MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months ended March 31, 2017
Date: May 30, 2017

FIRST QUARTER 2017 FINANCIAL AND OPERATING HIGHLIGHTS

- Marquee successfully drilled, completed, and equipped three light oil horizontal Banff wells at Michichi on a single pad location at an average cost of $1.79 million per well. These are the first wells Marquee has drilled since the third quarter of 2015. The wells came on production in early April with higher than expected production rates;

- Production averaged 2,479 boe/d (46% liquids) in the first quarter of 2017, down 79 boe/d (3%) from the fourth quarter 2016. No new production was brought on line in the quarter with results reflecting the low-decline performance of production at Michichi;

- Funds flows from operations were $1.3 million in the first quarter, an increase of $2.2 million from the previous quarter;

- Revenue was $33.27/boe in the first quarter of 2017, down $0.78/boe from $34.05/boe realized in the previous quarter;

- Reduced quarterly production and transportation costs by 32% to $3.9 million or $17.56 per boe from $5.7 million or $24.30 per boe in the fourth quarter of 2016, primarily due to a number of one time only costs that occurred in Q4 2016;

- Operating netbacks prior to hedging averaged $13.06/boe in Q1 2017, a 60% increase from the previous quarter.

- Subsequent to March 31, 2017 the Company entered into a $30 million term loan with Crown Capital Fund IV, LP, an investment fund managed by Crown Capital Partners Inc.

- Subsequent to March 31, 2017, the Company signed a $12 million credit facility with a major Canadian bank, replacing the previous syndicated credit facility of $25 million;

- The Company's Annual and Special Shareholders' meeting will be held on June 26, 2017. At the meeting, shareholders will be asked to approve a Consolidation to effect a consolidation of the Common Shares of Marquee on the basis of one (1) post-consolidation Common Share for every thirty (30) pre-consolidation Common Shares then issued and outstanding.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended March 31,	
	2017	2016
Financial *(000's except per share and per boe amounts)*		
Oil and natural gas sales (1)	**$7,423**	$7,749
Funds flow from operations (2)	**$1,332**	$1,392
Per share - basic and diluted	**$-**	$0.01
Per boe	**$5.76**	$3.45
Net income (loss)	**$(3,663)**	$(7,918)
Per share - basic and diluted	**$(0.01)**	$(0.04)
Capital expenditures	**$6,611**	$100
Net debt (2)	**$22,688**	$49,058
Total Assets	**$174,239**	$217,189
Weighted average basic and diluted shares outstanding	**435,772,196**	205,686,639
Operational		
Net wells drilled	**3**	-
Daily sales volumes		
Oil (bbls per day)	**1,000**	1,457
Heavy Oil (bbls per day)	**-**	407
NGL's (bbls per day)	**132**	157
Natural Gas (mcf per day)	**8,082**	14,451
Total (boe per day)	**2,479**	4,430
% Oil and NGL's	**46%**	46%
Average realized prices		
Light Oil ($/bbl)	**$52.69**	$31.11
Heavy Oil ($/bbl)	**$-**	$17.60
NGL's ($/bbl)	**$41.58**	$24.08
Natural Gas ($/mcf)	**$3.00**	$2.00
Netback		
Revenue ($/boe)	**$33.27**	$19.22
Royalties ($/boe)	**$(2.65)**	$(1.34)
Operating and transportation costs ($/boe)	**$(17.56)**	$(16.46)
Operating netback prior to hedging (2)	**$13.06**	$1.42
Realized hedging gain (loss) ($/boe)	**$-**	$5.89
Operating netback ($/boe) (2)	**$13.06**	$7.31

(1) Before royalties
(2) Defined under the Non-GAAP Measures section of this MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Marquee Energy Ltd. ("Marquee", "we", "our" or the "Company") as at and for the three months ended March 31, 2017. This MD&A is dated and based on information available to May 30, 2017 and should be read in conjunction with the Company's unaudited condensed interim Financial Statements and related notes thereto for the three months ended March 31, 2017, as well as the audited Financial Statements and related notes thereto for the years ended December 31, 2016 and 2015. The Company's condensed interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting within International Accounting Financial Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures provided herein are reported in thousands of Canadian dollars unless otherwise stated. The reader should be aware that historical results are not necessarily indicative of future performance.

Additional information relating to Marquee, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com. Marquee is listed on the TSX Venture Exchange (TSX-V) under the symbol "MQL-V", and on the United States OTC Market ("OTCQX") under the symbol "MQLXF".

DESCRIPTION OF BUSINESS

Marquee Energy Ltd. is a publicly traded, Calgary-based, oil and natural gas company focused on high rate of return oil development and production. Marquee is committed to growing the Company through exploitation of existing opportunities and continued consolidation within its core area at Michichi, Alberta.

RESULTS OF OPERATIONS

Average Daily Oil and Natural Gas Production and Sales Volume

	Quarter ended March 31,		
	2017	2016	Change
Light oil (bbls/d)	**1,000**	1,457	-31%
Heavy oil (bbls/d)	**-**	407	-100%
NGLs (bbls/d)	**132**	157	-16%
Natural gas (mcf/d)	**8,082**	14,451	-44%
Total boe/d (6:1)	**2,479**	4,430	-44%
Production split (%)			
Crude oil and NGL	**46%**	46%	0%
Natural gas	**54%**	54%	0%
Total	**100%**	100%	

Marquee's first quarter sales decreased 44% to 2,479 boe/d compared to the first quarter of 2016. Production was comprised of crude oil and NGL production averaging 1,132 boe/d and natural gas production averaging 8,082 mcf/d. Production declines quarter over quarter are a result of property dispositions, and the natural decline of existing light oil wells. During Q2 2016 the Company, disposed of non-core shallow gas assets with average daily production of approximately 5,700 mcf/d, and its Lloydminster heavy oil assets with average daily production of approximately 350bbl/d.

Average Benchmark and Realized Sales Prices (excluding commodity price contracts)

	Quarter ended March 31,		
	2017	2016	Change
Benchmark prices			
WTI ($US/bbl)	**$51.86**	$33.35	56%
$C/$US foreign exchange rate	**$0.76**	$0.73	4%
WTI ($C/bbl)	**$68.66**	$45.88	50%
WCS Hardisty ($C/bbl)	**$49.35**	$26.30	88%
AECO natural gas ($/mcf)	**$2.94**	$1.83	61%
Average sales prices			
Light oil ($/bbl)	**$52.69**	$31.11	69%
Heavy oil ($/bbl)	**$-**	$17.60	-100%
NGL ($/bbl)	**$41.58**	$24.08	73%
Natural gas ($/mcf)	**$3.00**	$2.00	50%
Combined ($/boe)	**$33.27**	$19.22	73%

The West Texas Intermediate ("WTI") at Cushing, Oklahoma is the benchmark reference price for North American crude oil prices. Canadian oil prices, including Marquee's crude oil, are based on price postings, which is WTI-adjusted for transportation, quality and the U.S./Canadian Dollar currency conversion rates. During the three months ended March 31, 30, 2017, the WTI crude oil price benchmark averaged US$51.86/bbl as compared to US$33.35/bbl in the comparable 2016 period representing a 56% increase. The increase in crude oil prices has been driven primarily by cuts in global oil production and a reduction in the number of new wells being drilled.

Marquee's light oil discount to the Canadian-dollar equivalent WTI price averaged $15.97/bbl for the three months ended March 31,2017, compared to $14.77/bbl for the comparable 2016 period.

Alberta AECO natural gas benchmark pricing increased 61% for the three months ended March 31, 2017, as compared to the same period in 2016. Consequently, the average realized price for the first quarter of 2017, increased to $3.00 per mcf as compared to $2.00 per mcf in the first quarter of 2016. Marquee's natural gas sales are priced with reference to the Alberta AECO-5A market reference price. Currently the North American natural gas prices have recovered as a result of a decrease in the number of wells being drilled and a strong US economy.

Crude oil and natural gas benchmark prices are denominated in U.S. dollars, a decrease in the value in the Canadian dollar compared to the U.S. dollar results in increased revenue due to foreign exchange.

Oil and Natural Gas Revenue (excluding commodity price contracts)

	Quarter ended March 31,		
($000s)	**2017**	2016	Change
Light oil	**4,743**	4,125	15%
Heavy oil	**-**	652	-100%
NGLs	**495**	344	44%
Natural gas	**2,185**	2,628	-17%
Total revenue	**7,423**	7,749	-4%

Total revenue for the first quarter of 2017 decreased by 4% to $7.4 million compared to $7.71 million in the first quarter of 2016. The decrease in revenue is due to the increase in benchmark and realized commodity prices being more than offset by lower volumes due to natural declines and properties sold during Q2 2016.

Commodity Price Contracts and Risk Management

The Company's financial results will be dependent on the prices received for crude oil and natural gas production. North American crude oil prices have sharply increased due primarily to global production quota reductions and reduced exploration and development drilling. Natural gas benchmark prices have also increased and are determined by supply and demand factors, including weather, and general economic conditions in natural gas consuming and producing regions. Management has been proactive in entering into derivatives for the purpose of hedging and has partially mitigated commodity price risk by entering into crude oil hedging contracts extending to March 31, 2018. Marquee's current commodity contract position as at the date of this MD&A is as follows:

Product	Type	Notional Volumes	Price	Index	Term
Crude oil	Swap	500 bbl/day	US$55.00/bbl	WTI-Fixed	Apr.01, 2017 to Jun.30,2017
Crude oil	Swap	250 bbl/day	US$55.00/bbl	WTI-Fixed	Jul.01,2017 to Sep.30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$3.05/GJ	AECO-Fixed	Jan.01,2018 to Mar.31,2018
Natural Gas	Swap	3,000GJ/day	Cdn$2.46/GJ	AECO-Fixed	Apr.01 to June 30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$2.48/GJ	AECO-Fixed	Jul.01 to Sept. 30,2017
Natural Gas	Swap	1,500GJ/day	Cdn$2.80/GJ	AECO-Fixed	Jul.01 to Sept. 30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$3.00/GJ	AECO-Fixed	Oct. 01 to Dec. 31, 2017

A summary of realized and unrealized commodity contract gains and losses for the three months ended March 31, 2017 and 2016 are as follows:

	Quarter ended March 31,		
($000s)	**2017**	2016	Change
Realized gain (loss) on commodity contracts	**-**	2,374	-100%
Unrealized gain (loss) on commodity contracts	**(262)**	(1,044)	-75%
	(262)	1,330	-120%

Marquee realized a commodity contract gain for the three months ended March 31, 2016 of $2.4 million. At March 31, 2017, Marquee had no commodity price contracts in place for the first quarter but had commodity contracts in place for the four subsequent quarters. For the three months ending March 31, 2017, an unrealized loss of $0.3 million (2016 - $1.0 million loss) was recognized. The fair value of the net commodity contract asset or liability is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses are not cash and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Royalties

	Quarter ended March 31,		
($000s, except per boe amounts)	**2017**	2016	Change
Royalties	**591**	541	9%
As a percentage of revenue	**8%**	7%	14%
$/boe	**2.65**	1.34	98%

Royalty payments are made to the owners of the mineral rights on leases, which include provincial governments and freehold landowners, as well as to other third parties by way of contractual overriding royalties. Overriding royalties are generally paid to third parties where Marquee has entered into agreements to earn an interest in their mineral rights by investing capital in their property.

Royalties for the three months ended March 31, 2017, increased to $0.6 million compared to $0.5 million for the same period in 2016. As a percentage of sales, royalties remained consistent year over year.

Production and Transportation Expenses

	Quarter ended March 31,		
($000s, except per boe amounts)	**2017**	2016	Change
Production and operating costs	**3,658**	6,100	-40%
Transportation costs	**260**	535	-51%
	3,918	6,635	-41%
$/boe	**17.56**	16.46	7%

Production and transportation costs for the quarter were $3.9 million or $17.56 per boe compared to $6.6 million or $16.46 per boe for the first quarter of 2016. Quarterly production and operating costs on a per boe basis increased 7% compared to the comparable 2016 quarter. The overall decrease in production and operating costs are due to reductions in field expenses due to management's cost containment strategy and reduced operational activity due to the sale of the Lloydminster and shallow gas assets in Q2 2016. This is partially offset by higher fixed operating costs on older wells. Transportation costs for the quarter ended March 31, 2017 remained relatively consistent at $1.17 per boe compared to $1.33 per boe in the comparable 2016 period.

General and Administrative Expenses

	Quarter ended March 31,		
($000s, except per boe amounts)	**2017**	2016	Change
G&A expense, gross	**1,348**	1,453	-7%
Recovered and capitalized	**(182)**	(388)	-53%
G&A expense, net	**1,166**	1,065	9%
$/boe,net	**5.23**	2.64	98%

During the first quarter of 2017, general and administrative expense "G&A", net of capitalized and overhead recovery costs was $1.2 million or $5.23 per boe as compared to the quarter ended March 31, 2016 where G&A expenses were $1.1 million or $2.64 per boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were $1.3 million compared to $1.5 million for 2016. On a per barrel basis G&A for Q1 2017 is higher due to lower sales volumes due to property sales.

Share-based Compensation

The Company records share-based compensation expense ("SBC") related to employee stock options with the offsetting amount recorded in contributed surplus. The Company capitalizes a portion of SBC which is directly attributable to personnel involved in exploration and development capital investment activities. Marquee uses a Black-Scholes option pricing model to calculate the fair value of stock option grants where the corresponding expense is recognized over the option vesting period.

As at March 31, 2017, the Company had 24,190,000 stock options which were outstanding at an average exercise price of $0.14 per option. For the three months ended March 31, 2017 and 2016, the following is recorded related to SBC:

	Quarter ended March 31,		
($000s)	**2017**	2016	Change
SBC expense, gross	**119**	195	-39%
SBC, capitalized	**(1)**	(11)	-91%
SBC expense, net	**118**	184	-36%

Finance Expenses

($000s, except per boe amounts)	Quarter ended March 31, 2017	2016	Change
Interest on bank debt	**416**	489	-15%
Accretion of decommissioning liabilities	**258**	330	-22%
	674	819	-18%
$/boe	**3.02**	2.03	49%

For the three ended March 31, 2017, finance expenses decreased by 18%. The decrease in interest charges are attributable to a lower average balance, partially offset by higher rates. The decrease in accretion is due to reduced asset retirement obligations in connection to the Lloydminster and Shallow gas asset dispositions.

Transaction Costs

($000s)	Quarter ended March 31, 2017	2016	Change
Transaction costs	**138**	-	100%

Transaction costs are the costs specific to transactions the Company enters into such as acquisitions and dispositions. For the three months ending March 31, 2017, $0.1 million of costs relate to the dispositions and deals done in 2016.

Depletion and Depreciation

($000s, except per boe amounts)	Quarter ended March 31, 2017	2016	Change
Depletion and depreciation	**4,218**	7,753	-46%
$/boe	**18.91**	19.23	-2%

The Company's depletion and depreciation expense is computed on a unit-of-production basis using proved plus probable reserves. The unit-of-production rate takes into account capital expenditures incurred to-date, together with future development capital expenditures required to develop those proved plus probable reserves. As a result, the depletion and depreciation provision, on an oil equivalent per-unit basis, may fluctuate period-to-period primarily due to changes in the underlying proved plus probable reserves base and in the amount of costs subject to depletion and depreciation. These costs are segregated and depleted on an area-by-area basis relative to the respective underlying proved plus probable reserves base.

For the three months ended March 31, 2017, the Company recorded depletion expense of $4.2 million or $18.91 per boe compared to $7.8 million or $19.23 per boe in the first quarter of 2016. The reduction in depletion expense in aggregate and on a per boe basis is due to decreased production, and the reduction to the depletable reserve base due to the Lloydminster and shallow gas asset dispositions.

Gain (loss) on disposition of oil and gas interests

On May 31, 2016, the Company completed a shallow gas disposition for net proceeds of $5.0 million with a net book value of $18.2 million and an associated decommissioning liability of $26.7 million. The asset included approximately 500 gross (396 net) wells and average production of approximately 5,700 mcf/d. The gross proceeds were used to reduce the Company's current debt. The disposition is consistent with Marquee's strategy to divest non-core assets to further focus on its core Banff light oil play at Michichi.

On June 6, 2016, the Company disposed of its heavy oil Lloydminster assets for net proceeds of $0.1 million with a net book value of $9.6 million and an associated decommissioning liability of $4.8 million. The property averaged approximately 350 barrels per day of heavy oil production and generated minor cash flow after payment of operating and royalty costs. As previously reported in 2015, Marquee sold a production volume royalty ("PVR") on its Lloydminster property in return for $20 million. A portion of these proceeds were used to fund a strategic acquisition by the Company in its core light oil property at Michichi. Under the PVR agreement, Marquee committed the first 137.5bbl/d of production from the Lloydminster property to the royalty owner and made a commitment to spend a minimum of $2.75 million per year for 8 years beginning in 2016 on drilling activities related to the PVR lands. Marquee has assigned its interest in the Lloydminster property along with all related PVR obligations and capital commitments to the buyer. The disposition of the Lloydminster had a positive effect on the Company's PDP NPV10 reserves and credit facility.

Taxes

Deferred income taxes arise from differences between the accounting and tax basis of assets and liabilities. The estimate of deferred income taxes is based on the current tax status of the Company, enacted legislation and management's best estimates of future events. The effective tax rate differs from the statutory tax rate as it primarily takes into consideration permanent differences, adjustments for changes in tax rates and other tax legislation, and the actual amounts subsequently reported on the Company's corporate tax return.

For the three months ended March 31, 2017, as a result of depressed world market oil and natural gas prices and management's judgment related to recognition of deferred tax assets, the Company did not record the benefit of deferred tax.

Funds Flow from Operations and Net Income (Loss)

Funds flow from operations for the three months ended March 31, 2017 was $1.3 million or $0.00 per share compared to $1.4million or $0.01 per share for the first quarter of 2016. The decrease compared to the 2016 periods is due to lower production volumes due to natural declines and the property sales offset by higher prices in 2017.

The net loss for the three months ended March 31, 2017 was $3.6 million ($0.01 per share, basic and diluted) compared to a net loss of $7.9 million ($0.04 per share, basic and diluted) for the same period in 2016.

	Quarter ended March 31,		
($000s, except per share and per boe amounts)	**2017**	2016	Change
Funds flow from operations	**1,332**	1,392	-4%
Per share, basic and diluted	-	0.01	-100%
Net loss	**(3,663)**	(7,918)	-54%
Per share, basic and diluted	**(0.01)**	(0.04)	-78%

The following table summarizes the Company's netbacks, funds flow from operations and net income (loss) on a per boe basis for the three months ended March 31, 2017, and 2016:

($/boe)	Quarter ended March 31, 2017	2016	Change
Sales	**33.27**	19.22	73%
Royalties	**(2.65)**	(1.34)	98%
Production costs	**(16.40)**	(15.13)	8%
Transportation costs	**(1.16)**	(1.33)	-13%
Operating netback prior to hedging	**13.06**	1.42	820%
Realized hedging gain (loss)	**-**	5.89	-100%
Operating netback	**13.06**	7.31	79%
General and administrative expenses	**(5.23)**	(2.64)	98%
Interest expense	**(2.07)**	(2.03)	2%
Funds flow from operations	**5.76**	2.64	118%
Depletion and depreciation	**(18.91)**	(19.23)	-2%
Accretion	**(1.16)**	(0.82)	41%
Share-based compensation	**(0.53)**	(0.46)	15%
Unrealized gain (loss) on commodity price contracts	**(1.17)**	(2.59)	-55%
Transaction costs	**(0.62)**	-	100%
Net income **(loss) and comprehensive loss**	**(16.63)**	(20.45)	-19%

Capital Expenditures

($000s)	Quarter ended March 31, 2017	2016
Land and lease (1)	**219**	63
Seismic (1)	**149**	47
Drilling and completions (1)	**4,469**	-
Equipment and facilities (1)	**1,604**	(187)
Office and other (2)	**170**	177
	6,611	100

(1) Includes expenditures on exploration and evaluation assets as well as PP&E

(2) Excludes non-cash additions

During the quarter the Company drilled 3 net wells for total costs of approximately $5.3 million. The three wells came on production in early April and are producing at expected levels.

CAPITAL RESOURCES AND LIQUIDITY

Credit Facility

At March 31, 2017, the Company has a syndicated credit facility ("credit facility") with two Canadian Chartered Banks. The credit facility has a borrowing base of $25 million, comprised of a $5 million revolving demand facility ("revolving loan") and a $20 million operating demand facility ("operating loan"). The revolving and operating loans can be used for general corporate purposes and capital expenditures, and bear interest at either the Banks' prime rate plus an applicable margin (of 50 bps to 400 bps) or, Bankers' Acceptance ("BA") rates plus an additional margin (of 175 bps to 525 bps) both determined by reference to the Company's net debt to funds from operations ratio calculated as working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments. At March 31, 2017, the interest rate is prime plus 400 bps and the BA rate as quoted plus 525 bps.

The credit facility is secured by a general assignment of book debts and a $150 million demand debenture with a floating charge over all assets of the Company with an undertaking to provide fixed charges on the Company's producing petroleum and natural gas properties at the request of the banks. The available lending limits of the facilities are based on the bank's interpretation of the Company's reserves and future commodity prices. There can be no assurance as to the amount of available facility, if any, that will be determined at each review. If the credit facility availability is decreased, the Company has to repay any shortfall. The current credit facility agreement ends on May 31, 2017 and there are uncertainties with respect to the status of the amount and level it will be maintained (refer to liquidity section below).

The Company is subject to a financial covenant that requires it to maintain an adjusted working capital ratio of at least 1:1 (for the purposes of compliance with the covenant, bank debt and the fair value of any commodity contracts are excluded and the unused portion of the operating and revolving loan is added to working capital). At March 31, 2017, the Company was in compliance with the adjusted working capital ratio covenant of 1.2 to 1.0.

On May 30, 2017, the Company has signed an updated credit facility with the National Bank. The credit facility would have a borrowing base of $12 million, replacing the syndicated facility of $25 million. The revolving loan can be used for general corporate purposes and capital expenditures, and bear interest at either the Banks' prime rate plus an applicable margin (of 75 bps to 400 bps) or, Bankers' Acceptance ("BA") rates plus an additional margin (of 200 bps to 400 bps) both determined by reference to the Company's net debt to funds from operations ratio calculated as working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments.

The financial covenants require that Marquee maintain an adjusted Working Capital Ratio of not less than 1.00:1.00 and a Net Debt to Trailing Twelve Month-EBITDA Ratio of not greater than 3.00:1.00.

Marquee may not permit its Alberta Energy Regulator Licensee Liability Rating to fall below 1.25:1.

The credit facility is secured by a demand debenture in the principle amount of $25 million with a floating charge over all of Marquee's assets and a negative pledge and undertaking to provide fixed charges on Marquee's producing petroleum and natural gas properties at the request of the bank, along with a debenture pledge agreement.

On May 30, 2017, the Company, signed an agreement with Crown Capital Partners Inc.(CCP) whereby CCP would lend the Company $30.0 million over a 60-month term. The loan would bear interest at 10% per annum on outstanding amounts, compounded and payable quarterly. The Company shall issue 37,500,000 Warrants – each warrant shall entitle the holder to purchase one common share, at an exercise price of $0.11. The warrants shall be exercisable by the holder, in whole or in part, at any time from the Initial Advance to four years following the closing.

The Company agrees to the following covenants:

- Working Capital Ratio in excess of 1.0:1.0 at all times (definition to conform to the Company's Senior lender working capital covenant);
- Maximum debt to trailing EBITDA not to exceed 3.0:1.0 at the Closing Date and quarterly thereafter;
- A Net Debt to Total Proved Developed Producing Reserves Ratio not to exceed 1.0:1 as at Closing Date and quarterly thereafter, using independent third-party engineers' price deck;
- Net Debt to Total Proved Reserves Ratio not to exceed 0.60:1 as at the Closing Date and quarterly thereafter, using independent third-party engineers' price deck;
- A LLR/LRM of not less than 1.25:1 as at closing date and quarterly thereafter.

The loan will be secured by a demand debenture constituting Lien over all present and after acquired property of the Borrower (subject only to Permitted Liens), including a fixed and floating charge over all real property of Marquee. Crown, as subordinate lender, National Bank, as senior lender of Canada and marquee will also enter into a Subordination and Postponement agreement.

Annual and Special Meeting of Shareholders'

The Company's Annual and Special Meeting of Shareholders (the "Meeting") is scheduled for 2:00 PM on Monday, June 26, 2017 in the Strand/Tivoli room at the Metropolitan Conference Centre in Calgary, Alberta. The record date for the meeting has been set at May 23, 2017.

At the Meeting, shareholders ("Shareholders") of Marquee's common shares ("Common Shares") will be asked to approve a special resolution (the "Consolidation Resolution") authorizing the Company to amend its Articles to effect a consolidation (the "Consolidation") of the Common Shares on the basis of one (1) post-consolidation Common Share for every thirty (30) pre-consolidation Common Shares then issued and outstanding, or such other number of pre-consolidation Common Shares as may be determined by the Board in its sole discretion, subject to the requirements of the TSX Venture Exchange. As of the date hereof, the Company has 435,772,196 Common Shares outstanding. Notwithstanding approval of the proposed Consolidation by the Shareholders, the Board may, in its sole discretion, revoke the Consolidation Resolution, and abandon the Consolidation without further approval or action by, or prior notice to, the Shareholders.

The Company believes that, if implemented, the Consolidation will help attract a new investor base and potentially increase liquidity. The Board believes that the Consolidation is in the best interest of the Company, and that the Consolidation will more closely align the issued and outstanding share capital of the Company with its financial valuation.

If approved and implemented, the Consolidation will occur simultaneously for all of the Company's issued and outstanding Common Shares and the consolidation ratio will be same for all such Common Shares. The Consolidation will affect all holders of Common Shares uniformly and will not affect any Shareholder's percentage ownership interest in the Company, except to the extent that the Consolidation would otherwise result in a Shareholder owning a fractional Common Share. No fractional post-consolidation Common Shares will be issued and no cash will be paid in lieu of fractional post-consolidation Common Shares. Any fractional Common Shares resulting from the Consolidation will be rounded to the nearest whole Common Share.

Capital Management

The Company monitors capital availability by tracking its current working capital, available credit facility, projected cash flow from operating activities and anticipated capital expenditures. The Company's officers are responsible for managing the Company's capital and do so through weekly meetings and regular reviews of financial information including actual results, budgets and forecasts. The Company's directors are responsible for overseeing this process. Marquee considers its capital structure to include shareholders' equity and net debt.

In order to maintain or adjust the capital structure, the Company may issue shares, amend, revise or renew terms of the existing credit facility, access alternative forms of debt and equity and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional funds through debt or equity financing may be impacted by external conditions, including future commodity prices and the global economic outlook. The Company continually monitors business conditions including: changes in economic conditions, the risk of its drilling programs, forecasted commodity prices and potential corporate or asset acquisitions.

The Company monitors capital based on two financial ratios: 1) net debt to annualized funds flow from operations and 2) adjusted working capital ratio. The net debt to annualized funds flow from operations represents the time period it would take to pay off the Company's debt if no further capital expenditures were incurred and if funds flow from operating activities remained constant. This ratio is calculated as net debt divided by annualized cash flows from operating activities before changes in non-cash working capital, decommissioning expenditures and transaction costs ("funds flow from operating activities"). Net debt is defined as outstanding bank debt plus or minus net working capital (excluding fair value of commodity contracts).

As at March 31, 2017, the Company's ratio of net debt to annualized first quarter funds flow from operations was 4.3 to 1 (March 31, 2016 – 8.8 to 1). The decrease in the ratio at March 31, 2017 was mainly the result of a decrease to bank debt after the reverse takeover of AOS in December 2016.The following table summarizes the Company's net debt to funds flow from operations calculation, as at:

($000s, except ratios)	**March 31, 2017**	31-Mar-16
Current assets, excluding commodity contracts	**4,875**	5,421
Bank debt	**(20,336)**	(50,010)
Accounts payable and accrued liabilities, excluding commodity contracts	**(7,227)**	(4,469)
Net debt	**(22,688)**	(49,058)
Quarterly funds flow from operations	**1,332**	1,392
Annualized quarterly funds flow from operations	**5,328**	5,568
Net debt to funds flow from operations	**4.3 to 1.0**	8.8 to 1.0

The Company is required to maintain, under its credit facility, a working capital ratio of greater than 1 to 1 defined as the ratio of current assets (including undrawn available credit on the revolving and operating portion of the credit facility and excluding the fair value of the commodity contracts) divided by current liabilities (less the current portion of bank debt and the fair value of the commodity contracts). At March 31, 2017, the working capital ratio was 1.2 to 1.0 (December 31, 2016 – 1.9 to 1.0) and the Company was in compliance with the covenant. The following table summarizes the Company's working capital calculation as defined by its lending facility covenants, as at:

($000s)	**March 31, 2017**	December 31, 2016
Current assets, excluding commodity price contracts	**4,875**	6,124
Undrawn available credit	**4,007**	8,717
Subtotal	**8,882**	14,841
Current liabilities, excluding bank debt and commodity price contracts	**7,227**	7,663
Working capital ratio	**1.2 to 1.0**	1.9 to 1.0

Contractual Obligations

On August 19, 2015 Marquee completed a facility arrangement with a third party under which the company received $15.0 million in cash, before transaction costs, in exchange for the sale of a gas plant. Under the facility arrangement the Company has been contracted by the purchaser to operate the facility over a 7.5-year term and will continue to process gas from certain producing properties. Marquee will pay the purchaser an annual facility tariff fee of $2.3 million for the life of the agreement, but retain all third-party processing revenues generated.

On December 29, 2016, the Company issued 16,533,500 flow-through shares at $0.17/share for total proceeds of $2.8 million. The Company has committed to spend $2.8 million of qualifying expenditures by December 31, 2017.

The Company has entered into a new office lease effective January 1, 2016 with commitments that expire in 2020. Future minimum lease payments, including operating costs, are as follows:

	Amount ($)
Less than one year	284
Between one and five years	992
	1,276

Common Share and Warrant Information

The following denotes Marquee common shares outstanding, stock options and warrants:

	May 30, 2017	March 31, 2017	December 31, 2016
Common shares	**435,772,196**	435,772,196	435,772,196
Stock options	**24,190,000**	24,190,000	11,700,000

RISKS AND UNCERTAINTIES

Business Risks

The oil and gas industry is subject to risks in (among others):

- Finding and developing reserves;
- Commodity prices received for such reserves;
- Availability of equipment, manpower and supplies;
- Availability and cost of capital to achieve projected growth;
- Effect of weather on drilling and production; and
- Operating in an environmentally appropriate fashion.

The Company mitigates these business risks by:

- Maintaining cost-effective operations;
- Maintaining a balance between oil and gas properties;
- Operating our own properties to control the amount and timing of capital expenditures;
- Using a commodity hedging strategy to mitigate price risk
- Using new technology to maximize production and recoveries and reduce operating costs;
- Restricting operations to western, central and southern Alberta where locations are accessible, operating and capital costs are reasonable and on-stream times are shorter; and
- Drilling wells in areas with multiple high deliverability zone potential.

Liquidity

The current economic environment relating to the oil and gas industry has made access to capital, both debt and equity, challenging for many companies. The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds flow generated from operations, the ability to draw on existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a short-term liability due to its demand terms.

Environmental, Health and Safety Risk

Environmental, health and safety risks relate primarily to field operations associated with oil and gas assets. To mitigate this risk, a preventative environmental, health and safety program is in place, as is operational loss insurance coverage. Marquee employees and contractors adhere to the Company's environmental, health and safety program, which is routinely reviewed and updated to ensure that the Company operates in a manner consistent with best practices in the industry. The Board of Directors oversees the risk assessment and risk mitigation process.

Regulation, Tax and Royalty Risk

Regulation, tax and royalty risk relates to changing government royalty regulations, income tax laws and incentive programs impacting the Company's financial and operating results. Management, with the assistance of legal and accounting professionals, stay informed of proposed changes in laws and regulations and proactively responds to and plan for the effects of these changes.

Industry and Economic Factors

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, environmental, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to taxation of oil and natural gas by agreements among the governments of Canada and Alberta, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Company's operations in a manner materially

different than they would affect other oil and gas companies of similar size and with similar assets. All current legislation is a matter of public record and the Company is currently unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry.

The producers of oil are entitled to negotiate sales and purchase agreements directly with oil purchasers. Most domestic Canadian agreements are linked to standard market oil reference prices being Edmonton Mixed Sweet Blend ("MSW") and Western Canadian Select ("WCS"). Oil prices are set by daily, weekly and monthly physical and financial transactions for crude oil. Those prices are primarily based on worldwide and domestic fundamentals of supply and demand. Specific prices depend in part on oil quality, prices of competing fuels, distance to the markets, value of refined products, the supply/demand balance and other contractual terms. The price of natural gas is also determined by negotiation between buyers and sellers.

Domestic prices for crude oil and natural gas fluctuate in response to changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of other factors beyond the Company's control. These factors include, but are not limited to, the actions of the Organization of the Oil Exporting Countries (OPEC), world economic conditions, government regulation, political developments, the foreign supply of oil, the price of foreign imports, the availability of alternate fuel sources and weather conditions.

In addition to federal regulation, each province has legislation and regulations governing land tenure, royalties, production rates, environmental protection, and other matters.

For a complete discussion of the risks affecting Marquee, refer to the Company's most recently filed Annual Information Form, available on SEDAR at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's key quarterly financial results for the past eight quarters:

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Total revenue	**7,423**	8,013	7,432	8,344	7,749	12,153	12,792	16,082
Funds flow from (used in) operations	**1,332**	(878)	186	470	1,392	2,471	2,613	6,316
Basic & diluted ($/share)(1)	**-**	-	-	-	0.01	0.01	0.01	0.03
Net income/(loss)	**(3,663)**	(10,063)	(5,247)	1,043	(7,918)	(26,701)	(17,837)	(4,750)
Basic and diluted ($/share)(1)	**(0.01)**	(0.05)	(0.03)	0.01	(0.04)	(0.13)	(0.09)	(0.02)
Capital expenditures (2)	**6,611**	1052	210	377	100	2,386	8,577	949
Total assets	**174,239**	169,162	178,553	182,647	217,189	227,941	258,956	265,779
Total equity	**86,855**	90,412	68,134	73,258	72,098	79,821	104,421	121,984
Net debt	**22,688**	17,165	45,019	44,275	49,058	50,279	51,904	48,829
Weighted average common shares outstanding	**435,772**	266,382	205,687	205,687	205,687	201,430	200,969	200,969
Operations								
Average daily production								
Crude oil (bbl/d)	**1,000**	1,047	1,240	1,265	1,457	1,691	1,437	1,711
Heavy oil (bbl/d)	**-**	-	10	261	407	461	542	622
NGLs (bbl/d)	**132**	172	148	136	157	176	152	185
Natural gas (mcf/d)	**8,082**	8,034	8,241	12,864	14,451	15,578	15,430	15,599
Total boe/d	**2,479**	2,558	2,772	3,806	4,430	4,924	4,703	5,118

1)Prior period per share amounts have been recalculated, due to the reverse takeover of AOS by Marquee, to reflect the Marquee number of shares outstanding multiplied by the exchange ratio of 1.67.
2)Excludes acquisitions and dispositions

Three months ended March 31, 2017 (Q1-2017) compared to December 31, 2016 (Q4-2016)
Volumes decreased by 4% from Q4 and prices on a BOE basis decreased 2% with oil and liquids price up from the prior quarter but gas prices decreased. Total revenue decreased by 7%. Operating costs decreased by $1.8 million to $17.56 per boe. During Q1 the Company, drilled 3 net wells for a drill and equip expenditures of $5.3 million. The wells came on production in early April.

Three months ended December 31, 2016 (Q4-2016) compared to September 30, 2016 (Q3-2016)
Revenue for the fourth quarter was up 8% compared to Q3. Production was down slightly quarter to quarter but prices recovered in the fourth quarter, on a boe basis prices in Q4 were up by 17% compared to Q3. Capital for the quarter represent capitalized G&A and lease rentals on producing properties. The reverse acquisition of AOS was recorded as of the date of amalgamation – December 6, 2016. The larger loss in Q4 compared to Q3 is partially attributable to the $3.2 million in transaction costs relating to the AOS acquisition.

Three months ended September 30, 2016 (Q3-2016) compared to June 30, 2016 (Q2-2016)
Total revenue was lower in Q3 compared to Q2 as a result of being the first full quarter of decreased volumes as a result of the properties sold. Realized oil prices remained consistent with Q2 but gas prices increased by 82% to $2.58 compared to

$1.42 for Q2. The swing from net income of $1,043 in Q2 to a loss of $5,247 in Q3 is mainly due to the gain on sale of property recorded in Q2. Capital expenditures for the quarter represent capitalized G&A and lease rentals on producing and non-producing lands.

Three months ended June 30, 2016 (Q2-2016) compared to March 31, 2016 (Q1-2016)
Total revenue was higher in Q2 2016 compared to Q1 2016 due to increased commodity benchmark and realized prices slightly offset by decreased production. Net income in the Q2 2016 was mainly attributable to the net gain on petroleum and natural gas interests related to the disposition of the Lloydminster and shallow gas assets. Capital expenditures in the period represent capitalized G&A and lease rentals on producing and non-producing lands.

Three months ended March 31, 2016 (Q1-2016) compared to December 31, 2015 (Q4-2015)
Total revenue was lower in Q1 2016 compared to Q4 2015 due to decreased production volumes and decreased commodity benchmark and realized prices. The lower net loss in Q1 2016 compared to Q4 2015 was due to decreased depletion charges, prior quarter impairment charges and exploration and evaluation expenses relating to expired undeveloped land, offset by decreased Q1 2016 operating netbacks. Reduced capital expenditures in the quarter are reflective of zero wells drilled since Q3 2015 and a corporate strategy to defer further optional capital spending until commodity price recovery.

Three months ended December 31, 2015 (Q4-2015) compared to September 30, 2015 (Q3-2015)
Total revenue was lower in Q3 2015 compared to Q2 2015 despite higher production volumes due to decreased commodity benchmark and realized prices. The net loss in Q4 2015 compared to net loss in Q3 2015 was higher due to exploration and evaluation expenditures relating to undeveloped land expiry's, lower operating netbacks, increased depletion and impairment charges. Capital expenditures in the quarter decreased due to Marquee drilling zero wells compared to four horizontal Michichi wells in Q3-2015.

Three months ended September 30, 2015 (Q3-2015) compared to June 30, 2015 (Q2-2015)
Total revenue was lower in Q3 2015 compared to Q2 2015 due to lower production volumes and decreased commodity benchmark and realized prices. The net loss in Q3 2015 compared to net loss in Q2 2015 was higher due to lower operating netbacks, increased depletion, third quarter impairment charge and a deferred tax expense. Capital expenditures in the quarter increased due to Marquee drilling four horizontal Michichi wells compared to zero in Q2-2015.

Three months ended June 30, 2015 (Q2-2015) compared to March 31, 2015 (Q1-2015)
Total revenue was higher in Q2 2015 compared to Q1 2015 despite lower production volumes as a result of increased commodity benchmark and realized prices. Net loss in Q2 2015 compared to net loss in Q1 2015 was due to lower operating netbacks. Capital expenditures in the quarter decreased as the Company did not drill any wells in the second quarter compared to one well in Q1 2015.

NON-GAAP MEASURES

This MD&A contains the term "operating netback" which does not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. Marquee uses field operating netbacks to analyze operating performance. Marquee believes this benchmark is a key measure of profitability and overall sustainability for the Company and this term is commonly used in the oil and natural gas industry. Field operating netbacks are not intended to represent operating profits, net earnings or other measures of financial performance calculated in accordance with IFRS.

Operating netbacks are calculated by deducting royalties, production and operating and transportation expenses from revenues before other income (losses), and adding (deducting) commodity contract gains (losses).

This MD&A and the financial statements contain the term "funds flow from operations" which should not be considered an alternative to, or more meaningful than "cash flow from operations" as determined in accordance with IFRS as an indicator of the Company's performance. Therefore reference to funds flow from operations or funds flow from operations per share may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt. Funds flow from operations per share is calculated using the weighted average number of shares for the period.

($000s)	Quarter ended March 31, 2017	2016	Change
Cash flow from operations	**246**	2,147	-89%
Decommissioning expenditures	**90**	70	29%
Transaction costs	**138**	-	100%
Changes in non-cash working capital	**858**	(825)	-204%
Funds flow from (used in) operations	**1,332**	1,392	-4%

This MD&A and the financial statements also contain the term net debt and net debt to annualized funds flow from operations. Net debt and net debt to annualized funds flow from operations is calculated as net debt, defined as outstanding bank debt plus or minus net working capital (excluding fair value of commodity contracts), divided by annualized quarterly cash flow from operating activities before decommissioning expenditures, transaction costs and changes in non-cash working capital. Management considers net debt and net debt to annualized funds flow as important additional measures of the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds flow from operations remained constant.

BOE Presentation

The term "barrels of oil equivalent" (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil (6:1) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared with natural gas is significantly different than the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. (This conversion conforms to National Instrument 51-101). References to natural gas liquids ("NGL") in this MD&A include condensate, propane, butane and ethane. One barrel of NGL is considered to be equivalent to one barrel of crude oil equivalent (BOE).

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, as at the statement of financial position date and the reported amounts of revenues and expenses during the year. Accordingly, actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

The following discussion sets forth management's significant judgments and estimates made in preparation of these financial statements.

Management Judgment and Estimates

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements.

Oil and natural gas interests, exploration and evaluation assets and other corporate assets are aggregated into cash-generating-units ("CGUs") based on their ability to generate largely independent cash flows and are used for impairment testing. The classification of assets into CGU's requires significant judgement and interpretations with respect to the

integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Company's operations. The Company has identified Michichi as its core CGU.

Impairment of oil and natural gas assets
Judgments are required to assess when impairment indicators, or reversal indicators, exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

Exploration and evaluation assets
The decision to transfer exploration and evaluation assets to property, plant and equipment is based on management's determination of an area's technical feasibility and commercial viability based on proved and probable reserves as well as related future cash flows.

Deferred taxes
Judgments are made by management to determine the likelihood of whether deferred tax assets at the end of the reporting period will be realized from future taxable earnings. To the extent that assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit and loss in the period in which the change occurs.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities.

Reserves
The assessment of reported recoverable quantities proved and probable reserves include estimates regarding production volumes, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying value of the Company's oil and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning liabilities, and the recognition of deferred tax assets due to changes in expected future cash flows. The Company's petroleum and natural reserves are independently evaluated by reserve engineers at least annually and are determined pursuant to National Instrument 51-101, Standard of Disclosures for Oil and Gas Activities.

Decommissioning liabilities
The calculation of decommissioning liabilities and related accretion expense includes management's estimates of current risk-free interest rates, future inflation rates, future restoration and reclamation expenditures and the timing of those expenditures. In most instances, removal of assets occurs many years in the future.

Share based payments
The amounts recorded for share-based compensation expense relating to the fair value of stock options and warrants issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Company's share value, quoted market value of the Company's shares at grant date, expected forfeiture rates, expected lives of the options and warrants (based on historical experience and general holder behaviours), and the risk-free interest rate (based on government bonds).
Business combinations and asset acquisitions
The values assigned to the common shares issued in the asset acquisitions completed in 2015 and 2014 and the allocation of the purchase price to the net assets in the acquisitions are based on numerous estimates that affect the valuation of certain assets and liabilities acquired including the discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets, future oil and natural gas prices and other factors.

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

Deferred tax asset
The amounts recorded for deferred tax assets are based on estimates as to the timing of the reversal of temporary differences, substantially enacted tax rates and the likelihood of tax assets being realized. The availability of tax pools and other deductions are subject to audit and interpretation by tax authorities.

FUTURE ACCOUNTING PRONOUNCEMENTS

The Company has reviewed new and revised accounting pronouncements listed below that have been issued, but are not yet effective. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the reported loss or net assets of the Company.

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The mandatory effective date of IFRS 9 is for annual periods on or after January 1, 2018, and must be applied retrospectively with some exceptions. Early adoption is permitted. The Company is evaluating the impact of this standard on the financial statements and does not anticipate a material change to the valuation of its financial assets.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. In July 2015, the IASB issued an amendment to IFRS 15, deferring the effective date by one year. IFRS 15 provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. The Company has commenced the process of identifying and reviewing sales contracts with customers to determine the extent of the impact, if any, that this standard will have on the financial statements.

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, which required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15, Revenue from Contracts with Customers. The Company is evaluating the impact of the standard on the Company's financial statements.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements included or incorporated by reference in this Management's Discussion and Analysis may constitute forward looking statements under applicable securities legislation. Such forward looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward looking statements or information in this Management's Discussion and Analysis may include, but are not limited to:

- 2017 capital budget and expenditures;
- business strategies, objectives and outlook;
- Oil and natural gas sales;
- future production levels (including the timing thereof) and rates of average annual production growth;
- exploration and development plans;

- acquisition and disposition plans and the timing and the anticipated benefits thereof;
- anticipated cash flows;
- expected cost reductions and production efficiencies derived from recently acquired assets;
- number and quality of future potential drilling locations future drilling plans;
- expected debt levels;
- operating and other expenses;
- royalty and income tax rates; and
- the timing of regulatory proceedings and approvals.

Such forward-looking statements or information are based on a number of assumptions all or any of which may prove to be incorrect. In addition to any other assumptions identified in this document, assumptions have been made regarding, among other things:

- the ability of the Company to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability of the Company to market crude oil, natural gas liquids and natural gas successfully to current and new customers;
- the ability to secure adequate product transportation;
- the timely receipt of required regulatory approvals;
- the ability of the Company to obtain financing on acceptable terms;
- interest rates;
- regulatory framework regarding taxes, royalties and environmental matters;
- future crude oil, natural gas liquids and natural gas prices; and
- Management's expectations relating to the timing and results of development activities.

Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking information. The material risk factors affecting the Company and its business are contained in Marquee's Annual Information Form.

The forward-looking information contained in this Management's Discussion and Analysis is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward looking information contained in this Management's Discussion and Analysis is expressly qualified by this cautionary statement.

DIRECTORS

Dr. William Roach
Chairman of the Board

Adrian Goodisman

Stephen J. Griggs

Paul Moase

Leonard Sokolow

Richard Thompson

Robert J. Waters

OFFICERS AND SENIOR EXECUTIVES

Richard Thompson
President and Chief Executive Officer

Dan Toews
Vice President Finance and Chief Financial Officer

Steve Bradford
Vice President, Land and Investor Relations

Rob Lemermeyer
Vice President, Production

Dave Washenfelder
Vice President, Exploration

Sam Yip
Vice President, Engineering

CORPORATE HEADQUARTERS

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KPMG LLP
Calgary, Alberta

LEGAL COUNSEL

Norton Rose Fulbright Canada LLP
Burstall Winger Zammit LLP
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

CST Trust Company
Toronto, Ontario

RESERVE EVALUATORS

Sproule Associates Ltd.
Calgary, Alberta

STOCK MARKET INFORMATION

TSX.V: MQX.V (CAD)
OTC: MQXDF (USD)

ABBREVIATIONS

Oil and Natural Gas Liquids
bbl – barrels
mcf –thousand cubic feet
NGL – natural gas liquids
boe – barrels of oil equivalent (6:1)
bbl/d – barrels per day
mcf/d – thousand cubic feet per day
boe/d – barrel of oil equivalent per day

Other
WTI – West Texas Intermediate
WCS – Western Canada Select
AECO – Alberta Energy Company

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 and 2016

STATEMENTS OF FINANCIAL POSITION

(Unaudited; in thousands of Canadian dollars)

	Note	March 31, 2017	December 31, 2016
Assets			
Current Assets			
Accounts receivable		**4,345**	5,540
Prepaid and other expenses		**531**	584
Total current assets		**4,876**	6,124
Exploration and evaluation assets	4	**11,428**	11,209
Property, plant and equipment	5	**157,936**	151,829
Total assets		**174,240**	169,162
Liabilities			
Current Liabilities			
Bank debt	6	**20,336**	15,626
Accounts payable and accrued liabilities		**7,227**	7,663
Commodity price contracts	3	**262**	-
Total current liabilities		**27,825**	23,289
Decommissioning liabilities	7	**59,062**	54,962
Flow through share premium		**497**	497
Total liabilities		**87,384**	78,748
Shareholders' Equity			
Share capital	8b	**212,484**	212,499
Contributed surplus		**12,728**	12,609
Deficit		**(138,356)**	(134,694)
Total shareholders' equity		**86,856**	90,414
Total liabilities and shareholders' equity		**174,240**	169,162

Commitments	11
Subsequent Events	6,12

See accompanying notes to the condensed interim financial statements

STATEMENTS OF OPERATIONS

(Unaudited; in thousands of Canadian dollars, except per share amounts)

		Three months ended March 31,	
	Note	**2017**	2016
Revenue			
Oil and natural gas sales		**7,423**	7,749
Royalties		**(591)**	(541)
Revenue, net of royalties		**6,832**	7,208
Realized gain on commodity price contracts		**-**	2,374
Unrealized loss on commodity price contracts		**(262)**	(1,044)
Net revenue before expenses		**6,570**	8,538
Expenses			
Production and operating		**3,658**	6,100
Transportation		**260**	535
General and administrative		**1,166**	1,065
Finance		**674**	819
Transaction costs		**138**	-
Share-based compensation	9b	**118**	184
Depletion and depreciation	5	**4,218**	7,753
Total expenses		**10,232**	16,456
Net loss and comprehensive loss		**(3,662)**	(7,918)
Net loss per share			
Basic and diluted	8c	**(0.01)**	(0.04)

See accompanying notes to the condensed interim financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited; *in thousands of Canadian dollars)*

	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2015		180,436	11,894	(112,509)	79,821
Share-based compensation			195		195
Net loss for period				(7,918)	(7,918)
Balance at March 31, 2016		180,436	12,089	-120,427	72,098
Balance at December 31, 2016		212,499	12,609	(134,694)	90,414
Share issue costs	8b	(15)			(15)
Share-based compensation	9	-	119	-	119
Net loss for the period		-	-	(3,662)	(3,662)
Balance at March 31, 2017		**212,484**	**12,728**	**(138,356)**	**86,856**

See accompanying notes to the condensed interim financial statements

STATEMENTS OF CASH FLOWS

(Unaudited; in thousands of Canadian dollars)

		Three months ended March 31,	
	Note	2017	2016
Cash flows from (used in) operating activities			
Net loss for the period		(3,662)	(7,918)
Adjustments for:			
Depletion and depreciation	5	4,218	7,753
Share-based compensation expense	9b	118	184
Unrealized loss on commodity contracts	3	262	1,044
Accretion of decommissioning liabilities	7	259	329
Decommissioning expenditures	7	(90)	(70)
Changes in non-cash working capital	10	(858)	825
Net cash from operating activities		248	2,147
Cash flows from (used in) investing activities			
Exploration and evaluation asset expenditures	4	(219)	(69)
Property, plant and equipment expenditures	5	(6,392)	(31)
Changes in non-cash working capital	10	1,668	358
Net cash from (used in) investing activities		(4,943)	258
Cash flows from (used in) financing activities			
Proceeds from (repayment) of bank debt	6	4,710	(2,405)
Share issue costs	8b	(15)	-
Cash from (used in) financing activities		4,695	(2,405)
Change in cash		-	-
Cash, beginning of period		-	-
Cash, end of period		-	-

See accompanying notes to the condensed interim financial statements

For the three months ended March 31, 2017 and 2016
(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

1. GENERAL BUSINESS DESCRIPTION

Marquee Energy Ltd. ("Marquee" or the "Company") is engaged in the acquisition of, exploration for, development of and production of oil and natural gas. Marquee is a publicly traded company on the TSX Venture Exchange under the symbol "MQX.V", and on the United States OTC Market ("OTCQX") under the symbol "MQXXF", incorporated and domiciled in Canada. The Company's operations are in Alberta and Saskatchewan. The address of business of the Company is Suite #1700, 500 – 4th Avenue SW, Calgary, Alberta, Canada, T2P 2V6.

On December 6, 2016, Marquee and Alberta Oilsands Inc. ("AOS") completed an Arrangement Agreement (the "Agreement") in which all of the issued and outstanding shares of Marquee were transferred to AOS, and each holder thereof was entitled to receive from AOS, the consideration comprised of each number of AOS shares as determined in accordance to the exchange ratio. The exchange ratio was 1.67 AOS shares for each Marquee share through which AOS shareholders became the majority shareholder of Marquee. The transaction was accounted for as a reverse takeover of AOS by Marquee, with Marquee being the continuing entity. The transaction resulted in the issuance of common shares such that the control of the combined companies passed to the shareholders of AOS. In conjunction with the transaction, the two companies amalgamated and continued under the name of Marquee Energy Ltd.

These financial statements represent the historical results of Marquee in addition to the results of AOS since the reverse acquisition date of December 6, 2016.

2. BASIS OF PRESENTATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" of International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim financial statements have been prepared using the accounting policies, methods of computation and key estimates disclosed in the Company's audited annual financial statements for the years ended December 31, 2016 and 2015. The disclosures provided below are incremental to those included within the audited annual financial statements and certain disclosures, which are normally required to be included in the notes to the audited annual financial statements, have been condensed or omitted. These condensed interim financial statements should be read in conjunction with the audited annual financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2016.

The condensed interim financial statements were authorized for issue by the Board of Directors on May 30, 2017.

Future Accounting Pronouncements

In July 2014, the IASB completed the final elements of IFRS 9 "Financial Instruments." The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The mandatory effective date of IFRS 9 is for annual periods on or after January 1, 2018, and must be applied retrospectively with some exceptions. Early adoption is permitted. The Company is evaluating the impact of this standard on the financial statements and does not anticipate a material change to the valuation of its financial assets.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers", which replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. In July 2015, the IASB issued an amendment to IFRS 15, deferring the effective date by one year. IFRS 15 provides clarification for recognizing revenue from contracts with customers and

establishes a single revenue recognition and measurement framework. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. The Company has commenced the process of identifying and reviewing sales contracts with customers to determine the extent of the impact, if any, that this standard will have on the financial statements.

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, which required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15, Revenue from Contracts with Customers. The Company is evaluating the impact of the standard on the Company's financial statements.

There are no other standards and interpretations in issue but not yet adopted that are expected to have a material effect on the reported earnings or net assets of the Company.

3. COMMODITY PRICE CONTRACTS

It is the Company's policy to economically hedge some oil and natural gas sales through the use of various financial derivatives and forward sales contracts. The Company's production is normally sold using "spot" or near-term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Company does not enter into commodity price contracts other than to meet the Company's expected sale requirements.

All financial commodity price contracts are recorded on the balance sheet at fair value with any changes in fair value recorded as a gain or loss in the statement of operations. The fair value of commodity price contracts is determined by discounting the difference between the contracted prices and level two published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). At March 31, 2017, the Company held financial commodity price contracts as follows:

Product	Type	Notional Volumes	Price	Index	Term
Crude oil	Swap	500 bbl/day	US$55.00/bbl	WTI-Fixed	Apr.01, 2017 to Jun.30,2017
Crude oil	Swap	250 bbl/day	US$55.00/bbl	WTI-Fixed	Jul.01,2017 to Sep.30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$3.05/GJ	AECO-Fixed	Jan.01,2018 to Mar.31,2018
Natural Gas	Swap	3,000GJ/day	Cdn$2.46/GJ	AECO-Fixed	Apr.01 to June 30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$2.48/GJ	AECO-Fixed	Jul.01 to Sept. 30,2017
Natural Gas	Swap	1,500GJ/day	Cdn$2.80/GJ	AECO-Fixed	Jul.01 to Sept. 30,2017
Natural Gas	Swap	3,000GJ/day	Cdn$3.00/GJ	AECO-Fixed	Oct.1 to Dec. 31, 2017

Product	Type	Notional Volumes	Price	Index	Term	Fair value ($000)
Crude oil	Swap	500 bbl/day	US$55.00/bbl	WTI-Fixed	Apr.01, 2017 to Jun.30,2017	(233,055)
Crude oil	Swap	250 bbl/day	US$55.00/bbl	WTI-Fixed	Jul.01,2017 to Sep.30,2017	(95,583)
Natural gas	Swap	3000GJ/day	Cdn$3.05/GJ	AECO-Fixed	Jan.01,2018 to Mar.31,2018	(9,161)
Natural gas	Swap	3000GJ/day	Cdn$2.46/GJ	AECO-Fixed	Apr.01 to June 30,2017	34,125
Natural gas	Swap	3000GJ/day	Cdn$2.48/GJ	AECO-Fixed	Jul.01 to Sept. 30,2017	41,736
						(261,938)

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets include undeveloped lands and assets that have not been fully evaluated for technical feasibility and commercial viability. Capital expenditures represent the Company's share of costs incurred on exploration and evaluation assets during the period. Transfers to property, plant and equipment represent successful drilling and related land costs to which technical feasibility and commercial viability are determined to exist.

Cost	($000's)
Balance, December 31, 2015	14,600
Capital expenditures	356
E&E assets from AOS	100
Transfers to property, plant and equipment (note 5)	(1,045)
Exploration and evaluation costs expensed	(1,174)
Dispositions of exploration and evaluation assets	(1,628)
Balance, December 31, 2016	11,209
Capital expenditures	219
Balance March 31, 2017	**11,428**

5. PROPERTY, PLANT AND EQUIPMENT

	Oil and natural gas interests	Corporate assets	Total
Cost			
Balance, December 31, 2015	329,621	736	330,357
Capital expenditures	1,303	82	1,385
Dispositions	(53,356)	-	(53,356)
Transfers from exploration and evaluation assets (note 4)	1,045	-	1,045
Change in decommissioning liabilities (note 7)	(3,949)	-	(3,949)
Balance, December 31, 2016	**274,664**	**818**	**275,482**
Capital expenditures	6,392	-	6,392
Change in decommissioning liabilities (note 7)	3,932	-	3,932
Balance, March 31, 2017	**284,988**	**818**	**285,806**
Accumulated depletion and depreciation and impairments			
Balance, December 31, 2015	(125,658)	(479)	(126,137)
Depletion and depreciation expense	(22,729)	(261)	(22,990)
Dispositions	25,474	-	25,474
Balance, December 31, 2016	**(122,913)**	**(740)**	**(123,653)**
Depletion and depreciation expense	(4,182)	(36)	(4,218)
Balance, March 31, 2017	**(127,094)**	**(776)**	**(127,870)**
Net book value			
At December 31, 2016	151,750	79	151,829
At March 31, 2017	**157,894**	**42**	**157,936**

During the three months ended March 31, 2017, the Company capitalized salaries of $0.2 million (2016 - $0.2 million) as well as related share-based compensation expense of $0.01 million (2016 - $0.01 million) for employees and consultants who performed services that were directly attributable to development activities.

The calculation of depletion and depreciation included estimated future development costs of $140.7 million (December 31, 2016: $147.1 million) associated with the development of the Company's proved plus probable crude oil and natural gas reserves.

6. BANK DEBT

At March 31, 2017, the Company has a syndicated credit facility ("facility") with two Canadian Chartered Banks. The facility has a borrowing base of $25.0 million, comprised of a $5 million revolving credit facility ("revolving loan") and a $20 million operating credit facility ("operating loan").

The revolving and operating loans can be used for general corporate purposes and capital expenditures, and bear interest at either the Banks' prime rate plus an applicable margin (of 50 bps to 250 bps) or, Bankers' Acceptance ("BA") rates plus an additional margin (of 175 bps to 375 bps) both determined by reference to the Company's net debt to funds from operations ratio calculated as working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments. At March 31, 2017, the interest rate is prime plus 175 bps and the BA rate is quoted plus 275 bps.

The credit facility is secured by a general assignment of book debts and a $150 million demand debenture with a floating charge over all assets of the Company with an undertaking to provide fixed charges on the Company's producing petroleum and natural gas properties at the request of the banks. The available lending limits of the facilities are based on the bank's interpretation of the Company's reserves and future commodity prices. There can be no assurance as to the amount of available facility, if any, that will be determined at each review. If the credit facility availability is decreased, the Company has to repay any shortfall.

At March 31, 2017, the Company had drawn $2.4 million on the revolving loan and $17.9 million on the operating loan. At March 31, 2017, the Company has letters of guarantee outstanding for $0.7 million which reduces the amount available under the revolving loan.

The Company is subject to a financial covenant that requires it to maintain an adjusted working capital ratio of at least 1:1 (for the purposes of compliance with the covenant, bank debt and the fair value of any commodity contracts are excluded and the unused portion of the operating and revolving loan is added to working capital).

At March 31, 2017, the Company was in compliance with the adjusted working capital ratio covenant of 1.2 to 1.0 (at December 31, 2016 – 1.9 to 1.0).

On May 30, 2017, the Company has signed an agreement with Crown Capital Partners Inc. (CCP) for a $30.0 million term loan, see (Subsequent Event note 12).

On May 30, 2017, the Company has signed an updated credit facility with the National Bank, which replaces the previous $25 million facility. The credit facility has a borrowing base of $12 million. The revolving loan can be used for general corporate purposes and capital expenditures, and bear interest at either the Banks' prime rate plus an applicable margin (of 75 bps to 400 bps) or, Bankers' Acceptance ("BA") rates plus an additional margin (of 200 bps to 400 bps) both determined by reference to the Company's net debt to funds from operations ratio calculated as working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments.

The financial covenants of the new loan require that Marquee maintain an adjusted Working Capital Ratio of not less than 1.00:1.00 and a Net Debt to Trailing Twelve Month-EBITDA Ratio of not greater than 3.00:1.00.

Marquee may not permit its Alberta Energy Regulator Licensee Liability Rating to fall below 1.25:1.

The credit facility is secured by a demand debenture in the principle amount of $25 million with a floating charge over all of Marquee's assets and a negative pledge and undertaking to provide fixed charges on Marquee's producing petroleum and natural gas properties at the request of the bank, along with a debenture pledge agreement.

7. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities are an estimate of the reclamation and abandonment costs arising from its ownership in oil and natural gas assets, including well sites, batteries and gathering systems. At March 31, 2017, the total undiscounted cash flows required to settle the future liabilities is approximately $89.4 million (December 31, 2016- $85.5 million). The estimated net present value of the decommissioning liabilities was calculated using a risk-free rate between approximately 1% and 3% at March 31, 2017 (December 31, 2016 - between 1% and 3%) based on the Bank of Canada benchmark bond yields corresponding to the estimated time of reclamation and an inflation rate of 2% (December 31, 2016 - 2%).

These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 35 years into the future and will be funded from general corporate resources at the time of abandonment. The majority of the costs will be incurred between 2020 and 2042.

The following table summarizes changes in the decommissioning liabilities:

	March 31, 2017	December 31, 2016
Decommissioning liabilities, beginning of period	**54,962**	89,732
New liabilities recognized	**665**	-
Change in estimates	**3,266**	(3,949)
Liabilities assumed on acquisitions	-	286
Liabilities settled on dispositions	-	(31,450)
Actual costs incurred	**(90)**	(745)
Accretion	**259**	1,088
Decommissioning liabilities, March 31, 2017	**59,062**	54,962

8. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with voting rights.
Unlimited number of preferred shares, issuable in series.

b) Issued

The following table summarizes the changes in common shares outstanding:

	Number of Common Shares	Stated Amount ($)
Outstanding, December 31, 2015 Marquee pre-amalgamation	123,165,652	180,436
Shares exchanged on closing	(123,165,652)	-
Existing AOS shares	212,532,057	-
Shares issued upon RTO	205,686,639	29,691
Shares issued to Smoothwater	1,000,000	110
Flow-through common shares issued for cash	16,553,500	2,814
Flow-through share premium	-	(497)
Share issue costs	-	(288)
Outstanding, December 31, 2016	435,772,196	212,499
Share issue costs		(15)
Outstanding, March 31, 2017	**435,772,196**	**212,484**

c) Per Share Amounts

The following table summarizes the common shares used in calculating basic and diluted per share amounts:

	Three months ended March 31,	
	2017	2016
(000s, except share and per share amounts)		
Net loss for the year	**$(3,662)**	**$(7,918)**
Weighted-average number of common shares		
Basic and diluted	**435,772,196**	205,686,639
Net loss per weighted average common share		
Basic and diluted	**$(0.01)**	$(0.04)

For the three months ended March 31, 2017 and 2016, all options have been excluded from the calculation of diluted per share amounts as they would be anti-dilutive.

9. SHARE-BASED PAYMENTS

a) Share option plan

Under the Company's share option plan, the Company may grant options to its directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares at the time of the option grant. The maximum number of common shares optioned to any one optionee during a twelve-month period shall not exceed 5% (2% for consultants) of the outstanding common shares of the Company at the time of grant. Options granted under the plan have a five-year term and have vesting periods as determined by the Company's directors at the date of grant. The exercise price of each option equals the market price of the Company's share of the date of grant. The following table summarizes the changes in the stock options outstanding:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2015	7,890,000	1.06
Forfeited and/or cancelled	(7,890,000)	1.06
AOS options acquired	11,700,000	0.12
Outstanding, December 31, 2016	11,700,000	0.12
Issued	13,140,000	0.15
Forfeited	(650,000)	0.15
Outstanding March 31, 2017	**24,190,000**	**0.136**
Exercisable, March 31, 2017	**11,700,000**	**0.12**

During the quarter ended March 31, 2017 the Company granted 13,140,000 options at a grant date fair value of $0.104. The fair value of each option granted is estimated using the Black-Scholes option pricing model assuming a 5-year expected life, a 1% risk free interest rate and a 90% expected volatility. The options granted vest one quarter each of the twelve, twenty-four, thirty-six and forty-eight month anniversaries from the grant date.

The following table summarizes the expiry terms and exercise prices of the company's outstanding stock options as at March 31, 2017.

Exercise Price	Outstanding Options	Weighted Average Remaining Contractual Term (years)	Weighted Average Exercise Price ($)	Outstanding Options Exercisable	Weighted Average Remaining Contractual Term Exercisable (years)	Weighted Average Exercise Price Exercisable ($)
$0.10	8,000,000	0.7	0.10	8,000,000	0.7	0.10
$0.15	3,700,000	0.7	0.15	3,700,000	0.7	0.15
$0.15	12,490,000	5.0	0.15	-	5.0	0.14
	24,190,000	**3.0**	**0.136**	**11,700,000**	**3.0**	**0.12**

b) Stock-based compensation expense

The Company recorded stock-based compensation expense (net of capitalization) for the three month period ended March 31, 2017 of $0.1 million (2016 - $0.2 million). Capitalized stock-based compensation in the amount of $1 thousand was included in property, plant and equipment for the three-month period ended March 31, 2017 (2016 - $0.2 million).

10. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Three months ended	
	March 31, 2017	March 31, 2016
Source/(use) of cash:		
Accounts receivable	**1,195**	1,443
Prepaid and other expenses	**51**	623
Accounts payable and accrued liabilities	**(436)**	(883)
Changes in non-cash working capital	**810**	1,183
Related to operating activities	**(858)**	825
Related to investing activities	**1,668**	358
Changes in non-cash working capital	**810**	1,183

11. COMMITMENTS

a) On August 19, 2015 Marquee completed a facility arrangement with a third party under which the Company received $15.0 million in cash, before transaction costs, in exchange for the sale of a gas plant. Pursuant to the arrangement, the Company has been contracted by the purchaser to operate the facility over a 7.5-year term and will continue to process gas from certain producing properties. Marquee will pay the purchaser an annual facility tariff fee of $2.3 million for the

life of the agreement, but retain all third-party processing revenues generated.

b) On December 29, 2016, the Company issued 16,553,500 flow-through shares at $0.17 per share for total proceeds of $2.8 million. The Company has committed to incur $2.8 million of qualifying expenditures by December 31, 2017.

c) The Company has lease commitments for office premises that expire in 2020. Future minimum lease payments, including operating costs, are as follows:

	Amount ($)
Less than one year	283
Between one and five years	992
	1,276

12. SUBSEQUENT EVENTS

Crown Capital Financing

On May 30, 2017, the Company, signed an agreement with Crown Capital Partners Inc.(CCP) whereby CCP would lend the Company $30.0 million over a 60-month term and is second lien secured. The loan would bear interest at 10% per annum on outstanding amounts, compounded and payable quarterly. The Company shall issue 37,500,000 Warrants – each warrant shall entitle the holder to purchase one common share, at an exercise price of $0.11. The warrants shall be exercisable by the holder, in whole or in part, at any time from the Initial Advance to four years following the closing.

The Company agrees to the following covenants:

- Working Capital Ratio in excess of 1.0:1.0 at all times (definition to conform to the Company's Senior lender working capital covenant);
- Maximum debt to trailing EBITDA not to exceed 3.0:1.0 as at the Closing Date and quarterly thereafter:
- A Net Debt to Total Proved Developed Producing Reserves Ratio not to exceed 1.0:1 as at Closing Date and quarterly thereafter, using third party reserve engineer's price deck;
- Net Debt to Total Proved Reserves Ratio not to exceed 0.60:1 as at the Closing Date and quarterly thereafter, using third party reserve engineer's price deck;
- A LLR/LRM of not less than 1.25:1 as at closing date and quarterly thereafter.

The loan is secured by a demand debenture constituting Lien over all present and after acquired property of the Borrower (subject only to Permitted Liens), including a fixed and floating charge over all real property of Marquee. Crown, as subordinate lender, National Bank, as senior lender of Canada and Marquee will also enter into a Subordination and Postponement agreement.