## Questfire Energy Corp. – Financial and Operating Highlights

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Financial** | | | | |
| Oil and natural gas sales | **$ 17,130,571** | $ 10,532,541 | **$ 38,086,390** | $ 10,596,662 |
| Funds flow from operations [1] | **4,410,433** | 2,876,531 | **12,800,250** | 1,925,284 |
| Per share, basic | **0.33** | 0.22 | **0.97** | 0.15 |
| Per share, diluted | **0.19** | 0.08 | **0.43** | 0.09 |
| Income | **8,171,517** | 1,381,114 | **22,546,797** | 278,171 |
| Per share, basic | **0.61** | 0.11 | **1.71** | 0.02 |
| Per share, diluted | **0.36** | 0.04 | **0.76** | 0.02 |
| Capital expenditures | **3,240,324** | 1,033,387 | **6,416,327** | 1,043,902 |
| Property acquisitions (dispositions) | **(3,752,297)** | 80,893,448 | **(3,792,346)** | 81,093,448 |
| Working capital deficit *(end of period)* [2] | | | **5,464,188** | 43,135,885 |
| Long-term contract obligation *(end of period)* | | | **14,920,445** | - |
| Long-term bank debt *(end of period)* | | | **37,000,000** | - |
| Non-current debentures *(end of period)* | | | **-** | 30,416,934 |
| Shareholders' equity (deficiency) *(end of period)* | | | **21,308,953** | (1,546,735) |
| Shares outstanding *(end of period)* | | | | |
| Class A | | | **17,293,001** | 12,963,001 |
| Class B | | | **550,440** | 2,055,840 |
| Options outstanding *(end of period)* | | | **2,671,000** | 1,466,000 |
| Warrants outstanding *(end of period)* | | | **-** | 1,510,000 |
| Weighted-average basic shares outstanding | **13,418,386** | 12,902,012 | **13,191,951** | 12,857,752 |
| Weighted-average diluted shares outstanding | **23,061,694** | 47,825,181 | **31,143,854** | 14,451,568 |
| Class A share trading price | | | | |
| High | **2.60** | 1.47 | **2.60** | 1.47 |
| Low | **1.50** | 0.50 | **0.95** | 0.50 |
| Close | **2.50** | 1.25 | **2.50** | 1.25 |
| **Operations** [3] | | | | |
| Production | | | | |
| Natural gas *(Mcf/d)* | **22,123** | 17,479 | **22,754** | 8,827 |
| NGL *(bbls/d)* | **601** | 415 | **635** | 209 |
| Crude oil *(bbls/d)* | **434** | 342 | **420** | 174 |
| Total *(boe/d)* | **4,722** | 3,670 | **4,847** | 1,854 |
| Benchmark prices | | | | |
| Natural gas | | | | |
| AECO *(Cdn$/GJ)* | **4.45** | 3.35 | **4.95** | 3.19 |
| Crude oil | | | | |
| WTI *(US$/bbl)* | **102.96** | 94.29 | **100.82** | 94.32 |
| Edmonton par *(Cdn$/bbl)* | **106.67** | 92.94 | **103.42** | 90.77 |
| Average realized prices [4] | | | | |
| Natural gas *(per Mcf)* | **4.83** | 3.60 | **5.41** | 3.60 |
| Natural gas liquids *(per bbl)* | **66.24** | 55.64 | **74.53** | 55.66 |
| Crude oil *(per bbl)* | **95.62** | 87.16 | **95.07** | 87.12 |
| Operating netback *(per boe)* | **16.74** | 14.77 | **20.89** | 14.77 |
| Funds flow netback *(per boe)* | **10.26** | 8.61 | **14.59** | 5.74 |

(1) See "Additional GAAP measures".

(2) Working capital deficit includes risk management contracts of $2,166,459. Excluding this, the working capital deficit would be $3,297,729.

(3) For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent".

(4) Before hedging.

## Second Quarter 2014 Corporate Highlights

- Achieved average production of 4,722 boe per day, 78 percent natural gas.
- Achieved quarterly sales of $17.1 million and funds flow from operations of $4.4 million ($0.33 per basic share).
- Made capital expenditures of $3.2 million, focused on drilling, well workovers, recompletions and facility maintenance and optimization.
- Repurchased 1,505,400 Class B shares at $2.60 per share.
- Converted all remaining convertible debentures into 2,870,000 Class A shares, extinguishing $1,435,000 of liabilities.
- Sold 61 boe per day (56 percent natural gas) of non-core production for $3.8 million.
- Commenced the summer drilling program in late June with vertical light oil drilling at Open Lake and heavy oil horizontal drilling at Mannville.

## President's Message

The Questfire team continued to make good progress on all fronts during the quarter. Operationally much work was done in preparation for the summer drilling program and on ongoing well and facility optimization projects. Corporately, we continued to simplify our share structure and to reduce debt.

Parts of southwest Alberta experienced intense rainfall and localized flooding in mid-June, resulting in a 17-day shut-in of Questfire's Lookout Butte gas plant, which produces approximately 900 boe per day net to Questfire. Operations staff reacted quickly and safely shut-down and de-pressured the facilities. They also worked proactively with the Alberta Energy Regulator (AER) to assess and monitor the situation, helping to minimize downtime and allowing production to resume as quickly as possible. Along with various unscheduled third-party outages, the shut-in reduced average production in the second quarter by approximately 230 boe per day. At present Questfire's field estimated production is 5,200 boe per day, with approximately 200 boe per day of production awaiting tie-in. With recent drilling results, Questfire is well-positioned to achieve or exceed its year-end production target of 5,500 boe per day.

Capital spending for the quarter totalled $3.2 million, with $2.0 million of that spent on drilling and completions late in the quarter. The summer drilling program commenced only at the end of June due to the aforementioned wet conditions. The drilling program was comprised of four 100 percent working interest, Questfire-operated wells: two vertical oil wells at Open Lake in west central Alberta and two horizontal heavy oil wells in the Mannville field in east central Alberta. At Open Lake the first well was successful, coming on production in early August and currently producing approximately 310 boe per day (110 bbls per day of light oil and NGL plus 1.2 MMcf per day of natural gas). The second Open Lake well was unsuccessful and abandoned. The Mannville horizontal oil wells had very encouraging drilling results and have just been placed on production, but will require some time to clean up and reach stable production rates. Additional non-operated horizontal oil drilling commenced subsequent to quarter-end in July at Auburndale, where three gross (one net) horizontal heavy oil wells encountered excellent reservoir quality and are expected to be on production before month-end.

During the quarter natural gas prices declined from the winter season highs due to the typical reduced demand of the spring shoulder season. Questfire's realized average natural gas price of $4.83 per Mcf was, however, 34 percent higher than the $3.60 per Mcf realized in the comparative quarter of 2013, helping to achieve funds flow from operations of $4.4 million for the quarter.

Current natural gas storage inventories in North America remain well below the five-year historical weekly averages and industry projections anticipate lower-than-average gas storage volumes entering the winter season. This bodes well for natural gas prices over the next 12 months.

During the quarter Questfire continued to make significant progress on simplifying the Corporation's share structure and reducing overall debt. The previously press-released repurchase of 1.5 million Class B shares closed in May, reducing the number of Class B shares outstanding to only 0.55 million. The 2012 $1.5 million convertible debenture matured in June and was converted into 2.87 million Class A shares along with the exercise of 1.46 million Class A share warrants. Warrant proceeds were $1.095 million and the current number of basic shares outstanding is 17.293 million Class A shares and 0.55 million Class B shares. In May the sale of 61 boe per day (56 percent natural gas) of non-core production for $3.75 million was completed with the proceeds used to reduce bank debt.

The second half of 2014 will be busy for the Questfire team with the recently drilled wells coming on production and with continued drilling and recompletion projects. For the remainder of 2014 we expect to participate in the drilling of 12 gross (3.7 net) horizontal heavy oil wells at Wildmere and Auburndale in east central Alberta and in three gross (two net) CBM wells at Chigwell. A Questfire-operated, high-working-interest, five-well gas recompletion program is also being prepared for the Viking Kinsella field, to begin early in the fourth quarter. Our focus remains on increasing the Corporation's oil and NGL production and resulting cash flow, while keeping capital spending within our projected cash flow.

On behalf of the Board of Directors,

(Signed) "Richard Dahl"

Richard H. Dahl
President and Chief Executive Officer
August 26, 2014

## Management's Discussion and Analysis

This management's discussion and analysis (MD&A) of operating and financial results of Questfire Energy Corp. ("Questfire" or the "Corporation") is dated August 26, 2014 and is based on currently available information. It should be read in conjunction with the audited financial statements and accompanying notes for the years ended December 31, 2013 and 2012 and the unaudited condensed interim financial statements and accompanying notes for the three and six months ended June 30, 2014. Unless otherwise noted, all financial information was prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and with Canadian generally accepted accounting principles (GAAP) as applicable to interim financial statements, including International Accounting Standard (IAS) 34, *Interim Financial Reporting*. These documents, along with other statutory filings, including the Corporation's Annual Information Form, are available on SEDAR at www.sedar.com and at the Corporation's website at www.questfire.ca.

Refer to the end of the MD&A for commonly used abbreviations.

Readers should read the section Forward-Looking Statements at the end of the MD&A, which explains the basis for and limitations of statements throughout this report that are not historical facts and may be considered "forward-looking statements" under securities regulations.

### Description of Business

The Corporation is engaged in the acquisition, exploration, development and production of oil and natural gas reserves in Canada. The Corporation's focus is to generate and develop its own prospects, acquire oil and natural gas properties directly and/or through farm-in, and participate with joint venturers and other industry partners in oil and natural gas exploration and development in Alberta. Questfire is traded on the TSX Venture Exchange under the symbols Q.A and Q.B.

## Financial and Operating Results

### Production

| | Three months ended June 30, 2014 | 2013 | Six months ended June 30, 2014 | 2013 |
|---|---|---|---|---|
| **Volumes** | | | | |
| Natural gas *(Mcf)* | **2,013,215** | 1,590,617 | **4,118,490** | 1,597,709 |
| NGL *(bbls)* | **54,681** | 37,763 | **114,917** | 37,855 |
| Crude oil *(bbls)* | **39,500** | 31,105 | **76,010** | 31,505 |
| Total sales *(boe)* | **429,717** | 333,971 | **877,342** | 335,645 |
| | | | | |
| **Daily average volume** | | | | |
| Natural gas *(Mcf/d)* | **22,123** | 17,479 | **22,754** | 8,827 |
| NGL *(bbls/d)* | **601** | 415 | **635** | 209 |
| Crude oil *(bbls/d)* | **434** | 342 | **420** | 174 |
| Total sales *(boe/d)* | **4,722** | 3,670 | **4,847** | 1,854 |
| | | | | |
| **Production weighting** | | | | |
| Natural gas | **78%** | 80% | **78%** | 80% |
| NGL | **13%** | 11% | **13%** | 11% |
| Crude oil | **9%** | 9% | **9%** | 9% |
| | **100%** | 100% | **100%** | 100% |
| | | | | |
| **Production by cash-generating unit (CGU)** ***(boe/d)*** | | | | |
| Red Deer | **1,063** | 787 | **1,067** | 395 |
| South | **784** | 654 | **884** | 329 |
| Medicine Hat | **635** | 489 | **613** | 246 |
| Open Lake | **650** | 450 | **608** | 226 |
| East Central | **496** | 333 | **493** | 168 |
| Westerose | **365** | 275 | **378** | 146 |
| Northwest | **267** | 248 | **298** | 126 |
| Brazeau River | **260** | 246 | **291** | 124 |
| Crossfield | **199** | 182 | **210** | 91 |
| Edmonton | **3** | 6 | **5** | 3 |
| Total | **4,722** | 3,670 | **4,847** | 1,854 |

The Advantage Oil & Gas Ltd. acquisition, which closed on April 30, 2013 (the “2013 Acquisition”), accounted for substantially all of the increase in production from the comparative periods, as the assets contributed to only 61 days of production for the three and six months ended June 30, 2013.

During the second quarter of 2014, production interruptions totalling approximately 230 boe per day were experienced. Production was interrupted in the South CGU in June for 17 days due to flooding. Subsequent to quarter-end, in July 2014, shut-in production in the South CGU was restarted.

Along with natural production declines, this contributed to production for the three months ended June 30, 2014 being lower than that for the six months ended June 30, 2014.

## Sales

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Natural gas | **9,731,421** | 5,720,238 | **22,295,553** | 5,744,936 |
| NGL | **3,622,268** | 2,101,234 | **8,564,560** | 2,107,054 |
| Crude oil | **3,776,882** | 2,711,069 | **7,226,277** | 2,744,672 |
| Total | **17,130,571** | 10,532,541 | **38,086,390** | 10,596,662 |
| **Average realized prices** | | | | |
| Natural gas *($/Mcf)* | **4.83** | 3.60 | **5.41** | 3.60 |
| NGL *($/bbl)* | **66.24** | 55.64 | **74.53** | 55.66 |
| Crude oil *($/bbl)* | **95.62** | 87.16 | **95.07** | 87.12 |
| Combined average *($/boe)* | **39.86** | 31.54 | **43.41** | 31.58 |

The Corporation, like much of the oil and natural gas upstream sector in Western Canada, experienced lower prices for natural gas and NGL in the second quarter of 2014 than in the first quarter of 2014.

The Corporation's sales were higher across the board for the three and six months ended June 30, 2014 than in the comparative periods due to both increased pricing and higher production volumes. Natural gas prices increased in 2014 over the prior year due to a prolonged winter heating season across nearly all of North America, which drew down inventory levels to decade low levels. Natural gas prices moderated during the latter part of the second quarter of 2014, but remain substantially higher than in 2013. NGL and crude oil sales also increased from the prior year's periods due to higher benchmark prices.

Realized commodity prices changed in step with the applicable underlying price benchmark. Questfire's natural gas production has an average heating value of approximately 39 megajoules per cubic metre, realizing a price premium to the standard heating content. Questfire's NGL is comprised approximately 45 percent of condensate, the highest-priced NGL, and the grade of crude oil produced approximates that of Edmonton light. All of this is favourable to the Corporation's average realized prices. The Corporation hedges a significant proportion of its production, which reduces price volatility and is utilized to increase the probability of the Corporation being able to make its required debt payments (see "Risk Management" below).

## Royalties

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Royalties | **2,189,906** | 1,307,423 | **5,361,445** | 1,310,890 |
| Per boe | **5.10** | 3.91 | **6.11** | 3.91 |
| Percentage of sales | **12.8%** | 12.4% | **14.1%** | 12.4% |

Questfire's royalty burden includes Crown, Indian, gross over-riding and freehold royalties applicable on the Corporation's revenue. The 2013 Acquisition is the cause for the increase in royalty expense from the comparative periods in 2013, which included only 61 days of post-acquisition production.

Increased per boe pricing in the three and six months ended June 30, 2014 over the comparative periods in 2013 resulted in higher royalty rates, on a percentage of sales and a per-boe basis, partially offset by greater GCA recovery related to 2013 which was received in the second quarter of 2014.

## Production and Operating Expense

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Production and operating expense | **7,297,807** | 3,994,119 | **13,495,281** | 4,026,044 |
| Per boe | **16.97** | 11.96 | **15.38** | 12.00 |

Production and operating expenses increased on a per-boe basis from the comparative periods due to lower overall production and extra costs associated with spring break-up and wet weather. As well, included in the current quarter is approximately $450,000 related to 2013 13th-month adjustments that were billed by third parties.

## Transportation Expense

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Transportation expense | **449,412** | 300,555 | **902,326** | 301,809 |
| Per boe | **1.05** | 0.90 | **1.03** | 0.90 |

Operation of the assets acquired on April 30, 2013 impose substantially all of the 2014 transportation expense, with the 2013 Acquisition being the cause for the overall increase in transportation expense from the comparative periods in 2013, which included only 61 days of post-acquisition production.

## Risk Management

Questfire's cash flow is highly variable, in large part because oil and natural gas are commodities whose prices are determined by worldwide and/or regional demand, supply and other factors, all of which are beyond Questfire's control. World prices for oil and natural gas have fluctuated widely in recent years. Material price declines could result in a reduction of the Corporation's net production revenue. Certain wells or other projects may become uneconomic because of a decline in oil and natural gas prices. All of these factors could result in a material decrease in Questfire's future net production revenue, causing a reduction in its oil and natural gas acquisition and development activities. A sustained material decline in prices from historical averages could limit Questfire's borrowing base, thereby reducing the bank credit available to Questfire, and could require that a portion of any bank debt be repaid.

Management of cash flow variability is an integral component of the Corporation's business strategy. Changing business conditions are monitored regularly and reviewed with the Board of Directors to establish risk management guidelines used by management in carrying out the Corporation's strategic risk management program. The risk exposure inherent in movements in the price of crude oil and natural gas is proactively managed by Questfire through the use of derivatives with investment-grade counterparties. The Corporation considers these derivative contracts to be an effective means to manage cash flow and commodity price risk.

The Corporation has elected not to use hedge accounting and, accordingly, the fair value of the financial contracts is recorded at each period-end. The fair value may change substantially from period to period depending on commodity forward strip prices for the financial contracts outstanding at the balance sheet date. The change in fair value from period-end to period-end is reflected in the income for that period. As a result, income may fluctuate considerably.

At June 30, 2014, Questfire had the following crude oil and natural gas risk management contracts, with a total mark-to-market liability of $2,166,459:

| Period | Commodity | Type of contract | Notional quantity | Pricing point | Contract price |
|---|---|---|---|---|---|
| July 1/14 - Dec. 31/14 | Natural gas | Fixed price | 8,000 GJ/d | AECO 7A | Cdn$3.3575/GJ |
| July 1/14 - Dec. 31/14 | Natural gas | Purchased put (1) | 5,000 GJ/d | AECO 7A | Cdn$3.00/GJ |
| July 1/14 - Dec. 31/14 | Natural gas | Purchased put (2) | 10,000 GJ/d | AECO 7A | Cdn$3.00/GJ |
| July 1/14 - Dec. 31/14 | Crude oil | Fixed price | 200 bbls/d | WTI NYMEX | Cdn$94.80/bbl |
| Jan. 1/15 - Dec. 31/15 | Natural gas | Purchased put (3) | 5,000 GJ/d | AECO 7A | Cdn$3.00/GJ |

(1) Requires the Corporation to pay a monthly premium of approximately $28,000 over the term for a total premium of $332,150, of which $167,440 remains to be paid.

(2) Required the Corporation to pay a total premium of $424,313 at inception.

(3) Requires the Corporation to pay a monthly premium of approximately $13,500 over the term for a total premium of $161,921.

These contracts are considered financial instruments, and the resulting derivative financial asset or liability was recorded on the Corporation's balance sheet, with the unrealized gain or loss being recorded on the statement of income and comprehensive income.

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Realized loss on risk management contracts | **(1,102,833)** | (336,079) | **(2,190,816)** | (336,079) |
| Per boe | **(2.57)** | (1.01) | **(2.49)** | (1.00) |
| Unrealized gain (loss) on risk management contracts | **1,075,912** | 2,754,421 | **(724,912)** | 2,754,421 |
| Per boe | **2.50** | 8.25 | **(0.83)** | 8.21 |

Incurring both realized and unrealized losses on risk management contracts is generally to be avoided. During the three and six months ended June 30, 2014 these losses were taken by the Corporation with a sense of contentment, as risk management losses are associated with increasing commodity prices. The increased revenues as a result of the higher prices significantly outweighed any realized risk management losses. Having said that, Questfire's management has taken steps since the April 30, 2013 acquisition to reduce the likelihood of incurring significant realized risk management losses. The risk management contracts that were acquired in conjunction with the assets acquired in the 2013 Acquisition were mostly fixed-price contracts, also known as "swaps". All risk management contracts entered into since then have been purchased puts. These provide downside price protection while allowing Questfire to realize all pricing upside in return for payment of the put option premium. This can be viewed as being similar to an insurance contract, with a premium paid in return for protection against negative events. Fixed-price contracts, although free of direct costs such as contract premiums, impose opportunity costs due to foregoing the pricing upside. Fixed-price contracts erase all exposure to pricing upside, while so-called costless collars limit the producer's pricing upside to the higher figure (the purchaser's call option).

The three and six months ended June 30, 2014 saw Questfire realizing the rewards of its purchased puts. Approximately two-thirds of the Corporation's production received current commodity prices, accompanied by minimal risk management losses (premiums paid plus some unrealized losses associated with the market value of the puts). Substantially all of the Corporation's risk management losses arose from the two fixed-price contracts. It is Questfire's intention to continue purchasing put options.

## General and Administrative (G&A) and Transaction Expense

| | Three months ended June 30, 2014 $ | 2013 $ | Six months ended June 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| G&A | **1,637,223** | 926,383 | **3,250,358** | 1,218,130 |
| Transaction expense | **-** | 603,951 | **-** | 1,228,416 |
| Total | **1,637,223** | 1,530,334 | **3,250,358** | 2,446,546 |
| G&A cash expense per boe | **3.65** | 2.78 | **3.55** | 3.63 |
| Transaction expense per boe | **-** | 1.81 | **-** | 3.66 |
| Total cash expense per boe | **3.65** | 4.59 | **3.55** | 7.29 |
| Non-cash G&A (office lease amortization) per boe | **0.16** | - | **0.16** | - |
| Total expense, per boe | **3.81** | 4.59 | **3.71** | 7.29 |

G&A increases over 2013 are mainly due to increased office activity required to operate and manage the acquired assets. G&A expense per unit of production declined sharply period-over-period due to the Corporation's much higher production base resulting from the 2013 Acquisition. Questfire expects G&A expense on a per-boe basis of production to decline in future periods as it conducts field activities to add production volumes.

## Share-Based Compensation

| | Three months ended June 30, 2014 $ | 2013 $ | Six months ended June 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| Share-based compensation | **173,715** | 28,476 | **235,338** | 40,757 |
| Per boe | **0.40** | 0.09 | **0.27** | 0.12 |

The increase in the three and six months ended June 30, 2014 from the comparative periods in 2013 is a result of stock options issued in 2013 and 2014. These options were issued in association with the Corporation increasing staffing as a result of the 2013 Acquisition. The grant during the three months ended June 30, 2014 was a result of an annual recharge options for employees and directors.

The Corporation granted 615,000 and 775,000 options in the respective three and six months ended June 30, 2014 at Class A share exercise prices between $0.95 and $2.05 per option. There were 2,671,000 options outstanding at June 30, 2014 and 2,696,000 as of the date of this report. There were 915,667 options exercisable at June 30, 2014.

## Exploration and Evaluation (E&E) Expenditures

| | Three months ended June 30, 2014 $ | 2013 $ | Six months ended June 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| E&E expense | **112,500** | 187,500 | **225,000** | 250,000 |
| Per boe | **0.26** | 0.56 | **0.26** | 0.74 |

The decrease in E&E expenditures recognized during the three and six months ended June 30, 2014 from the comparative 2013 periods is due to bonuses paid in the second quarter of 2013. The decrease in E&E expense per unit of production is due to the Corporation's much higher production base following the closing of the 2013 Acquisition.

## Depletion and Depreciation (D&D)

| | Three months ended June 30, 2014 $ | 2013 $ | Six months ended June 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| D&D | **2,966,516** | 2,073,158 | **5,973,648** | 2,099,845 |
| Per boe | **6.90** | 6.20 | **6.81** | 6.26 |

The increase in D&D for the three and six months ended June 30, 2014 over the comparative 2013 periods is attributable to the Corporation's higher production in 2014 as a result of the 2013 Acquisition. On a per-boe basis, D&D increased from the prior year due to reserve additions being at a higher rate per BOE than the historic depletion rate inherent in the 2013 Acquisition. Questfire continues to experience a low rate of depletion per-boe, which it estimates is in the most advantageous decile of Canadian oil and natural gas producers, illustrating the anticipated long reserve life of the assets acquired in April 2013.

## Investing Income

| | Three months ended June 30, 2014 $ | 2013 $ | Six months ended June 30, 2014 $ | 2013 $ |
|---|---|---|---|---|
| Gain on sale of assets | **1,516,469** | - | **1,947,731** | - |
| Per boe | **3.53** | - | **2.22** | **-** |
| Gain on repurchase of Class B shares | **7,294,966** | - | **7,294,966** | **-** |
| Per boe | **16.98** | - | **8.31** | **-** |
| Gain on repurchase of convertible debentures | **-** | - | **17,722,983** | **-** |
| Per boe | **-** | - | **20.21** | **-** |

The gain on sale of assets during the first quarter of 2014 pertains to the disposition of assets acquired in the 2013 Acquisition that had a $Nil book value assigned to them in the purchase price allocation. The gain is the entire proceeds received on disposition of various pieces of spare equipment located throughout the province. There may be additional spare inventory that is disposed of in future periods, but this is anticipated to be significantly smaller than the first-quarter 2014 disposition.

The gain on sale of assets during the second quarter of 2014 was largely related to the sale of the Corporation's Turner Valley assets, part of the Crossfield CGU, for proceeds of $3,752,297, or approximately $61,500 per flowing boe. The non-operated, low-working-interest Turner Valley assets were non-core. The natural gas and oil wells assets were producing approximately 61 boe per day net at the time of sale on May 1, 2014, which was comprised of 5 bbls per day of crude oil, 23 bbls per day of NGLs and 195 Mcf per day of natural gas.

The gain on repurchase of convertible debentures during the first quarter of 2014 related to the 2013 Debentures, with a $32.6 million face value ($31.3 million book value), which were issued in consideration of the 2013 Acquisition. On March 26, 2014 an agreement was reached to repurchase all of the 2013 Debentures for consideration of $13.6 million, resulting in a gain of $17.7 million.

The gain on repurchase of Class B shares during the second quarter of 2014 was for the repurchase of 1,505,400 Class B shares, by way of an issuer bid, which closed on May 5, 2014.

## Finance Expense

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Interest on convertible debentures | **42,460** | 370,555 | **540,808** | 416,005 |
| Interest on bank debt | **465,449** | 301,519 | **911,816** | 301,519 |
| Interest on long-term contract obligation | **502,021** | - | **534,466** | - |
| Financing costs | **385,057** | 488,488 | **571,706** | 488,488 |
| **Cash finance expense** | **1,394,987** | 1,160,562 | **2,558,796** | 1,206,012 |
| Accretion on decommissioning provision | **528,916** | 337,421 | **1,038,106** | 339,958 |
| Accretion on Class B share liability | **214,806** | 273,961 | **610,731** | 360,353 |
| Accretion on convertible debentures | **26,198** | 221,389 | **372,871** | 247,587 |
| **Non-cash finance expense** | **769,920** | 832,771 | **2,021,708** | 947,898 |
| **Total finance expense** | **2,164,907** | 1,993,333 | **4,580,504** | 2,153,910 |
| Per boe | **5.04** | 5.97 | **5.22** | 6.42 |

Convertible debenture interest and accretion increased in the six months ended June 30, 2014 from the prior year due to the 2013 Debenture issuance on April 30, 2013. Convertible debenture interest and accretion decreased in the three months ended June 30, 2014 from the comparative periods due to the repurchase of the 2013 Debentures on March 26, 2014. On June 30, 2014, all remaining debentures were converted into Class A shares, which will result in no convertible debenture accretion or interest going forward.

Interest on bank debt has increased from the prior year's comparative periods, as the bank debt was first utilized on April 30, 2013. Both comparative periods incorporate two months of bank debt, whereas the Corporation carried bank debt throughout the three and six months ended June 30, 2014.

Interest on long-term contract obligation and financing costs relate to the facilities joint venture agreement entered into on March 26, 2014 with a third party (the "Partner"). Questfire received $15.0 million, which was used to repurchase the 2013 Debentures, in exchange for beneficial ownership of Questfire's natural gas processing facilities at Lookout Butte and Medicine Hat, Alberta. The Corporation pays an annual facility fee of $2,326,300 for 17.5 years, after which beneficial ownership will revert to Questfire. Included in financing costs during the three and six months ended June 30, 2014 is approximately $285,000 associated with the Corporation changing banks in June 2014.

Accretion on Class B shares increased in the six months ended June 30, 2014 from the comparative period in 2013 due to the Class B shares issued to complete the 2013 Acquisition. Accretion on the Class B shares decreased in the three months ended June 30, 2014 from the comparative period in 2013 as on May 5, 2014 the Corporation repurchased 1,505,400 Class B shares, for $3.9 million. This repurchase resulted in a gain of approximately $7.3 million being recognized during the second quarter of 2014. As of the date of this report, there were 550,440 Class B shares outstanding.

Accretion on the decommissioning provision increased from the prior year's comparative periods due to the significant increase in the number of wells requiring future decommissioning as a result of the 2013 Acquisition.

## Deferred Income Tax

Deferred income tax expense was $751,582 and $5,565,645 in the three and six months ended June 30, 2014, respectively, compared to expenses of $154,871 and $107,022 in the respective comparative periods in 2013. The current period's higher expenses resulted primarily from the gain on repurchase of Class B shares in the second quarter of 2014 and the gain on repurchase of the 2013 Debentures in the first quarter of 2014.

## Income

The Corporation realized income of $8,171,517 ($0.61 per share basic and $0.36 per share diluted) and $22,546,797 ($1.71 per share basic and $0.76 per share diluted), respectively, for the three and six-month periods ended June 30, 2014, compared to income of $1,381,114 ($0.11 per share basic and $0.04 per share diluted) and $278,171 ($0.02 per share basic and diluted) for the respective comparative periods in 2013. The current periods' higher income resulted primarily from a combination of the gain on repurchase of Class B shares in the second quarter of 2014, the gain on repurchase of the 2013 Debentures in the first quarter of 2014, and higher commodity prices.

# Supplemental Quarterly Information

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

### Funds Flow from Operations

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Income | **8,171,517** | 1,381,114 | **22,546,797** | 278,171 |
| Non-cash items: | | | | |
| Unrealized loss (gain) on risk management | **(1,075,912)** | (2,754,421) | **724,912** | (2,754,421) |
| Share-based compensation | **173,715** | 28,476 | **235,338** | 40,757 |
| D&D | **2,966,516** | 2,073,158 | **5,973,648** | 2,099,845 |
| Acquired office lease amortization | **69,543** | - | **139,086** | - |
| Deferred income tax expense | **751,582** | 154,871 | **5,565,645** | 107,022 |
| Repurchase of Class B shares | **(7,294,966)** | - | **(7,294,966)** | - |
| Repurchase of convertible debentures | **-** | - | **(17,722,983)** | - |
| Finance expense | **2,164,907** | 1,993,333 | **4,580,504** | 2,153,910 |
| Gain on sale of assets | **(1,516,469)** | - | **(1,947,731)** | - |
| Funds flow from operations | **4,410,433** | 2,876,531 | **12,800,250** | 1,925,284 |

## Netback Analysis

| | Three months ended | June 30, | Six months ended | June 30, |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$/boe** | $/boe | **$/boe** | $/boe |
| Average sales price | **39.86** | 31.54 | **43.41** | 31.58 |
| Royalties | **(5.10)** | (3.91) | **(6.11)** | (3.91) |
| Production and operating expenses | **(16.97)** | (11.96) | **(15.38)** | (12.00) |
| Transportation expense | **(1.05)** | (0.90) | **(1.03)** | (0.90) |
| Operating netback | **16.74** | 14.77 | **20.89** | 14.77 |
| G&A and transaction expense [(1)] | **(3.65)** | (4.59) | **(3.55)** | (7.29) |
| E&E expenditures | **(0.26)** | (0.56) | **(0.26)** | (0.74) |
| Realized loss on risk management | **(2.57)** | (1.01) | **(2.49)** | (1.00) |
| Funds flow netback | **10.26** | 8.61 | **14.59** | 5.74 |
| Finance expenses | **(5.04)** | (5.97) | **(5.22)** | (6.42) |
| Gain on sale of assets | **3.53** | - | **2.22** | - |
| Gain on repurchase of Class B shares | **16.98** | - | **8.31** | - |
| Gain on repurchase of convertible debentures | **-** | - | **20.21** | - |
| Office lease amortization | **(0.16)** | - | **(0.16)** | - |
| D&D | **(6.90)** | (6.20) | **(6.81)** | (6.26) |
| Share-based compensation | **(0.40)** | (0.09) | **(0.27)** | (0.12) |
| Unrealized gain (loss) on risk management | **2.50** | 8.25 | **(0.83)** | 8.21 |
| Deferred income tax expense | **(1.75)** | (0.46) | **(6.34)** | (0.32) |
| Netback per boe | **19.02** | 4.14 | **25.70** | 0.83 |

(1) Excludes the office lease amortization included below.

## Selected Quarterly Information

| Three months ended | **June 30, 2014** | **March 31, 2014** | Dec. 31, 2013 | Sept. 30, 2013 | June 30, 2013 | March 31, 2013 | Dec. 31, 2012 | Sept. 30, 2012 |
|---|---|---|---|---|---|---|---|---|
| **Financial** (000s, except per share amounts) | | | | | | | | |
| Oil and natural gas sales | **17,131** | **20,956** | 15,901 | 14,040 | 10,533 | 64 | 213 | 138 |
| Funds flow from (used in) operations | **4,410** | **8,390** | 4,782 | 5,212 | 2,877 | (951) | (2,097) | (283) |
| Per share, basic | **0.33** | **0.65** | 0.37 | 0.40 | 0.22 | (0.07) | (0.16) | (0.02) |
| Per share, diluted | **0.19** | **0.18** | 0.08 | 0.07 | 0.08 | (0.07) | (0.16) | (0.02) |
| Net income (loss) | **8,172** | **14,375** | (1,930) | (527) | 1,381 | (1,103) | (1,390) | (568) |
| Per share, basic | **0.61** | **1.11** | (0.15) | (0.04) | 0.11 | (0.09) | (0.11) | (0.04) |
| Per share, diluted | **0.36** | **0.32** | (0.15) | (0.04) | 0.04 | (0.09) | (0.11) | (0.04) |
| Capital expenditures | **3,240** | **3,176** | 4,302 | 4,371 | 81,927 | 210 | 77 | 777 |
| Total assets *(end of quarter)* | **131,663** | **140,599** | 133,177 | 132,676 | 130,318 | 5,552 | 5,613 | 6,328 |
| Working capital (deficit) *(end of quarter)* | **(5,464)** | **(44,617)** | (47,554) | (44,374) | (43,136) | (2,838) | (1,531) | 698 |
| Non-current bank debt *(end of quarter)* | **(37,000)** | **-** | - | - | - | - | - | - |
| Shareholders' equity (deficiency) *(end of quarter)* | **21,309** | **10,414** | (4,023) | (2,156) | (1,680) | (3,165) | (2,074) | (711) |
| Weighted-average basic shares outstanding | **13,418** | **12,963** | 12,963 | 12,963 | 12,902 | 12,813 | 12,813 | 12,813 |
| Weighted-average diluted shares outstanding | **23,062** | **48,344** | 12,963 | 12,963 | 47,825 | 12,813 | 12,813 | 12,813 |
| **Operations** | | | | | | | | |
| Production | | | | | | | | |
| Natural gas *(Mcf/d)* | **22,123** | **23,392** | 24,630 | 25,443 | 17,479 | 79 | 411 | 397 |
| NGL *(bbls/d)* | **601** | **669** | 718 | 621 | 415 | 1 | 11 | 5 |
| Crude oil *(bbls/d)* | **434** | **406** | 467 | 447 | 342 | 5 | 2 | 3 |
| Total *(boe/d)* | **4,722** | **4,974** | 5,290 | 5,308 | 3,670 | 19 | 82 | 74 |
| Average realized prices | | | | | | | | |
| Natural gas *(per Mcf)* | **4.83** | **5.97** | 3.66 | 2.58 | 3.60 | 3.48 | 3.70 | 2.47 |
| NGL *(per bbl)* | **66.24** | **82.05** | 63.71 | 66.21 | 55.64 | 63.26 | 58.76 | 64.97 |
| Crude oil *(per bbl)* | **95.62** | **94.48** | 78.97 | 102.61 | 87.16 | 84.01 | 73.24 | 83.52 |
| Operating netback *(per boe)* | **16.74** | **24.87** | 12.98 | 12.32 | 14.77 | 16.41 | 19.25 | 11.04 |
| Funds flow netback *(per boe)* | **10.26** | **18.74** | 9.83 | 10.67 | 8.61 | (568.25) | (279.56) | (41.84) |

## Capital Expenditures

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$** | $ | **$** | $ |
| Land | **58,191** | 81,721 | **80,777** | 88,722 |
| Geological and geophysical | **16,388** | - | **188,861** | 889 |
| Drilling and completions | **2,019,838** | 734,746 | **3,729,956** | 734,746 |
| Production equipment and facilities | **1,093,780** | 105,741 | **1,787,537** | 105,741 |
| Well workovers and recompletions | **43,853** | 24,606 | **617,365** | 24,606 |
| Office equipment | **8,274** | 86,573 | **11,831** | 89,198 |
| Property acquisition purchase price | **-** | 80,893,448 | **-** | 81,093,448 |
| | **3,240,324** | 81,926,835 | **6,416,327** | 82,137,350 |

At June 30, 2014 and December 31, 2013, the Corporation had E&E assets of $1,564,044. This included 125,060 net acres of undeveloped land.

At June 30, 2014, the Corporation had gross property and equipment of $135,217,846. This included developed land and costs associated with the wells the Corporation has drilled and acquired to date. As well, it included $158,180 incurred since inception to purchase computer hardware and software, and associated office furniture for use by Questfire employees and consultants to evaluate oil and natural gas leads.

## Share Capital and Option Activity

As at the date hereof, the Corporation had 17,293,001 Class A shares, 550,440 Class B shares, 2,696,000 stock options, and Nil warrants outstanding. Each Class B share is 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 30-day weighted-average market price of the Class A shares. If conversion has not occurred by the close of business on November 30, 2016, the Class B shares become convertible (at the shareholder's option) into Class A shares on the same basis. Effective at the close of business on December 31, 2016, all remaining Class B shares will be automatically converted into Class A shares.

The Corporation also had several convertible debenture issuances. As at the date hereof, there are $Nil of convertible debentures outstanding, as a result of redemptions and conversions into Class A shares during the first half of 2014.

## Liquidity and Capital Resources

At June 30, 2014, the Corporation had a working capital deficit of $5,464,188. Funds flow from operations for the three and six months ended June 30, 2014 was $4,410,433 and $12,800,250, respectively. The funds generated from operations are well in excess of the current working capital deficit excluding the bank debt, as it is considered unlikely to be called. Funds generated from operations are anticipated to be used for capital expenditures.

The Corporation's credit facility is a committed facility, which operates as a revolving facility for a 364-day term, 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 or extension date is May 31, 2015. The Corporation expects that it will have sufficient cash on hand to meet immediate obligations by actively monitoring its credit facilities through co-ordinating payment and revenue cycles each month and an active hedging program to mitigate commodity price risk and secure cash flows.

The credit facility had $37 million drawn and $18 million undrawn at June 30, 2014. The facility bears interest at a range of prime plus 1 percent to prime plus 3 percent per annum, depending on the Corporation's adjusted senior debt to EBITDA ratio as defined by the agreement. The facility requires the Corporation to maintain a minimum adjusted working capital ratio of at least 1:1 as well as a debt to EBITDA ratio as defined by the agreement of less than 3:1, and is secured by all of the Corporation's assets.

The size of the Corporation's capital expenditures will be affected by the total funding available through varying combinations of the funds generated from operations, additional debt or equity as market conditions may allow, and potential asset sales if the Corporation so chooses. Management believes that if a farm-out or asset sale were to be conducted, funds received would be sufficient to eliminate the current working capital deficit.

The Corporation generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Corporation may access capital markets to meet additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow generated from operations, drawing on existing credit facilities and accessing debt and equity markets.

## 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

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | Thereafter |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Office leases | 203,399 | 401,616 | 401,616 | 401,616 | 401,616 | 234,276 |

Questfire's commitments related to its risk management program are disclosed in "Risk Management".

## Related-Party Transactions

The Corporation retains a law firm to provide legal services, in which one of the Corporation's directors, Roger MacLeod, is a partner. Legal fees in the amount of $43,174 and $190,366 were incurred by Questfire to the law firm in the respective three and six months ended June 30, 2014 (three and six months ended June 30, 2013 – $132,084 and $282,084, respectively), of which $Nil for both periods related to debenture issuance costs (three and six months ended June 30, 2013 – $30,000 for both periods), $32,202 and $52,018 (three and six months ended June 30, 2013 – $29,974 for both periods) related to general and administrative expenses, $Nil (three and six months ended June 30, 2013 – $24,432 and $174,432, respectively) related to transaction costs and $10,972 and $138,348 (three and six months ended June 30, 2013 – $47,678 for both periods) related to financing expense. At June 30, 2014, $60,307 (December 31, 2013 – $21,230) related to these amounts was included in accounts payable and accrued liabilities and was due under normal credit terms.

## Hedging

The Corporation initiated an active hedging program during 2013, with the objective to provide a measure of downside protection for its greater revenue and cash flow from operations derived from the 2013 Acquisition, while maximizing exposure to potential commodity pricing upside. At June 30, 2014, the Corporation's hedges covered approximately 77 percent of forecast production for the third quarter of 2014 and approximately 72 percent of forecast production for the remainder of 2014 (see "Risk Management" above).

## Critical Accounting Judgments, Estimates and Policies

The Corporation's critical accounting judgements, estimates and policies are described in notes 2 and 3 to the December 31, 2013 annual financial statements, and June 30, 2014 condensed interim financial statements. Certain accounting policies are identified as critical because they require management to make judgments and estimates based on conditions and assumptions that are inherently uncertain, and because the estimates are of material magnitude to revenue, expenses, funds flow from operations, net income and/or other important financial results. These accounting policies could result in materially different results should the underlying conditions change or the assumptions prove incorrect.

Critical accounting estimates are those requiring management to make particularly subjective or complex judgments about inherently uncertain matters. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the same period.

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

### New accounting standards

Questfire adopted the following new and revised standards, along with any amendments, effective January 1, 2014, with no material impact on the Corporation's interim or annual financial statements or MD&A:

i) IAS 32, *Financial Instruments: Presentation*
ii) IFRS 2, *Share-based Payment*
iii) IFRS 3, *Business Combinations*
iv) IAS 24, *Related Party Disclosures*
v) IFRIC Interpretation 21, *Levies*

### Additional GAAP measures

Questfire uses "funds flow from operations" (cash generated from operating activities before changes in non-cash working capital and decommissioning provision costs incurred), a Canadian GAAP measure that is not defined under IFRS. Funds flow from operations should not, however, be considered an alternative to, or more meaningful than, cash generated from operating activities, net income (loss), or other measures determined in accordance with IFRS, as an indicator of the Corporation's performance. Management uses funds flow from operations to analyze operating performance and leverage, and believes it is a useful supplemental measure as it provides an indication of the funds generated by Questfire's principal business activities prior to consideration of changes in working capital and remediation expenditures.

### Non-GAAP measures

This MD&A includes references to financial measures commonly used in the oil and natural gas industry. The term "operating netback" (oil and natural gas sales less royalties and production, operating, and transportation expenses) is not defined under IFRS, which have been incorporated into GAAP, as set out in Part 1 of the Chartered Professional Accountants Canada Handbook – Accounting, and may not be comparable with similar measures presented by other companies.

## Basis of Barrel of Oil Equivalent

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 (Mcf) of natural gas equalling 1 barrel (bbl) or oil. This is based on an energy equivalency conversion method applicable at the burner tip and does not represent a value equivalency at the wellhead, which under current commodity price conditions is in the range of 15-20 Mcf to 1 bbl. Readers are cautioned that boe figures may be misleading, particularly if used in isolation.

## Forward-Looking Statements

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 including but not limited to those 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, production declines, health, safety and environmental risks, competition from other producers and the ability to access sufficient capital from internal and external sources. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project", or similar words suggesting future outcomes. The Corporation cautions readers and prospective investors in the Corporation's securities not to place undue reliance on forward-looking information as, by its nature, it is based on current expectations regarding future events that involve a number of assumptions, inherent risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation. Readers are further 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.

The forward-looking information included herein is expressly qualified in its entirety by this cautionary statement. It is made as of the date hereof and the Corporation assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

## Abbreviations

The following summarizes the abbreviations used in this document:

### Crude Oil and Natural Gas Liquids

| | |
|---|---|
| bbl | barrel |
| Mbbl | thousand barrels |
| bbls/d | barrels per day |
| boe | barrel of oil equivalent |
| Mboe | thousand barrels of oil equivalent |
| boe/d | barrel of oil equivalent per day |
| NGL | natural gas liquids |

### Natural Gas

| | |
|---|---|
| Mcf | thousand cubic feet |
| MMcf | million cubic feet |
| Mcf/d | thousand cubic feet per day |
| GJ | Gigajoule. One Mcf of natural gas is about 1.05 GJ |
| MMBtu | million British thermal units. One GJ is about 0.95 MMBtu. |

### Other

| | |
|---|---|
| AECO | refers to the AECO Hub, a natural gas storage facility located in Suffield and Countess, Alberta |
| $000s | thousands of dollars |
| IFRS | International Financial Reporting Standards |
| IAS | International Accounting Standard |

## Corporate Information

### BOARD OF DIRECTORS

**RICHARD DAHL** (1)(2)(3)
President & CEO
Questfire Energy Corp.
Calgary, Alberta

**NEIL DELL** (1)(3)(4)
Independent Businessman
Calgary, Alberta

**ROGER MACLEOD** (1)(2)(4)
Partner
Davis LLP
Calgary, Alberta

**JOHN RAMESCU** (3)(4)
Vice President, Land
Questfire Energy Corp.
Calgary, Alberta

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

**GRAHAM NORRIS**
Corporate Secretary

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### AUDITORS
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Calgary, Alberta

### BANKERS
Alberta Treasury Branches
TD Canada Trust

### EVALUATION ENGINEERS
GLJ Petroleum Consultants Ltd.
Calgary, Alberta

### LEGAL COUNSEL
Davis LLP
Calgary, Alberta

### TRANSFER AGENT
Olympia Trust Company
Calgary, Alberta

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