FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Note	December 31, 2014 ($)	December 31, 2013 ($)
Assets			
Current Assets			
Accounts receivable	5	**10,239**	4,230
Deposits and prepaid expenses		**994**	720
Commodity contracts	18c	**6,053**	-
Total current assets		**17,286**	4,950
Exploration and evaluation assets	6	**34,329**	26,600
Property, plant and equipment	7	**223,791**	206,411
Deferred tax asset	10	**6,570**	1,195
Total assets		**281,976**	239,156
Liabilities			
Current Liabilities			
Bank debt	8	**58,765**	63,008
Accounts payable and accrued liabilities		**15,598**	15,065
Flow-through share premium		**-**	1,739
Commodity contracts	18c	**-**	952
Total current liabilities		**74,363**	80,764
Decommissioning liabilities	9	**77,578**	46,885
Total liabilities		**151,941**	127,649
Shareholders' Equity			
Share capital	11	**179,438**	149,467
Contributed surplus	12c	**9,687**	8,320
Deficit		**(59,090)**	(46,280)
Total shareholders' equity		**130,035**	111,507
Total liabilities and shareholders' equity		**281,976**	239,156

Commitments	17, 18c
Subsequent events	19

See accompanying notes to the financial statements

Approved on behalf of the Board:

(signed) “Dennis Feuchuk”
Director

(signed) “Richard Alexander”
Director

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Note	**Year ended December 31, 2014 ($)**	Year ended December 31, 2013 ($)
Revenue			
Oil and natural gas sales		**92,199**	45,295
Royalties		**(10,133)**	(4,848)
Revenue, net of royalties		**82,066**	40,447
Loss on disposition of oil and natural gas interests	6,7,9	**(19,457)**	(36)
Gain on asset acquisition	4b	**-**	6,860
Realized loss on settlement of commodity contracts		**(1,605)**	(2,304)
Unrealized gain (loss) on commodity contracts	18c	**7,005**	(827)
Revenue before expenses		**68,009**	**44,140**
Expenses			
Production and operating		**26,960**	14,449
Transportation		**6,206**	3,627
General and administrative		**6,556**	4,931
Finance	13	**4,623**	2,743
Transaction costs	4	**574**	1,836
Stock-based compensation	12c	**1,094**	428
Depletion and depreciation	7	**32,948**	17,979
Impairment loss (reversal), net	7	**5,605**	(838)
Exploration and evaluation expenditures	6	**2,558**	4,962
Total expenses		**87,124**	50,117
Loss before income taxes		**(19,115)**	(5,977)
Income tax expense (recovery)			
Capital tax		**194**	85
Deferred		**(6,499)**	(3,049)
Total income tax expense (recovery)	10	**(6,305)**	(2,964)
Loss and comprehensive loss for the year		**(12,810)**	(3,013)
Loss per share			
Basic	14	**(0.12)**	(0.05)
Diluted	14	**(0.12)**	(0.05)

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian dollars)

	Note	**Share Capital ($)**	**Contributed Surplus ($)**	**Deficit ($)**	**Total Shareholders' Equity ($)**
Balance at January 1, 2013		127,015	7,665	(43,267)	91,413
Issued for cash	11b	8,194	-	-	8,194
Issued on asset acquisition	4b,11b	16,946	-	-	16,946
Normal course issuer bid	11b	(35)	28	-	(7)
Share issue costs	11b	(521)	-	-	(521)
Stock based compensation	12c	-	627	-	627
Flow-through share premium	11b	(2,132)	-	-	(2,132)
Net loss for the year		-	-	(3,013)	(3,013)
Balance at December 31, 2013		149,467	8,320	(46,280)	111,507
Balance at January 1, 2014		149,467	8,320	(46,280)	111,507
Issued for cash	11b	20,125	-	-	20,125
Issued on asset acquisition	4a,11b	10,828	-	-	10,828
Exercise of stock options	11b	42	(16)	-	26
Share issue costs	11b	(1,024)	-	-	(1,024)
Stock based compensation	12c	-	1,383	-	1,383
Net loss for the year		-	-	(12,810)	(12,810)
Balance at December 31, 2014		**179,438**	**9,687**	**(59,090)**	**130,035**

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Note	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Cash flows from (used in) operating activities			
Loss for the year		**(12,810)**	(3,013)
Adjustments for:			
Amortization of other liabilities		**(31)**	(31)
Depletion and depreciation expense	7	**32,948**	17,979
Impairment loss (reversal)	7	**5,605**	(838)
Stock based compensation expense	7,11c	**1,094**	428
Unrealized (gain)/loss on commodity contracts	7c	**(7,005)**	827
Loss on disposition of oil and natural gas interests	6,7,9	**19,457**	36
Gain on asset acquisition	4b	**-**	(6,860)
Accretion of decommissioning liabilities	9	**1,421**	354
Exploration and evaluation expenditures	6	**2,558**	4,962
Deferred tax expense recovery	10b	**(6,499)**	(3,049)
Decommissioning expenditures	9	**(580)**	(240)
Changes in non-cash working capital	15	**(5,944)**	1,867
Net cash from operating activities		**30,214**	12,422
Cash flows from (used in) investing activities			
Exploration and evaluation asset expenditures	6	**(15,115)**	(6,020)
Property, plant and equipment expenditures	7	**(43,160)**	(27,235)
Proceeds on disposition of property, plant, and equipment	7	**15,677**	3,608
Asset acquisition	4,6,7	**(2,434)**	(17,845)
Proceeds on disposition of exploration and evaluation assets	6	**50**	141
Changes in non-cash working capital	15	**225**	1,905
Net cash used in investing activities		**(44,757)**	(45,446)
Cash flows from (used in) financing activities			
Proceeds from (repayments of) bank debt, net	8	**(4,243)**	25,532
Proceeds from issuance of share capital	11b	**20,151**	8,194
Share issue costs	11b	**(1,365)**	(695)
Repurchase of common shares	11b	**-**	(7)
Net cash from financing activities		**14,543**	33,024
Change in cash		**-**	-
Cash, beginning of year		**-**	-
Cash, end of year		**-**	-

See accompanying notes to the financial statements

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 Energy Ltd. is a publicly traded company on the TSX Venture Exchange under the symbol "MQL.V", and on the United States OTC Markets ("OTCQX") under the symbol "MQLXF", 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. These financial statements were approved and authorized for issuance by the Board of Directors on March 19, 2015.

2. BASIS OF PRESENTATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A summary of the significant accounting policies and methods of computation are presented in note 3.

Production and operating expenses in the statement of income (loss) are presented as a combination of function and nature in conformity with industry practice. Depletion and depreciation are presented on a separate line by their nature, while general and administrative expenses are presented on a functional basis. Significant expenses such as personnel expenses and share-based compensation are presented by their nature in the notes to the financial statements.

On January 1, 2014, the Company's wholly owned subsidiary was amalgamated with the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise allowed for in accordance with IFRS.

(c) Functional and presentation currency

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

(d) Managements judgments and 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.

Critical judgments in applying accounting policies:

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.

(i) *Identification of cash-generating units*
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 and Lloydminster as its core CGU's.

(ii) *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.

(iii) *Componentization*
For the purposes of depletion, the Company allocates its oil and natural gas assets to components with similar lives and depletion methods. The groupings of assets are subject to management's judgement and are performed on the basis of geographical proximity and similar reserve life. The Company's oil and natural gas assets are depleted on a unit of production basis.

(iv) *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.

(v) *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.

(i) *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.

(ii) *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.

(iii) *Share based payments*
The amounts recorded for stock-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).

(iv) *Business combinations and asset acquisitions*
The values assigned to the common shares issued in the asset acquisitions completed in 2014 and 2013 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.

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

(vi) *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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Business combinations

Business combinations are accounted for using the acquisition method where the acquisitions of companies and assets meet the definition of a business under IFRS. The cost of an acquisition is measured initially at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. The acquired identifiable assets and liabilities are measured initially at their fair value at the date of acquisition. The fair value of exploration and evaluation assets and property, plant and equipment is the estimated amount for which these assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion. The market value of oil and natural gas interests is estimated with reference to discounted cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in the statement of income (loss). Associated transaction costs are expensed when incurred.

(b) Jointly controlled operations and jointly controlled assets

Many of the Company's oil and natural gas activities involve jointly controlled assets and are conducted under joint operating agreements. The financial statements include the Company's share of these jointly controlled assets, and a proportionate share of the relevant revenue and related costs.

(c) Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit with banks, term deposits and other similar short-term, highly liquid investments with maturities of 90 days or less at the date of issue.

(d) Exploration and evaluation expenditures and property, plant and equipment

(i) Exploration and evaluation assets

Pre-licence expenditures incurred before the Company has obtained legal rights to explore an area are expensed.

Exploration and evaluation costs include the costs of acquiring licences, exploration and evaluation drilling, geological and geophysical activities, acquisition of mineral and surface rights and technical studies. Exploration and evaluation costs are capitalized as exploration and evaluation assets when the technical feasibility and commercial viability of extracting oil and natural gas reserves have yet to be determined. Exploration and evaluation assets are measured at cost and are not depleted or depreciated until after these assets are reclassified to property, plant and equipment. Exploration and evaluation assets, net of any impairment loss, are transferred to property, plant and equipment when proved and/or probable reserves are determined to exist. If an area is determined not to be technically feasible and commercially viable, or the Company discontinues its exploration and evaluation activity, the unrecoverable costs are expensed as exploration and evaluation expenditures.

Exchanges, swaps and farm-outs that involve only exploration and evaluation assets are accounted for at cost. Any gains or losses from the divestiture of exploration and evaluation assets are recognized in the statement of income (loss).

(ii) Property, plant and equipment

All costs directly associated with the development and production of oil and natural gas interests are capitalized on an area-by-area basis as oil and natural gas interests if they extend or enhance the recoverable reserves of the underlying assets. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include property acquisitions with proved and/or probable reserves, development drilling, completion, gathering and infrastructure, decommissioning costs, transfers of exploration and evaluation assets and general and administrative costs directly attributable to the exploration and development of oil and natural gas interests. The costs of the day-to-day servicing of property, plant and equipment are recognized in income as incurred.

Exchanges or swaps of property, plant and equipment are measured at fair value unless the transaction lacks commercial substance or neither the fair value of the asset received nor the asset given up can be reliably estimated. Where the exchange is measured at fair value, a gain or loss is recognized in the statement of income (loss).

Gains and losses on disposal of an item of property, plant and equipment, property swaps and farm-outs including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and recognized in the statement of income (loss).

(iii) Depletion and depreciation

Oil and natural gas interests included in property, plant and equipment are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Oil and natural gas interests including processing facilities and well equipment are componentized into groups of assets with similar useful lives for the purposes of performing depletion calculations. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of natural gas to one barrel of oil.

Other assets, referred to as “corporate assets”, are depreciated on a declining balance basis at rates approximating their estimated useful lives of 20% per annum.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(iv) Impairment

The carrying amounts of the Company’s property, plant and equipment are reviewed for indicators of impairment at each reporting date. If indicators of impairment exist, the recoverable amount of the asset is estimated. Exploration and evaluation assets are assessed for impairment when they are reclassified to property, plant and equipment or if facts and circumstances suggest that the carrying amount exceeds the recoverable amount which for exploration and evaluation assets is generally the fair market value of undeveloped land at the time of impairment testing. An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its recoverable amount. Impairment losses are recognized in the statement of income (loss).

For the purposes of assessing impairments, exploration and evaluation assets and property, plant and equipment are tested separately and are grouped into CGUs, defined as the lowest levels for which there are separately identifiable independent cash inflows. Geological formation, product type, geography and internal management operations and processes are key factors considered when grouping Marquee's oil and natural gas interests into CGU's. Exploration and evaluation assets are tested with their related CGU or separately, where a CGU does not exist for the exploration and evaluation activity.

The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Fair value is determined to be the amount for which the asset could be sold in an arm's-length transaction between knowledgeable and willing parties. Fair value less costs of disposal may be determined using discounted future net cash flows of proved and probable reserves based on forecast prices and costs and including future development costs. These cash flows are discounted at an appropriate discount rate which would be applied by a market participant. Value in use is determined by estimating the present value of the future net cash flows to be derived from the continued use of the CGU in its present form. These cash flows are discounted at a rate based on the time value of money and risks specific to the CGU.

The fair value less costs of disposal used to determine the recoverable amounts of property, plant and equipment and exploration and evaluation assets are classified at Level 3 fair value measurements, as they are not based on observable market data.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(e) Provisions

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event. Provisions are not recognized for future operating losses.

(i) *Decommissioning liabilities*

Decommissioning liabilities are recognized for decommissioning and restoration obligations associated with the Company's exploration and evaluation assets and property, plant and equipment. The best estimate of the expenditure required to settle the present obligations at the statement of financial position date is recorded on a discounted basis using the pre-tax risk-free interest rate at the statement of financial position date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated exploration and evaluation or property, plant and equipment asset and is depleted or amortized over the useful life of the asset. The provision is accreted over time through charges to finance expenses. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning liability and related asset.

Actual decommissioning expenditures are charged against the provision as the costs are incurred. Any differences between the recorded provision and the actual costs incurred are recorded as a gain or loss in the statement of income (loss).

(f) Flow-through shares

From time to time, the Company finances a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The stated capital recorded on flow-through share issuances is equal to the estimated fair value of the common shares, exclusive of the flow-through component, on the date of issue. The difference between the gross proceeds received and the stated capital recorded is recorded as a liability ("flow-through share premium") until qualifying expenditures are incurred. When the expenditures are incurred, the flow-through share premium is drawn down and the resulting deferred tax liability is recorded through income tax expense, less the reversal of the flow-through share premium previously reported.

(g) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of income (loss), except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted, or substantively enacted, at the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same taxation authority on the same taxable entity. They can also be offset on different tax entities if they are intended to be settled on a net basis or they will be realized simultaneously.

(h) Share-based payments

Stock options and warrants granted to directors, officers, employees and consultants of the Company are accounted for using the fair value method under which compensation or other equity costs are recorded based on the estimated fair value of the stock options and warrants at the grant date using the Black-Scholes option pricing model and other pricing models.

The Company measures share based payments to non-employees at the fair value of the goods or services received at the date of receipt of the goods or services. If the fair value of the goods or services cannot be measured reliably, the value of the options/warrants granted will be used, measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options or warrants are exercised, the cash proceeds, along with the amount previously recorded as contributed surplus, are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net and comprehensive income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by adjusting the net income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments. The Company computes the dilutive impact of common shares assuming the proceeds received from the exercise of in-the-money share options and warrants are used to purchase common shares at the average market prices for the period.

(j) Revenue

Revenue from the production and sale of oil and natural gas is recognized when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when title passes from the Company to the customer. Revenue is measured at the fair value of the consideration received or receivable based on price, volumes delivered and contractual delivery points.

(k) Finance income and expenses

Finance income, consisting of interest income, is recognized as it accrues in the statement of income (loss), using the effective interest method.

Finance expense is comprised of interest expense on borrowings, accretion of the discount on decommissioning liabilities and impairment losses recognized on financial assets.

(l) Financial instruments

(i) *Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. The Company has designated accounts receivable as "loans and receivables" and bank debt and accounts payable and accrued liabilities as "financial liabilities measured at amortized cost". These financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

(ii) *Derivative financial instruments – Commodity contracts*

The Company enters into certain financial derivative contracts in order to manage exposure to market risks from fluctuations in commodity prices. The Company's policy is not to utilize derivative financial instruments for speculative purposes. All financial derivative contracts are classified as "fair value through profit or loss" and recorded at fair value with changes in fair value recorded in the statement of income (loss). The fair value of these derivative instruments are generally based on an estimate of the amounts that would be paid or received to settle these instruments at the statement of financial position date.

(iii) *Equity instruments*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

(iv) *Impairment*

The Company assesses at each statement of financial position date, whether there is objective evidence that financial assets, other than those designated as "fair value through profit or loss" are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income (loss). For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

(m) Interest and capital taxes paid

The Company presents cashflows related to interest and capital taxes paid as operating activities in conformity with industry practice.

(n) Fair value determination

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Accounts receivables, accounts payable and accrued liabilities and bank debt
The fair value of accounts receivables, accounts payable and accrued liabilities and bank debt is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2014 and 2013, the fair value of accounts receivables, accounts payable and accrued liabilities approximated their carrying value due to their short term to maturity. The fair value of bank debt approximates its carrying value as it bears a floating rate of interest and the margin charged by the lender is indicative of current credit spreads.

Derivatives
The fair value of financial forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward curves at the statement of financial position date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate. The Company classifies its derivatives as Level 2.

(o) New accounting policies:

During the year ended December 31, 2014, the Company adopted the following new and revised accounting standards, including any consequential amendments thereto. Changes in accounting policies adopted by the Company were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

- *IAS 36, "Impairment of Assets" ("IAS 36")* On January 1, 2014, the Company implemented certain amendments to IAS 36 which require that the Company disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments resulted in the Company including additional disclosures in respect of the recognition of impairments related to its oil and natural gas properties (note 7).

- *IFRIC 21, "Levies" ("IFRIC 21")* On January 1, 2014, the Company implemented IFRIC 21 which provides an interpretation on IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37"), with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy and is to be accrued prospectively only if the activity triggers payment occurs over a period of time. The implementation of IFRIC 21 had no impact to the Company's 2014 Financial Statements.

- On January 1, 2014, the Company adopted several narrow-scope amendments to a total of nine standards issued by the IASB in December 2013. The adoption of these amendments had no impact on the financial statements.

(p) Future accounting pronouncements:

- *IAS 1, "Presentation of Financial Statements" ("IAS 1*") In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statement of operations and the statement of comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Company does not expect the impact of the amendments to IAS 1 will have a material effect on the Company's financial statements.

- *IFRS 9, "Financial Instruments" ("IFRS 9")* IFRS9 provides a comprehensive new standard for accounting for all aspects of financial instruments. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39.

  Requirements for financial liabilities were added to IFRS 9 in October 2010. Although the classification criteria for financial liabilities did not change under IFRS 9, the fair value option requires different accounting for changes to the fair value of a financial liability resulting from changes to an entity's own credit risk.

  In December 2013, new hedge accounting requirements were incorporated into IFRS 9 that increase the scope of items that can qualify as a hedged item and change the requirements of hedge effectiveness testing that must be met to use hedge accounting.

  In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9. These amendments to IFRS 9 introduce a single, forward-looking 'expected loss' impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments.

  The amendments to IFRS 9 are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company does not expect that the implementation of IFRS 9 will have a material effect on the Company's financial statements.

(in thousands of Canadian dollars, unless otherwise noted)

- *IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15")* In May 2014, the IASB issued IFRS 15. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company is in the process of evaluating the impact that IFRS 15 may have on the Company's financial statements.

4. ASSET ACQUISITIONS

a) 2014 Transaction

On March 6, 2014, the Company completed a transaction to acquire certain oil and natural gas properties from a non-arm's length party, as one of the Company's directors is also a director of the company from which the properties were acquired. The asset acquisition allowed the Company to acquire undeveloped land, as well as additional production, in its core Michichi area. The Company issued 13,705,888 common shares at $0.79 per common share (closing price on March 6, 2014) as well as paid $1.0 million in cash consideration. Costs associated with the transaction of $0.6 million are included in transaction costs in the statement of income (loss).

The value attributed to the property, plant and equipment acquired was determined with reference to an engineering report prepared by third party reserve evaluators using proved reserves discounted at approximately 20%. The value attributed to the exploration and evaluation assets was determined with reference to recent undeveloped land acquisitions in close proximity to the Michichi oil and natural gas interests.

During the three month period ended June 30, 2014, measurement period adjustments subsequent to the acquisition date resulted in an increase to property, plant and equipment by $0.8 million and an increase to the cash consideration by $0.8 million. These adjustments represent new information relating to estimates originally made in the preliminary determination of values. The Company does not anticipate any further adjustments in subsequent periods.

The following table summarizes the net assets acquired and liabilities assumed. The fair value of the common shares issued approximates the fair value of the net assets acquired.

Purchase price allocation	**($)**
Fair value of net assets acquired:	
Exploration and evaluation assets	2,638
Property, plant, and equipment	26,996
Deferred tax asset	274
Decommissioning liabilities	(18,081)
Net assets acquired	11,827
Costs of acquisition	
Cash consideration	1,000
Common shares issued (13,705,888 shares at $0.79 [1] per common share)	10,827
Total consideration	11,827

[1] Based on the closing price of Marquee shares on March 6, 2014

The revenues and net incomes since the closing dates of the acquisition and proforma revenues and net incomes giving effect to the acquisition as if it had occurred on January 1 are not practicable to determine. The operations of the assets acquired are not managed as a separate business unit or division of the Company as all of the properties acquired were in similar existing property areas.

(in thousands of Canadian dollars, unless otherwise noted)

b) 2013 Transaction

On December 31, 2013, the Company completed a transaction to acquire substantially all of the Western Canadian oil and natural gas interests of Sonde Resources Corp. ("Sonde") through the acquisition of Sonde's wholly-owned subsidiary. The asset acquisition allowed the Company to acquire key infrastructure in its core Michichi area as well as additional production and undeveloped lands. The Company issued 21,182,491 common shares at $0.80 per common share (closing price December 31, 2013) as well as paid $17.8 million in cash consideration. Costs associated with the transaction of $1.8 million were included in transaction costs in the statement of income (loss) for the year ended December 31, 2013.

During the three month period ended June 30, 2014, measurement period adjustment subsequent to the acquisition date resulted in an increase to deferred tax asset by $6.9 million with a corresponding realization of a bargain purchase gain recorded in the statement of income (loss) for the year ended December 31, 2013. The adjustment relates to additional resource tax pools received by the Company as a result of the acquisition that were not previously accounted for. The Company does not anticipate any further adjustments in subsequent periods.

The following table summarizes the net assets acquired and liabilities assumed. The fair value of the common shares issued and the cash consideration given approximates the fair value of the net assets acquired.

Purchase price allocation	**($)**
Fair value of net assets acquired:	
Exploration and evaluation assets	7,441
Property, plant, and equipment	56,734
Decommissioning liabilities	(29,229)
Deferred tax asset	6,705
Net assets acquired	41,651
Bargain purchase gain	(6,860)
Purchase consideration transferred	34,791
Costs of acquisition:	
Cash consideration	17,845
Common shares issued (21,182,491 shares at $0.80 [1] per share)	16,946
Total consideration	34,791

[1] Based on the closing price of Marquee shares on December 31, 2013

The revenues and net incomes since the closing dates of the acquisition and proforma revenues and net incomes giving effect to the acquisition as if it had occurred on January 1 are not practicable to determine. The operations of the assets acquired are not managed as a separate business unit or division of the Company as the majority of the properties acquired were in similar existing property areas.

5. ACCOUNTS RECEIVABLE

	December 31, 2014 ($)	December 31, 2013 ($)
Oil and natural gas marketing companies	**7,423**	3,527
Joint interest partners and other	**2,521**	380
Government agencies	**295**	323
Total accounts receivable	**10,239**	4,230

(in thousands of Canadian dollars, unless otherwise noted)

6. EXPLORATION AND EVALUATION ASSETS

Cost	**($)**
Balance, January 1, 2013	20,106
Capital expenditures	6,020
Acquisition of exploration and evaluation assets (note 4)	7,441
Transfers to property, plant and equipment	(1,787)
Exploration and evaluation costs expensed	(4,962)
Dispositions of exploration and evaluation assets	(218)
Balance, December 31, 2013	26,600
Capital expenditures	15,115
Acquisition of exploration and evaluation assets (note 4)	3,828
Transfers to property, plant and equipment (note 7)	(8,606)
Exploration and evaluation costs expensed	(2,558)
Dispositions of exploration and evaluation assets	(50)
Balance, December 31, 2014	**34,329**

Exploration and evaluation assets include undeveloped lands and assets that management has not 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 year. Transfers to property, plant and equipment represent successful drilling and related land costs to which technical feasibility and commercial viability are determined to exist.

During the year ended December 31, 2014, the Company expensed certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired in the amount of $2.5 million (2013 – $1.0 million) and some projects in non-core areas were discontinued of $0.1 million (2013 - $4.0 million). These amounts have been included as exploration and evaluation expenditures in the statement of income (loss).

During the year ended December 31, 2014, the Company completed certain asset acquisitions with third parties to acquire undeveloped lands in the Company’s core areas for total cash consideration of $1.2 million. In addition, the Company acquired $2.6 million of exploration and evaluation assets as described in note 4(a).

During the year ended December 31, 2014, the Company disposed of undeveloped land for cash consideration of $0.05 million (2013 - $0.1 million) which represented an insignificant gain on disposition (2013 - loss of $0.1 million) included in the statement of income (loss).

(in thousands of Canadian dollars, unless otherwise noted)

7. PROPERTY, PLANT AND EQUIPMENT

	Oil and natural gas interests ($)	Corporate assets ($)	Total ($)
Cost			
Balance, January 1, 2013	184,405	426	184,831
Capital expenditures	27,429	4	27,433
Dispositions	(8,739)	-	(8,739)
Acquisition of oil and natural gas properties (note 4)	56,734	-	56,734
Transfers from exploration and evaluation assets (note 6)	1,787	-	1,787
Change in decommissioning liabilities (note 9)	5,039	-	5,039
Balance, December 31, 2013	266,655	430	267,085
Capital expenditures	43,386	63	43,449
Dispositions	(46,337)	-	(46,337)
Acquisition of oil and natural gas properties (note 4)	27,241	-	27,241
Transfers from exploration and evaluation assets (note 6)	8,606	-	8,606
Change in decommissioning liabilities (note 9)	13,549	-	13,549
Balance, December 31, 2014	**313,100**	**493**	**313,593**

Accumulated depletion and depreciation and impairments			
Balance, January 1, 2013	(47,819)	(97)	(47,916)
Depletion and depreciation expense	(17,897)	(82)	(17,979)
Dispositions	4,383	-	4,383
Impairment reversals, net of impairment loss	838	-	838
Balance, December 31, 2013	(60,495)	(179)	(60,674)
Depletion and depreciation expense	(32,867)	(81)	(32,948)
Dispositions	9,425	-	9,425
Impairment loss, net of impairment reversals	(5,605)	-	(5,605)
Balance, December 31, 2014	**(89,542)**	**(260)**	**(89,802)**

Net book value			
At December 31, 2013	206,160	251	206,411
At December 31, 2014	**223,558**	**233**	**223,791**

a) Property, plant and equipment activity

During the year ended December 31, 2014, the Company capitalized salaries of $0.8 million (2013 - $0.7 million) as well as related stock-based compensation expense for employees and consultants who performed services that were directly attributable to development activities of $0.3 million (2013 - $0.2 million).

During the year ended December 31, 2014, the Company completed the acquisition of certain minor assets for cash consideration of $0.2 million (2013 – nil). In addition, the Company acquired $27.0 million of property, plant and equipment as described in note 4(a).

During the year ended December 31, 2014, the Company completed the sale of certain non-core properties for net proceeds of $1.8 million (2013 – $3.6 million) and the sale of the Pembina area for net proceeds of $13.9 million (2013 – nil). A $1.4 million gain related to non-core dispositions (2013 – gain $0.2 million) and a $20.9 million loss related to the Pembina disposition was recognized in the statement of income (loss).

(in thousands of Canadian dollars, unless otherwise noted)

Included in the non-core property dispositions was a disposition to a related party as one of the Company's directors is also a director of the company who purchased the non-core properties. Proceeds of disposition related to this transaction were $1.2 million resulting in a $0.7 million gain included in the statement of income (loss).

b) Impairment (loss)/reversal

For the year ended December 31, 2014, the Company conducted an assessment of impairment indicators for the Company's CGU's. In performing the review management determined that the recent decline in commodity pricing and the impact to the economic performance of the Company's CGU's justified the calculation of the recoverable amounts of all CGU's.

At December 31, 2014, the Company recognized an impairment loss of $5.6 million net of reversals (2013 - $0.8 million reversal net of impairment). For the years ended December 31, 2014 and 2013 the reversals (impairments) related to:

CGU	**December 31, 2014 ($)**	December 31, 2013 ($)
Saskatchewan	**(1,331)**	-
Pembina	**-**	4,636
Placid	**(732)**	1,385
Carrot Creek	**(175)**	(4,631)
Lloydminster	**46**	688
Non-core net (impairment)/reversal	**(3,413)**	(1,240)
Total net (impairment)/reversal	**(5,605)**	838

The impairment loss in 2014 to the Saskatchewan CGU was triggered by a decrease in fair value by reference to the proceeds (recoverable amount of $3.5 million) received for the arms-length disposition of its oil and natural gas interests subsequent to yearend (note 19). The 2014 impairment losses for Placid, Carrot Creek, and other non-core areas (recoverable amount of $5.2 million) are a result of changes to proved and probable reserve estimates and related cash flows as determined by Marquee's external reserve evaluators due to revised type curve analysis, and declines in the forecast oil, natural gas and liquids prices at December 31, 2014 compared to December 31, 2013.The recoverable amounts of the Company's CGUs were determined based on fair value less costs of disposal. Key assumptions in the determination of cash flows from reserves include oil and natural gas prices and the discount rate. A 1% increase in the assumed discount rate over the life of the reserves independently would increase total impairment loss by $0.4 million.

The impairment losses in 2013 were a result of a change to proved and probable reserve estimates and related cash flows as determined by Marquee's external reserve evaluators, as well as a significant decline in the forecast oil, and natural gas and liquids prices at December 31, 2013 as compared to December 31, 2012.

The reversals of impairment in 2014 and 2013 were the result of changes to proved and probable reserve estimates and related cash flows as determined by Marquee's external reserve evaluators.

c) Impairment Tests

The recoverable amounts of the Company's CGUs were estimated as the fair value less costs of disposal based on the net present value of the before tax cash flows from oil and natural gas proved plus probable reserves estimated by the Company's external reserve evaluators discounted at a rate of 10% to 15% per annum (2013 – 10%-15%.)

(in thousands of Canadian dollars, unless otherwise noted)

The forecast prices used to determine fair value reflect the following benchmark prices, adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality.

2014 Forecast Prices (average for period)	Natural Gas AECO (C$/MMBtu)	Natural Gas Henry Hub (US$/MMBtu)	Oil Edmonton Reference Price (C$/bbl)	Oil WTI (US$/bbl)
2015	$ 3.32	$ 3.25	$ 70.35	$ 65.00
2016	$ 3.71	$ 3.75	$ 87.36	$ 80.00
2017	$ 3.90	$ 4.00	$ 98.28	$ 90.00
2018	$ 4.47	$ 4.50	$ 99.75	$ 91.35
2019	$ 5.05	$ 5.00	$ 101.25	$ 92.72
2020-2025	$ 5.13 - 5.58	$ 5.08 - 5.47	$ 103.85 - 111.87	$ 94.11 - 101.38
Thereafter	1.5% escalated per year	1.5% escalated per year	1.5% escalated per year	1.5% escalated per year

2013 Forecast Prices (average for period)	Natural Gas AECO (C$/MMBtu)	Natural Gas Henry Hub (US$/MMBtu)	Oil Edmonton Reference Price (C$/bbl)	Oil WTI (US$/bbl)
2014	$ 4.00	$ 4.17	$ 92.64	$ 94.65
2015	$ 3.99	$ 4.15	$ 89.31	$ 88.37
2016	$ 4.00	$ 4.17	$ 89.63	$ 84.25
2017	$ 4.93	$ 5.04	$ 101.62	$ 95.52
2018	$ 5.01	$ 5.12	$ 103.14	$ 96.96
2019-2024	$ 5.09 - 5.52	$ 5.19 - 5.60	$ 104.69 - 112.78	$ 98.41 - 106.02
Thereafter	1.5% escalated per year	1.5% escalated per year	1.5% escalated per year	1.5% escalated per year

8. BANK DEBT

At December 31, 2014, the Company has available a syndicated credit facility with two Canadian Chartered Banks. The credit facility is composed of a $70 million revolving demand facility (“revolving loan”) (December 31, 2013 - $75 million), a $10 million operating facility (“operating loan”) (December 31, 2013 – nil) and an acquisition/development demand loan (“A&D loan”) of up to $15 million (December 31, 2013 - $15 million).

The revolving and operating loan can be used for general corporate purposes and capital expenditures, and bear interest at the Bank's prime rate plus an applicable margin (of 50 bps to 250 bps) determined by reference to the Company's net debt to cash flow ratio which is calculated as negative working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments. At January 1, 2015 the rate is prime plus 75 bps.

The A&D loan can be used to acquire proved producing oil and natural gas reserves or for the development of proved non-producing or undeveloped oil and natural gas reserves. The availability of the loan is subject to the Bank's normal lending parameters and will bear interest at the Bank’s prime rate plus an applicable margin (of 50 bps to 250 bps) plus an additional 50 bps per annum.

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 bank. The next scheduled review for the credit facility is April 2015.

(in thousands of Canadian dollars, unless otherwise noted)

At December 31, 2014, the Company had drawn $55 million on the revolving loan, $3.8 million on the operating loan and $nil on the A&D loan. At December 31, 2014, the Company has a letter of guarantee outstanding for $0.8 million for the Oil and Gas Orphan Fund of the Province of Saskatchewan which reduces the amount available under the operating loan.

The Company is subject to certain reporting and financial covenants that require:

- The Company to maintain a working capital ratio of at least 1:1 (for the purposes of 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 current assets); and
- The Company to not hedge greater than 70% of average daily production volumes, net of royalties, on a commodity by commodity basis, for the first year and 50% for the second and third years following the most recently ended fiscal quarter.

At December 31, 2014, the Company was in compliance with the working capital ratio covenant of 2.0 to 1.0 (at December 31, 2013 – 0.95 to 1.0).

9. DECOMMISSIONING LIABILITIES

The Company's decommissioning liabilities are an estimate of the reclamation and abandonment costs arising from its ownership interest in oil and natural gas assets, including well sites, batteries and gathering systems. At December 31, 2014 the total undiscounted cash flows required to settle the liabilities is approximately $125.7 million (2013 - $94.8 million). The estimated net present value of the decommissioning liabilities was calculated using a risk-free rate between approximately 1% and 3% at December 31, 2014 (2013 – between 1% and 3%).

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:

	December 31, 2014 ($)	December 31, 2013 ($)
Decommissioning liabilities, beginning of year	**46,885**	13,291
New liabilities recognized	**1,444**	530
Change in estimates [1]	**12,105**	4,509
Liabilities assumed on acquisitions (note 4)	**18,081**	29,229
Liabilities settled on dispositions (note 7)	**(1,778)**	(846)
Actual costs incurred	**(580)**	(182)
Accretion (note 13)	**1,421**	354
Decommissioning liabilities, end of year	**77,578**	46,885

[1] Changes in the status of wells, discount rates and the estimates of costs of abandonment and reclamation are factors resulting in a change in estimate. For the year ended December 31, 2014, the change in estimate included $0.6 million of cost increases resulting from additional information due to asset acquisitions and review of third party and internal information and an increase of $11.5 million related to the change in discount rates. The change in estimates for the year ended December 31, 2013 included $7.3 million of cost increases resulting from the application of Directive 11: License Liability Rating issued by the Alberta Energy Regulator, $2.4 million reduction related to the change in discount rates and $0.4 million reduction related to a change in estimated years to reclamation.

(in thousands of Canadian dollars, unless otherwise noted)

10. INCOME TAXES

a) Deferred tax asset

At December 31, 2014, a deferred tax asset of $6.6 million (2013 –$1.2 million) has been recognized in the financial statements. The components of the deferred tax asset are as follows:

	December 31, 2014 ($)	December 31, 2013 ($)
Exploration and evaluation assets, and property plant and equipment	**24,219**	24,897
Decommissioning liabilities	**(19,394)**	(11,862)
Share issue costs	**(548)**	(645)
Non capital losses	**(12,327)**	(13,310)
Commodity contracts	**1,513**	(241)
Other	**(33)**	(34)
Deferred tax asset	**(6,570)**	(1,195)

b) Deferred tax recovery

The amount for deferred tax recovery in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial income tax rate to the Company's loss before income taxes. The difference results from the following items:

	December 31, 2014 ($)	December 31, 2013 ($)
Loss before income taxes	**(19,115)**	(5,977)
Combined federal and provincial income tax rates	**25.00%**	25.00%
Expected income tax recovery	**(4,779)**	(1,494)
Differences resulting from		
Tax pools not previously recognized (1)	**(1,723)**	-
Non-taxable bargain purchase gain	**-**	(1,716)
Tax rate reductions	**(67)**	-
Non-deductible flow-through share premiums	**(87)**	(11)
Non-deductible share-based compensation	**273**	107
Other including capital tax	**78**	150
Deferred tax recovery	**(6,305)**	(2,964)

(1) The Company acquired certain resource tax pools from Sonde on December 31, 2013 (note 4b). At December 31, 2014, a deferred tax asset has not been recognized on $17.7 million (2013 - $24.6 million) of deductible temporary differences in respect of certain resource pool deductions.

(in thousands of Canadian dollars, unless otherwise noted)

c) The following tables provide a continuity of the deferred tax asset

	Balance January 1, 2014 ($)	Recognized in net income (loss) ($)	Recognized directly in equity ($)	Acquired in asset acquisitions ($)	Recognized directly in deferred tax asset (1) ($)	**Balance December 31, 2014 ($)**
E&E assets and PPE	24,897	(6,663)	-	4,246	1,739	**24,219**
Decommissioning liabilities	(11,862)	(3,012)	-	(4,520)	-	**(19,394)**
Share issue costs	(645)	438	(341)	-	-	**(548)**
Non-capital losses	(13,310)	983	-	-	-	**(12,327)**
Commodity contracts	(241)	1,754	-	-	-	**1,513**
Other	(34)	1	-	-	-	**(33)**
Total	(1,195)	(6,499)	(341)	(274)	1,739	**(6,570)**

	Balance January 1, 2013 ($)	Recognized in net income (loss) ($)	Recognized directly in equity ($)	Acquired in asset acquisitions ($)	Recognized directly in deferred tax asset (1) ($)	Balance December 31, 2013 ($)
E&E assets and PPE	20,698	2,585	-	690	924	24,897
Decommissioning liabilities	(3,363)	(1,104)	-	(7,395)	-	(11,862)
Share issue costs	(840)	369	(174)	-	-	(645)
Non-capital losses	(8,604)	(4,706)	-	-	-	(13,310)
Commodity contracts	(31)	(210)	-	-	-	(241)
Other	(51)	17	-	-	-	(34)
Total	7,809	(3,049)	(174)	(6,705)	924	(1,195)

(1) Relates to flow-through share renouncement of $6.6 million (2013 - $3.6 million).

11. 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, January 1, 2013	54,661,156	127,015
Repurchase of common shares	(15,000)	(35)
Common shares issued on asset acquisition (note 4)	21,182,491	16,946
Flow-through common shares issued	8,660,500	8,194
Flow-through share premium	-	(2,132)
Share issue costs, net of tax effect of ($174)	-	(521)
Outstanding, December 31, 2013	84,489,147	149,467
Common shares issued for cash	22,115,650	20,125
Common shares issued on asset acquisition (note 4)	13,705,888	10,828
Share issue costs, net of tax effect of ($341)	-	(1,024)
Common shares issued on exercise of stock options	30,000	42
Outstanding, December 31, 2014	**120,340,685**	**179,438**

(in thousands of Canadian dollars, unless otherwise noted)

c) 2014 Transactions

On May 2, 2014, the Company closed a bought-deal financing of 22,115,650 common shares at a price of $0.91 per common share resulting in net proceeds of $18.8 million.

On December 22, 2014 the Company announced an intended normal course issuer bid ("NCIB") commencing January 5, 2015. Pursuant to the NCIB, Marquee may purchase for cancellation up to 6,017,034 (5%) of its common shares issued and outstanding for a one year period, at prevailing market prices.

d) 2013 Transactions

The Company commenced a normal course issuer bid May 21, 2013. Pursuant to the issuer bid, the Company may purchase up to 2,733,057 of its common shares, representing 5% of the issued and outstanding common shares of the Company, during the 12-month period ending May 21, 2014. The price which the Company will pay for any shares under the normal course issuer bid will be the market price at the time of purchase. The purchases will be made through the TSX Venture Exchange. 15,000 common shares have been repurchased under the normal course issuer bid to December 31, 2013 at a weighted average market price of $0.48 per common share.

On November 26, 2013, the Company issued 8,000,500 flow-through common shares at $0.95 per flow-through common share and 660,000 flow-through common shares at $0.90 per flow-through common share. Total proceeds were $8.2 million, and share issue costs were $0.7million. The Company committed to spend 100% of the flow-through funds on qualifying expenditures by December 31, 2014. In conjunction with the issuance, the Company recognized a flow-through share premium of $2.1 million.

12. SHARE-BASED PAYMENTS

a) Stock option plan

Under the Company's stock 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, January 1, 2013	4,104,495	1.33
Granted	390,000	0.65
Cancelled	(1,075,708)	1.52
Outstanding, December 31, 2013	3,418,787	1.20
Granted	7,460,000	1.00
Exercised	(30,000)	0.87
Forfeited and/or cancelled	(725,185)	1.04
Outstanding, December 31, 2014	**10,123,602**	**1.06**
Exercisable, December 31, 2014	**2,684,852**	**1.24**

(in thousands of Canadian dollars, unless otherwise noted)

During the year ended December 31, 2014, the Company granted 7,460,000 options at a weighted average exercise price of $1.00 per option. 2,035,000 of the options granted vest one-quarter on each of the six, twelve, twenty-four and thirty-six month anniversaries from the grant date and have a five year term. 5,425,000 of the options granted vest one-quarter on each of the first, second, third and fourth anniversaries from the grant date and have a five year term.

Employees of Marquee exercised 30,000 options on July 14, 2014 at a share price of $1.13.

During the year ended December 31, 2013, the Company granted 390,000 options at a weighted average exercise price of $0.65 per option. The options granted vest one-quarter on each of the six, twelve, twenty-four and thirty-six month anniversaries from the grant date and have a five year term.

The following table summarizes the expiry terms and exercise prices of the Company's outstanding stock options as at December 31, 2014:

Exercise Price	Outstanding Options	Weighted Average Remaining Contractual Term (years)	Weighted Average Exercise Price ($)	Outstanding Options Exercisable	Weighted Average Remaining Contractual Term Exercisable (years)	Weighted Average Exercise Price Exercisable ($)
$0.51 to $0.75	660,000	4.1	0.61	195,000	3.5	0.65
$0.76 to $1.00	4,058,750	3.7	0.85	1,087,500	3.2	0.90
$1.01 to $1.25	3,979,894	4.7	1.17	32,394	4.0	1.06
$1.26 to $1.50	1,286,875	2.0	1.30	1,231,875	2.0	1.30
$1.51 to $5.44	138,083	0.6	4.26	138,083	0.6	4.26
	10,123,602	3.9	1.06	2,684,852	2.6	1.24

b) Warrants

The Company issued warrants to directors of the Company. The following table summarizes the changes in the warrants outstanding:

Warrants [1]	Number	Weighted Average Exercise Price ($)
Outstanding, January 1, 2013, December 31, 2013 and 2014	**1,679,835**	**1.59**
Exercisable, December 31, 2014	**1,544,418**	**1.48**

(1) Includes 406,250 Series II warrants

The Series II warrants have a term of five years, are exercisable into one common share, 1/3 become exercisable if the 20-day weighted average trading price of Marquee common shares is equal to or greater than $4.40 at any time before the expiry date. A further 1/3 will be exercisable if the 20-day weighted average trading price of Marquee common shares is equal to or greater than $6.00 at any time before the expiry and the final 1/3 will be exercisable if the 20-day weighted average trading price of Marquee common shares is equal to or greater than $7.60 at any time before the expiry date. During the year ended December 31, 2010, the 20-day weighted average trading price of Marquee common shares was equal to or greater than $6.00. Therefore, 2/3 of the Series II warrants became exercisable.

(in thousands of Canadian dollars, unless otherwise noted)

The following table summarizes the expiry terms and exercise prices of the Company's outstanding warrants as at December 31, 2014:

Exercise Price	Warrants Outstanding	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (years)	Number of Stock Options Exercisable
$1.20	1,273,585	1.20	1.1	1,273,585
$2.80 (1)	406,250	2.80	0.1	270,833
	1,679,835	**1.59**	**1.2**	1,544,418

(1) Series II warrants

c) Stock-based compensation expense

Compensation costs relating to stock options of $1.1 million for the year ended December 31, 2014 (2013 - $0.4 million) have been expensed and $0.3 million (2013- $0.2 million) has been capitalized to property, plant and equipment and have resulted in a corresponding increase in contributed surplus.

The fair value of stock options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2014	December 31, 2013
Risk-free interest rate	**1.61%**	1.55%
Expected volatility	**60%**	66%
Expected life	**5 years**	5 years
Expected dividend yield	**N/A**	N/A
Estimated forfeiture rate	**0%**	0%
Fair value per option	**$0.50**	$0.36
Stock price on grant date	**$1.00**	$0.65

Expected volatility was determined based on the Company's historical volatility and a comparison to other companies in the business of exploration for, development of production of oil and natural gas. A forfeiture rate of 0% was used when recording stock-based compensation as it is expected that all officers, directors, employees and consultants will continue with the Company over the vesting period.

d) Employee Share Ownership Plan

The Company has an Employee Share Ownership Plan ("ESOP"). The ESOP allows employees a means of acquiring shares of the Company through regular payroll deductions. Employees may contribute up to 10% of their base salaries to the ESOP and the Company will contribute 1.5 times the employee amount. Shares purchased with Company contributions to the ESOP are issued to the employee. These contributions are expensed in the statement of income (loss) as incurred. The ESOP is administered by a third party and ESOP shares are purchased on the open market. For the year ended December 31, 2014 the Company contributed $0.2 million (2013 -$0.2 million) into the plan, which has been included in general and administrative expense in the statement of income (loss).

(in thousands of Canadian dollars, unless otherwise noted)

13. FINANCE EXPENSE

	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Finance expenses		
Accretion of decommissioning liabilities (note 9)	**1,421**	354
Interest expense on bank debt	**3,202**	2,389
Finance expense	**4,623**	2,743

14. LOSS PER SHARE

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

Weighted Average Common Shares Outstanding	**Year ended December 31, 2014**	Year ended December 31, 2013
Basic	**110,492,215**	55,542,490
Diluted	**110,492,215**	55,542,490

For the years ended December 31, 2014 and 2013, all warrants and options have been excluded from the calculation of diluted loss per share as they would have been anti-dilutive.

15. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Source/(use) of cash:		
Accounts receivable	**(6,009)**	722
Deposits and prepaid expenses	**(274)**	(46)
Accounts payable and accrued liabilities	**564**	3,096
Changes in non-cash working capital	**(5,719)**	3,772
Related to operating activities	**(5,944)**	1,867
Related to investing activities	**225**	1,905
Changes in non-cash working capital	**(5,719)**	3,772

The following are included in cash flows from operating activities:

	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Capital taxes paid in cash	**190**	85
Interest paid in cash	**3,202**	2,389

(in thousands of Canadian dollars, unless otherwise noted)

16. RELATED PARTY TRANSACTIONS

The remuneration of the key management personnel of the Company, which includes both directors and officers is set out below in aggregate:

	December 31, 2014 ($)	December 31, 2013 ($)
Salaries and bonuses [1]	**1,795**	1,700
Stock-based compensation [2]	**769**	555
	2,564	2,255

[1] Includes $60,000 of severance costs paid to former officers of Marquee in December 2013.

[2] Represents the amortization of share-based compensation expense as recorded in the financial statements.

Total personnel expense for employees, directors and management included in general and administrative expense on the statement of income (loss) for 2014 is $4.1 million (2013 - $2.9 million).

17. COMMITMENTS

a) The Company has office lease rental commitments, exclusive of operating costs, related to leased office premises for a total commitment of $0.1 million due entirely in 2015.

b) On November 26, 2013, the Company issued 8,000,500 flow-through common shares at $0.95 per flow-through common share and 660,000 flow-through common shares at $0.90 per flow-through common share for total proceeds of $8.2 million. During the year ending December 31, 2014, the Company spent $6.6 million (2013 - $1.6 million) on renounceable CEE for flow-through share purposes and no further obligation remains at December 31, 2014.

18. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk and how they arise. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. There were no changes to the company's risk management policies and procedures during the year ended December 31, 2014.

(a) Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(in thousands of Canadian dollars, unless otherwise noted)

Accounts receivable

The Company's accounts receivable are from companies in the oil and natural gas industry and are subject to normal industry credit risks. Credit risks arise principally from the amounts owing to the Company from purchasers of the Company's oil and natural gas production (oil and natural gas marketers), joint interest partners and government agencies and are subject to normal industry credit risk.

Receivables from oil and natural gas marketers are generally collected on the 25th day of the month following production and sale. Management of the Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit. During 2014 and 2013, the Company has not experienced any collection issues with its marketers.

Joint interest receivables are typically collected within one to three months of the joint interest bill being issued to the partners. The Company attempts to mitigate the risk from joint interest receivables by obtaining partner approval of significant capital expenditures prior to expenditure and, in certain circumstances, may elect to cash call a joint interest partner in advance of the work. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalation costs and the risk of unsuccessful drilling. The Company does not typically obtain collateral from oil and natural gas marketers or joint interest partners; however, the Company does have the ability to withhold production from joint interest partners in the event of non-payment. During 2014 and 2013, the Company has not experienced any collection issues with its joint interest partners.

The Company's accounts receivable are aged as follows:

	December 31, 2014 ($)	December 31, 2013 ($)
Current (less than 90 days)	**10,149**	4,230
Past due (more than 90 days)	**90**	-
	10,239	4,230

The carrying amount of $10.2 million of accounts receivable represents the maximum credit exposure and management believes all receivables will be collected. In addition, the Company is subject to credit risks associated with possible non-performance by counterparties related to the commodity contracts outstanding at December 31, 2014 of $6.1 million but mitigates the risk by selecting major Canadian financial institutions as counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due.

(in thousands of Canadian dollars, unless otherwise noted)

The Company expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flows. The Company may need to conduct equity issues or review alternate debt facilities if liquidity risks increase in a given period. The Company also has a credit facility to facilitate the management of liquidity risk. See note 8 for credit facility disclosure. The Company is required to meet certain financial commitments as described in note 17 and 18c. The Company believes it has sufficient funds to meet its foreseeable obligations by actively monitoring its credit facilities through use of the revolving loan, operating loan and the A&D loan, coordinating payment and revenue cycles each month, and an active hedge program to mitigate commodity price risk and secure cash flows. Management has delayed certain capital projects until the oil and natural gas commodity pricing environment improves and has and continues to work on strategies to reduce general and administrative and operating costs subsequent to December 31, 2014. The Company's credit facility is a demand loan and as such the bank could demand repayment at any time. Management is not aware of any indications that the bank would demand repayment in the next 12 months. Indicators considered include whether or not the Company has had any breach or default of bank covenants during the year and the recent credit facility review in September 2014.

The Company's financial liabilities, excluding derivatives, on the statement of financial position consist of accounts payable and accrued liabilities and bank debt. As at December 31, 2014, the Company had $20.4 million available under its operating and revolving loans for general corporate use and $15.0 million available under its A&D loan for acquisition or development of proved oil and natural gas interests.

At December 31, 2014 the Company was in compliance with the working capital ratio covenant. The working capital ratio was 2.0 to 1.0 (December 31, 2013 – 0.95 to 1.0 resulting in a breach of the covenant). The Bank had provided a waiver for the working capital covenant breach at December 31, 2013.

The following details the Company's financial liabilities excluding derivatives, all balances due under one year:

	December 31, 2014 ($)	December 31, 2013 ($)
Accounts payable and accrued liabilities	**15,598**	15,065
Bank debt	**58,765**	63,008
	74,363	78,073

(c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates, and foreign exchange rates will affect the Company's profit or loss, or the value of financial instruments. There have been no changes to the Company's policies for managing market risks since December 31, 2013. The objective of the Company is to manage and mitigate market risk exposure within acceptable limits while maximizing returns.

Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for oil and natural gas are impacted by changes in exchange rates between the Canadian and United States dollars.

(in thousands of Canadian dollars, unless otherwise noted)

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its credit facility, which bears a floating rate of interest. A 1% change in the interest rate on the bank debt would have a $0.1 million impact on net loss for the year ended December 31, 2014 (2013 - $0.4 million).

Commodity price risk

Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. The nature of the Company's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. The Company's production is generally sold using "spot" contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. During 2014 and 2013, the Company entered into cash settled contracts to fix the price on certain notional volumes of production. As at December 31, 2014, the Company had the following commodity contracts outstanding:

Type	Notional Volumes	Price	Index	Term
Swap	4,000 GJs/day	CAD $4.465/GJ	AECO-5A	Jan.01, 2015 to Mar.31, 2015
Swap	500 bbl/day	CAD $104.00/bbl	WTI-NYMEX	Jan.01, 2015 to Mar.31, 2015
Swap	250 bbl/day	CAD $103.00/bbl	WTI-NYMEX	Jan.01, 2015 to Jun.30, 2015
Swap	500 bbl/day	CAD $105.00/bbl	WTI-NYMEX	Apr.01, 2015 to Jun.30, 2015
Swap	300 bbl/day	CAD ($20.70)/bbl	WCS vs NGX and Net Energy Index	Jan.01, 2015 to Mar. 31, 2015

At December 31, 2014, the commodity contracts had a fair value of $6.1 million (2013 – negative $1.0 million) resulting in an unrealized gain for the year ended December 31, 2014 of $7.0 million (2013- negative $0.8 million). For the year ended December 31, 2014, a $1.00bbl/$0.10GJ increase/decrease in commodity prices would have a negative/positive impact on net loss of $0.2 million (2013 - $0.2 million).

(d) Capital management

The Company's capital management policy is to maintain a strong capital base that optimizes the Company's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Company maintains a flexible capital structure to maximize its ability to pursue oil and natural gas exploration and development opportunities and the requirement to sustain future development of the business. The Company monitors the level of risk associated for each capital project to balance the proportion of debt and equity in its capital structure. The Company monitors capital based on its current working capital, 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 budgets and forecasts. The Company's directors are responsible for overseeing this process. The Company considers its capital structure to include shareholders' equity and bank debt.

In order to maintain or adjust the capital structure, the Company may issue shares, amend, revise or renew the terms of the existing credit facility and adjust its capital spending to manage its current and projected capital structure. The Company's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices, and the global economic downturn. 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.

(in thousands of Canadian dollars, unless otherwise noted)

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

The Company's strategy is to monitor the ratio and the ratio can, and will, fluctuate based on the timing of property transactions, commodity prices and on the mix of exploratory and development drilling.

There have been no changes to the Company's capital management policies during the year ended December 31, 2014.

Net debt to annualized funds flow

The following table summarizes the Company's net debt to annualized funds flow calculation:

	December 31, 2014 ($)	December 31, 2013 ($)
Current assets (excluding commodity contracts)	**11,233**	4,950
Accounts payable and accrued liabilities	**(15,598)**	(15,065)
Bank debt	**(58,765)**	(63,008)
Net debt	**(63,130)**	(73,123)

	Year ended December 31, 2014 ($)	Year ended December 31, 2013 ($)
Funds flow from operating activities	**36,738**	10,795
Net debt to annualized funds flow	**1.7 to 1.00**	6.8 to 1.00

As at December 31, 2014, the Company's ratio of net debt to funds flow was 1.7 to 1 (December 31, 2013 – 6.8 to 1). The decrease in the ratio at December 31, 2014 was a result of an increase in funds flow from operating activities related to the asset acquisitions completed December 31, 2013 and March 6, 2014 and a decline in the outstanding bank debt related to the issuance of common shares completed May 2, 2014 and the sale of the Pembina assets on September 30, 2014.

The Company's share capital is not subject to external restrictions but the amount of the bank facility is determined by the lenders and based on the lenders' borrowing base models which are based on independent valuation of the Company's oil and gas reserves. The credit facility is also subject to certain financial and other covenants as described in note 8.

Working capital ratio

Under the credit facility (note 8), the Company is required to maintain a working capital ratio of greater than 1:1 defined as the ratio of current assets (including undrawn available credit on the revolving portion of the 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 December 31, 2013, the Company was in default of the working capital ratio covenant and the Bank provided a waiver for the covenant breach. The working capital covenant at December 31, 2014 was 2.0 to 1.0 (December 31, 2013 – 0.95 to 1.0). The working capital ratio increased at December 31, 2014 as the Company paid down debt with funds sourced from the share capital financing completed during the year and the sale of the Pembina assets on September 30, 2014.

19. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2014, the Company disposed of certain non-core oil and natural gas interests to an arm’s length party, including decommissioning liabilities for net cash proceeds of approximately $3.5 million.

b) Subsequent to December 31, 2014, the Company entered into an agreement to acquire light oil assets and infrastructure in its core Michichi area for consideration of $16.5 million, including $14.5 million in cash and the conveyance and exchange of certain non-core assets valued at $2.0 million (subject to customary closing adjustments). The transaction is expected to close on March 30, 2015.

c) In March 2015, Marquee entered into a definitive agreement with a Canadian based company for the sale of a Production Volume Royalty (“PVR”) on its Lloydminster property for $20 million. The royalty volume will be 137.5 bbls of oil per day until February 28, 2023, subject to a 20% decline per year thereafter, on a declining balance basis. The net proceeds from this arrangement will be used to reduce indebtedness and fund the Company’s 2015 capital expenditure program.