



**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015**  
**(UNAUDITED)**

## STATEMENTS OF FINANCIAL POSITION

(Unaudited; in thousands of Canadian dollars)

(\$000s)	Note	June 30, 2015	December 31, 2014
<b>Assets</b>			
Current Assets			
Accounts receivable		7,956	10,239
Deposits and prepaid expenses		1,353	994
Commodity price contracts	3	-	6,053
Total current assets		9,309	17,286
Exploration and evaluation assets	5	32,079	34,329
Property, plant and equipment	6	214,128	223,791
Deferred tax asset		10,263	6,570
Total assets		265,779	281,976
<b>Liabilities</b>			
Current Liabilities			
Bank debt	7	51,691	58,765
Accounts payable and accrued liabilities		6,447	15,598
Commodity contracts	3	208	-
Total current liabilities		58,346	74,363
Decommissioning liabilities	8	85,449	77,578
Total liabilities		143,795	151,941
<b>Shareholders' Equity</b>			
Share capital	9	179,438	179,438
Contributed surplus	10c	10,517	9,687
Deficit		(67,971)	(59,090)
Total shareholders' equity		121,984	130,035
Total liabilities and shareholders' equity		265,779	281,976

Commitments 6

Subsequent events 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 June 30,		Six months ended June 30,	
(\$000s)	Note	2015	2014	2015	2014
<b>Revenue</b>					
Oil and natural gas sales		16,082	25,131	30,192	45,877
Royalties		(2,484)	(3,349)	(3,538)	(5,295)
Revenue, net of royalties		13,598	21,782	26,654	40,582
Realized gain (loss) on commodity price contracts		2,263	(1,379)	5,795	(2,679)
Unrealized gain (loss) on commodity price contracts	3	(3,020)	769	(6,261)	(1,408)
Net revenue before expenses		12,841	21,172	26,188	36,495
<b>Expenses</b>					
Production and operating		6,777	7,400	13,436	14,252
Transportation		647	1,117	1,436	1,801
General and administrative		1,671	1,670	3,348	3,292
Finance		759	1,170	1,538	2,434
(Gain) loss on disposition oil and gas interests	6	27	(567)	(1,669)	(663)
Transaction costs		90	2	370	573
Stock-based compensation	10c	312	199	630	417
Depletion and depreciation	6	8,705	8,318	18,449	15,345
Exploration and evaluation expenditures	5	1,010	656	1,224	1,514
Total expenses		19,998	19,965	38,762	38,965
Income (loss) before income taxes		(7,157)	1,207	(12,574)	(2,470)
Income tax expense (recovery)					
Current		-	52	-	71
Deferred		(2,407)	255	(3,693)	(691)
Total income tax expense (recovery)		(2,407)	307	(3,693)	(620)
Income (loss) and comprehensive income (loss) for the period		(4,750)	900	(8,881)	(1,850)
Income (loss) per share					
Basic	9c	(0.04)	0.01	(0.07)	(0.02)
Diluted	9c	(0.04)	0.01	(0.07)	(0.02)

See accompanying notes to the condensed interim financial statements

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited; in thousands of Canadian dollars)

(\$000s)	Note	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at December 31, 2013		149,467	8,320	(46,280)	111,507
Issued for cash		20,125	-	-	20,125
Issued on asset acquisition		10,828	-	-	10,828
Share issue costs		(1,024)	-	-	(1,024)
Stock-based compensation		-	502	-	502
Net loss for the period		-	-	(1,850)	(1,850)
Balance at June 30, 2014		179,396	8,822	(48,130)	140,088
Balance at December 31, 2014	9b	179,438	9,687	(59,090)	130,035
Stock-based compensation	10c	-	830	-	830
Net loss for the period		-	-	(8,881)	(8,881)
<b>Balance at June 30, 2015</b>		<b>179,438</b>	<b>10,517</b>	<b>(67,971)</b>	<b>121,984</b>

See accompanying notes to the condensed interim financial statements

## STATEMENTS OF CASH FLOWS

(Unaudited; in thousands of Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
(\$000s)	Note	2015	2014	2015	2014
<b>Cash flows from operating activities</b>					
Income (loss) for the period		(4,750)	900	(8,881)	(1,850)
Adjustments for:					
Amortization of other liabilities		(8)	(8)	(16)	(16)
Depletion and depreciation expense	6	8,705	8,318	18,449	15,345
Stock based compensation expense	10c	312	199	630	417
Unrealized (gain) loss on commodity contracts	3	3,020	(769)	6,261	1,408
(Gain) loss on disposition of oil and natural gas interests	6	27	(567)	(1,669)	(663)
Accretion of decommissioning liabilities	8	317	289	645	629
Exploration and evaluation expenditures	5	1,010	656	1,224	1,514
Deferred tax expense (recovery)		(2,407)	254	(3,693)	(692)
Decommissioning expenditures	8	(60)	-	(605)	-
Changes in non-cash working capital	11	235	(370)	(95)	(3,448)
Net cash from operating activities		6,401	8,902	12,250	12,644
<b>Cash flows used in investing activities</b>					
Exploration and evaluation asset expenditures	5	(189)	(3,026)	(1,649)	(3,640)
Property, plant and equipment expenditures	6	(760)	(1,147)	(5,927)	(13,530)
Corporate acquisitions	4	-	-	(14,362)	-
Asset acquisitions	6	-	(1,015)	-	(2,015)
Proceeds on disposition of property, plant, and equipment	6	-	451	23,643	479
Proceeds on disposition of exploration and evaluation assets	5	10	50	10	50
Changes in non-cash working capital	11	(2,091)	(7,456)	(6,891)	(4,984)
Net cash used in investing activities		(3,030)	(12,143)	(5,176)	(23,640)
<b>Cash flows from financing activities</b>					
Repayments of bank debt	7	(3,371)	(15,552)	(7,074)	(7,764)
Proceeds from issue of share capital		-	20,125	-	20,125
Share issue costs		-	(1,332)	-	(1,365)
Net cash from (used in) financing activities		(3,371)	3,241	(7,074)	10,996
Change in cash		-	-	-	-
Cash, beginning of period		-	-	-	-
Cash, end of period		-	-	-	-

See accompanying notes to the condensed interim financial statements

## NOTES TO THE FINANCIAL STATEMENTS

**For the three and six months ended June 30, 2015 and 2014**

*(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 Energy Ltd. is a publicly traded company on the TSX Venture Exchange under the symbol "MQL.V", and on the United States OTC Market ("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 – 4<sup>th</sup> Avenue SW, Calgary, Alberta, Canada, T2P 2V6.

### 2. BASIS OF PRESENTATION

Statement of compliance

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

These condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the audited annual financial statements of the Company for the year ended December 31, 2014. The disclosures provided below are incremental to those included with 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 financial statements and notes thereto in the Company's annual filings for the year ended December 31, 2014.

For the three and six months ended June 30, 2015 the Company reclassified \$1.5 million between sales and transportation expense related to tariff and other related charges (2014 - \$0.5 million and \$1.3 million).

The condensed interim financial statements were authorized for issue by the Board of Directors on August 26, 2015.

### 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, forward sales contracts and physical sales contracts. The Company does not apply hedge accounting for these 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 riskfree interest rate (based on published government rates). At June 30, 2015, the Company held financial commodity price contracts as follows:

## NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ended June 30, 2015 and 2014

(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

Type	Notional Volumes	Price	Index	Term	Fair value (\$000)
Swap	200 bbl/day	CAD \$74.05/bbl	WTI-NYMEX	Jul.01, 2015 to Dec.31, 2015	(69)
Swap	200 bbl/day	CAD \$75.00/bbl	WTI-NYMEX	Jul.01, 2015 to Dec.31, 2015	(53)
Swap	500 bbl/day	CAD \$75.25/bbl	WTI-NYMEX	Oct.01, 2015 to Dec.31, 2015	(18)
Swap	500 bbl/day	CAD \$74.25/bbl	WTI-NYMEX	Jul.01, 2015 to Sep.30, 2015	(41)
Swap	150 bbl/day	CAD \$75.20/bbl	WTI-NYMEX	Jul.01, 2015 to Sep.30, 2015	(29)
Swap	150 bbl/day	CAD \$76.11/bbl	WTI-NYMEX	Oct.01, 2015 to Dec.31, 2015	5
Swap	250 bbl/day	CAD \$76.87/bbl	WTI-NYMEX	Jan.01, 2016 to Mar.30, 2016	-
Swap	300 bbl/day	USD (\$13.50)/bbl	WCS vs NGX and Net Energy Index	Jul.01, 2015 to Sep.30, 2015	(3)
Total	2,250 bbl/day				(208)

At June 30, 2015, the commodity contracts had a fair value of net liability \$0.2 million (December 31, 2014 – \$6.1 million) resulting in an unrealized loss for the three and six months ended June 30, 2015 of \$3.0 million and \$6.3 million (2014 - \$0.8 million gain and \$1.4 million loss).

### 4. ACQUISITIONS

On March 25, 2015, the Company acquired certain oil and natural gas properties for total consideration of \$16.3 million including \$14.4 million in cash and the conveyance and exchange of non-core gas assets valued at \$1.9 million. The transaction allowed the Company to acquire undeveloped land, as well as additional production in its core Michichi area.

The value attributed to the property, plant and equipment acquired was determined with reference to an engineering report prepared by third party reserve evaluators.

Amendments may be made to these amounts as values subject to estimates are finalized. The allocation of the purchase price is as follows:

<b>Purchase price allocation</b>	(\$000s)
Fair value of net assets acquired:	
Property, plant and equipment	16,701
Decommissioning liabilities	(407)
Net assets acquired	16,294
<b>Costs of acquisition</b>	
Cash consideration	14,362
Property, plant and equipment	1,932
Total consideration	16,294

Had the transaction been completed on January 1, 2015, the incremental oil and natural gas revenue and net income for the period ended June 30, 2015 representing proforma results would be as follows:

Six months ended June 30, 2015	As stated (\$)	Transaction (\$)	Pro Forma (\$)
Oil and natural gas revenue	30,192	1,572	31,764
Net income/(loss)	(8,881)	779	(8,102)

## NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ended June 30, 2015 and 2014

(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

### 5. EXPLORATION AND EVALUATION ASSETS

Cost	(\$000's)
Balance, January 1, 2014	26,600
Capital expenditures	15,115
Acquisition of exploration and evaluation assets	3,828
Transfers to property, plant and equipment	(8,606)
Exploration and evaluation costs expensed	(2,558)
Dispositions of exploration and evaluation assets	(50)
<b>Balance, December 31, 2014</b>	<b>34,329</b>
Capital expenditures	1,649
Transfers to property, plant and equipment (note 6)	(2,640)
Exploration and evaluation costs expensed	(1,224)
Dispositions of exploration and evaluation assets	(35)
<b>Balance, June 30, 2015</b>	<b>32,079</b>

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.

During the six months ended June 30, 2015, the Company expensed \$1.2 million (2014 - \$1.5 million) of certain costs previously capitalized as exploration and evaluation assets as the lease term of undeveloped lands expired.



## NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ended June 30, 2015 and 2014

(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

### 6. PROPERTY, PLANT AND EQUIPMENT

(\$000s)	Oil and natural gas interests	Corporate assets	Total
<b>Cost</b>			
Balance, January 1, 2014	266,655	430	267,085
Capital expenditures	43,386	63	43,449
Dispositions	(46,337)	-	(46,337)
Acquisition of oil and natural gas properties	27,241	-	27,241
Transfers from exploration and evaluation assets (note 5)	8,606	-	8,606
Change in decommissioning liabilities (note 8)	13,549	-	13,549
Balance, December 31, 2014	313,100	493	313,593
Capital expenditures	6,118	-	6,118
Dispositions	(32,921)	-	(32,921)
Acquisition of oil and natural gas properties (note 4)	16,701	-	16,701
Transfers from exploration and evaluation assets (note 5)	2,640	-	2,640
Change in decommissioning liabilities (note 8)	11,248	-	11,248
<b>Balance, June 30, 2015</b>	<b>316,886</b>	<b>493</b>	<b>317,379</b>
<b>Accumulated depletion and depreciation and impairments</b>			
Balance, January 1, 2014	(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)
Depletion and depreciation expense	(18,417)	(32)	(18,449)
Dispositions	5,000	-	5,000
<b>Balance, June 30, 2015</b>	<b>(102,959)</b>	<b>(292)</b>	<b>(103,251)</b>
<b>Net book value</b>			
At December 31, 2014	223,558	233	223,791
<b>At June 30, 2015</b>	<b>214,927</b>	<b>201</b>	<b>214,128</b>

During the six months ended June 30, 2015, the Company capitalized salaries of \$0.4 million (2014 - \$0.4 million) as well as related stock-based compensation expense of \$0.2 million (2014 - \$0.1 million) for employees and consultants who performed services that were directly attributable to development activities.

On March 24, 2015 the Company closed an arrangement with a partner for the sale of a production volume royalty ("PVR") on its Lloydminster property. Total consideration for the arrangement was \$20 million with a disposal of property, plant and equipment having a carrying value of \$19 million resulting in a gain on sale of \$1.0 million. The royalty volume amounts to 137.5 bbls of oil per day until February 28, 2023, subject to a 20% reduction per year thereafter, on a declining balance basis. As part of this transaction, Marquee has committed to drill four net wells each calendar year from 2016 until 2022, two of which shall be horizontal, resulting in a minimum of \$2.75 million in capital expenditures per calendar year.

On March 25, 2015 the Company completed an acquisition in the Michichi area for \$16.3 million comprised of \$14.4 million in cash consideration in addition to the conveyance and exchange of certain non-core gas properties valued at \$1.9 million with a carrying value of \$1.5 million.

During the six months ended June 30, 2015, the Company completed the sale of certain non-core properties for net proceeds of \$3.7 million (2014 - \$0.7 million) with an associated asset retirement cost of \$4.2 million (note 8). A \$0.3 million gain related to non-core dispositions (2014 - \$0.6 million) was recognized in earnings.

## NOTES TO THE FINANCIAL STATEMENTS

**For the three and six months ended June 30, 2015 and 2014**

*(Unaudited; in thousands of Canadian dollars, unless otherwise noted)*

### 7. BANK DEBT

At June 30, 2015, 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, 2014 - \$70 million), a \$10 million operating demand facility ("operating loan") (December 31, 2014 - \$10 million) and an acquisition/development demand loan ("A&D loan") of up to \$15 million (December 31, 2014 - \$15 million).

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 June 30, 2015 the interest rate is prime plus 100 bps and the BA rate is quoted plus 225 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 Banks' approval 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 banks. The next scheduled review for the credit facilities is October 2015.

At June 30 2015, the Company had drawn \$50 million on the revolving loan, \$1.7 million on the operating loan and \$nil on the A&D loan. At June 30, 2015 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 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 revolving loan is added to working capital).

At June 30, 2015, the Company was in compliance with the adjusted working capital ratio covenant of 4.16 to 1.0 (at December 31, 2014 - 2.0 to 1.0).

### 8. 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 June 30, 2015 the total undiscounted cash flows required to settle the liabilities is approximately \$121.3 million (December 31, 2014- \$125.7 million). The estimated net present value of the decommissioning liabilities was calculated using a risk-free rate between approximately 1% and 3% at June 30, 2015 (December 31, 2014 - between 1% and 3%) and an inflation rate of 2% (December 31, 2014 - 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.

## NOTES TO THE FINANCIAL STATEMENTS

**For the three and six months ended June 30, 2015 and 2014**

*(Unaudited; in thousands of Canadian dollars, unless otherwise noted)*

The following table summarizes changes in the decommissioning liabilities:

(\$000s)	June 30, 2015	December 31, 2014
Decommissioning liabilities, beginning of period	77,578	46,885
New liabilities recognized	145	1,444
Change in estimates <sup>(1)</sup>	11,248	12,105
Liabilities assumed on acquisitions (note 4)	407	18,081
Liabilities settled on dispositions (note 6)	(4,198)	(1,778)
Actual costs incurred	(378)	(580)
Accretion	645	1,421
Decommissioning liabilities, end of period	85,447	77,578

- <sup>(1)</sup> 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 six months ended June 30, 2015, the change in estimate included \$0.4 million of cost increases resulting from additional information due to asset acquisitions and review of third party and internal information and an increase of \$10.8 million related to the change in discount rates.

### 9. 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, 2014	84,489,147	149,467
Common shares issued for cash	22,115,650	20,125
Common shares issued on asset acquisition	13,705,888	10,828
Share issue costs	-	(1,024)
Common shares issued on exercise of stock options	30,000	42
Outstanding, December 31, 2014 and June 30, 2015	120,340,685	179,438

#### c) Per Share Amounts

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<i>(000s, except per share amounts)</i>				
Net income (loss) for the period	\$ (4,750)	\$ 900	\$ (8,881)	\$ (1,850)
Weighted-average number of common shares				
Basic and diluted	120,341	112,534	120,341	100,482
Net income (loss) per weighted-average common share				
Basic and diluted	\$ (0.04)	\$ 0.01	\$ (0.07)	\$ (0.02)

For the periods ended June 30, 2015 and 2014, all warrants and options have been excluded from the calculation of diluted income (loss) per share as they would have been anti-dilutive.

## NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ended June 30, 2015 and 2014

(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

### 10. 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, December 31, 2014	10,123,602	1.06
Granted	405,000	0.77
Forfeited and/or cancelled	(752,413)	1.40
<b>Outstanding, June 30, 2015</b>	<b>9,776,189</b>	<b>1.02</b>
<b>Exercisable, June 30, 2015</b>	<b>3,299,939</b>	<b>1.06</b>

During the period ended June 30, 2015, the Company granted 405,000 options at a weighted average exercise price of \$0.80. 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 June 30, 2015:

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	715,000	3.7	0.61	308,750	3.3	0.63
\$0.76 to \$1.00	4,073,750	3.3	0.85	1,660,000	3.1	0.86
\$1.01 to \$1.25	3,734,894	4.2	1.17	78,644	3.8	1.08
\$1.26 to \$1.50	1,218,125	1.5	1.30	1,218,125	1.5	1.30
\$1.51 to \$5.44	34,420	0.5	5.44	34,420	0.5	5.44
	<b>9,776,189</b>	<b>3.4</b>	<b>1.02</b>	<b>3,299,939</b>	<b>2.5</b>	<b>1.06</b>

#### b) Warrants

The Company issued warrants to directors of the Company. All remaining warrants as at June 30, 2015 will expire on June 12, 2016. The following table summarizes the changes in the warrants outstanding:

Warrants	Number	Weighted Average Exercise Price (\$)
Outstanding, December 31, 2014	1,679,835	1.59
Expired	(406,250)	2.80
<b>Outstanding and exercisable, June 30, 2015</b>	<b>1,273,585</b>	<b>1.20</b>

## NOTES TO THE FINANCIAL STATEMENTS

### For the three and six months ended June 30, 2015 and 2014

(Unaudited; in thousands of Canadian dollars, unless otherwise noted)

#### c) Stock-based compensation expense

The Company recorded stock-based compensation expense (net of capitalization) for the three and six month periods ended June 30, 2015 of \$0.3 million and \$0.6 million (2014 - \$0.2 million and \$0.4 million). Capitalized stock-based compensation in the amount of \$0.1 million and \$0.2 million was included in property, plant and equipment for the three and six month periods ended June 30, 2015 (2014 - \$0.1 million and \$0.1 million).

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:

	June 30, 2015	June 30, 2014
Risk-free interest rate	1%	2%
Expected volatility	69%	57%
Expected life	5 years	5 years
Expected dividend yield	N/A	N/A
Estimated forfeiture rate	0%	0%
Fair value per option	\$0.45	\$0.40
Stock price on grant date	\$0.80	\$0.82

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.

## 11. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital is comprised of:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Source/(use) of cash:				
Accounts receivable	1,771	(332)	2,283	(5,580)
Deposits and prepaid expenses	(552)	(65)	(359)	53
Accounts payable and accrued liabilities	(3,075)	(7,429)	(8,910)	(2,905)
Changes in non-cash working capital	(1,856)	(7,826)	(6,986)	(8,432)
Related to investing activities	(2,091)	(7,456)	(6,891)	(4,984)
Related to operating activities	235	(370)	(95)	(3,448)
Changes in non-cash working capital	(1,856)	(7,826)	(6,986)	(8,432)

## NOTES TO THE FINANCIAL STATEMENTS

**For the three and six months ended June 30, 2015 and 2014**

*(Unaudited; in thousands of Canadian dollars, unless otherwise noted)*

### 12. SUBSEQUENT EVENTS

- a) Subsequent to quarter end, the Company completed a transaction to acquire complementary land and gas-processing infrastructure within its core area at Michichi. The acquisition includes approximately 550 boe/d (25% Oil & NGLs) of production, 21 net sections of land with Banff rights contiguous within the heart of Marquee's light oil play, and extensive infrastructure. Cash consideration for the Acquisition is approximately \$11.98 million.

Had the transaction been completed on January 1, 2015, the incremental oil and natural gas revenue and net income for the period ended June 30, 2015 representing the proforma results would be as follows:

Six months ended June 30, 2015	As stated (\$)	Transaction (\$)	Pro Forma (\$)
Oil and natural gas revenue	30,192	2,588	32,780
Net income/(loss)	(8,881)	490	(8,391)

- b) On August 19, 2015 Marquee finalized a facility arrangement with a third party under which the Company will receive \$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 nine year term and will continue to process gas from producing properties. Marquee will pay the purchaser an annual facility tariff fee for the life of the agreement, but retain all third party processing revenues generated.