

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

In re: Quicksilver Resources Inc., et al.

Case No. 15-10585 (LSS)

Debtors

Chapter 11

**PERIODIC REPORT REGARDING VALUE, OPERATIONS AND PROFITABILITY OF ENTITIES IN WHICH THE  
ESTATE OF QUICKSILVER RESOURCES INC., et al. HOLDS A SUBSTANTIAL OR CONTROLLING INTEREST**

This is the report as of August 31, 2015 on the value, operations and profitability of those entities in which the estate holds a substantial or controlling interest, as required by Bankruptcy Rule 2015.3. The estate of Quicksilver Resources Inc., et al. holds a substantial or controlling interest in the following entities:

Name of Entity	Interest of the Estate
Quicksilver Resources Canada Inc.	100.00%
Makarios Midstream Inc.	100.00%
Fortune Creek Gathering and Processing Partnership	50.00%
1622834 Alberta Inc.	100.00%
0942065 B. C. Ltd.	100.00%
0942069 B. C. Ltd.	100.00%
Quicksilver Production Partners Operating Ltd.	100.00%

This periodic report (the "Periodic Report") contains separate reports ("Entity Reports") on the value, operations, and profitability of (a) Quicksilver Resources Canada Inc. as consolidated with Makarios Midstream Inc., Fortune Creek Gathering and Processing Partnership, 1622834 Alberta Inc., 0942065 B. C. Ltd., and 0942069 B. C. Ltd. and (b) Quicksilver Production Partners Operating Ltd.

Each Entity Report consists of three exhibits. Exhibit A contains a valuation estimate for the entity as of a date not more than two years prior to the date of this report. It also contains a description of the valuation method used. Exhibit B contains a balance sheet, a statement of income (loss), a statement of cash flows, and a statement of changes in shareholders' or partners' equity (deficit) for the period covered by the Entity Report, along with summarized footnotes. Exhibit C contains a description of the entity's business operations.

The undersigned, having reviewed the above listing of entities in which the estate of Quicksilver Resources Inc., et al holds a substantial or controlling interest, and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that the listing is complete, accurate and truthful to the best of her knowledge.

Date

10/20/15

Signature of Authorized Individual

Vanessa Gomez LaGatta  
Name of Authorized Individual

Senior Vice President - Chief Financial  
Officer and Treasurer  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is limited liability company.

**Basis of Presentation and Use of Estimates**

The accompanying financial information is unaudited and has been prepared on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles ("US GAAP") and has been presented on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

US GAAP requires management to use estimates, judgments and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported herein. While management regularly reviews its estimates, actual results could differ from those estimates.

As noted above, the operations for the following Canadian non-Debtor entities are reported on a consolidated basis as Quicksilver Resources Canada Inc. A description of each of the entities included in this report, including each entity's respective operating status, is listed in Exhibit C herein.

<b>Name of Entity</b>
Quicksilver Resources Canada Inc.
Makarios Midstream Inc.
Fortune Creek Gathering and Processing Partnership
1622834 Alberta Inc.
0942065 B. C. Ltd.
0942069 B. C. Ltd.

In addition, based on an analysis of the partners' equity at risk, we have determined the Fortune Creek Gathering and Processing Partnership to be a variable interest entity. Further, based on our ability to direct the activities surrounding the production of natural gas and our direct management of the operations of the Fortune Creek facilities, we have determined we are the primary beneficiary and, therefore, we consolidate 100% of the Fortune Creek Gathering and Processing Partnership.

**Intercompany Transactions**

Receivables and payables between the non-Debtors and Debtors and/or among the non-Debtors have not been eliminated. No conclusion as to the legal obligation related to these intercompany transactions is made by the presentation herein.

**Footnotes**

The Debtors do not maintain summarized footnotes for the non-Debtor entities.

**Foreign Currency Translation**

Quicksilver Resources Canada Inc. maintains its general ledger using the Canadian dollar. All balance sheet accounts of the Canadian operations are translated into U.S. dollars at the period end exchange rate and statement of income items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are made directly to a component of accumulated other comprehensive income within stockholders' equity.

**Exhibit A**  
**Valuation Estimate for Non-Debtor Entities**

*USD In thousands*

Name of Entity	Interest of the Estate	Net Book Value as on August 31, 2015 (2)
Quicksilver Resources Canada Inc. (1)	100.00%	\$ (430,486)
Quicksilver Production Partners Operating Ltd.	100.00%	\$ -

**Notes**

1) As referenced earlier in this report, financials of Quicksilver Resources Canada Inc., Makarios Midstream Inc., Fortune Creek Gathering and Processing Partnership, 1622834 Alberta Inc., 0942065 B. C. Ltd., and 0942069 B. C. Ltd. are reported on a consolidated basis in accordance with US GAAP.

2) The basis for the valuation of each non-Debtor entity is the net book value calculated as total assets less total liabilities as of August 31, 2015, as shown on Exhibit B-1. The Debtors do not maintain fair market value or other bases of valuation for these entities.

**Source of Information:**

Information in this report was provided by company management.

Exhibit B-1  
Balance Sheet (1)  
As of August 31, 2015 and December 31, 2014

	Quicksilver Resources Canada Inc. (2)		Quicksilver Production Partners Operating Ltd.	
	Year to date	Prior Fiscal Year	Year to date	Prior Fiscal Year
	August 31, 2015	December 31, 2014	August 31, 2015	December 31, 2014
<b>Currency: USD</b>				
<b>In thousands</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 20,953	\$ 11,873	\$ -	\$ -
Accounts receivable, net of allowance for doubtful	2,382	17,860	-	-
Derivative assets at fair value	-	34,257	-	-
Inventories and other current assets	7,694	7,910	-	-
<b>Total current assets</b>	<b>31,029</b>	<b>71,900</b>	<b>-</b>	<b>-</b>
<b>Property, plant and equipment</b>				
Oil and gas properties, full cost method	133,154	242,390	-	-
Other property and equipment	41,338	51,288	-	-
<b>Property, plant and equipment - net</b>	<b>174,491</b>	<b>293,678</b>	<b>-</b>	<b>-</b>
Derivative assets at fair value	-	13,307	-	-
Other assets	4,616	5,405	-	-
<b>Total Assets</b>	<b>\$ 210,137</b>	<b>\$ 384,291</b>	<b>\$ -</b>	<b>\$ -</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 1,533	\$ 2,245	\$ -	\$ -
Accrued liabilities	4,380	9,404	-	-
Current portion of long-term debt	79,231	100,514	-	-
Intercompany loan	413,282	413,282	-	-
<b>Total current liabilities</b>	<b>498,425</b>	<b>525,444</b>	<b>-</b>	<b>-</b>
<b>Long-term debt</b>				
Accrued Partnership Liability	88,102	91,956	-	-
Asset Retirement obligations	54,096	59,501	-	-
<b>Stockholders' equity</b>				
Common stock	1,817	1,817	-	-
Paid in capital in excess of par value	28,118	28,118	-	-
Accumulated other comprehensive income	25,688	35,889	-	-
Retained earnings	(486,110)	(358,435)	-	-
<b>Total equity</b>	<b>(430,486)</b>	<b>(292,610)</b>	<b>-</b>	<b>-</b>
<b>Total long-term debt &amp; equity</b>	<b>\$ 210,137</b>	<b>\$ 384,291</b>	<b>\$ -</b>	<b>\$ -</b>

**Note**

1) Numbers may not foot due to rounding.

2) Financials of Quicksilver Resources Canada Inc., Makarios Midstream Inc., Fortune Creek Gathering and Processing Partnership, 1622834 Alberta Inc., 0942065 B. C. Ltd., and 0942069 B. C. Ltd. are reported on a consolidated basis in accordance with US GAAP.

**Source of Information:**

Information in this report was provided by company management.

Exhibit B-2  
Statement of Income (Loss) (1)  
For Six Month Period Ending August 31, 2015

	Quicksilver Resources Canada Inc. (2)	Quicksilver Production Partners Operating Ltd.
	Six Months Ending August 31, 2015	Six Months Ending August 31, 2015
<i>Currency: USD</i>		
<i>In thousands</i>		
<b>Revenue</b>		
Production	\$ 22,621	\$ -
Net derivative gain (loss)	(464)	-
Other	891	-
<b>Total revenue</b>	<b>23,047</b>	<b>-</b>
<b>Operating expense</b>		
Lease operating	13,173	-
Gathering, processing and transportation	3,945	-
Production and ad valorem tax	1,798	-
Other operating	559	-
Depletion, depreciation and accretion	10,720	-
Impairment	77,411	-
General and administrative	2,473	-
<b>Total expense</b>	<b>110,079</b>	<b>-</b>
<b>Operating income</b>	<b>(87,032)</b>	<b>-</b>
Other income (expense) - net	(22,059)	-
Partnership Liability Accretion	(6,629)	-
Interest expense	(7,945)	-
<b>Income before income taxes</b>	<b>(123,665)</b>	<b>-</b>
Income tax (expense) benefit	211	-
<b>Net income</b>	<b>\$ (123,455)</b>	<b>\$ -</b>

**Note**

1) Numbers may not foot due to rounding.

2) Financials of Quicksilver Resources Canada Inc., Makarios Midstream Inc., Fortune Creek Gathering and Processing Partnership, 1622834 Alberta Inc., 0942065 B. C. Ltd., and 0942069 B. C. Ltd. are reported on a consolidated basis in accordance with US GAAP.

**Source of Information:**

Information in this report was provided by company management.

Exhibit B-3  
Statement of Cash Flows (1)  
For Six Month Period Ending August 31, 2015

Currency: USD

In thousands

	Quicksilver Resources Canada Inc. (2)	Quicksilver Production Partners Operating Ltd.
	Six Months Ending August 31, 2015	Six Months Ending August 31, 2015
<b>Operating activities</b>		
Net income (loss)	\$ (123,455)	\$ -
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depletion, depreciation and accretion	10,719	-
Impairment expense	77,411	-
Deferred income tax expense (benefit)	(211)	-
Non-cash gain from hedging and derivative activities	44,640	-
Non-cash interest expense	455	-
Fortune Creek partnership accretion	6,629	-
Other	(2)	-
Changes in assets and liabilities		
Accounts receivable	4,849	-
Prepaid expenses and Other assets	(490)	-
Accounts payable	(1,186)	-
Accrued and other liabilities	(4,198)	-
<b>Net cash provided by operating activities</b>	<b>15,161</b>	<b>-</b>
<b>Investing activities</b>		
Capital expenditures	(2,027)	-
Proceeds from sale of properties & equipment	1,446	-
<b>Net cash used in investing activities</b>	<b>(581)</b>	<b>-</b>
<b>Financing activities</b>		
Issuance of debt	26,235	-
Repayments of debt	(41,576)	-
Distribution of Fortune Creek partnership funds	(480)	-
<b>Net cash used in financing activities</b>	<b>(15,821)</b>	<b>-</b>
Effect of exchange rate changes in cash	644	-
<b>Net change in cash and cash equivalents</b>	<b>(597)</b>	<b>-</b>
Cash and cash equivalents at beginning of period	21,550	-
<b>Cash and cash equivalents at end of period</b>	<b>\$ 20,953</b>	<b>\$ -</b>

**Note**

1) Numbers may not foot due to rounding.

2) Financials of Quicksilver Resources Canada Inc., Makarios Midstream Inc., Fortune Creek Gathering and Processing Partnership, 1622834 Alberta Inc., 0942065 B. C. Ltd., and 0942069 B. C. Ltd. are reported on a consolidated basis in accordance with US GAAP.

**Source of Information:**

Information in this report was provided by company management.

**Exhibit B-4**  
**Statement of Changes in Shareholders' Equity (Deficit)**

The Debtors do not maintain a Statement of Changes in Shareholders' Equity for the Non-Debtor Entities. However, the Debtors have not made distributions, issuances of equity, or purchases of equity at any of the Non-Debtor Entities for the year ended December 31, 2014 and six months ended August 31, 2015. The only change in shareholder equity at the Non-Debtor Entities for these periods is associated with Net Income (Loss) for the period.

**Source of Information:**

Information in this report was provided by company management.

**Exhibit C**  
**Description of Operations**

<b>Name of non-debtor entity</b>	<b>Description of the entity's business operations</b>
<b>Quicksilver Resources Canada Inc. (QRCI)</b>	QRCI is an operating company and the holding company for the Canadian operations and is a wholly owned subsidiary of Quicksilver Resources Inc.
<b>Makarios Midstream Inc.</b>	Makarios Midstream Inc. is a wholly owned subsidiary of QRCI and holds 50% interest in the Fortune Creek Gathering and Processing Partnership.
<b>Fortune Creek Gathering and Processing Partnership</b>	Fortune Creek Gathering and Processing Partnership is a midstream partnership formed with Kohlberg Kravis Roberts & Co. L.P. and dedicated to the construction and operation of natural gas midstream services within the Horn River basin of northeast British Columbia.
<b>1622834 Alberta Inc.</b>	1622834 Alberta Inc. is a wholly owned non-operating subsidiary of QRCI.
<b>0942065 B. C. Ltd.</b>	0942065 B. C. Ltd. is a wholly owned subsidiary of QRCI and wholly owns 0942069 B. C. Ltd.
<b>0942069 B. C. Ltd.</b>	0942069 B. C. Ltd. is a wholly owned subsidiary of 0942065 B. C. Ltd. that owns property in British Columbia.
<b>Quicksilver Production Partners Operating Ltd.</b>	Quicksilver Production Partners Operating Ltd. is a wholly owned non-operating subsidiary of Quicksilver Resources Inc.

**Source of Information:**

Information in this report was provided by company management.