income tax recovery (expense)		**184,459**	(751,582)	**791,142**	(5,565,645)
Income (Loss) and Comprehensive Income (Loss) for the Period		**(1,904,095)**	8,171,517	**(3,904,160)**	22,546,797
Income (Loss) per Share					
Basic	10(c)	**(0.11)**	0.61	**(0.23)**	1.71
Diluted	10(c)	**(0.11)**	0.36	**(0.23)**	0.76

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	Equity component of convertible debentures	Warrants	Contributed surplus	Retained earnings (deficit)	Total
		$	$	$	$	$	$	$
Balance, January 1, 2014		4,272,595	(2,081,352)	75,805	28,295	288,768	(6,607,513)	(4,023,402)
Repurchase of Class B shares		-	20,220	-	-	-	-	20,220
Issued on conversion of convertible debentures		1,510,805	-	(75,805)	-	-	-	1,435,000
Issued on exercise of warrants		1,122,358	-	-	(27,358)	-	-	1,095,000
Expiry of warrants		-	-	-	(937)	-	937	-
Share-based compensation		-	-	-	-	235,338	-	235,338
Income for the period		-	-	-	-	-	22,546,797	22,546,797
Balance, June 30, 2014		6,905,758	(2,061,132)	-	-	524,106	15,940,221	21,308,953
Share-based compensation		-	-	-	-	332,307		332,307
Issued on exercise of options		39,587	-	-	-	(15,837)		23,750
Income for the period		-	-	-	-	-	2,248,501	2,248,501
Balance, December 31, 2014		6,945,345	(2,061,132)	-	-	840,576	18,188,722	23,913,511
Share-based compensation		-	-	-	-	351,372	-	351,372
Loss for the period		-	-	-	-	-	(3,904,160)	(3,904,160)
Balance, June 30, 2015		**6,945,345**	**(2,061,132)**	**-**	**-**	**1,191,948**	**14,284,562**	**20,360,723**

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 June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
		$	$	**$**	$
Cash flows related to:					
Operating Activities					
Income (loss)		**(1,904,095)**	8,171,517	**(3,904,160)**	22,546,797
Add (deduct) items not involving cash:					
Unrealized loss (gain) on risk management	4(e)	**911,878**	(1,075,912)	**1,835,132**	724,912
Share-based compensation		**176,190**	173,715	**351,372**	235,338
Depletion and depreciation	5	**2,735,690**	2,966,516	**5,865,472**	5,973,648
Acquired office lease amortization		**-**	69,543	**-**	139,086
Gain on repurchase of Class B shares		**-**	(7,294,966)	**-**	(7,294,966)
Gain on repurchase of convertible debentures		**-**	-	**-**	(17,722,983)
Deferred income tax expense (recovery)		**(184,459)**	751,582	**(791,142)**	5,565,645
Finance expense	11	**1,500,991**	2,164,907	**2,931,060**	4,580,504
Gain on sale of assets		**-**	(1,516,469)	**-**	(1,947,731)
Funds flow from operations		**3,236,195**	4,410,433	**6,287,734**	12,800,250
Decommissioning costs incurred	9	**(243,284)**	(889,457)	**(838,018)**	(1,641,506)
Change in non-cash working capital	12	**(318,758)**	(1,655,753)	**602,624**	(589,016)
Cash from operating activities		**2,674,153**	1,865,223	**6,052,340**	10,569,728
Investing Activities					
Property and equipment expenditures	5	**(914,066)**	(3,240,324)	**(2,562,634)**	(6,416,327)
Disposal of property and equipment		**-**	3,752,297	**-**	3,792,346
Disposal of assets held for sale		**-**	9,173	**-**	440,435
Purchase of risk management contracts	4(e)	**(255,368)**	(82,810)	**(507,931)**	(164,710)
Change in non-cash working capital	12	**(541,614)**	2,397,895	**(3,969,807)**	733,761
Cash from (used in) investing activities		**(1,711,048)**	2,836,231	**(7,040,372)**	(1,614,495)
Financing Activities					
Net bank debt draws (repayments)		**(184,481)**	(5,000,000)	**1,589,595**	(4,000,000)
Common share issuance proceeds		**-**	1,095,000	**-**	1,095,000
Repurchase of Class B shares		**-**	(3,914,040)	**-**	(3,914,040)
Long-term contract obligation repayments	8	**(73,728)**	(79,555)	**(144,968)**	(79,555)
Long-term contract obligation draws		**-**	-	**-**	15,000,000
Convertible debenture repurchase		**-**	-	**-**	(13,600,000)
Interest and financing costs paid	11	**(960,550)**	(1,394,987)	**(1,853,281)**	(2,558,796)
Change in non-cash working capital	12	**(10,685)**	42,686	**(20,457)**	196,595
Cash used in financing activities		**(1,229,444)**	(9,250,896)	**(429,111)**	(7,860,796)
Increase (decrease) in cash and cash equivalents		**(266,339)**	(4,549,442)	**(1,417,143)**	1,094,437
Cash and cash equivalents (bank overdraft), beginning of period		**42,403**	5,476,678	**1,193,207**	(167,201)
Cash and cash equivalents (bank overdraft), end of period		**(223,936)**	927,236	**(223,936)**	927,236

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 and may conduct its activities jointly with others; these condensed interim financial statements reflect only the Corporation's proportionate interest in such activities. 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 August 17, 2015.

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, 2014, 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 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.

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 financial statements and the reported amount of income 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, 2014, 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, 2014. There were no new or amended accounting standards or interpretations adopted during the three and six months ended June 30, 2015 that had a material effect on the Corporation's financial statements.

New or revised IFRS not yet adopted

In May 2014, the IASB published IFRS 15, *Revenue From Contracts With Customers*, replacing IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

On July 22, 2015, the IASB announced an amendment to IFRS 15, deferring the effective date of the standard by one year to years beginning on or after January 1, 2018, with early adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Corporation is evaluating the impact on its financial statement of adopting IFRS 15.

A description of additional standards and interpretations that will be adopted by the Corporation in future periods can be found in the notes to the financial statements for the year ended December 31, 2014.

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 changes to 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 June 30, 2015, based on a discounted cash flow model assuming an 8.65 percent effective interest rate, is approximately $4.9 million (December 31, 2014 – $4.7 million).

The fair value of the long-term contract obligation at June 30, 2015, based on a discounted cash flow model assuming a 13.41 percent effective interest rate, is approximately $14.7 million (December 31, 2014 – $14.8 million).

c) Credit risk

The Corporation considers all accounts receivable greater than 90 days to be past due. At June 30, 2015, $485,067 is past due (December 31, 2014 – $379,774). The Corporation considers this amount fully collectible. During the three and six months ended June 30, 2015, the Corporation recognized an allowance for doubtful accounts of $125,000 (three and six months ended June 30, 2014 – $Nil).

(amounts in Canadian dollars) (unaudited)

d) Liquidity risk

The timing of undiscounted cash flows relating to the financial liabilities outstanding at June 30, 2015 is outlined below:

	1 year	2 years	3 years	>3 years	Total
	$	$	$	$	$
Bank overdraft	223,936	-	-	-	223,936
Accounts payable and accrued liabilities	11,666,770	-	-	-	11,666,770
Bank debt [1]	-	40,589,595	-	-	40,589,595
Long-term contract obligation [2]	2,326,300	2,326,300	15,397,692	-	20,050,292

(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 is also subject to commitments as disclosed in note 14.

e) Market risk

Market risks are as follows:

Foreign currency risk

At June 30, 2015 and December 31, 2014, the Corporation had no forward exchange rate contracts nor any working capital denominated in foreign currencies.

Interest rate risk

For the six months ended June 30, 2015, a 1 percent increase in interest rates would decrease income by approximately $152,211 (six months ended June 30, 2014 – approximately $138,750). The Corporation had no interest rate swaps or contracts as at or during the six months ended June 30, 2015 or 2014.

Commodity price risk

At June 30, 2015, the Corporation's forward commodity contracts consisted of a mix of natural gas costless collars and purchased put options.

(i) Summary of risk management positions

At June 30, 2015, Questfire had the following natural gas risk management contracts with a total mark-to-market asset of $1,039,009:

Period	Commodity	Type of contract	Notional quantity	Pricing point	Contract price
Jan. 1/15 - Dec. 31/15	Natural gas	Purchased put [1]	15,000 GJ/d	AECO 7A	Cdn$3.00/GJ
Jan. 1/15 - Dec. 31/15	Natural gas	Costless collar	5,000 GJ/d	AECO 7A	Cdn$2.85-$4.00/GJ

(1) Requires the Corporation to pay a monthly premium of approximately $85,400 over the term for a total premium of $1,024,281, of which $516,350 remains to be paid.

(amounts in Canadian dollars) (unaudited)

Reconciliation of changes of fair value of Questfire's risk management contracts:

Six months ended June 30,	**2015**
	$
Fair value of contracts, beginning of period	2,366,210
Contracts entered into	507,931
Change in fair value of contracts	(1,835,132)
Fair value of contracts, end of period	**1,039,009**

(ii) Commodity price sensitivities – risk management positions

The following summarizes the sensitivity of the fair value of Questfire's risk management contracts to fluctuations in commodity prices, with all other variables held constant. Management believes the price fluctuations identified below are a reasonable measure of volatility. The impact of fluctuating commodity prices on the Corporation's risk management contracts at June 30, 2015 could have resulted in unrealized gains or losses affecting profit or loss for the six months ended June 30, 2015 as follows:

Commodity	**Sensitivity range**	**Increase**	**Decrease**
		$	$
Natural gas commodity price	± $0.10 per Mcf – AECO 7A contracts	(196,981)	209,692

f) Capital management

There were no changes to the Corporation's approach to capital management during the six months ended June 30, 2015.

5. Property and equipment (P&E)

	Oil and natural gas interests	**Corporate and other**	**Total**
	$	$	$
Cost			
Balance, December 31, 2014	141,989,762	250,353	142,240,115
Additions	2,562,634	-	2,562,634
Decommissioning provision	(80,918)	-	(80,918)
Balance, June 30, 2015	**144,471,478**	**250,353**	**144,721,831**
Accumulated depletion and depreciation			
Balance, December 31, 2014	23,001,446	82,681	23,084,127
Depletion and depreciation	5,844,788	20,684	5,865,472
Balance, June 30, 2015	**28,846,234**	**103,365**	**28,949,599**
Balance, December 31, 2014	118,988,316	167,672	119,155,988
Balance, June 30, 2015	**115,625,244**	**146,988**	**115,772,232**

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

6. Impairment

At June 30, 2015, the Corporation assessed its P&E cash-generating units and its exploration and evaluation assets (E&E) for indicators of impairment and noted none. No assets were considered to be impaired and no impairment was recorded during the three and six months ended June 30, 2015 (three and six months ended June 30, 2014 – $Nil).

There were no impairment reversals for either P&E or E&E during the three and six months ended June 30, 2015 or 2014.

7. Bank debt

The Corporation has a $45.0 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 $55.0 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 1.00 percent and 3.50 percent depending on the Corporation's adjusted senior debt to EBITDA ratio as defined by the agreement. 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 minimum adjusted working capital ratio of at least 1:1 (for purposes of the covenant, bank debt and the fair value of any risk management contracts are excluded and the undrawn portion of the Credit Facility is added to current assets), and to maintain a debt to EBITDA ratio, as defined by the agreement, of less than 3.5:1 at June 30, 2015, 3.75:1 at September 30, 2015, 4.0:1 at December 31, 2015, 3.75:1 at March 31, 2016, 3.5:1 at June 30, 2016 and 3.0:1 thereafter. The covenants were met at June 30, 2015 at 1.75:1 and 3.15:1, respectively.

At June 30, 2015, $40.6 million of the Credit Facility was drawn (December 31, 2014 – $39.0 million). For the six months ended June 30, 2015, the average effective interest rate was 4.1 percent (year ended December 31, 2014 – 4.3 percent).

At June 30, 2015, the Corporation had letters of credit of $200,000, reducing the borrowing capacity under the Credit Facility.

8. 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, used to repay convertible debt. 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 processing 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 processing 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.

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.

(amounts in Canadian dollars) (unaudited)

The following reconciles the long-term contract obligation:

As at	**June 30, 2015**
	$
Balance, beginning of period	14,800,387
Principal repayments	(144,968)
Balance, end of period	**14,655,419**

At June 30, 2015 $321,586 (December 31, 2014 – $300,242) of the balance is classified as a current liability.

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 $93.3 million at June 30, 2015 (December 31, 2014 – $93.0 million). This was inflated using a weighted-average rate of 2.0 percent (December 31, 2014 – 2.0 percent) to arrive at undiscounted future cash flows of approximately $186.6 million (December 31, 2014 – $187.4 million) and then discounted using a weighted-average credit-adjusted risk-free rate of 6.75 percent at June 30, 2015 (December 31, 2014 – 6.80 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:

As at	**June 30, 2015**
	$
Balance, beginning of period	28,172,822
Costs incurred	(838,018)
Accretion (note 11)	872,268
Change in estimated future cash flows	(207,703)
Change in discount rate	126,785
Balance, end of period	**28,126,154**

(amounts in Canadian dollars) (unaudited)

Sensitivities

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

As at	June 30, 2015	
	Credit-adjusted risk-free discount rate	Inflation rate
	$	$
1 percent increase	(4,013,559)	5,777,198
1 percent decrease	5,528,889	(4,210,421)

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, June 30, 2015 and December 31, 2014	**17,318,001**	**6,945,345**

c) Income (loss) per share

The following sets forth the computation of per share amounts:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Numerator				
Income (loss) attributable to Class A shares	**(1,904,095)**	8,171,517	**(3,904,160)**	22,546,797
Adjustment for dilutive effect of convertible debentures, net of tax	**-**	51,494	**-**	685,259
Adjustment for dilutive effect of Class B shares, net of tax	**-**	172,479	**-**	458,048
Numerator for diluted per share amounts	**(1,904,095)**	8,395,490	**(3,904,160)**	23,690,104
Denominator				
Weighted-average number of shares outstanding for basic per share calculation	**17,318,001**	13,418,386	**17,318,001**	13,191,951
Stock options	**-**	1,470,310	**-**	1,404,971
Warrants	**-**	889,125	**-**	905,552
Convertible debentures	**-**	2,593,077	**-**	8,974,339
Class B shares	**-**	4,690,796	**-**	6,667,041
Denominator for diluted per share amounts	**17,318,001**	23,061,694	**17,318,001**	31,143,854

(amounts in Canadian dollars) (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Basic income (loss) per share attributable to Class A shares	**(0.11)**	0.61	**(0.23)**	1.71
Diluted income (loss) per share attributable to Class A shares	**(0.11)**	0.36	**(0.23)**	0.76

For the three and six-month periods ended June 30, 2015, the Corporation excluded the following instruments from the calculation of diluted income per share as they would be anti-dilutive:

i. Stock options – 3,291,000 for both periods (three and six months ended June 30, 2014 – 615,000 for both periods), with a weighted-average exercise price of $0.99 (three and six months ended June 30, 2014 – $2.05 for both periods)
ii. Class B shares – 550,440 for both periods (three and six months ended June 30, 2014 – Nil for both periods)

d) Share-based compensation

During the three and six months ended June 30, 2015, the Corporation granted 600,000 and 675,000 options, respectively (three and six months ended June 30, 2014 – 615,000 and 775,000 options, respectively) 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 fair value of the options granted during the three and six months ended June 30, 2015 was estimated at $434,656 and $518,859, respectively (three and six months ended June 30, 2014 – $757,804 and $846,883, respectively), using the Black-Scholes option pricing model with the following weighted-average assumptions: an exercise price of $1.30 and $1.33, respectively; a market price of Class A shares of $1.30 and $1.33, respectively; a risk-free interest rate of 1.02 percent and 1.04 percent, respectively; volatility of 73 percent; an expected life of six years; a forfeiture rate of 10 percent and no dividend yield.

The following provides information with respect to stock option transactions:

As at June 30,	**2015**	
	Options	Weighted-average exercise price
	#	$
Outstanding, beginning of period	2,676,000	0.91
Granted	675,000	1.33
Forfeited	(60,000)	1.19
Outstanding, end of period	**3,291,000**	**0.99**

(amounts in Canadian dollars) (unaudited)

The following provides information about stock options outstanding at June 30, 2015:

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	6.37	0.22	1,281,000	0.21
0.95 - 1.68	1,300,000	9.01	1.19	260,000	1.08
2.03 - 2.60	680,000	8.85	2.10	193,333	2.05
	3,291,000	**7.93**	**0.99**	**1,734,333**	**0.54**

11. Finance expense

	Three months ended	June 30,	Six months ended	June 30,
	2015	2014	**2015**	2014
	$	$	**$**	$
Finance expense				
Interest on convertible debentures	**-**	42,460	**-**	540,808
Interest on bank debt (note 7)	**397,868**	465,449	**780,422**	911,816
Interest on long-term contract obligation (note 8)	**507,682**	502,021	**1,017,859**	534,466
Financing costs	**55,000**	385,057	**55,000**	571,706
Cash finance expense	**960,550**	1,394,987	**1,853,281**	2,558,796
Accretion on decommissioning provisions (note 9)	**436,578**	528,916	**872,268**	1,038,106
Accretion on convertible Class B share liability	**103,863**	214,806	**205,511**	610,731
Accretion on convertible debentures	**-**	26,198	**-**	372,871
Non-cash finance expense	**540,441**	769,920	**1,077,779**	2,021,708
Total finance expense	**1,500,991**	2,164,907	**2,931,060**	4,580,504

(amounts in Canadian dollars) (unaudited)

12. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
	$	$	**$**	$
Cash flows related to:				
Accounts receivable	**1,530,846**	2,423,507	**2,691,690**	184,572
Deposits and prepaid expenses	**208,011**	(345,956)	**(230,813)**	(327,952)
Accounts payable and accrued liabilities	**(2,609,914)**	(1,223,180)	**(5,848,517)**	623,806
Changes in non-cash working capital	**(871,057)**	854,371	**(3,387,640)**	480,426
Acquired non-cash working capital items:				
Office lease amortization	**-**	(69,543)	**-**	(139,086)
Changes in non-cash working capital	**(871,057)**	784,828	**(3,387,640)**	341,340
Relating to:				
Operating activities	**(318,758)**	(1,655,753)	**602,624**	(589,016)
Investing activities	**(541,614)**	2,397,895	**(3,969,807)**	733,761
Financing activities	**(10,685)**	42,686	**(20,457)**	196,595
	(871,057)	784,828	**(3,387,640)**	341,340

13. Related-party transactions

A director of Questfire is a partner of a law firm that provides legal services to Questfire. Legal fees of $4,278 and $29,990 were incurred by Questfire to the law firm in the respective three and six months ended June 30, 2015 (three and six months ended June 30, 2014 – $43,174 and $190,366, respectively), of which $4,278 and $29,990, respectively (three and six months ended June 30, 2014 – $32,202 and $52,018, respectively) was related to general and administrative expenses and $Nil for both periods (three and six months ended June 30, 2014 – $10,972 and $138,348, respectively), was related to financing expense. At June 30, 2015, $15,682 (December 31, 2014 – $22,050) related to 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:

	2015	2016	2017	2018	2019	Thereafter
	$	$	$	$	$	$
Office lease	401,627	803,254	803,254	803,254	468,565	-

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