Questfire Energy Corp.

Condensed Interim Financial Statements
For the three and six months
ended June 30, 2013

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

	Note	June 30, 2013	December 31, 2012 (Note 3(a))
		$	$
Assets			
Current assets			
Cash and cash equivalents		**969,331**	395,288
Accounts receivable	4(c)	**7,738,982**	200,482
Risk management contracts	4(e)	**140,832**	-
Assets held for sale	5	**281,000**	-
Deposits and prepaid expenses		**624,449**	36,948
Total current assets		**9,754,594**	632,718
Non-current assets			
Property and equipment	6	**110,919,402**	3,069,632
Exploration and evaluation assets	7	**1,924,495**	1,910,773
Total non-current assets		**112,843,897**	4,980,405
Total assets		**122,598,491**	5,613,123
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	4(d)	**7,335,756**	323,024
Bank debt	9	**43,000,000**	-
Flow-through share commitments	18	**1,224,516**	1,840,817
Convertible debentures	12	**1,330,207**	-
Total current liabilities		**52,890,479**	2,163,841
Non-current liabilities			
Decommissioning provisions	10	**26,311,818**	156,198
Convertible Class B shares	11	**14,326,703**	3,966,350
Convertible debentures	12	**30,416,934**	1,352,811
Deferred tax liabilities		**199,292**	47,849
Total liabilities		**124,145,226**	7,687,049
Shareholders' Equity (Deficiency)			
Share capital	13(a)	**4,272,595**	4,193,633
Equity component of convertible Class B Shares	11	**(2,081,352)**	(2,081,352)
Equity component of convertible debentures	12	**75,805**	79,767
Warrants	12	**28,295**	28,295
Contributed surplus		**175,527**	134,770
Deficit		**(4,017,605)**	(4,429,039)
Total equity attributable to equity holders of the Corporation		**(1,546,735)**	(2,073,926)
Total liabilities and shareholders' equity		**122,598,491**	5,613,123

Commitments (notes 18 and 19)
Subsequent event (note 20)

(Signed) "Richard Dahl", Director (Signed) "Roger MacLeod", Director

See accompanying notes to the condensed interim 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, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
		$	$	**$**	$
Revenue					
Oil and natural gas sales		**10,532,541**	100,018	**10,596,662**	158,044
Royalties		**(1,307,423)**	(12,753)	**(1,310,890)**	(21,892)
		9,225,118	87,265	**9,285,772**	136,152
Realized loss on risk management	4(e)	**(336,079)**	-	**(336,079)**	-
Unrealized gain on risk management	4(e)	**2,754,421**	-	**2,754,421**	-
		11,643,460	87,265	**11,704,114**	136,152
Expenses					
Production and operating		**3,994,119**	50,949	**4,026,044**	73,553
Transportation		**300,555**	6,021	**301,819**	8,808
General and administrative		**926,383**	261,506	**1,218,130**	561,011
Share-based compensation	14	**28,476**	27,361	**40,757**	54,722
Exploration and evaluation		**187,500**	62,800	**250,000**	1,124,609
Depletion and depreciation	6	**1,971,746**	63,861	**1,998,433**	103,920
Transaction costs	5	**603,951**	-	**1,228,416**	-
		8,012,730	472,498	**9,063,599**	1,926,623
Operating Income (Loss)		**3,630,730**	(385,233)	**2,640,515**	(1,790,471)
Finance income		**-**	335	**-**	7,291
Finance expense	15	**(1,917,061)**	(92,815)	**(2,077,638)**	(180,514)
Net Finance Expense		**(1,917,061)**	(92,480)	**(2,077,638)**	(173,223)
Income (Loss) Before Income Taxes		**1,713,669**	(477,713)	**562,877**	(1,963,694)
Deferred income tax recovery (expense)		**(199,292)**	92,728	**(151,443)**	396,963
Income (Loss) and Comprehensive Income (Loss) for the Period		**1,514,377**	(384,985)	**411,434**	(1,566,731)
Net Income (Loss) per Share					
Basic	13(b)	**0.12**	(0.03)	**0.03**	(0.12)
Diluted	13(b)	**0.05**	(0.03)	**0.03**	(0.12)

See accompanying notes to the condensed interim financial statements.

Questfire Energy Corp.

Condensed Interim Statements of Changes in Equity

(amounts in Canadian dollars) (unaudited)

	Note	Share capital	Equity component of Class B shares	Equity component of convertible debentures	Warrants	Contributed surplus	Deficit	Total
		$	$	$	$	$	$	$
Balance, January 1, 2012		4,193,633	(2,081,352)	-	-	25,327	(904,417)	1,233,191
Equity component of convertible debenture units, net of issuance costs and income taxes	12	-	-	79,767	28,295	-	-	108,062
Share-based compensation		-	-	-	-	54,722	-	54,722
Net loss for the period		-	-	-	-	-	(1,566,731)	(1,566,731)
Balance, June 30, 2012		4,193,633	(2,081,352)	79,767	28,295	80,049	(2,471,148)	(170,756)
Share-based compensation		-	-	-	-	54,721	-	54,721
Net loss for the period		-	-	-	-	-	(1,957,891)	(1,957,891)
Balance, December 31, 2012		4,193,633	(2,081,352)	79,767	28,295	134,770	(4,429,039)	(2,073,926)
Issued on conversion of convertible debentures	12	78,962	-	(3,962)	-	-	-	75,000
Share-based compensation		-	-	-	-	40,757	-	40,757
Net income for the period		-	-	-	-	-	411,434	411,434
Balance, June 30, 2013		**4,272,595**	**(2,081,352)**	**75,805**	**28,295**	**175,527**	**(4,017,605)**	**(1,546,735)**

See accompanying notes to the condensed interim financial statements.

Questfire Energy Corp.

Condensed Interim Statements of Cash Flows

(amounts in Canadian dollars) (unaudited)

	Note	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
		$	$	**$**	$
Cash flows related to:					
Operating Activities					
Net income (loss)		**1,514,377**	(384,985)	**411,434**	(1,566,731)
Add (deduct) items not involving cash:					
Unrealized gain on risk management	4(e)	**(2,754,421)**	-	**(2,754,421)**	-
Share-based compensation	14	**28,476**	27,361	**40,757**	54,722
Exploration and evaluation		**-**	62,800	**-**	999,309
Depletion and depreciation	6	**1,971,746**	63,861	**1,998,433**	103,920
Net finance expense	15	**1,917,061**	92,480	**2,077,638**	173,223
Deferred income tax expense (recovery)		**199,292**	(92,728)	**151,443**	(396,963)
Decommissioning provision costs incurred	10	**(100,433)**	-	**(100,433)**	-
Change in non-cash working capital	16	**(3,625,247)**	119,782	**(2,559,530)**	17,016
		(849,149)	(174,229)	**(734,679)**	(615,504)
Investing Activities					
Exploration and evaluation expenditures	7	**(6,720)**	(599,508)	**(13,722)**	(1,553,441)
Property, plant and equipment expenditures	6	**(1,026,667)**	(694)	**(1,030,180)**	(162,520)
Property acquisition	5	**(39,952,343)**	-	**(40,152,343)**	-
Acquisition of risk management contract	4(e)	**(169,050)**	-	**(169,050)**	-
Interest received		**-**	335	**-**	7,291
Change in non-cash working capital	16	**828,904**	138,246	**812,752**	(1,512,970)
		(40,325,876)	(461,621)	**(40,552,543)**	(3,221,640)
Financing Activities					
Increase in bank debt		**43,000,000**	-	**43,000,000**	-
Convertible debenture issuance proceeds	12	**-**	1,510,000	**-**	1,510,000
Convertible debenture issuance costs	12	**(62,875)**	(65,503)	**(62,875)**	(65,503)
Interest and financing costs paid		**(1,060,562)**	(11,075)	**(1,206,012)**	(18,761)
Change in non-cash working capital	16	**130,152**	75,004	**130,152**	60,311
		42,006,715	1,508,426	**41,861,265**	1,486,047
Increase (Decrease) in Cash and Cash Equivalents		**831,690**	872,576	**574,043**	(2,351,097)
Cash and Cash Equivalents, Beginning of Period		**137,641**	1,250,092	**395,288**	4,473,765
Cash and Cash Equivalents, End of Period		**969,331**	2,122,668	**969,331**	2,122,668

See accompanying notes to the condensed interim 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 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 Suite 500, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2.

The condensed interim financial statements were approved and authorized for issuance by the Corporation's Board of Directors on August 22, 2013.

2. Basis of preparation

Statement of compliance

These interim condensed financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), 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, 2012, which were prepared in accordance with IFRS.

Basis of Measurement and Going Concern

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

These financial statements were prepared on a going concern basis, which assumes that the Corporation will realize its assets and discharge its liabilities in the normal course of business.

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Use of estimates and judgments

The following are additional critical estimates and judgments identified by the Corporation in addition to those disclosed in the notes to the Corporation's annual financial statements for the year ended December 31, 2012.

a) Identification of Cash-Generating Units (CGUs)

The Corporation's upstream assets are grouped into CGUs, defined as the lowest level of assets for which there is separately identifiable independent cash inflow. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and interpretations. Factors considered in the classification include the integration among assets, shared infrastructure, the existence of common sales points, geography, geological structure and the manner in which management monitors and makes decisions about its operations. The recoverability of the Corporation's assets is assessed at the CGU level and therefore could have a significant impact on impairment losses and reversals.

b) Assets (liabilities) held for sale

The decision to transfer property, plant and equipment, exploration and evaluation assets and the related decommissioning provision to assets (liabilities) held for sale is based on management's determination that the assets and liabilities are available for immediate sale in their current condition and that the sale is highly probable.

c) Derivative commodity contracts

The amounts recorded for the fair value of commodity contracts are based on estimates of future commodity prices, foreign exchange rates and the volatility in those prices.

d) Business combinations and asset acquisitions

The value assigned and the allocation of the purchase price to the net assets in the acquisition are based on numerous estimates that affect the valuation of certain assets and liabilities acquired including the discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets, future oil and natural gas prices and other factors.

3. Significant accounting policies

The accounting policies followed in these financial statements are consistent with those of the previous year, except as defined below.

a) Changes in accounting policies

Questfire adopted the following new and revised standards, along with any amendments, effective January 1, 2013, with no material impact on the financial statements:

i) IFRS 7, *Financial Instruments: Disclosures*
ii) IFRS 10, *Consolidated Financial Statements*
iii) IFRS 11, *Joint Arrangements*
iv) IFRS 12, *Disclosure of Interests in Other Entities*
v) IFRS 13, *Fair Value Measurement*
vi) IAS 1, *Presentation of Financial Statements*
vii) IAS 28, *Investments in Associates and Joint Ventures* (amended in 2011)
viii) IAS 32, *Financial Instruments: Presentation*

These changes were made in accordance with the applicable transitional provisions.

Assets held for sale

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the net income (loss) in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities on the balance sheet and are not depleted or depreciated.

Decommissioning provisions

Under the Corporation's previous accounting policy for decommissioning provisions, the estimate of the expenditure required to settle the present obligation at the balance sheet date was recorded on a discounted basis using the pre-tax risk-free interest rate and the future cash flow estimates were adjusted to reflect the risks specific to the liability. As at January 1, 2013, the Corporation voluntarily changed its accounting policy to use a credit-adjusted risk-free interest rate and future cash flow estimates will not be adjusted to reflect the risks specific to the liability. The Corporation believes the change in discount rate provides reliable and more relevant information to the users of the financial statements as the discount rate is more consistent with the Corporation's cost of capital. The change in policy must be applied retrospectively and has resulted in property and equipment at December 31, 2012 decreasing by $71,000 with a corresponding decrease to decommissioning provisions of $71,000. Deferred tax, depletion and accretion amounts related to prior periods were not adjusted as any changes would be immaterial.

b) Future accounting pronouncements

In May 2013 the International Accounting Standards Board released an amendment to IAS 36, *Impairment of Assets*, requiring entities to disclose the recoverable amount of an impaired CGU. The amendment is effective January 1, 2014. Early adoption is permitted.

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 Corporation's annual financial statements for the year ended December 31, 2012.

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 the above 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 polices 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 values of cash and cash equivalents, accounts receivable, bank debt, accounts payable and accrued liabilities and flow-through share commitments approximate their carrying value due to the short-term maturity of those instruments. The fair value of the bank debt is equal to its carrying value as the facility bears interest at floating rates, and credit spreads within the facility are indicative of market rates. The fair value of the convertible debentures is approximated by their carrying value given interest rates the Corporation believes it would currently have to pay on an instrument with similar terms.

The fair value of convertible Class B shares at June 30, 2013 based on a discounted cash flow model assuming an 11.69% effective interest rate is approximately $13,960,000.

The fair value of financial derivatives, including commodity contracts, is determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate adjusted for the Corporation's non-performance risk and the non-performance risk of the counterparty (see also note 4(e)).

The significance of inputs used in making fair-value measurements is examined and the inputs are classified according to a fair-value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based on valuation models and techniques in which the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable, but are significant to the overall fair value measurement.

(amounts in Canadian dollars) (unaudited)

Cash and cash equivalents are measured at fair value based on their Level 1 designation. Derivative financial instruments, including commodity contracts, are measured at fair value based on a Level 2 designation.

c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk with respect to accounts receivable, cash and cash equivalents, and risk management contracts.

Substantially all of the Corporation's accounts receivable are due from purchasers of Questfire's oil and natural gas production, joint interest partners and government agencies and are subject to normal industry credit risk. Receivables from petroleum and natural gas marketers are normally collected on the 25th day of the month following production. The Corporation mitigates the credit risk associated with the marketing of its petroleum and natural gas production by establishing marketing relationships with large, credit-worthy purchasers.

Significant changes in industry conditions and risks that weaken partners' ability to generate cash flow will increase collection risk. Questfire's management believes the risk is mitigated by the size and reputation of the companies to which the Corporation extends credit and believes all receivables will be collected.

As at June 30, 2013 and December 31, 2012, the Corporation's accounts receivable were comprised of the following:

	June 30, 2013	December 31, 2012
	$	$
Oil and natural gas sales	**7,419,049**	53,264
Joint interest billings, GST and other	**319,933**	147,218
Accounts receivable	**7,738,982**	200,482

The Corporation considers all amounts greater than 90 days to be past due. As at June 30, 2013 and December 31, 2012, $Nil is past due. The Corporation manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. The Corporation manages the credit exposure related to risk management contracts by ensuring the contracts are entered into with counterparties who are financial institutions with high credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's liquidity is affected by various external events and conditions, including commodity price fluctuations and global economic instability.

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 timing of undiscounted cash flows relating to the financial liabilities outstanding at June 30, 2013 is outlined below:

	1 year	2 years	3 years	>3 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	7,335,756	-	-	-	7,335,756
Bank debt [(1)]	43,000,000	-	-	-	43,000,000
Flow-through share commitments	1,224,516	-	-	-	1,224,516
Convertible debentures [(2)]	1,435,000	-	32,585,000	-	34,020,000

(1) These amounts exclude interest payable on amounts drawn on the bank credit facilities. Although the bank debt is due on demand, management has no indication that the facility will not be renewed under similar terms.

(2) The Corporation believes that the current portion of the convertible debentures will be converted but has adequate operating cash flow to repay the amounts if required. The Corporation believes that the convertible debentures due in 3 years will be repaid from operating cash flow and / or future equity.

The Corporation is also subject to future commitments as disclosed in note 19.

e) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates, will reduce the Corporation's net earnings or the value of financial instruments. These risks are largely outside the Corporation's control. The Corporation's objective is to manage and mitigate market risk exposure within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Crude oil prices are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Corporation are influenced by U.S. and Canadian supply and demand and by exports of liquefied natural gas. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and natural gas. The impact of such exchange rate fluctuations cannot be predicted. As at June 30, 2013 and December 31, 2012, the Corporation had no forward exchange rate contracts nor any working capital denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that future cash flows will fall as a result of changes in market interest rates. The Corporation has exposure to interest rate cash flow risk as its bank borrowing bears interest at variable rates. For the six month period ending June 30, 2013, a 1% increase in interest rates would decrease net income by approximately $54,000 (2012 - $Nil). The Corporation had no interest rate swaps or contracts in place as at or during the three and six months ended June 30, 2013 or the year ended December 31, 2012.

Commodity price risk

The Corporation's operations expose it to fluctuations in commodity prices. Commodity prices for oil and natural gas are affected by global economic events that influence supply and demand. Questfire's management continuously monitors commodity prices and may consider risk-management instruments when it deems appropriate.

(amounts in Canadian dollars) (unaudited)

The Corporation's production was historically sold using "spot" or near-term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. Given its larger production base, during the three months ended June 30, 2013 the Corporation entered into a number of longer-term, fixed-price marketing contracts. Its policy is to limit swap commodity price contracts to a maximum of 50 percent of forecast production volume. The Corporation may also enter into other derivative financial instruments, being collars and puts, to achieve this objective. Collars ensure that the commodity prices realized will fall into a contracted range for a contracted sale volume based on the monthly index price while puts ensure the price realized will not fall below a "floor" price. As at June 30, 2013, the Corporation's forward commodity contracts consisted of a mix of fixed-price, fixed-volume oil and natural gas swaps and purchased "put" options.

I. Summary of risk management positions

At June 30, 2013 Questfire had the following crude oil and natural gas risk management contracts with a total mark-to-market asset value of $140,832:

Period	Commodity	Type of contract	Notional Quantity	Pricing point	Contract price
July 1/13 - Dec. 31/13	Natural gas	Fixed price	14,000 GJ/d	AECO 7A	Cdn$3.05/GJ
July 1/13 - Dec. 31/13	Natural gas	Purchased put (1)	10,000 GJ/d	AECO 7A	Cdn$3.00/GJ
July 1/13 - Dec. 31/13	Crude oil	Fixed price	250 bbls/d	WTI Nymex	Cdn$97.25/bbl
Jan. 1/14 - Dec. 31/14	Natural gas	Fixed price	8,000 GJ/d	AECO 7A	Cdn$3.3575/GJ
Jan. 1/14 - Dec. 31/14	Natural gas	Purchased put (2)	2,500 GJ/d	AECO 7A	Cdn$3.00/GJ
Jan. 1/14 - Dec. 31/14	Crude oil	Fixed price	200 bbls/d	WTI Nymex	Cdn$94.80/bbl

(1) The put contract required a premium of $169,050 be paid by the Corporation at inception.

(2) The put contract requires the Corporation to pay a monthly premium of approximately $13,000 per month over the term for a total premium of $154,213.

Reconciliation of unrealized risk management contracts from January 1, to June 30, 2013:

	Fair value $	Total unrealized gain (loss) $
Fair value of contracts, beginning of year	-	
Contracts entered into	169,050	
Acquisition (note 5)	(2,782,639)	
Change in fair value of contracts	2,754,421	2,754,421
Fair value of contracts, end of period	**140,832**	**2,754,421**

II. Commodity price sensitivities – risk management positions

The following table 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 in the table below are a reasonable measure of volatility. The impact of fluctuating commodity prices on the Corporation's risk management contracts as at June 30, 2013 could have resulted in unrealized gains (losses) impacting net income for the six months ended June 30, 2013 as follows:

(amounts in Canadian dollars) (unaudited)

Commodity	Sensitivity range	Increase	Decrease
		$	$
Natural gas commodity price	± $0.10 per Mcf - AECO 7A contracts	(619,000)	619,000
Crude oil commodity price	± $1.00 per bbl – WTI Canadian contracts	(94,000)	94,000

f) Capital management

The Corporation maintains a flexible capital structure to maximize its ability to pursue oil and natural gas exploration and asset acquisition opportunities and to sustain future development of the business. The Corporation monitors risks for each capital project to balance the proportion of debt and equity in its capital structure. The Corporation's officers are responsible for managing its capital and do so through quarterly meetings and regular reviews of financial information, including budgets and forecasts. The Corporation's Board of Directors is responsible for overseeing this process. The Corporation considers its capital structure to include shareholders' equity or deficiency, the convertible Class B Shares liability, convertible debentures and bank debt.

The Corporation monitors capital based on its current working capital, projected cash flow from operations and anticipated capital expenditures. In order to manage its capital structure, the Corporation prepares annual capital expenditure and operating budgets, which are updated as necessary. The annual and updated budgets are prepared by management and approved by the Board of Directors. The budget results are regularly reviewed and updated as required.

In order to maintain or adjust the capital structure, the Corporation may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Corporation's ability to raise additional debt or equity financing is affected by external conditions, including future commodity prices, particularly of natural gas, and by global economic conditions. The Corporation continually monitors business conditions, including: changes in economic conditions, the risks encountered in its drilling programs, forecast commodity prices, and potential corporate or asset acquisitions.

The Corporation has no externally imposed capital requirements other than its working capital covenants related to its bank debt (note 9) and any debt or equity raised must be used to repay the 2013 Debentures (note 12) and would be subject to approval by the Corporation's priority lender (note 9). The Corporation also cannot redeem or pay dividends on its Class A or Class B shares until the 2013 Debentures are repaid in full. The Corporation has not paid or declared any dividends since incorporation. There were no changes to the Corporation's approach to capital management during the three and six months ended June 30, 2013.

(amounts in Canadian dollars) (unaudited)

5. Acquisition

On April 30, 2013, the Corporation completed its acquisition of assets in Alberta from Advantage Oil & Gas Ltd. for consideration of $40.2 million cash, $0.2 million of accrued liabilities, $32.6 million (face value) in convertible senior secured debentures, and 1.5 million Class B Shares of the Corporation.

The acquisition has been accounted for using the purchase method, with the results of the acquired assets included in the Corporation's financial results commencing April 30, 2013, the day of closing. The allocation of fair values to the net assets acquired is based on the best available information at this time and could be subject to further change.

The acquisition-date fair value of consideration transferred and net assets acquired were as follows:

	$
Fair value of net assets acquired	
Risk management contracts	(2,782,639)
Office lease	312,944
Assets held for sale	281,000
Property and equipment	108,796,681
Decommissioning provisions	(25,971,025)
Total net assets acquired	80,636,961
Consideration	
Cash	40,152,343
Accrued liabilities assumed	200,000
Convertible senior secured debentures (note 12)	30,284,618
Class B shares (note 11)	10,000,000
Total purchase price	80,636,961

The assets were acquired with full tax pools.

The Corporation funded the cash portion of the purchase price by entering into an agreement for credit facilities with National Bank of Canada and the Alberta Treasury Branch providing a revolving operating demand loan of $60 million (note 9). Questfire paid National Bank Financial Inc. a success fee on closing of the asset purchase and the credit facilities.

The revenues and net income since the closing date of the acquisition and proforma revenues and net income giving effect to the acquisition as if it had occurred on January 1 are not practical to determine. The operations of the assets of this acquisition is not managed as a separate business unit of division of the Corporation and general business overhead and other costs of the Corporation are not allocated or identified on a specific property basis. Any such allocation would be arbitrary and would require significant assumptions and estimates about what management's intent would have been during those periods.

In the three and six months ended June 30, 2013, the Corporation incurred $603,951 and $1,228,416, respectively, of costs related to the business combination that are recorded as transaction costs in the statement of income (loss).

(amounts in Canadian dollars) (unaudited)

6. Property and equipment (P&E)

	Oil and natural gas interests (restated – note 3(a))	**Corporate and other**	**Total**
Cost	**$**	**$**	**$**
Balance, December 31, 2012	3,658,559	36,882	3,695,441
Additions	940,981	89,199	1,030,180
Acquisition (note 5)	108,796,681	-	108,796,681
Decommissioning provision	21,342	-	21,342
Balance, June 30, 2013	**113,417,563**	**126,081**	**113,543,644**
Depletion and depreciation			
Balance, December 31, 2012	605,609	20,200	625,809
Depletion and depreciation	1,989,533	8,900	1,998,433
Balance, June 30, 2013	**2,595,142**	**29,100**	**2,624,242**
Balance, December 31, 2012	3,052,950	16,682	3,069,632
Balance, June 30, 2013	**110,822,421**	**96,981**	**110,919,402**

7. Exploration and evaluation (E&E) assets

As at	**June 30, 2013**
	$
Balance, beginning of year	**1,910,773**
Additions	**13,722**
Impairment	**-**
Transfers to P&E	**-**
Decommissioning provision	**-**
Balance, end of period	**1,924,495**

E&E assets consist of the Corporation's exploration projects which are pending the determination of proved and/or probable reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period.

8. Impairment

At June 30, 2013, the Corporation assessed its property and equipment CGUs and E&E assets for indicators of impairment and determined that there were none.

(amounts in Canadian dollars) (unaudited)

9. Bank Debt

On April 30, 2013, the Corporation entered into a $60,000,000 demand revolving credit facility with a syndicate of Canadian banks (the "Credit Facility"). The Credit Facility provides that advances may be made by way of direct advances, banker's acceptances or standby letters of credit. $43,000,000 of the Credit Facility was drawn as at June 30, 2013. Amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, plus between 1.00 percent and 3.00 percent depending on the Corporation's senior net debt to cash flow ratio. For the three and six months ended June 30, 2013, the average effective interest rate on the drawn amounts under the Credit Facility was 4.3 percent. The Credit Line is secured by all assets of the Corporation.

The Corporation is subject to certain reporting and financial covenants in its Credit Facility. The financial covenant requires the Corporation to maintain an adjusted working capital ratio of at least 1:1 at all times (for purposes of the covenant, bank debt and the fair value of any risk management contracts are excluded and the undrawn portion of the bank debt is added to current assets). This covenant was met as at June 30, 2013 at 3.11 to 1.00. The Corporation is also required to not hedge greater than 60% of its production (not including fully paid put contracts).

10. 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 these 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 $100.7 million at June 30, 2013 (December 31, 2012 - $219,632). This was inflated using a weighted-average rate of 2.0 percent (December 31, 2012 - 2.0 percent), to arrive at undiscounted future cash flows of approximately $226.8 million at June 30, 2013 (December 31, 2012 - $261,840), and then discounted using a weighted credit-adjusted risk-free rate of 6.88 percent at June 30, 2013 (December 31, 2012 (restated – note 3(a)) – 6.5 percent) to arrive at the present value of the decommissioning provision as disclosed in the table 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 economic lives of the underlying assets, which currently extend up to 49 years into the future, and will be funded from general corporate resources at the time of abandonment.

The following table reconciles the decommissioning provisions for the six months ended June 30, 2013 and year ended December 31, 2012:

As at	**June 30, 2013**	December 31, 2012 (note 3(a))
	$	$
Balance, beginning of year	**156,198**	96,297
Acquisition (note 5)	**25,971,025**	-
Additions	**-**	29,114
Costs incurred	**(100,433)**	-
Accretion	**263,686**	3,578
Change in estimated future cash flows	**-**	27,209
Change in discount rate	**21,342**	-
Balance, end of period	**26,311,818**	156,198

(amounts in Canadian dollars) (unaudited)

11. Convertible Class B shares

Class B shares are convertible (at Questfire's option) into Class A shares at any time after September 30, 2014 and on or 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 then-current 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 option of the shareholder) 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".

The Class B shares were determined to be compound financial instruments. As the Class B shares are convertible into Class A shares, based on the conversion formula above, the number of Class A shares is unknown and, therefore, is presented as a liability.

The Class B share liability related to the Class B shares issued in 2011 ("2011 Class B shares"), estimated at issuance to be $3,576,932, based on the present value of discounted cash flows using a discount rate of 9 percent, is accreted using the effective interest rate method over the term of the 2011 Class B shares, such that the carrying amount of the financial liability will be equal to the principal of $5,558,400 at maturity. Upon issuance of the 2011 Class B shares, the Corporation recognized the equity component of the convertible 2011 Class B shares as a conversion option of $1,585,985, with a further $495,367 related to the deferred income tax effect of the 2012 Class B Shares, for a total of $2,081,352.

The Class B share liability related to the shares issued in 2013 ("2013 Class B shares"), estimated at issuance to be $10,000,000, based on the present value of discounted cash flows using a discount rate of 11.69 percent, is accreted using the effective interest rate method over the term of the 2013 Class B shares, such that the carrying amount of the financial liability will be equal to the principal of $15,000,000 at maturity.

The following table is a continuity of the convertible Class B Shares liability:

As at	**June 30, 2013**		December 31, 2012	
	Number of shares	**Amount $**	Number of shares	Amount $
Balance, beginning of period	**555,840**	**3,966,350**	555,840	3,638,810
Issuance of Class B shares in acquisition (note 5)	**1,500,000**	**10,000,000**	-	-
Accretion of convertible Class B shares liability (note 15)	**-**	**360,353**	-	327,540
Balance, end of period	**2,055,840**	**14,326,703**	555,840	3,966,350

12. Convertible debentures

On June 28, 2012, the Corporation completed the issuance of unsecured senior convertible debentures (the "2012 Debentures") for gross proceeds of $1,510,000 ($1,444,497 net), of which $750,000 was raised from officers and directors of the Corporation. The Corporation issued 302 units at a price of $5,000 per unit, with each unit being comprised of one $5,000 debenture and 5,000 Class A share purchase warrants. The 2012 Debentures bear interest at a rate of 12 percent per annum, which is payable quarterly in arrears commencing on September 30, 2012, mature on June 30, 2014 and can be converted into Class A shares of Questfire at any time at the option of the holders at a conversion price of $0.50 per Class A share. In aggregate the Corporation issued 1,510,000 share purchase warrants and each warrant entitles the holder to acquire one Class A share at a price of $0.75 until June 30, 2014. During the six months ended June 30, 2013, $75,000 of the 2012 Debentures were converted into 150,000 Class A shares by officers and directors of the Corporation.

The 2012 Debentures have been classified as debt, net of issuance costs and net of the fair value of the conversion feature and the warrants (the "Conversion Features") at the date of issuance, which have been classified in shareholders' equity. The issuance costs will be amortized over the term of the debentures and the debt portion will accrete up to the original face value at maturity. The accretion, amortization of issuance costs and interest paid are expensed to profit or loss. The fair value of the Conversion Features was determined at the time of issuance as the difference between the face value of the debentures and the discounted cash flows assuming an 18 percent effective interest rate, which was the estimated rate for debt with similar terms but without convertibility. If the debentures or the warrants are converted to Class A shares, a portion of the value of the Conversion Features under shareholders' equity will be reclassified to share capital along with the conversion price paid.

On April 30, 2013, the Corporation issued convertible debentures in association with the acquisition discussed in note 5 (the "2013 Debentures"). The 2013 Debentures have a face value of $32,585,000, and the Corporation incurred $62,875 of issuance costs. The 2013 Debentures bear interest at a rate of 6 percent per annum until April 30, 2014, 7 percent per annum from May 1, 2014 to April 30, 2015, and 9 percent per annum from May 1, 2015 until maturity on April 30, 2016. Interest on the 2013 Debentures is payable quarterly in arrears, commencing on June 30, 2013. They mature on April 30, 2016 and can be converted into Class A shares of Questfire at a conversion price equal to the trailing 20-day volume-weighted average trading price of Class A shares at the time of exercise for a 30-day period following certain events listed below:

i) If the Corporation chooses to pay interest by delivering Class A shares to the debenture trustee;
ii) Any event of default;
iii) Any conversion by the Corporation of Class B Shares into Class A Shares;
iv) The date 30 months from closing;
v) The date one month before maturity; or
vi) Upon a change of control; or upon an equity financing by the Corporation whereby the holder of a Debenture has the option of conversion (at the financing price), up to a maximum of 50 percent of the total shares issued in the financing, unless mutually agreed to otherwise.

The 2013 Debentures have been classified as debt, net of issuance costs. The debt portion will accrete up to the original face value at maturity and the accretion and interest paid are expensed to profit or loss. The fair value of the debentures was determined at the time of issuance based on the discounted cash flows assuming a 10 percent effective interest rate, which was the estimated rate for debt with similar terms but without convertibility.

(amounts in Canadian dollars) (unaudited)

The following table is a continuity of the convertible debentures for the six months ended June 30, 2013 and year ended December 31, 2012:

	Liability component	Warrants	Equity conversion feature	Total
	$	$	$	$
Balance, December 31, 2011	-	-	-	-
Gross cash proceeds	1,360,946	39,028	110,026	1,510,000
Accretion of discount	52,396	-	-	52,396
Issuance costs	(60,531)	(1,302)	(3,670)	(65,503)
Deferred tax liability	-	(9,431)	(26,589)	(36,020)
Balance, December 31, 2012	1,352,811	28,295	79,767	1,460,873
Conversions	(75,000)	-	(3,962)	(78,962)
Issued on acquisition (note 5)	30,284,618	-	-	30,284,618
Issuance costs	(62,875)	-	-	(62,875)
Accretion of discount (note 15)	247,587	-	-	247,587
Balance, June 30, 2013	**31,747,141**	**28,295**	**75,805**	**31,851,241**

As the 2012 Debentures mature on June 30, 2014, the liability component, totaling $1,330,207, has been classified as a current liability.

13. Share capital

a) Issued – Class A shares

	Number of shares	Amount
		$
Balance, December 31, 2012	12,813,001	4,193,633
Conversion of convertible debentures	150,000	78,962
Balance, June 30, 2013	**12,963,001**	**4,272,595**

(amounts in Canadian dollars) (unaudited)

b) Income (loss) per share

The following table sets forth the computation of per share amounts:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Numerator				
Net income (loss) attributable to Class A shares	**1,514,377**	(384,985)	**411,434**	(1,566,731)
Adjustment for dilutive effect of convertible debentures, net of tax	**445,758**	-	**-**	-
Adjustment for dilutive effect of Class B shares, net of tax	**205,471**	-	**-**	-
Numerator for diluted per share amounts	**2,165,605**	(384,985)	**411,434**	(1,566,731)
	Number of shares			
Denominator				
Weighted average number of shares outstanding for basic per share amounts	**12,902,012**	12,813,001	**12,857,752**	12,813,001
Stock options	**1,036,783**	-	**1,033,296**	-
Warrants	**573,886**	-	**560,520**	-
Convertible debentures	**20,689,956**	-	-	-
Class B shares	**12,622,544**	-	-	-
Denominator for diluted per share amounts	**47,825,181**	12,813,001	**14,451,568**	12,813,001
Basic net income (loss) per share attributable to Class A shareholders	**0.12**	(0.03)	**0.03**	(0.12)
Diluted net income (loss) per share attributable to Class A shareholders	**0.05**	(0.03)	**0.03**	(0.12)

For the three and six month periods ended June 30, 2013 the Corporation excluded the following securities from the calculation of diluted income (loss) per share as they would be anti-dilutive:

i. Stock options – 185,000 for both periods (three and six months ended June 30, 2012 – 1,281,000 for both periods)
ii. Warrants – Nil for both periods (three and six months ended June 30, 2012 – 1,510,000 for both periods)
iii. Class B shares – Nil and 2,055,840, respectively (three and six months ended June 30, 2012 – 555,840 for both periods)
iv. Face value of convertible debentures – $Nil and $34,020,000, respectively (three and six months ended June 30, 2012 – $1,510,000 for both periods)

(amounts in Canadian dollars) (unaudited)

c) Shares in escrow

At June 30, 2013 a total of 3,687,750 Class A shares (December 31, 2012 – 4,917,000) were held in escrow pursuant to TSXV requirements. The remaining shares will be released from escrow in equal installments at six-month intervals, commencing October 25, 2013 with the last release on October 25, 2014. The above escrow release schedule is subject to acceleration in accordance with National Policy 46-201, *Escrow for Initial Public Offerings,* and the policies of the TSXV in the event that the Corporation meets certain listing requirements.

14. Share-based compensation

The Corporation has a stock option plan under which it is authorized to issue stock options to employees, officers, directors and consultants for up to 20 percent of the total issued and outstanding number of Class A and Class B shares. Options under the stock option plan cannot have an exercise price less than the closing market price on the day immediately preceding grant and will expire a maximum of ten years from grant. It is the Corporation's intention that options granted will generally vest as to one-third on each of the first, second and third anniversaries of grant and expire ten years from grant.

During the three and six months ended June 30, 2013, the Corporation granted 185,000 options (three and six months ended June 30, 2012 – nil) 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, 2013 was estimated at $144,899 using the Black-Scholes option pricing model with the following weighted-average assumptions: an exercise price of $1.25, market price of Class A shares of $1.25, a risk-free interest rate of 1.92 percent, volatility of 69 percent, an expected life of six years, a forfeiture rate of 10 percent and no dividend yield.

The following table provides information with respect to stock option transactions:

	June 30, 2013		December 31, 2012	
	Number of options	Weighted-average exercise price $	Number of options	Weighted-average exercise price $
Outstanding, beginning of year	1,281,000	0.20	1,281,000	0.20
Granted	185,000	1.25	-	-
Outstanding, end of period	**1,466,000**	**0.33**	1,281,000	0.20

The following table summarizes information about stock options outstanding as at June 30, 2013:

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	1,281,000	8.31	0.20	427,000	0.20
1.25	185,000	9.84	1.25	-	-
	1,466,000	**8.50**	**0.33**	**427,000**	**0.20**

(amounts in Canadian dollars) (unaudited)

15. Finance income and expense

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
	$	$	**$**	$
Finance income				
Interest on cash and cash equivalents	**-**	335	**-**	7,291
	-	335	**-**	7,291
Finance expense				
Part XII.6 tax on flow-through share expenditures	**-**	(11,075)	**-**	(18,761)
Interest on convertible debentures	**(370,555)**	-	**(416,005)**	-
Interest on demand loan	**(301,519)**	-	**(301,519)**	-
Financing costs	**(488,488)**	-	**(488,488)**	-
Accretion on decommissioning provisions (note 10)	**(261,149)**	(756)	**(263,686)**	(1,511)
Accretion on Class B share liability (note 11)	**(273,961)**	(80,984)	**(360,353)**	(160,242)
Accretion on convertible debentures (Note 12)	**(221,389)**	-	**(247,587)**	-
	(1,917,061)	(92,815)	**(2,077,638)**	(180,514)
Net finance expense	**(1,917,061)**	(92,480)	**(2,077,638)**	(173,223)

16. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
	$	$	**$**	$
Cash flows related to:				
Accounts receivable	**(7,668,851)**	103,796	**(7,538,500)**	97,194
Deposits and prepaid expenses	**(231,507)**	17,999	**(274,557)**	(15,685)
Accounts payable and accrued liabilities and flow-through share commitments	**5,234,167**	211,237	**6,196,431**	(1,517,152)
Changes in non-cash working capital	**(2,666,191)**	333,032	**(1,616,626)**	(1,435,643)
Relating to:				
Operating activities	**(3,625,247)**	119,782	**(2,559,530)**	17,016
Investing activities	**828,904**	138,246	**812,752**	(1,512,970)
Financing activities	**130,152**	75,004	**130,152**	60,311
	(2,666,191)	333,032	**(1,616,626)**	(1,435,643)

Cash and cash equivalents at June 30, 2013 is comprised of bank balances in non-interest bearing amounts.

17. Related-party transactions

A director of Questfire is a partner of a law firm that provides legal services to Questfire. Legal fees in the amount of $132,084 and $282,084, respectively, in the three and six months ended June 30, 2013 (three and six months ended June 30, 2012 - $43,300 and $50,770, respectively) were incurred by Questfire to the law firm, of which $30,000 and $30,000, respectively, (three and six months ended June 30, 2012 - $34,000 and $34,000, respectively) was charged to debenture issuance costs, $29,974 and $29,974, respectively, (three and six months ended June 30, 2012 - $9,300 and $16,770, respectively) was charged to general and administrative expenses, $24,432 and $174,432, respectively, (three and six months ended June 30, 2012 - $Nil for both periods) was charged to transaction costs and $47,678 and $47,678, respectively, (three and six months ended June 30, 2012 - $Nil for both periods) was charged to financing expense. As at June 30, 2013, $15,000 (December 31, 2012 - $24,824) related to these amounts was included in accounts payable and accrued liabilities.

18. Flow-through share commitments

a) 2010 flow-through shares

During 2010 the Corporation completed an offering of flow-through shares for total proceeds of $1,895,000. Pursuant to the offering, the Corporation committed to renouncing the tax deductions and was required to incur $1,895,000 of qualifying expenditures no later than December 31, 2011. The tax filings to effect the renunciations were filed in early 2011 in accordance with the applicable legislation and were effective December 31, 2010.

As at December 31, 2011, the Corporation had incurred $1,895,000 of qualifying flow-through expenditures related to this offering. As at June 30, 2013 and December 31, 2012, however, the Corporation has amended its calculation to allocate additional expenditures to the 2011 flow-through shares (see 18(b) below) resulting in qualifying expenditures on the 2010 offering being incurred totaling $267,318, resulting in a shortfall on the 2010 offering of $1,627,682. Pursuant to the flow-through share agreements, the Corporation indemnified subscribers for the tax benefits lost in the event the qualifying expenditures renounced to subscribers were reduced. Accordingly, at June 30, 2013 and December 31, 2012, the Corporation recorded a provision of $832,564 related to flow-through share indemnification amount and penalties.

In 2012, the Corporation recorded a commitment of $634,796 related to the flow-through shares, representing the estimated amount payable to indemnify the subscribers for the reduced renunciations. The Corporation also made a provision of $197,768 in additional penalties relating to the December 31, 2011 shortfall of $1,627,682. The liability for flow-through share commitments at December 31, 2012 included the $634,796 flow-through share indemnification plus penalties of $197,768.

b) 2011 flow-through shares

During 2011 the Corporation completed its initial public offering for total proceeds of $6,176,000 issued on a flow-through basis. Pursuant to the offering, the Corporation committed to renouncing the tax deductions and was required to incur $6,176,000 of qualifying expenditures no later than December 31, 2012. The tax filings to effect the renunciations were filed in early 2012 in accordance with the applicable legislation and were effective December 31, 2011.

As at December 31, 2012, the Corporation had incurred $4,148,953 of qualifying flow-through expenditures related to this offering, resulting in a shortfall of $2,027,047. Pursuant to the flow-through share agreements, the Corporation indemnified subscribers for the tax benefits lost in the event the qualifying expenditures renounced to subscribers were reduced. Accordingly, at June 30, 2013 and December 31, 2012, the Corporation recorded a provision of $1,008,253 related to flow-through share indemnification amount and penalties.

In 2012, the Corporation recorded a commitment of $790,548 related to the flow-through shares, representing the estimated amount payable to indemnify the subscribers for the reduced renunciations. The Corporation also made a provision of $217,705 for additional penalties relating to the December 31, 2012 shortfall of $2,027,047. The liability for flow-through share commitments at June 30, 2013 and December 31, 2012 included the $790,548 flow-through share indemnification plus penalties of $217,705.

In aggregate, the liability for the flow-through share commitments at June 30, 2013 and December 31, 2012 related to the unexpended portion of the 2010 flow-through shares and the 2011 flow-through shares amounted to $1,224,516 and $1,840,817, respectively. These amounts were paid in full in July 2013.

19. Commitments

As at June 30, 2013, the Corporation is committed under a lease on its office premises expiring August 31, 2013 for future minimum rental payments, excluding estimated operating costs, of $11,370 for 2013. During the three months ended June 30, 2013, the Corporation assumed as part of the acquisition (note 5) an additional lease for office premises expiring July 31, 2014. The minimum rental payments, excluding estimated operating costs, are $216,356 for the remainder of 2013 and $252,415 for 2014.

20. Subsequent events

Subsequent to the end of the quarter, the Corporation granted a total of 325,000 stock options to employees and a director, of which 75,000 were granted to the director, at exercise prices ranging between $0.65 and $1.00 per Class A share, based on the share price on the day of the grant. The options will vest as to one third on each of the first, second and third anniversaries of granting and expire ten years from granting.