Q2

2015 QUARTERLY REPORT

QUESTERRE ENERGY CORPORATION

2015

QUESTERRE ENERGY CORPORATION IS LEVERAGING ITS EXPERTISE GAINED THROUGH EARLY EXPOSURE TO SHALE AND OTHER NON-CONVENTIONAL RESERVOIRS.

THE COMPANY HAS BASE PRODUCTION AND RESERVES IN THE TIGHT OIL BAKKEN/TORQUAY OF SOUTHEAST SASKATCHEWAN.

IT IS BRINGING ON PRODUCTION FROM ITS LANDS IN THE HEART OF THE HIGH-LIQUIDS MONTNEY SHALE FAIRWAY.

IT IS A LEADER ON SOCIAL LICENSE TO OPERATE ISSUES FOR ITS GIANT UTICA SHALE GAS DISCOVERY IN QUEBEC.

IT IS PURSUING OIL SHALE PROJECTS WITH THE AIM OF COMMERCIALLY DEVELOPING THESE MASSIVE RESOURCES.

QUESTERRE IS A BELIEVER THAT THE FUTURE SUCCESS OF THE OIL AND GAS INDUSTRY DEPENDS ON A BALANCE OF ECONOMICS, ENVIRONMENT AND SOCIETY. WE ARE COMMITTED TO BEING TRANSPARENT AND ARE RESPECTFUL THAT THE PUBLIC MUST BE PART OF MAKING THE IMPORTANT CHOICES FOR OUR ENERGY FUTURE.

QUESTERRE'S COMMON SHARES TRADE ON THE TORONTO STOCK EXCHANGE AND OSLO STOCK EXCHANGE UNDER THE SYMBOL QEC.

President's Message

The development of our Kakwa joint venture acreage underpinned our positive results in the second quarter.

With the expansion of the central facility and gathering system complete, new wells were brought on production. These included two extended-reach horizontal wells with laterals of approximately 2400m. The initial results from these wells are promising and led us to participate in the drilling of the next well that spud early in the third quarter. We plan to participate in up to two more wells this year based on further results and prices.

We also high graded our oil shale portfolio in the quarter. Our Wyoming project was relinquished in light of the expected two year delay on the capsule construction by Red Leaf and its partner, Total. We signed an MOU for an oil shale project in the Kingdom of Jordan and have begun work to assess an area covering over 380 square kilometres.

Highlights

- Development continues on Kakwa joint venture acreage with commissioning of expanded central facility, tie-in of two extended-reach horizontal wells and additional completions
- Oil shale portfolio rationalized with new Memorandum of Understanding for acreage in Jordan and agreement terminated for acreage in Wyoming
- Average daily production of 1,480 boe/d with an exit rate of 1,800 boe/d and cash flow from operations of $3.1 million for the quarter

Kakwa-Resthaven, Alberta

The initial production from our extended-reach wells suggests we are making incremental progress on the learning curve.

In their first month, the wells achieved production rates almost double that of earlier comparable wells. The wells averaged 1,416 boe/d (3.6 MMcf/d and 816 bbls/d of natural gas liquids, with over 95% as condensate). By comparison, the first well in the same section with a lateral of 1170m produced at 811 boe/d (2.1 MMcf/d and 461 bbls/MMcf of condensate) in its first month.

As noted last quarter, this performance likely benefits from the longer lateral length and, more importantly, the completions using individually placed fracture treatments with tighter spacing between the treatments. In theory, this should improve stimulated rock volume and increase recoveries. The lack of communication between treatments implies that more wells could be drilled on the same acreage to further increase recoveries. This could mean the number of drilling locations on our acreage for the middle Montney interval would double.

While much works remains, we are generally pleased with the progress on our joint venture acreage over the last year. In addition to the improvements in completion design, our facilities and infrastructure have been expanded and provide capacity to ramp up production to approximately 30 MMcf/d plus liquids. This infrastructure includes direct pipeline connections to the inlet of a third party pipeline system to transport condensate to market, eliminating the costs and potential delays associated with trucking.

We have also secured firm capacity to mitigate some of the regional constraints for gas transportation, fractionation and NGL marketing. Further, this firm capacity is also extracting approximately 15-20 bbls/MMcf of incremental liquids, primarily butane and condensate, which enhance netbacks.

The progress on our joint venture acreage supports our belief that our offsetting operated acreage has similar potential. We are however mindful of the current price environment and the need to preserve liquidity. With our tenure extended to 2022, we have no immediate plans to conduct operations on our Kakwa North acreage. In the interim, we are looking at options to complete our 06-29 Well on this block with up to 70 stages using high strength tubing and will monitor the performance from two offsetting wells that we anticipate will be put on production later this year.

Oil Shale Mining

The decision by Red Leaf and Total to defer the capsule construction led us to streamline our oil shale portfolio.

Red Leaf terminated its agreement with the lessor this summer and so we no longer have rights in this project. We have also suspended further work on our Pasquia Hills project with low oil prices. The oil produced under the EcoShale process from Pasquia Hills recovers approximately 15-20% less of the resource compared to the oil shale in Utah and requires further upgrading to maximize the realized price. Thus we don’t see short term prospects for the Red Leaf process to be economic on this acreage.

Our new project in Jordan is the result of several years’ work to assess and acquire oil shale resources. Individual cores have demonstrated intervals of 30 gallons per ton which is exceptional. While this is at a very early stage, we are excited by its potential.

Operational & Financial

The Kakwa-Resthaven area represented almost three quarters of corporate production in the second quarter with the commissioning of the expanded joint venture facility in early May.

Production from this area was 1,088 boe/d, compared to 820 boe/d in the first quarter and 394 boe/d in the second quarter of last year. Shut-ins at Kakwa for the plant commissioning and Antler for spring breakup were shorter than initially expected in the second quarter. This resulted in corporate production averaging 1,480 boe/d in the quarter (2014: 849 boe/d) and 1,369 boe/d for the first half of 2015 (2014: 991 boe/d).

The discount to the international Brent price we receive in Canada has a much bigger impact at lower prices. This factor is one of the most important challenges Canadian companies face in being competitive and finding economic projects. New pipeline and LNG infrastructure is required to solve this issue. As a result, only the top projects in Canada remain economic in today's environment of low world prices and high discounts.

For us, the impact of significantly lower oil prices this year was offset by the increased condensate and oil production, which accounted for over 50% of total volumes. In spite of realized prices being just over half of last year, cash flow from operations was $3.1 million for the quarter (2014: $3.0 million). Average sales price for all products was $44.90/boe (2014: $82.08/boe).

Of interest we believe our project at Kakwa remains economic at realized prices over $50 per barrel for condensate.

Capital investment for the quarter was $5.1 million and $13.3 million for the first six months of 2015. Consistent with the prior quarter, over 90% of the capital was directed to the Montney. The Company plans to invest an incremental $8.5 million in this area for the remainder of 2015.

Outlook

To preserve liquidity, our capital spending will remain tightly focused for the remainder of this year.

We will build our base of production from the Kakwa-Resthaven area. We intend to participate in future joint venture wells to keep this base production stable and fulfill our transportation and processing commitments. The economics of drilling wells remain positive. We are optimistic that lower service costs and improved completions will help offset any further declines in commodity prices.

Although current prices challenge the commercial development of oil shale, we are prudently investing capital to assess our MOU acreage in Jordan. An investment of up to $3-$5 million over the next two years may be warranted to evaluate the prospectivity of this acreage which we believe could be significant to us and Jordan.

We are also increasingly optimistic that new hydrocarbon legislation will be introduced in Quebec. We are hopeful that the proposed legislation and increasing oil exploration in the province will provide the impetus for renewed activity to complete the appraisal of our Utica shale discovery.

Michael Binnion
President and Chief Executive Officer

Management's Discussion and Analysis ("MD&A") was prepared as of August 13, 2015. This interim MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Questerre Energy Corporation ("Questerre" or the "Company") as at June 30, 2015 and for the three and six month periods ended June 30, 2015 and 2014, and the 2014 MD&A and audited annual consolidated financial statements of the Company for the year ended December 31, 2014. Additional information relating to Questerre, including Questerre's Annual Information Form for the year ended December 31, 2014 is available on SEDAR under Questerre's profile at www.sedar.com.

Questerre is an independent energy company focused on non-conventional oil and gas resources. The Company is currently developing its Montney focused assets in the Kakwa-Resthaven area of Alberta. It is also developing a portfolio of oil shale assets. It is securing a social license to commercialize its Utica natural gas discovery in Quebec. The Company is underpinned by light oil and other conventional assets. Questerre is committed to the economic development of its resources in an environmentally conscious and socially responsible manner.

The Company's Class "A" common voting shares ("Common Shares") are listed on the Toronto Stock Exchange and Oslo Stock Exchange under the symbol "QEC".

Basis of Presentation

Questerre presents figures in the MD&A using accounting policies within the framework of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All financial information is reported in Canadian dollars, unless otherwise noted.

Forward Looking Statements

Certain statements contained within this MD&A constitute forward-looking statements. These statements relate to future events or Questerre's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A.

This MD&A, and the documents incorporated by reference, if any, contain forward-looking statements including, but not limited to, those pertaining to the following:

- oil and natural gas properties;
- oil, natural gas liquids and natural gas reserves and/or resources and production levels;
- estimates of future cash flow;
- projections of prices and costs;

- drilling plans and timing of drilling, completion and tie-in of wells by Questerre and its partners;
- weighting of production between different commodities;
- commodity prices, foreign exchange rates and interest rates;
- expected levels of royalty rates, operating costs, general and administrative costs, costs of services and other costs and expenses;
- timing and extent of work programs to be performed by Red Leaf;
- capital expenditure programs and other expenditures and the timing and method of financing thereof;
- supply of and demand for oil, natural gas liquids and natural gas;
- expectations regarding Questerre's ability to raise capital and to continually add to reserves through acquisitions and development;
- the Company's ability to grow or sustain production and reserves through prudent management;
- the emergence of accretive growth opportunities and continued access to capital markets;
- the Company's future operating and financial results;
- schedules and timing of certain projects and Questerre's strategy for future growth; and
- treatment under existing and future governmental and other regulatory regimes and tax, environmental and other laws.

In particular, this MD&A contains the following forward-looking statements pertaining to the following:

- future capital expenditure programs;
- timing and nature of activities conducted by joint venture partners;
- expected positive operating cash flows;
- future royalty rates;
- timing of credit facility review completion and availability under these facilities;
- timing of drilling and completion programs and resulting cash flows;
- future development, exploration and acquisition activities, and related expenditures; and
- future liquidity and financial capacity.

With respect to forward-looking statements contained in this MD&A we have made assumptions regarding, among other things:

- future oil, natural gas liquids and natural gas prices;
- the continued availability of capital, undeveloped lands and skilled personnel;
- the costs of expanding the Company's property holdings;
- the ability to obtain equipment in a timely manner to carry out exploration, development and exploitation activities;
- the ability to obtain financing on acceptable terms;
- the ability to add production and reserves through exploration, development and exploitation activities; and

- the continuation of the current tax and regulatory regimes.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A and the documents incorporated by reference, if any, into this document:

- volatility in market prices for oil, natural gas liquids and natural gas;
- reservoir performance;
- counterparty credit risk;
- access to capital;
- changes or fluctuations in oil, natural gas liquids and natural gas production levels;
- liabilities inherent in oil and natural gas operations;
- adverse regulatory rulings, orders and decisions;
- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and services;
- incorrect assessments of the value of acquisitions and targeted exploration and development assets;
- fluctuations in foreign exchange or interest rates;
- stock market volatility, market valuations and the market value of the securities of Questerre;
- failure to realize the anticipated benefits of acquisitions;
- actions by governmental or regulatory authorities including changes in royalty structures and programs, and income tax laws or changes in tax laws and incentive programs relating to the oil and gas industry;
- limitations on insurance;
- changes in environmental or other legislation applicable to the Company's operations, and its ability to comply with current and future environmental and other laws; and
- geological, technical, drilling and processing problems, and other difficulties in producing oil, natural gas liquids and natural gas reserves.

Statements relating to "reserves" or "resources" are by their nature deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. We do not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities law.

BOE Conversions

Barrel of oil equivalent ("boe") amounts may be misleading, particularly if used in isolation. A boe conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil and the conversion ratio of one barrel to six thousand cubic feet is based on an energy equivalent conversion method application at the burner tip and does not necessarily represent an economic value equivalent at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a conversion on a six to one basis may be misleading as an indication of value.

Additional IFRS and Non-IFRS Measures

This document contains the term "cash flow from operations", which is an additional IFRS measure. The Company uses this measure to help evaluate its performance.

As an indicator of Questerre's performance, cash flow from operations should not be considered as an alternative to, or more meaningful than, net cash from operating activities as determined in accordance with IFRS. Questerre's determination of cash flow from operations may not be comparable to that reported by other companies. Questerre considers cash flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund operations and support activities related to its major assets.

Cash Flow from Operations Reconciliation

	Three months ended June 30,		*Six months ended June 30,*	
($ thousands)	**2015**	2014	**2015**	2014
Cash flow from operations	**$ 3,059**	$ 3,009	**$ 4,344**	$ 8,551
Change in non-cash operating working capital	**(1,466)**	388	**(531)**	(1,579)
Net cash from operating activities	**$ 1,593**	$ 3,397	**$ 3,813**	$ 6,972

This document also contains the terms "netbacks" and "working capital surplus (deficit)", which are non-IFRS measures.

The Company considers netbacks to be a key measure as it demonstrates its profitability relative to current commodity prices. Operating netbacks per boe equal total petroleum and natural gas sales per boe adjusted for royalties per boe and direct operating expenses per boe.

The Company also uses the term "working capital surplus (deficit)". Working capital surplus (deficit), as presented, does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Working capital surplus (deficit), as used by the Company, is calculated as current assets less current liabilities excluding the current portions of the share based compensation liability and risk management contracts.

Select Information

As at/for the period ended June 30,	Three months ended 2015	2014	Six months ended 2015	2014
Financial ($ thousands, except as noted)				
Petroleum and Natural Gas Sales	6,048	6,342	10,176	15,001
Cash Flow from Operations	3,059	3,009	4,344	8,551
Basic ($/share)	0.01	0.01	0.02	0.03
Diluted ($/share)	0.01	0.01	0.02	0.03
Net Income	1,432	520	877	1,699
Basic ($/share)	0.01	-	-	0.01
Diluted ($/share)	0.01	-	-	0.01
Capital Expenditures, net of acquisitions and dispositions	5,095	11,254	13,298	23,613
Working Capital Surplus (Deficit)	(18,202)	16,945	(18,202)	16,945
Total Assets	234,787	274,625	234,787	274,625
Shareholders' Equity	198,637	243,361	198,637	243,361
Common Shares Outstanding (thousands)	264,932	264,932	264,932	264,932
Weighted average - basic (thousands)	264,932	264,928	264,932	264,846
Weighted average - diluted (thousands)	264,936	266,081	264,950	266,016
Operations (units as noted)				
Average Production				
Crude Oil and Natural Gas Liquids (bbls/d)	884	566	804	694
Natural Gas (Mcf/d)	3,573	1,697	3,390	1,778
Total (boe/d)	1,480	849	1,369	991
Average Sales Price				
Crude Oil and Natural Gas Liquids ($/bbl)	61.85	105.30	56.13	103.11
Natural Gas ($/Mcf)	3.29	5.90	3.28	6.36
Total ($/boe)	44.90	82.08	41.07	83.63
Netback ($/boe)				
Petroleum and Natural Gas Sales	44.90	82.08	41.07	83.63
Royalties Expense	(1.31)	(7.24)	(2.00)	(6.70)
Percentage	3%	9%	5%	8%
Direct Operating Expense	(13.85)	(18.06)	(14.71)	(14.62)
Operating Netback	29.75	56.78	24.36	62.32
Wells Drilled				
Gross	-	3.00	-	7.00
Net	-	1.50	-	3.35

Highlights

- Development continues on Kakwa joint venture acreage with commissioning of expanded central facility, tie-in of two extended-reach horizontal wells and additional completions
- Oil shale portfolio rationalized with new Memorandum of Understanding for acreage in Jordan and agreement terminated for acreage in Wyoming
- Average daily production of 1,480 boe/d with an exit rate of 1,800 boe/d and cash flow from operations of $3.1 million for the quarter

Second Quarter 2015 Activities

Western Canada

Kakwa-Resthaven, Alberta

Following a seven (1.75 net) well drilling program on its joint venture acreage in the second half of 2014, activity in the first half of 2015 focused on completing these wells and bringing them on production.

This included the expansion of the central compression and condensate stabilization facility. The facility was commissioned in the second quarter with a nameplate capacity of 30 MMcf/d plus associated liquids. The joint venture also finalized the expansion of its local gathering system to tie-in the recently completed wells.

Two of the recently completed wells put on production in the quarter were the 14-25-63-6W6M well (the "14-25 Well") and the 15-25-63-6W6M well (the "15-25 Well"). For the first month, gross production from the 14-25 Well averaged 3.74 MMcf/d of gas and 856 bbls/d of condensate and other liquids (1,479 boe/d) and the 15-25 Well averaged 3.55 MMcf/d of gas and 776 bbls/d of condensate and other liquids (1,367 boe/d). Although the initial rates from the 14-25 Well and the 15-25 Well are encouraging, these results are not necessarily indicative of long-term performance or ultimate recovery from these wells. Questerre has a 25% working interest in the 14-25 Well and the 15-25 Well.

Completion operations were also finalized on the 01-11-63-6W6M well (the "01-11 Well") and the 08-11-63-6W6M well (the "08-11 Well"), situated approximately four miles south of the 14-25 Well and 15-25 Well. These wells will be equipped and tied-in to the local gathering system in the third quarter. Additionally, the operator has recently put on production the 01-14-63-6W6M well ("01-14 Well"). Questerre has a 25% working interest in the 01-11 Well, 08-11 Well and the 01-14 Well.

Subsequent to the end of the quarter, the operator spud the 13-25-63-6W6M well (the "13-25 Well"). The well is programmed with an approximate 1900m lateral in the Montney formation. Completion operations are scheduled for the fourth quarter of 2015. Questerre holds a 25% working interest in the 13-25 Well. The operator has reported plans to drill up to two (0.5 net) additional wells on the joint venture acreage in the second half of 2015, subject to commodity prices and other conditions.

The Company does not anticipate any further activities on its operated acreage this year.

Oil Shale Mining

In light of the delays associated with the EcoShale pilot project conducted by Red Leaf Resources ("Red Leaf"), Questerre high graded its portfolio of oil shale projects in the quarter.

The Company concluded a Memorandum of Understanding ("MOU") for the appraisal and development of oil shale acreage in the Hashemite Kingdom of Jordan. The MOU covers an area of 388 square kilometers in the Isfir-Jafr area, approximately 200 km south of the capital, Amman. The initial term of the MOU is two years and it may be extended. The Company estimates its financial commitments to range between $3-$5 million over the initial term. To date, no significant expenditures have been incurred under the MOU.

Available data from existing wells is being incorporated to develop the appraisal program for the acreage. Subject to results, the Company intends to develop a subsequent work program that would be conducted during the initial phase of a future concession agreement.

In June, the Company was notified by Red Leaf that, due to its limited resources, it terminated the exploration license and option to lease agreement with a US-based independent company for its oil shale project in Wyoming ("Option and License Agreement"). Pursuant to a participation agreement between Questerre and Red Leaf, Questerre had a right to earn a 20% working interest in this Option and License Agreement. The participation agreement was terminated effective June 9, 2015 and the Company has no further rights or obligations with respect to the Wyoming acreage.

Corporate

Following the review conducted in the second quarter, the Company's credit facilities with a Canadian chartered bank remained unchanged at $50 million. The credit facilities include a revolving operating demand loan and a non-revolving acquisition and development demand loan. Any borrowings under the facility, with the exception of letters of credit, bear interest at the bank's prime interest rate and applicable basis point margins based on the ratio of debt to cash flow measured quarterly.

The facility is secured by a revolving credit agreement, a $50 million debenture with a first floating charge over all assets of the Company and a general assignment of book debts. The next scheduled review of the credit facility is scheduled for the fourth quarter.

Production

Three months ended June 30,	2015			2014		
	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Saskatchewan	191	-	191	235	-	235
Alberta	595	3,495	1,178	221	1,595	487
Manitoba	98	-	98	110	-	110
British Columbia	-	78	13	-	102	17
	884	3,573	1,480	566	1,697	849

Six months ended June 30,	2015			2014		
	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)	Oil and Liquids (bbls/d)	Natural Gas (Mcf/d)	Equivalent (boe/d)
Saskatchewan	208	-	208	305	-	305
Alberta	492	3,306	1,043	248	1,694	531
Manitoba	104	-	104	141	-	141
British Columbia	-	84	14	-	84	14
	804	3,390	1,369	694	1,778	991

With the commissioning of the expanded joint venture facility at Kakwa, increased production from the area contributed to higher volumes in the second quarter of 2015 compared to the previous quarter and the same period in 2014.

In the second quarter of this year, production averaged 1,480 boe/d compared to 1,257 boe/d in the first quarter of 2015 and 849 boe/d for the same period in 2014. For the first six months, production in 2015 increased by approximately 38% to 1,369 boe/d from 991 boe/d in 2014 due to the higher production volumes from Kakwa.

Oil and liquids as a percentage of total volumes were 59%, compared to 57% in the first quarter of this year and 67% in the second quarter of 2014. The lower oil weighting partially reflects the natural declines in Saskatchewan and Manitoba and the growing volumes from Kakwa. With Kakwa accounting for 74% of Company volumes in the quarter, the oil and liquids weighting reflects the approximate 50/50 mix of products from the condensate-rich gas production in this area.

The Company is expanding its capital budget by approximately $8.5 million to an estimated $21.5 million for 2015 to include its participation in the 13-25 Well at Kakwa and the planned participation in up to two (0.5 net) additional wells as announced by the operator at Kakwa. This is contingent on several factors including commodity prices, service costs and performance from the Company's 1.5 mile wells.

Second Quarter 2015 Financial Results

Petroleum and Natural Gas Sales

Three months ended June 30,	2015			2014		
($ thousands)	Oil and Liquids	Natural Gas	Total	Oil and Liquids	Natural Gas	Total
Saskatchewan	$ 1,150	$ -	$ 1,150	$ 2,278	$ -	$ 2,278
Alberta	3,278	1,053	4,331	2,135	871	3,006
Manitoba	551	-	551	1,016	-	1,016
British Columbia	-	16	16	-	42	42
	$ 4,979	$ 1,069	$ 6,048	$ 5,429	$ 913	$ 6,342

Six months ended June 30,	2015			2014		
	Oil and	Natural		Oil and	Natural	
($ thousands)	Liquids	Gas	Total	Liquids	Gas	Total
Saskatchewan	$ 2,220	$ -	$ 2,220	$ 5,679	$ -	$ 5,679
Alberta	4,919	1,974	6,893	4,766	1,971	6,737
Manitoba	1,030	-	1,030	2,508	-	2,508
British Columbia	-	33	33	-	77	77
	$ 8,169	$ 2,007	$ 10,176	$ 12,953	$ 2,048	$ 15,001

In the second quarter of 2015, higher oil and condensate volumes largely offset lower prices and contributed to slightly lower revenue over the second quarter of 2014. The Company also benefited from the increased natural gas revenue from the higher natural gas volumes. For the first half of 2015, despite higher volumes, revenue decreased over the prior year due to the lower commodity prices.

Pricing

	Three months ended June 30,		*Six months ended June 30,*	
	2015	2014	2015	2014
Benchmark prices:				
Natural Gas - AECO, daily spot ($/Mcf)	2.65	4.69	2.70	5.20
Crude Oil - Mixed Sweet Blend ($/bbl)	70.06	104.51	59.90	102.12
Realized prices:				
Natural Gas ($/Mcf)	3.29	5.90	3.28	6.36
Crude Oil and Natural Gas Liquids ($/bbl)	61.85	105.30	56.13	103.11

Crude oil prices strengthened in the second quarter with the benchmark West Texas Intermediate ("WTI") trading between US$55/bbl and US$60/bbl for the period, averaging US$57.94/bbl compared to US$48.63/bbl in the first quarter of this year. By comparison, WTI averaged US$102.99/bbl in the second quarter of 2014.

This was partially driven by optimism around lower rig counts and reduced capital spending in the US that could eventually lower production over the next 6-12 months. In Canada, the increased takeaway capacity and strong seasonal demand from refineries contributed to lower differentials. The differential between WTI and the Canadian Light Sweet ("MSW") averaged a premium of US$1.10/bbl in the second quarter compared to a discount of US$6.82/bbl in the first quarter.

Realized prices for Questerre's oil and condensate production track the MSW benchmark with condensate receiving a premium to this price. For the second quarter, the realized price for oil, condensate and other liquids averaged $61.85/bbl (2014: $105.30/bbl) with the average MSW price of $70.06/bbl (2014: $104.51/bbl).

Natural gas prices remained challenged with the benchmark Henry Hub averaging US$2.73/MMBtu in the second quarter compared to US$2.87/MMBtu in the first quarter and US$4.56/MMBtu for the second quarter of 2014. In the United States, supply continues to exceed demand with continued growth in production despite lower drilling activity and increased demand from power generation. Differentials with the AECO-C price declined marginally to US$0.57/MMBtu from US$0.66/MMBtu in the first quarter.

The Company's realized natural gas prices continue to reflect the high heat content of gas produced from the Kakwa area.

Royalties

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	2015	2014	2015	2014
Saskatchewan	$ 57	$ 153	$ 131	$ 364
Alberta	66	292	252	570
Manitoba	54	115	113	267
British Columbia	-	-	-	-
	$ 177	$ 560	$ 496	$ 1,201
% of Revenue:				
Saskatchewan	5%	7%	6%	6%
Alberta	2%	10%	4%	8%
Manitoba	10%	11%	11%	11%
British Columbia	0%	0%	0%	0%
Total Company	3%	9%	5%	8%

Royalties as a percentage of revenue decreased to 3% from 8% in the prior quarter and 9% in the second quarter of 2014. The lower rate in the second quarter contributed to an overall rate of 5% for the first six months of this year compared to 8% for the same period last year. On an aggregate basis, royalties declined to $0.5 million from $1.2 million in this period last year due to lower revenue.

Royalties on production in Alberta were lower due to credits received in the period for processing Crown production through the Company's facilities. With Kakwa representing the majority of production from Alberta, the Company expects that its royalty rate from Alberta production should average approximately 7%. This includes Crown incentives and applicable gross overriding royalties on production in the Kakwa area.

For the six month periods ended June 30, 2015 and 2014, the effective royalty rate on production in Manitoba and Saskatchewan remained unchanged.

Operating Costs

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	2015	2014	2015	2014
Saskatchewan	$ 262	$ 403	$ 572	$ 767
Alberta	1,482	879	2,850	1,647
Manitoba	98	86	170	166
British Columbia	23	27	52	42
	$ 1,865	$ 1,395	$ 3,644	$ 2,622
$/boe:				
Saskatchewan	15.07	18.86	15.19	13.89
Alberta	13.82	19.84	15.10	17.15
Manitoba	11.00	8.60	9.05	6.49
British Columbia	19.60	17.19	20.34	16.43
Total Company	13.85	18.06	14.71	14.62

Operating costs for the quarter increased over the prior quarter and the second quarter of last year. This reflects the higher production volumes this quarter relative to the other periods.

On a per unit of production basis, operating costs were lower in the period in most areas, notably Alberta and Saskatchewan. The reduction in Alberta is due to the higher production volumes from the Kakwa joint venture acreage. In Saskatchewan, production costs per barrel continue to benefit from the tie in to the central battery and local electricity grid completed in late 2013 to reduce trucking, general rental and fuel costs. For the comparative six month period, operating costs in Saskatchewan were lower in 2014 due to the relatively large proportion of fixed costs being borne by higher production volumes.

General and Administrative Expenses

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	2015	2014	2015	2014
General and administrative expenses, gross	$ 1,436	$ 1,643	$ 2,735	$ 3,301
Capitalized expenses and overhead recoveries	(327)	(704)	(729)	(1,268)
General and administrative expenses, net	$ 1,109	$ 939	$ 2,006	$ 2,033

Gross general and administrative expenses ("G&A") were lower for the three and six months ended June 30, 2015 compared to the same periods in 2014. The decrease was mainly due to lower personnel costs associated with developing the Company's Kakwa-Resthaven area.

Capitalized expenses and overhead recoveries as a percentage of gross G&A decreased in 2015 compared to 2014. This decrease is attributable to fewer staff employed in the current year to develop the Company's Kakwa-Resthaven area.

Depletion, Depreciation, Impairment and Accretion

Questerre recorded $2.15 million of depletion and depreciation expense for the quarter ended June 30, 2015 compared to $1.6 million for the same period in 2014. For the six months ended June 30, 2015, the Company recorded $4.02 million of depletion and depreciation expense compared to $3.95 million for the same period in 2014. The increase in depletion and depreciation is mainly due to increased production over the prior year. This was mostly offset by the higher production weighting from cash generating units with lower finding and development costs.

The Company impaired its investment in a private company by $0.47 million in the first quarter of 2015 due to a reduction in the market value of the investment. For this impairment, $0.35 million was recorded in net income and $0.13 million in other comprehensive income (loss).

In the second quarter of 2015, Questerre recorded $0.23 million to impairment expense relating to its Wyoming exploration and evaluation assets as the Company surrendered its rights to earn and no further work is planned.

Deferred Taxes

For the three months ended June 30, 2015, Questerre reported a deferred tax recovery of $0.96 million (2014: $0.88 million expense) and for the six months ended June 30, 2015, the Company reported a deferred tax recovery of $1.43 million (2014: $1.7 million expense). In June 2015, the Alberta government announced an increase to the corporate tax rate, which resulted in the Company recording an increase to deferred tax assets of $1.5 million and a corresponding reduction to deferred taxes. Deferred taxes were also lower in 2015 as the Company had lower net earnings than in the prior year.

Other Income and Expenses

The Company recorded a gain on risk management contracts of $0.05 million for the quarter ended June 30, 2015 (2014: $0.15 million gain) and a gain of $0.07 million on risk management contracts for the six months ended June 30, 2015 (2014: $0.81 million loss). The changes are due to fluctuations in the underlying market prices of the relevant commodities.

The Company recorded a loss on foreign exchange, net of deferred tax, through other comprehensive income (loss), of $0.26 million for the three months ended June 30, 2015 (2014: $1.42 million loss). For the six months ended June 30, 2015, the Company recorded a gain on foreign exchange, net of deferred tax, of $1.03 million (2014: $0.15 million gain). The changes are due to fluctuations in the exchange rate relating to the Company's US dollar investments.

For the three months ended June 30, 2015, stock based compensation recovery was $0.02 million (2014: $0.34 million expense) and for the six months ended June 30, 2015, stock based compensation recovery was $0.11 million (2014: $0.75 million expense). The decrease in stock based compensation mainly related to higher option forfeitures in the current periods.

Total Comprehensive Income (Loss)

Questerre's total comprehensive income for the second quarter of 2015 was $1.17 million as compared to the total comprehensive loss of $0.90 million in the second quarter of 2014. Questerre's total comprehensive income for the six months ended June 30, 2015 was $1.78 million as compared to the total comprehensive income of $1.85 million for the six months ended June 30, 2014. The Company recorded lower petroleum and natural gas revenue for these periods in 2015. In 2015, the Company recorded a deferred income tax recovery relating to the change in Alberta tax rates.

Capital Expenditures

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	2015	2014	2015	2014
Alberta	$ 5,072	$ 10,635	$ 12,752	$ 21,783
Saskatchewan	-	349	129	1,503
British Columbia	12	-	373	9
Other	11	270	44	318
Total	$ 5,095	$ 11,254	$ 13,298	$ 23,613

For the six months ended June 30, 2015, the Company incurred net capital expenditures of $13.3 million including:

- In Alberta, the Company spent $12.75 million to complete wells targeting the condensate-rich Montney formation and for infrastructure-related costs including the expansion of the central compression and condensate stabilization facility.
- In British Columbia, the Company spent $0.37 million for a recompletion and associated land costs.

For the six months ended June 30, 2014, the Company incurred net capital expenditures of $23.61 million including:

- In Alberta, the Company spent $21.78 million to drill, complete and test wells targeting the condensate-rich Montney formation.
- In Saskatchewan, the Company spent $1.5 million to complete wells drilled in 2013 and to expand its waterflood pilot.

Liquidity and Capital Resources

The Company's objectives when managing its capital are firstly to maintain financial liquidity and secondly to optimize the cost of capital at an acceptable risk to sustain the future development of the business.

In June 2015, the Company's credit facilities were renewed at $50 million. The facility is determined by, among other things, the Company's current reserve report, results of operations, current and forecasted commodity prices. The next scheduled review of the Company's credit facilities is expected to be completed in the fourth quarter of 2015. At June 30, 2015, $7.2 million (December 31, 2014: $nil) was drawn on the credit facility and the Company is in compliance with all its covenants under the credit facility.

Questerre had a working capital deficit of $18.2 million at June 30, 2015 as compared to a deficit of $9.25 million at December 31, 2014. Management believes that with its current credit facility and expected positive operating cash flows from operations, the Company will generate sufficient cash flows to meet its foreseeable obligations in the normal course of operations. On an ongoing basis, while the Company will utilize flexibility relating to commitments for future capital expenditures in order to maintain liquidity, it cannot provide any assurance that sufficient cash flows will be generated from operating activities to reduce its working capital deficiency and to carry out its planned capital expenditure program. For a detailed discussion of the risks and uncertainties associated with the Company's business and operations, see the Risk Management section of the Company's 2014 Annual MD&A and the AIF.

Cash Flow from Operating Activities

Cash flow from operations was $3.06 million for the three months ended June 30, 2015 and $3.01 million for the same period in 2014. Net cash from operating activities for the three months ended June 30, 2015 and 2014 was $1.59 million and $3.4 million, respectively. The Company's cash flow from operating activities decreased from 2014 due to the decreased change in non-cash working capital.

Cash flow from operations was $4.34 million for the six months ended June 30, 2015 and $8.55 million for the same period in 2014. Net cash from operating activities for the six months ended June 30, 2015 and 2014 was $3.81 million and $6.97 million, respectively. The Company's cash flow from operations decreased from 2014 due to lower commodities prices and higher operating costs.

Cash Flow used in Investing Activities

Cash flow used in investing activities was $10.81 million for the quarter ended June 30, 2015 and $22 million for the six months ended June 30, 2015. For the six months ended June 30, 2015, capital expenditures of $13.3 million were incurred mainly for drilling and completion activity in the Kakwa-Resthaven area. The change in non-cash working balance decreased to $8.7 million due to a lower capital expenditure program.

For the three and six months ended June 30, 2014, the Company's cash flow used in investing activities was $13.44 million and $22.87 million, respectively. For the six months ended June 30, 2014, capital expenditures of $23.61 million were incurred mainly for drilling and completion activity in the Kakwa-Resthaven area.

Cash Flow from Financing Activities

The Company received no cash from financing activities for the six months ended June 30, 2015. In 2014, the Company received $0.02 million and $0.1 million from option exercises for the three and six months ended June 30, 2014, respectively.

Share Capital

The following table provides a summary of the outstanding Common Shares and options as at the date of the MD&A, the current quarter-end and the preceding year-end.

(thousands)	August 13, 2015	June 30, 2015	December 31, 2014
Common Shares	264,932	264,932	264,932
Stock options	17,467	17,467	17,792
Weighted average common shares			
Basic		264,932	264,890
Diluted		264,950	265,703

A summary of the Company's stock option activity during the three months ended June 30, 2015 and year ended December 31, 2014 follows:

	June 30, 2015		December 31, 2014	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	17,792	$1.96	18,188	$2.02
Granted	7,920	0.30	1,250	1.04
Forfeited	(2,722)	1.11	(1,333)	2.26
Expired	(5,523)	3.68	-	-
Exercised	-	-	(313)	0.67
Outstanding, end of period	17,467	$0.79	17,792	$1.96
Exercisable, end of period	5,878	$1.35	11,201	$2.56

Risk Management

The Company's activities in the petroleum and natural gas industry expose it to a variety of financial risks, including credit, liquidity and market risks associated with commodity prices, exchange rate and interest rate fluctuations. There have been no changes to the Company's risks from those detailed in the MD&A for the year ended December 31, 2014.

The Company may use financial instruments to reduce corporate risk in certain situations. At June 30, 2015, Questerre had the following commodity risk management contract in place:

Risk Management Contract	Volumes	Average Price	Term	Fair Value Asset *($ thousands)*
Natural gas swap	2,000 gj/d	$3.72/gj	Jul. 1, 2015 - Dec. 31, 2015	437

Accounting Policy Changes

Changes in Accounting Policies for 2015

There were no new or amended accounting standards or interpretations adopted during the six months ended June 30, 2015.

Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the six months ended June 30, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose herein any change in the Company's internal controls over financial reporting that occurred during the quarter ended June 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes in the Company's internal controls over financial reporting were identified during such period that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

It should be noted that a control system, including the Company's disclosure and internal controls and procedures, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Quarterly Financial Information

($ thousands, except as noted)	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Production (boe/d)	1,480	1,257	1,468	849
Average Realized Price ($/boe)	44.90	36.49	56.37	76.34
Petroleum and Natural Gas Sales	6,048	4,128	7,613	5,963
Cash Flow from Operations	3,059	1,285	4,286	2,557
Basic ($/share)	0.01	-	0.02	0.01
Diluted ($/share)	0.01	-	0.02	0.01
Net Income (Loss)	1,432	(555)	(42,900)	680
Basic ($/share)	0.01	-	(0.16)	-
Diluted ($/share)	0.01	-	(0.16)	-
Capital Expenditures, net of acquisitions and dispositions	5,095	8,203	9,672	23,362
Working Capital Surplus (Deficit)	(18,202)	(16,165)	(9,247)	(3,861)
Total Assets	234,787	232,155	234,174	289,928
Shareholders' Equity	198,637	197,465	196,858	246,049
Weighted Average Common Shares Outstanding				
Basic (thousands)	264,932	264,932	264,932	264,932
Diluted (thousands)	264,936	264,932	264,934	265,976

($ thousands, except as noted)	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Production (boe/d)	849	1,133	841	880
Average Realized Price ($/boe)	82.08	84.92	74.45	81.20
Petroleum and Natural Gas Sales	6,342	8,659	5,760	6,574
Cash Flow from Operations	3,009	5,542	2,941	3,641
Basic ($/share)	0.01	0.02	0.01	0.02
Diluted ($/share)	0.01	0.02	0.01	0.02
Net Income (Loss)	520	1,179	(16,213)	(894)
Basic ($/share)	-	-	(0.07)	-
Diluted ($/share)	-	-	(0.07)	-
Capital Expenditures, net of acquisitions and dispositions	11,254	12,359	12,946	9,428
Working Capital Surplus (Deficit)	16,945	25,173	31,909	4,729
Total Assets	274,625	278,908	273,108	245,814
Shareholders' Equity	243,361	244,237	241,197	220,046
Weighted Average Common Shares Outstanding				
Basic (thousands)	264,928	264,763	243,213	235,298
Diluted (thousands)	266,081	265,918	244,479	235,442

The general trends over the last eight quarters are as follows:

- Cash flow from operations has fluctuated due to changes in production levels and a decreased average realized commodity price.
- Production has increased to 1,480 boe/d for the three months ended June 30, 2015 as compared with 849 boe/d for the same period in the prior year. This increase is related to the development of the Company's Kakwa-Resthaven assets.
- The working capital deficit has grown as capital expenditures have been higher than the cash flow from operations.
- Capital expenditures decreased in the current year due to a reduced capital program in light of lower commodity prices.
- Shareholder's equity has decreased due to impairment charges recorded in the fourth quarter of 2014 relating to its property, plant and equipment and its investment in Red Leaf.
- In December 2013 and 2014, the Company recorded a net loss per share due to impairment expenses recorded.

Condensed Consolidated interim Balance Sheets *(unaudited)*

($ thousands)	Note		June 30, 2015		December 31, 2014
Assets					
Current Assets					
Cash and cash equivalents		$	17	$	11,005
Accounts receivable			3,251		2,607
Current portion of risk management contracts	10		437		748
Deposits and prepaid expenses			720		789
			4,425		15,149
Investments	3		17,274		16,541
Property, plant and equipment	4		104,293		96,007
Exploration and evaluation assets	5		84,846		83,789
Goodwill			2,346		2,346
Deferred tax assets			21,603		20,342
		$	234,787	$	234,174
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities		$	14,990	$	23,648
Credit facilities	11		7,200		-
Current portion of share based compensation liability	8		4,414		4,445
			26,604		28,093
Share based compensation liability	8		818		1,090
Asset retirement obligation	6		8,728		8,133
			36,150		37,316
Shareholders' Equity					
Share capital	7		347,345		347,345
Contributed surplus			16,686		16,686
Accumulated other comprehensive income			1,030		128
Deficit			(166,424)		(167,301)
			198,637		196,858
		$	234,787	$	234,174

The notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Net Income and Comprehensive Income (Loss) *(unaudited)*

		Three months ended June 30,		Six months ended June 30,	
($ thousands, except per share amounts)	Note	2015	2014	2015	2014
Revenue					
Petroleum and natural gas sales		$ 6,048	$ 6,342	$ 10,176	$ 15,001
Royalties		(177)	(560)	(496)	(1,201)
Petroleum and natural gas revenue, net of royalties		5,871	5,782	9,680	13,800
Expenses					
Direct operating		1,865	1,395	3,644	2,622
General and administrative		1,109	939	2,006	2,033
Depletion and depreciation	4	2,153	1,600	4,023	3,946
Impairment of assets	3,5	256	199	608	285
Loss (gain) on risk management contracts	10	(51)	(148)	(71)	806
Share based compensation (recovery)	8	(20)	341	(108)	750
Accretion of asset retirement obligation	6	37	20	66	73
Interest (income) expense		8	(84)	(15)	(266)
Other expense		45	116	79	154
Income (loss) before taxes		469	1,404	(552)	3,397
Deferred taxes (recovery)		(963)	884	(1,429)	1,698
Net income		1,432	520	877	1,699
Other comprehensive income (loss), net of tax					
Items that may be reclassified subsequently to net income:					
Gain (loss) on foreign exchange	3	(260)	(1,423)	1,030	152
Reclass to net income (loss) on write-down of investments		-	-	(128)	-
		(260)	(1,423)	902	152
Total comprehensive income (loss)		$ 1,172	$ (903)	$ 1,779	$ 1,851
Net income per share					
Basic and diluted	7	$ 0.01	$ -	$ -	$ 0.01

The notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity *(unaudited)*

($ thousands)	*Six months ended June 30,* 2015	2014
Share Capital		
Balance, beginning of period	$ 347,345	$ 347,059
Issue of common shares	-	350
Share issue costs (net of tax)	-	(64)
Balance, end of period	347,345	347,345
Contributed Surplus		
Balance, beginning of period	16,686	16,659
Reclassification of share based compensation	-	27
Balance, end of period	16,686	16,686
Accumulated Other Comprehensive Income		
Balance, beginning of period	128	4,259
Other comprehensive income	902	152
Balance, end of period	1,030	4,411
Deficit		
Balance, beginning of period	(167,301)	(126,780)
Net income	877	1,699
Balance, end of period	(166,424)	(125,081)
Total Shareholders' Equity	$ 198,637	$ 243,361

The notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows *(unaudited)*

($ thousands)	Note	*Three months ended June 30,* 2015	2014	*Six months ended June 30,* 2015	2014
Operating Activities					
Net income		$ 1,432	$ 520	$ 877	$ 1,699
Adjustments for:					
Depletion and depreciation	4	2,153	1,600	4,023	3,946
Impairment of assets	3,5	256	199	608	285
Unrealized (gain) loss on risk management contracts	10	166	(467)	311	188
Share based compensation (recovery)	8	(20)	341	(108)	750
Accretion of asset retirement obligation	6	37	20	66	73
Deferred tax expense (recovery)		(963)	884	(1,429)	1,698
Cash paid on exercise of stock options		-	(20)	-	(20)
Abandonment expenditures	6	(2)	(68)	(4)	(68)
Cash flow from operations		3,059	3,009	4,344	8,551
Change in non-cash working capital		(1,466)	388	(531)	(1,579)
Net cash from operating activities		1,593	3,397	3,813	6,972
Investing Activities					
Property, plant and equipment expenditures	4	(1,575)	-	(1,734)	(2,780)
Exploration and evaluation expenditures	5	(3,520)	(11,254)	(11,564)	(20,833)
Change in non-cash working capital		(5,710)	(2,190)	(8,703)	743
Net cash used in investing activities		(10,805)	(13,444)	(22,001)	(22,870)
Financing Activities					
Proceeds from issue of share capital		-	15	-	184
Increase in credit facilities		12,310	-	12,310	-
Repayment of credit facilities		(5,110)	-	(5,110)	-
Share issue costs		-	-	-	(88)
Net cash from financing activities		7,200	15	7,200	96
Change in cash and cash equivalents		(2,012)	(10,032)	(10,988)	(15,802)
Cash and cash equivalents, beginning of period		2,029	41,689	11,005	47,459
Cash and cash equivalents, end of period		$ 17	$ 31,657	$ 17	$ 31,657
Cash interest received		$ 2	$ 25	$ 7	$ 40

The notes are an integral part of these condensed consolidated interim financial statements.

1. Nature of Operations and Basis of Presentation

Questerre Energy Corporation ("Questerre" or the "Company") is a full cycle exploration and production company. The Company targets scalable high-impact projects and has developed a portfolio of exploration and production assets. These condensed consolidated interim financial statements of the Company as at and for the three and six months ended June 30, 2015 and 2014 comprise the Company and its wholly owned subsidiary in those periods owned.

Questerre is incorporated under the laws of the Province of Alberta and is domiciled in Canada. The address of its registered office is 1650, 801 – 6 Avenue SW, Calgary, Alberta.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). These condensed consolidated interim financial statements have been prepared following the same accounting policies and method of computation as the annual consolidated financial statements for the year ended December 31, 2014 with the exception of deferred taxes and the adoption of the new standards and interpretations as outlined in Note 2. Taxes in the interim periods are accrued using the tax rate that would be applicable to expected total annual net income (loss). The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed consolidated interim financial statements of Questerre were approved by the Board of Directors on August 13, 2015.

2. Accounting Policy Changes

Changes in Accounting Policies for 2015

There were no new or amended accounting standards or interpretations adopted during the six months ended June 30, 2015.

Future Accounting Pronouncements

There were no new or amended accounting standards or interpretations issued during the six months ended June 30, 2015 that are applicable to the Company in future periods. A description of accounting standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual Consolidated Financial Statements for the year ended December 31, 2014.

3. Investments

The investments balance is comprised of the following investments:

($ thousands)		June 30, 2015		December 31, 2014
Red Leaf Resources Inc.	$	17,149	$	15,948
Investment in private company		125		593
	$	17,274	$	16,541

The following table sets out the changes in investments:

($ thousands)		June 30, 2015		December 31, 2014
Balance, beginning of year	$	16,541	$	46,078
Gain on foreign exchange		1,198		4,181
Impairment		(465)		(33,718)
Balance, end of period	$	17,274	$	16,541

For the six months ended June 30, 2015, the gain on foreign exchange relating to investments was $1.2 million (June 30, 2014: gain $0.17 million), which was recorded in other comprehensive income (loss) net of deferred tax of $0.17 million (June 30, 2014: $0.02 million).

The Company recorded and impairment charge of $0.47 million related to an investment in a private company, of which $0.34 million was recorded in net income and $0.13 million in other comprehensive income (loss).

Questerre has an equity interest in Red Leaf, a private Utah based oil shale and technology company. Red Leaf's principal assets are its proprietary EcoShale In-Capsule Technology to recover oil from shale in addition to its oil shale leases in the Utah. Red Leaf is currently in the Early Production System ("EPS") phase of commercializing its EcoShale process and is expected to commence capsule construction in 2017. Pending the results of the EPS phase, Red Leaf and its joint venture partner will then make a final investment decision to commence commercial oil shale production on its existing leases. If Red Leaf's EcoShale In-Capsule technology is not technically feasible or commercially viable, then the Company's investment in Red Leaf could be impaired.

4. Property, Plant and Equipment

The following table provides a reconciliation of the Company's property, plant and equipment assets:

($ thousands)		Oil and Natural Gas Assets		Other Assets		Total
Cost or deemed cost:						
Balance, December 31, 2013	$	153,651	$	1,283	$	154,934
Additions		1,586		51		1,637
Disposition		(15,680)		-		(15,680)
Transfer from exploration and evaluation assets		36,129		-		36,129
Balance, December 31, 2014		175,686		1,334		177,020
Additions		1,714		-		1,714
Transfer from exploration and evaluation assets		10,595		-		10,595
Balance, June 30, 2015	**$**	**187,995**	**$**	**1,334**	**$**	**189,329**
Accumulated depletion, depreciation and impairment losses:						
Balance, December 31, 2013	$	54,583	$	1,084	$	55,667
Disposition		(5,257)		-		(5,257)
Depletion and depreciation		8,368		108		8,476
Impairment		22,127		-		22,127
Balance, December 31, 2014		79,821		1,192		81,013
Depletion and depreciation		3,999		24		4,023
Balance, June 30, 2015	**$**	**83,820**	**$**	**1,216**	**$**	**85,036**

($ thousands)		Oil and Natural Gas Assets		Other Assets		Total
Net book value:						
At December 31, 2014	$	95,865	$	142	$	96,007
At June 30, 2015	**$**	**104,175**	**$**	**118**	**$**	**104,293**

During the period ended June 30, 2015, the Company derecognized $0.12 million in capitalized stock based compensation expense directly related to development activities (December 31, 2014: $0.04 million capitalized). Included in the June 30, 2015 depletion calculation are future development costs of $107.29 million (December 31, 2014: $112.77 million).

5. Exploration and Evaluation Assets

The following table provides a reconciliation of the Company's exploration and evaluation assets:

($ thousands)		June 30, 2015		December 31, 2014
Balance, beginning of year	$	**83,789**	$	56,442
Additions		**11,921**		64,352
Transfers to property, plant and equipment		**(10,595)**		(36,129)
Dispositions		**-**		(159)
Impairment (incl. undeveloped land expiries)		**(269)**		(717)
Balance, end of period	$	**84,846**	$	83,789

During the period ended June 30, 2015, the Company capitalized administrative overhead charges of $0.66 million (December 31, 2014: $2.89 million) including $0.07 million of derecognized stock based compensation expense directly related to exploration and evaluation activities (December 31, 2014: $0.69 million capitalized).

The impairment expense for the period ended June 30, 2015 is for undeveloped land expiries and its investment in Wyoming of $0.23 million.

The Quebec CGU represents $27.63 million of the exploration and evaluation asset balance. The future recoverability of these assets is dependent upon, among other things, the Quebec government's decision to permit drilling and modern completion operations, including hydraulic fracturing, on this acreage and the Company securing its social license to operate in the province. The asset may be derecognized if in the Company's opinion the above factors, among others, indicate that future activities may not be conducted in a timely manner.

6. Asset Retirement Obligation

The Company's asset retirement and abandonment obligations result from its ownership interest in oil and natural gas assets. The total asset retirement obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future periods. The Company has estimated the net present value of the asset retirement obligation to be $8.73 million as at June 30, 2015 (December 31, 2014: $8.13 million) based on an undiscounted total future liability of $11.65 million (December 31, 2014: $11.5 million). These payments are expected to be made over the next 36 years. The average discount factor, being the risk-free rate related to the liabilities, is 1.48% (December 31, 2014: 1.94%). An inflation rate of 3% over the varying lives of the assets is used to calculate the present value of the asset retirement obligation.

The following table provides a reconciliation of the Company's total asset retirement obligation:

($ thousands)		June 30, 2015		December 31, 2014
Balance, beginning of year	$	8,133	$	7,136
Liabilities disposed		(68)		(726)
Liabilities incurred		321		1,476
Liabilities settled		(4)		(89)
Revisions due to change in discount rates		280		270
Revisions due to change in estimates		-		(69)
Accretion		66		135
Balance, end of period	$	8,728	$	8,133

7. Share Capital

The Company is authorized to issue an unlimited number of Class "A" common voting shares ("Common Shares"). The Company is also authorized to issue an unlimited number of Class "B" common voting shares and an unlimited number of preferred shares, issuable in one or more series. At June 30, 2015, there were no Class "B" common voting shares or preferred shares outstanding.

a) Issued and outstanding – Common Shares

	Number *(thousands)*		Amount *($ thousands)*
Balance, December 31, 2013	264,657	$	347,059
Issued on exercise of options	275		350
Share issue costs (net of tax effect)	-		(64)
Balance, December 31, 2014	264,932		347,345
Balance, June 30, 2015	**264,932**	**$**	**347,345**

b) Per share amounts

Basic net income per share is calculated as follows:

(thousands, except as noted)		*Three months ended June 30,* 2015		2014		*Six months ended June 30,* 2015		2014
Net income ($thousands)	$	**1,432**	$	520	$	**877**	$	1,699
Issued Common Shares at beginning of period		**264,932**		264,907		**264,932**		264,657
Options exercised		**-**		21		**-**		189
Weighted average number of Common Shares outstanding (basic)		**264,932**		264,928		**264,932**		264,846
Basic net income per share	$	**0.01**	$	-	$	**-**	$	0.01

Diluted net income per share is calculated as follows:

(thousands, except as noted)		*Three months ended June 30,* 2015		2014		*Six months ended June 30,* 2015		2014
Net income ($thousands)	$	**1,432**	$	520	$	**877**	$	1,699
Weighted average number of Common Shares outstanding (basic)		**264,932**		264,928		**264,932**		264,846
Effect of outstanding options		**4**		1,153		**18**		1,170
Weighted average number of Common Shares outstanding (diluted)		**264,936**		266,081		**264,950**		266,016
Diluted net income per share	$	**0.01**	$	-	$	**-**	$	0.01

Under the current stock option plan, options can be exchanged for Common Shares of the Company or for cash at the Company's discretion. As a result, they are considered potentially dilutive and are included in the calculation of diluted income (loss) per share for the period. The average market value of the Company's shares for purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding. At June 30, 2015, 18.36 million options (June 30, 2014: 14.27 million) were excluded from the diluted weighted average number of Common Shares outstanding calculation as their effect would have been anti-dilutive.

8. Share Based Compensation

The Company has a stock option program that provides for the issuance of options to its directors, officers and employees at or above grant date market prices. The options granted under the plan generally vest evenly over a three-year period starting at the grant date or one year from the grant date. The grants generally expire five years from the grant date or five years from the commencement of vesting.

The number and weighted average exercise prices of the stock options are as follows:

	June 30, 2015		December 31, 2014	
	Number of Options *(thousands)*	Weighted Average Exercise Price	Number of Options *(thousands)*	Weighted Average Exercise Price
Outstanding, beginning of period	17,792	$1.96	18,188	$2.02
Granted	7,920	0.30	1,250	1.04
Forfeited	(2,722)	1.11	(1,333)	2.26
Expired	(5,523)	3.68	-	-
Exercised	-	-	(313)	0.67
Outstanding, end of period	17,467	$0.79	17,792	$1.96
Exercisable, end of period	5,878	$1.35	11,201	$2.56

The following table provides a reconciliation of the Company's share based compensation liability:

($ thousands)		June 30, 2015		December 31, 2014
Balance, beginning of year	$	5,535	$	3,775
Amount transferred to contributed surplus		-		(27)
Share based compensation expense		(108)		1,240
Capitalized share based compensation		(195)		737
Cash payment for options exercised		-		(24)
Reclassification to share capital on exercise of stock options		-		(166)
Balance, end of year	$	5,232	$	5,535
Current portion	$	4,414	$	4,445
Non-current portion		818		1,090
	$	5,232	$	5,535

9. Capital Management

The Company believes that with its current credit facility and positive expected operating cash flows from operations (an additional IFRS measure defined as net cash from operating activities before changes in non-cash working capital), it will be able to meet its foreseeable obligations in the normal course of operations. On an ongoing basis the Company reviews its commitment to incur capital expenditures to ensure that cash flow from operations (an additional IFRS measure defined as net cash from operating activities before changes in non-cash working capital) or access to credit facilities are available to fund these capital expenditures. Refer to Note 11.

The volatility of commodity prices has a material impact on Questerre's cash flow from operations. Questerre attempts to mitigate the effect of lower prices by entering into risk management contracts, shutting in production in unusually low pricing environments, reallocating capital to more profitable areas and reducing capital spending based on results and other market considerations. To this end, in early 2015, the Company reported a reduced capital program for 2015.

The Company considers its capital structure to include shareholders' equity and any outstanding amounts under its credit facilities. The Company will adjust its capital structure to minimize its cost of capital through the issuance of shares, securing credit facilities and adjusting its capital spending. Questerre monitors its capital structure based on the current and projected cash flow from operations.

($ thousands)		June 30, 2015		December 31, 2014
Credit facilities	$	7,200	$	-
Shareholders' equity		198,637		196,858
	$	205,837	$	196,858

10. Financial Risk Management and Determination of Fair Values

a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as credit risk, liquidity risk and market risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

b) Fair value of financial instruments

The Company's financial instruments as at June 30, 2015 included cash and cash equivalents, accounts receivable, risk management contracts, deposits, investments, credit facilities and accounts payable and accrued liabilities. As at June 30, 2015, the fair values of the Company's financial assets and liabilities approximate their carrying values due to the short-term maturity with the exception of the Company's investments and the risk management contracts, which are recorded at fair value.

Disclosures about the inputs to fair value measurements are required, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

Level 1 Fair Value Measurements

Level 1 fair value measurements are based on unadjusted quoted market prices.

The Company does not hold any Level 1 financial instruments.

Level 2 Fair Value Measurements

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

The Company's risk management contracts are considered a level 2 instrument. The Company's financial derivative instruments are carried at fair value as determined by reference to independent monthly forward settlement prices and currency rates.

Level 3 Fair Value Measurements

Level 3 fair value measurements are based on unobservable information.

The Company's investments are considered a Level 3 instrument. The fair values are determined using a discounted cash flow approach.

As at each reporting period, the Company will assess whether a financial asset is impaired, other than those classified as fair value through profit or loss. Any impairment loss will be included in net income (loss) for the period.

c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's profit or loss or the value of its financial instruments. The objective of the Company is to mitigate exposure to these risks while maximizing returns to the Company.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar and also world economic events that dictate the levels of supply and demand. The Company may enter into oil and natural gas contracts to protect, to the extent possible, its cash flows from future sales. The contracts reduce the volatility in sales revenue by locking in prices with respect to future deliveries of oil and natural gas.

As at June 30, 2015, the Company had the following outstanding commodity risk management contracts:

Risk Management Contract	Volumes	Average Price	Term	Fair Value Asset *($ thousands)*
Natural gas swap	2,000 gj/d	$3.72/gj	Jul. 1, 2015 - Dec. 31, 2015	437

The Company's risk management position is as follows:

($ thousands)		June 30, 2015		December 31, 2014
Risk Management Assets				
Current portion	$	437	$	748

The Company recorded an unrealized loss of $0.31 million for the six month period ended June 30, 2015 and an unrealized loss of $0.19 million for the same period in 2014. The Company also recorded a realized gain of $0.38 million for the six month period ended June 30, 2015 and a realized loss of $0.62 million for the same period in 2014.

The value of Questerre's commodity price risk management contracts fluctuate with changes in the underlying market price of the relevant commodity. For the Company's gas swap contracts, an increase or decrease of $1 to the AECO price, with all other variables being held constant, would result in a $0.37 million increase or decrease to net income (loss), respectively.

d) Credit risk

Credit risk represents the potential financial loss to the Company if a customer or counterparty to a financial instrument fails to meet or discharge their obligation to the Company. Credit risk arises from the Company's receivables from joint venture partners and oil and gas marketers. In the event such entities fail to meet their contractual obligations to the Company, such failures may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Credit risk also arises from the Company's cash and cash equivalents. The Company manages credit risk exposure by investing its cash in Canadian banks and credit unions. Management does not expect any counterparty to fail to meet its obligations.

Poor credit conditions in the industry may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Substantially all of the accounts receivable are with oil and natural gas marketers and joint venture partners in the oil and gas industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by entering into transactions with long-standing, reputable counterparties and partners.

Accounts receivable related to the sale of the Company's petroleum and natural gas production is paid in the following month from major oil and natural gas marketing companies and the Company has not experienced any credit loss relating to these sales to date.

Receivables from joint venture partners are typically collected within one to three months after the joint venture bill is issued. The Company mitigates this risk by obtaining pre-approval of significant capital expenditures.

11. Credit Facilities

In June 2015, the Company renewed its credit facilities with a Canadian chartered bank at $50 million. The next scheduled review of the Company's credit facilities is expected to be completed in the fourth quarter of 2015. The credit facilities include a revolving operating demand facility of $35.0 million ("Credit Facility A"), a non-revolving acquisition and development facility of $14.9 million ("Credit Facility B") and a corporate credit card of $0.1 million ("Credit Facility C"). Any borrowing under the facilities, with the exception of letters of credit, bears interest at the bank's prime interest rate and an applicable basis point margin based on the ratio of debt to cash flow measured quarterly. The bank's prime rate currently is 3% per annum. The facilities are secured by a debenture with a first floating charge over all assets of the Company and a general assignment of books debts. Under the terms of the bank credit facility, the Company has provided a covenant that it will maintain an Adjusted Working Capital Ratio greater than 1.0. The ratio is defined as current assets (excluding unrealized hedging gains and including undrawn Credit Facility A availability) to current liabilities (excluding bank debt outstanding and unrealized hedging losses). The Adjusted Working Capital Ratio at June 30, 2015 was 1.64 and the covenant is met. At June 30, 2015, $7.2 million (December 31, 2014: $nil) has been drawn on the credit facility.

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