Report to Shareholders

Questfire Energy Corp. (“Questfire” or the “Corporation”) (TSX Venture: Q.A and Q.B) is pleased to announce its unaudited financial and operating results for the three and nine months ended September 30, 2011.

Management’s Discussion and Analysis

This management’s discussion and analysis (MD&A) of financial condition and results of operations is for the three-month and nine-month periods ended September 30, 2011, including 2010 comparative periods, and has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the unaudited condensed interim financial statements and the notes thereto for the period ended September 30, 2011 and the audited financial statements for the period from incorporation on January 15, 2010 to December 31, 2010 contained in the Corporation’s Prospectus dated September 30, 2011.

This document contains forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could influence actual results or events and cause actual results or events to differ materially from those stated, anticipated or implied. Such forward-looking statements necessarily involve risks associated with oil and natural gas exploration, property development, production, marketing and transportation, such as dry holes and non-commercial wells, facility and pipeline damage, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Readers are cautioned not to place undue reliance on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements.

Petroleum and natural gas volumes are converted to an equivalent measurement basis referred to as a “barrel of oil equivalent” (boe) on the basis of 6 thousand cubic feet of natural gas equalling 1 barrel of oil. This is based on an energy equivalency conversion method applicable at the burner tip and does not necessarily represent a value equivalency at the wellhead. Readers are cautioned that boe figures may be misleading, particularly if used in isolation.

Questfire’s Board of Directors and Audit Committee have reviewed and approved the September 30, 2011 unaudited condensed interim financial statements and related MD&A. This MD&A is dated November 22, 2011.

Description of Business

Questfire Energy Corp. (the “Corporation” or “Questfire”) was incorporated on January 15, 2010, and issued one Common Share for a subscription price of $1.00. On November 25, 2010, the Corporation raised $1,895,000 by way of a private placement of Common Shares issued on a “flow-through” basis at $0.20 per share and on August 18, 2011, the Corporation raised an additional $50,000 by way of a private placement of Common Shares at an issue price of $0.20 per share. On August 24, 2011, the articles of the Corporation were amended to remove the private company restrictions, to reclassify the Common Shares as Class A Shares, and to create the Class B Shares. Subsequent to the end of the third quarter, on October 18, 2011, the Corporation closed its initial public offering, raising gross proceeds of $6,176,000 and issuing 3,088,000 Class A shares on a flow-through basis at $0.20 per share, and 555,840

Class B shares on a flow-through basis at $10.00 per share. On October 26, 2011, the Corporation's Class A and Class B shares commenced trading on the TSX Venture Exchange.

The Corporation is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in Canada. Specifically, the Corporation's focus is to generate and develop its own prospects, acquire oil and natural gas properties directly and/or through farm-ins, and participate with joint venturers and other industry partners in oil and natural gas exploration and development in Alberta.

Results of Operations

The Corporation was incorporated on January 15, 2010 and completed its initial public offering on October 18, 2011 and as such, prior period results available for comparison are limited to general and administrative expenses.

		Three months ended September 30, 2011 (unaudited)		Three months ended September 30, 2010 (unaudited)		Nine months ended September 30, 2011 (unaudited)		Period ended September 30, 2010 (unaudited)
Exploration and evaluation expenditures	$	**(72,527)**	$	-	$	**(97,215)**	$	-
General and administrative expense		**(218,249)**		(922)		**(355,482)**		(20,480)
Depreciation expenses		**(1,900)**		-		**(5,800)**		-
		(292,676)		(922)		**(458,497)**		(20,480)
Finance income		**2,522**		-		**10,407**		-
Finance expense		**(5,818)**		-		**(12,401)**		-
Net finance income (expense)		**(3,296)**		-		**(1,994)**		-
Loss, before income taxes		**(295,972)**		(922)		**(460,491)**		(20,480)
Deferred income tax recovery		**(31,414)**		-		**(31,414)**		-
Loss and comprehensive loss	$	**(264,558)**	$	(922)	$	**(429,077)**	$	(20,480)
Loss and comprehensive loss per share – basic and diluted	$	**(0.03)**	$	(922)	$	**(0.05)**	$	(20,480)

Production

To September 30, 2011 the Corporation had no production nor any oil or natural gas revenue.

Exploration and Evaluation Expenditures

The Corporation recorded exploration and evaluation expenditures of $72,527 in the third quarter of 2011 and $97,215 for the nine months ended September 30, 2011, compared to $nil for the respective periods in 2010. The increase is due to the start of geological salaries being paid in July 2011 and to 3.5 km^2 of 3D seismic in the Racosta area being acquired in the second quarter of 2011.

General and Administrative (G&A) Expense

G&A expense amounted to $218,249 in the third quarter of 2011, compared to $922 in the third quarter of 2010. G&A expense amounted to $355,482 in the first nine months of 2011, compared to $20,480 for the period ending September 30, 2010. Increases over 2010 are mainly due to executive officers being paid a salary starting in July 2011 and increased office activity in 2011 related to commencing operations.

Depreciation

The Corporation recorded depreciation expense of $1,900 in the third quarter and $5,800 for the nine months ended September 30, 2011, compared to $nil for the respective periods in 2010. The increase is due to office furniture being acquired late in 2010 and thus $nil depreciation up to September 30, 2010 was incurred.

Finance Income

The Corporation earned finance income of $2,522 in the third quarter and $10,407 in the first nine months of 2011, compared to $nil in the respective periods of 2010. The Corporation raised the majority of its initial equity in November 2010 and, thus, increases in its finance income are a result of higher average cash balances in 2011 than in the same periods of last year. The Corporation's 2011 cash balances earned yields of approximately 1.1 percent per annum.

Finance Expense

Finance expense (composed of Part XII.6 tax) was $5,818 in the third quarter and $12,401 in the first nine months of 2011 compared to $nil in the respective periods of 2010. The increase is due to Part XII.6 tax being accrued related to the unspent portion of the flow-through share renunciations.

Deferred Income Tax Recovery

Deferred income tax recovery was $31,414 in the third quarter and $31,414 in the first nine months of 2011 compared to $nil in the respective periods of 2010.

Loss

The Corporation incurred a loss of $264,558 ($0.03 per share basic and diluted) in the third quarter and a loss of $429,077 ($0.05 per share basic and diluted) in the nine months ended September 30, 2011. The net losses and loss per share in the 2010 periods are not comparable because the Corporation had limited operations and only one Common Share.

Supplemental Quarterly Information

The following tables summarize key financial and operating information for the periods indicated:

	Three months ended			
	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011
Net loss	$ (36,213)	$ (70,158)	$ (94,361)	$ (264,558)
Per share, basic	(0.01)	(0.01)	(0.01)	(0.03)
Capital expenditures	362,195	-	275,694	258,669
Total assets (end of period)	$ 1,873,185	$ 1,781,495	$ 1,699,712	$ 1,796,508

	Periods ended		
	March 31, 2010	June 30, 2010	September 30, 2010
Net loss	$ (166)	$ (19,392)	$ (922)
Per share, basic	(166)	(19,392)	(922)
Capital expenditures	-	-	-
Total assets (end of period)	$ 1	$ 1	$ 1

The Corporation was incorporated on January 15, 2010 and completed its initial public offering on October 18, 2011.

Capital Expenditures

	Three months ended September 30, 2011	**Nine months ended September 30, 2011**
Land	$ 144,323	**$ 381,072**
Geological and geophysical	72,987	**111,932**
Drilling and completions	41,359	**41,359**
	$ 258,669	**$ 534,363**

Capital expenditures for the three months ended September 30, 2011 was $258,669. During the third quarter of 2011, the Corporation acquired 2½ sections of land and commenced surveying and licensing of certain wells in the W4 and W5 exploration areas. The Corporation also incurred some initial costs related to the Corporation's proprietary seismic program that is scheduled for the fourth quarter of 2011.

In the nine months ended September 30, 2011 Questfire made expenditures of $534,363. The Corporation acquired 4 sections of land and commenced surveying and licensing of certain wells in the W4 and W5 exploration areas. The Corporation also acquired 3.9 km^2 of 3D seismic data and incurred some initial costs related to the Corporation's proprietary seismic program that is scheduled for the fourth quarter of 2011.

Overall at September 30, 2011 the Corporation had exploration and evaluation assets of $865,702 which include 8.25 sections of undeveloped land in the Richdale area, 1.5 sections of undeveloped land in the Thorsby area, 1 section of undeveloped land in the Racosta area and 1.5 sections of undeveloped land in the Niton area. The Corporation also has 3.9 km^2 of 3D seismic data in the Richdale area and has incurred initial costs related to the Corporation's upcoming seismic program as well as surveying and licensing of certain wells.

As well, a total of $30,856, used to purchase computer systems and printers for use by management for evaluation of potential oil and natural gas prospects, was incurred and capitalized in 2010.

Share Capital and Option Activity

As at September 30, 2011, the Corporation had 9,725,001 Class A shares and nil Class B shares outstanding. Subsequent to the quarter-end the Corporation completed its initial public offering and issued 3,088,000 Class A shares and 555,840 Class B shares and thus, as at

November 22, 2011, the Corporation has 12,813,001 Class A shares and 555,840 Class B shares outstanding.

At September 30, 2011 there were nil options outstanding. On October 18, 2011, subsequent to the quarter-end and as of this date, there were 1,281,000 options granted to acquire Class A shares at an exercise price of $0.20 per share, which were granted to directors, officers, employees and consultants of the Corporation pursuant to the Corporation's stock option plan.

Liquidity and Capital Resources

At September 30, 2011 the Corporation had working capital of $295,330 (excluding the flow-through share premium), which included cash and cash equivalents of $633,203. The Corporation expects that its recent initial public offering, made subsequent to the end of the third quarter and which raised gross proceeds of $6,176,000, will be adequate to fund the remainder of its 2011 capital expenditure program. There is no assurance that debt and future equity financings will be available on acceptable terms to meet the Corporation's ongoing capital requirements.

Off-Balance-Sheet Arrangements

The Corporation does not have any special purpose entities nor is it a party to any arrangements that would be excluded from the balance sheet.

Commitments

Pursuant to the provisions of its private placement completed on November 25, 2010 as well as the October 18, 2011 initial public offering, the Corporation is committed to expending $1,895,000 by December 31, 2011 and $6,176,000 by December 31, 2012 on activities that will qualify as Canadian exploration expenses ("CEE") for income tax purposes. To September 30, 2011, the Corporation incurred approximately $186,874 of eligible expenditures.

The Corporation is committed under a software licence agreement expiring January 1, 2014 to making future minimum payments estimated at $13,297 for the remainder of 2011, $53,187 for 2012 and $53,187 for 2013.

The Corporation entered into a sublease for office space that runs to December 30, 2011. As at September 30, 2011 the estimated remaining amounts due under the sublease, inclusive of estimated related operating expenses and taxes, were $22,050 for the remainder of 2011.

Subsequent to the quarter end, on October 21, 2011 the Corporation committed under a lease on its office premises commencing on January 1, 2012 and expiring August 31, 2013 to making future minimum rental payments, excluding estimated operating costs of $68,220, for 2012 and $45,480 for 2013.

Related-Party Transactions

At September 30, 2011, $96,081 is included in accounts payable and accrued liabilities related to legal fees to a legal firm of which a partner is also a director of Questfire. Of this amount, $96,081 is included in deferred financing charges.

Hedging

The Corporation had no hedges in place as at September 30, 2011 and does not anticipate hedging in the immediate future.

Risks and Uncertainties

The oil and natural gas industry is subject to numerous risks that can affect the amount of cash flow from operating activities and the ability to grow. Risk factors can be found under the heading Risk Factors in the Corporation's Prospectus dated September 30, 2011.

Critical Accounting Estimates

The Corporation's accounting policies are described in note 3 to the financial statements. Certain accounting policies are identified as critical accounting policies because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain. These accounting policies could result in materially different results should the underlying assumptions or conditions change.

Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate. Management's assumptions may change over time as operating conditions change.

Valuation of intangible exploration and evaluation assets

The value of intangible exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves which in turn is dependent on future oil and natural gas prices, future capital expenditures and environmental and regulatory restrictions.

Valuation of accounts receivable

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts.

Income Taxes

The amounts recorded for deferred income taxes are based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on estimates of the probability of the Corporation utilizing certain tax pools and assets which, in turn, is dependent on estimates of proved and probable reserves, production rates, future petroleum and natural gas prices and changes in legislation, tax rates and interpretations by taxation authorities. The availability of tax pools is subject to audit and interpretation by taxation authorities.

Changes in Accounting Policies

The following pronouncements by the International Accounting Standards Board ("IASB") will become effective for financial reporting periods beginning on, or after, January 1, 2013 and have not yet been adopted by the Corporation. All of these new or revised standards permit early adoption with transitional arrangements, depending upon the date of initial application:

IFRS 9 – “Financial Instruments” addresses the classification and measurement of financial assets.

IFRS 10 – “Consolidated Financial Statements” builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included in the consolidated financial statements of the parent company.

IFRS 11 – “Joint Arrangements” establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.

IFRS 12 – “Disclosure of Interest in Other Entities” provides the disclosure requirements for interests held in other entities, including joint arrangements, associates, special purpose entities and other off-balance-sheet entities.

IFRS 13 – “Fair Value Measurement” defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

IAS 27 – “Separate Financial Statements” revises the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements.

IAS 28 – “Investments in Associate and Joint Ventures” revises the existing standard, prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Corporation has not completed its evaluation of the effect of adopting these standards on its financial statements.

Additional Information

Additional information regarding the Corporation is available on SEDAR at www.sedar.com or can be obtained by contacting the Corporation at Questfire Energy Corp., Suite 400, 703 – 6th Ave S.W., Calgary, Alberta, T2P 0T9.

Corporate Information

BOARD OF DIRECTORS

RICHARD DAHL [(1)(3)]
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NEIL DELL [(1)(2)(3)]
Independent Businessman
Calgary, Alberta

ROGER MACLEOD [(1)(2)]
Partner
Davis LLP
Calgary, Alberta

JOHN RAMESCU [(2)(3)]
Vice President, Land
Questfire Energy Corp.
Calgary, Alberta

Notes:
(1) Audit Committee
(2) Corporate Governance and Compensation Committee
(3) Reserves Committee

OFFICERS AND KEY PERSONNEL

RICHARD DAHL
President & Chief Executive Officer

DARREN KISSER
Vice President, Engineering and Operations

FRED LAUDEL
Vice President, Exploration

JOHN RAMESCU
Vice President, Land

BRUCE SHEPARD
Vice President, Exploitation

RONALD WILLIAMS
Vice President, Finance & Chief Financial Officer

RODNEY KELLER
Project Manager

MICHAEL DER
Corporate Secretary

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Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING
The TSX Venture Exchange
Symbols: Q.A and Q.B