MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended September 30, 2016
Date: November 29, 2016

ALBERTA OILSANDS INC. ARRANGEMENT

On August 19, 2016, Marquee entered into an arrangement agreement ("Arrangement Agreement") whereby Alberta Oilsands Inc. will acquire all of the issued and outstanding common shares of Marquee. Under the terms of the Arrangement Agreement, holders of common shares of Marquee will receive, for each Marquee share held, 1.67 common shares in the capital of Alberta Oilsands Inc. ("Alberta Oilsands").

On November 29, 2016, Marquee Energy Ltd. ("Marquee") and Alberta Oilsands Inc. ("AOS") announced that they have reached a settlement with Smoothwater Capital Corporation ("Smoothwater") in respect of Smoothwater's prior opposition to the proposed acquisition of Marquee by AOS through a plan of arrangement involving Marquee, its shareholders and AOS (the "Arrangement") and the completion of the short-form vertical amalgamation contemplated to immediately follow completion of the Arrangement to form "Marquee Energy Ltd." ("New Marquee").

Smoothwater has agreed to cease all actions related to the opposition of the Arrangement before any and all courts, securities commissions, the TSX Venture Exchange and any other governmental or regulatory authority.
Smoothwater has withdrawn its requisition for a meeting of AOS shareholders and ceased all proxy solicitations in connection therewith.

On completion of the arrangement, Marquee shareholders will own approximately 49% of the common shares of the combined entity. The combined entity will be led by the current management team of Marquee, and the board of directors will include three of the current directors of Marquee and of Alberta Oilsands, respectively plus one additional director from Smoothwater. In addition, New Marquee will reimburse a portion of Smoothwater's documented expenses and issue to Smoothwater an aggregate of 1,000,000 common shares of New Marquee at a deemed price of $0.11 per share, being the trading price of the common shares of AOS on the TSX-V at the close of trading on November 28, 2016. The continuing operations of the combined entity will be that of Marquee. The successful completion of the arrangement agreement would result in the injection of approximately $30.0 million of net cash (after expected transaction costs associated with the arrangement).

The completion of the Arrangement is subject to the receipt of the final approval from the Alberta Court of Queen's Bench. Upon receipt of the final court approval, the arrangement is expected to close shortly thereafter.

The combination of Marquee and Alberta Oilsands represents a significant recapitalization opportunity for Marquee Shareholders, and enables shareholders of Marquee and Alberta Oilsands to emerge from a volatile commodity price environment as a well-funded growth vehicle focused on the sustainable development of a top tier oil resource play.

The following benefits are anticipated to result from the completion of the Arrangement:

- Provides shareholders of Alberta Oilsands with exposure to a dominant land position containing a current light oil drilling inventory of greater than 300 horizontal locations in the Michichi oil fairway, with 2,600 boe/d of production and sustainable growth opportunities at current commodity prices; and
- Provides shareholders of Marquee with reduced operating leverage, continued exposure to a top tier oil resource play, and the financial flexibility to sustainably develop its resource base and focus on strategic acquisition opportunities within its core Michichi area; and

- The resulting company will be a well-capitalized company with a balance sheet that is in line with the best companies in its peer group; and
- Provides shareholders of Marquee and Alberta Oilsands with exposure to significant upside beyond the current drilling inventory over the longer term in the event of an improvement in commodity prices.

OUTLOOK

Over the past 24 months, Marquee has drilled and placed on production 18 horizontal wells in the Michichi area of Alberta. Based on the expected well production profiles and cost structure of its recent wells, Marquee estimates a 1.4 year payout for a typical Michichi horizontal well based on current strip pricing. Michichi wells finding and development costs rank in the top quartile relative to competing resources.

In the first eleven months of 2016, the oil industry has faced significant headwinds due to the prolonged downward pressure on oil and gas prices resulting from an oversupply of world oil markets. Marquee is fortunate to own a low-cost oil focused asset base which allows the Company to mitigate some of its exposure to volatility in commodity prices, while also positioning it for strong growth as commodity pricing improves.

Marquee continues to evaluate and prudently manage its 2016 capital program, and remain focused on balance sheet preservation and long-term value creation. The Company will also look to maintain its hedging program as opportunities present themselves to provide a base level of revenue to protect short-term capital programs.

As demonstrated by the sale of non-core shallow gas assets and its heavy oil assets at Lloydminster, the Company has pursued opportunities to monetize non-core assets as a means to further reduce indebtedness and future liabilities. Through this focus on sustainability, Marquee expects to be well positioned to realize the potential value that has been delineated at Michichi as commodity prices improve.

Management believes the Company strengths at Michichi include large oil in place, extensive drilling inventory, strong economics at current oil prices, ownership and control of infrastructure, high working interest ownership and an improving cost structure. The Company has identified more than 300 horizontal drilling locations within its multi-zone light oil fairway. The Company recently received government approval for its Michichi water flood pilot, which will go ahead in 2017 once the royalty regime has been confirmed.

The Directors and management of Marquee continue to monitor changes to commodity pricing and the current economic environment, as it affects both the Company’s business and that of its suppliers. Changes in capital spending are dependent on projected cash flow and market conditions and are reviewed quarterly by the Board of Directors.

marquee ENERGY LTD.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Financial *(000's except per share and per boe amounts)*				
Oil and natural gas sales (1)	**$ 7,432**	$ 12,792	**$ 23,525**	$ 42,984
Funds flow from operations (2)	**$ 186**	$ 2,613	**$ 2,049**	$ 15,933
Per share - basic and diluted	**$ -**	$ 0.02	**$ 0.02**	$ 0.13
Per boe	**$ 0.73**	$ 13.56	**$ 2.03**	$ 11.41
Net income (loss)	**$ (5,247)**	$ (17,837)	**$ (12,122)**	$ (26,718)
Per share - basic and diluted	**$ (0.04)**	$ (0.15)	**$ (0.10)**	$ (0.22)
Capital expenditures	**$ 210**	$ 8,577	**$ 687**	$ 16,153
Acquisitions	**$ -**	$ 12,687	**$ -**	$ 27,049
Dispositions (3)	**$ -**	$ (15,000)	**$ (5,127)**	$ (38,653)
Net debt (2)			**$ 45,019**	$ 51,904
Total Assets			**$ 178,553**	$ 259,756
Weighted average basic and diluted shares outstanding	**123,165,652**	120,340,685	**123,165,652**	120,340,685
Operational				
Net wells drilled	**-**	4	**-**	6
Daily sales volumes				
Oil (bbls per day)	**1,240**	1,437	**1,320**	1,631
Heavy Oil (bbls per day)	**10**	542	**225**	644
NGL's (bbls per day)	**148**	152	**147**	188
Natural Gas (mcf per day)	**8,241**	15,430	**11,861**	15,916
Total (boe per day)	**2,772**	4,703	**3,669**	5,116
% Oil and NGL's	**50%**	45%	**46%**	48%
Average realized prices				
Light Oil ($/bbl)	**$ 44.19**	$ 44.41	**$ 40.27**	$ 47.94
Heavy Oil ($/bbl)	**$ 29.35**	$ 37.38	**$ 24.52**	$ 40.42
NGL's ($/bbl)	**$ 29.33**	$ 55.71	**$ 29.64**	$ 35.62
Natural Gas ($/mcf)	**$ 2.59**	$ 3.01	**$ 1.92**	$ 2.92
Netback				
Revenue ($/boe)	**$ 29.14**	$ 29.56	**$ 23.40**	$ 30.78
Royalties ($/boe)	**$ (1.51)**	$ (3.52)	**$ (2.05)**	$ (3.62)
Operating and transportation costs ($/boe)	**$ (16.84)**	$ (17.69)	**$ (15.77)**	$ (16.13)
Operating netback prior to hedging (2)	**$ 10.79**	$ 8.35	**$ 5.58**	$ 11.03
Realized hedging gain (loss) ($/boe)	**$ (1.17)**	$ 3.01	**$ 2.02**	$ 5.08
Operating netback ($/boe) (2)	**$ 9.62**	$ 11.36	**$ 7.60**	$ 16.11

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for Marquee Energy Ltd. ("Marquee", "we", "our" or the "Company") as at and for the three and nine months ended September 30, 2016. This MD&A is dated and based on information available to November 29, 2016 and should be read in conjunction with the Company's unaudited condensed interim Financial Statements and related notes thereto for the three and nine months ended September 30, 2016 and 2015, as well as the audited Financial Statements and related notes thereto for the years ended December 31, 2015 and 2014. The Company's condensed interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting within International Accounting Financial Standard ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All figures provided herein are reported in thousands of Canadian dollars unless otherwise stated. The reader should be aware that historical results are not necessarily indicative of future performance.

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

DESCRIPTION OF BUSINESS

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

RESULTS OF OPERATIONS

Average Daily Oil and Natural Gas Production and Sales Volume

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Light oil (bbls/d)	**1,240**	1,437	-14%	**1,320**	1,631	-19%
Heavy oil (bbls/d)	**10**	542	-98%	**225**	644	-65%
NGLs (bbls/d)	**148**	152	-3%	**147**	188	-22%
Natural gas (mcf/d)	**8,241**	15,430	-47%	**11,861**	15,916	-25%
Total boe/d (6:1)	**2,772**	4,703	-41%	**3,669**	5,116	-28%
Production split (%)						
Crude oil and NGL	**50%**	45%	11%	**46%**	48%	-4%
Natural gas	**50%**	55%	-9%	**54%**	52%	4%
Total	**100%**	100%		**100%**	100%	

Marquee's third quarter sales decreased 41% to 2,772 boe/d compared to the third quarter of 2015. Production was comprised of crude oil and NGL production averaging 1,398 boe/d and natural gas production averaging 8,241 mcf/d. Production declines quarter over quarter are a result of property dispositions, natural decline of existing light oil wells, and overall decreased drilling activity. The third quarter is the first full quarter of production since Marquee disposed of non-core shallow gas assets with average daily production of approximately 5,700 mcf/d, and its heavy oil Lloydminster assets with average daily production of approximately 350 bbl/d.

Daily production for the nine months ended September 30, 2016 decreased by 28%, compared to the same period in 2015, averaging 3,669 boe/d comprised of 1,692 boe/d crude oil and NGL production and 11,861 mcf/d natural gas production.

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

	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Benchmark prices						
WTI ($US/bbl)	**$ 44.94**	$ 46.43	-3%	**$ 41.33**	$ 51.00	-19%
$C/$US foreign exchange rate	**$ 0.77**	$ 0.76	1%	**$ 0.76**	$ 0.79	-4%
WTI ($C/bbl)	**$ 58.65**	$ 60.75	-3%	**$ 54.43**	$ 64.12	-15%
WCS Hardisty ($C/bbl)	**$ 41.01**	$ 43.29	-5%	**$ 36.30**	$ 47.47	-24%
AECO natural gas ($/mcf)	**$ 2.31**	$ 2.75	-16%	**$ 1.84**	$ 2.63	-30%
Average sales prices						
Light oil ($/bbl)	**$ 44.19**	$ 44.41	-1%	**$ 40.27**	$ 47.94	-16%
Heavy oil ($/bbl)	**$ 29.35**	$ 37.38	-21%	**$ 24.52**	$ 40.42	-39%
NGL ($/bbl)	**$ 29.33**	$ 55.71	-47%	**$ 29.64**	$ 35.62	-17%
Natural gas ($/mcf)	**$ 2.59**	$ 3.01	-14%	**$ 1.92**	$ 2.92	-34%
Combined ($/boe)	**$ 29.14**	$ 29.56	-1%	**$ 23.40**	$ 30.78	-24%

The West Texas Intermediate ("WTI") at Cushing, Oklahoma is the benchmark reference price for North American crude oil prices. Canadian oil prices, including Marquee's crude oil, are based on price postings, which is WTI-adjusted for transportation, quality and the U.S./Canadian Dollar currency conversion rates. During the three months ended September 30, 2016, the WTI crude oil price benchmark averaged US$44.94/bbl as compared to US$46.43/bbl in the comparable 2015 period representing a 3% decline. The decline in crude oil prices has been driven primarily by an oversupplied global oil market. It is expected that North American crude oil inventories nearing storage capacity and continued global production growth may continue to suppress domestic oil prices for the near- and medium-term.

Marquee's light oil discount to the Canadian-dollar equivalent WTI price averaged $14.46/bbl for the three months ended September 30, 2016 compared to $16.34/bbl in the comparable 2015 period.

Alberta AECO natural gas benchmark pricing decreased 16% for the three months ended September 30, 2016 as compared to the same period in 2015. Consequently, the average realized price for the three months ended September 30, 2016 decreased to $2.59 per mcf as compared to $3.01 per mcf in the third quarter of 2015. On a quarter over quarter basis Marquee's realized gas price is up 82% to $2.59 from $1.42 per mcf last quarter. Marquee's natural gas sales are priced with reference to the Alberta AECO-5A market reference price. Currently the North American natural gas prices have recovered as a result of oversupply resulting from increased production, and weak demand figures caused by favorable weather conditions.

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

Oil and Natural Gas Revenue (excluding commodity price contracts)

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2016**	2015	Change	**2016**	2015	Change
Light oil	**5,041**	5,871	-14%	**14,567**	21,346	-32%
Heavy oil	**27**	1,864	-99%	**1,512**	7,106	-79%
NGLs	**399**	779	-49%	**1,194**	1,828	-35%
Natural gas	**1,965**	4,278	-54%	**6,252**	12,704	-51%
Total revenue	**7,432**	12,792	-42%	**23,525**	42,984	-45%

Total revenue for the third quarter of 2016 decreased by 41% to $7.4 million compared to $12.8 million in the third quarter of 2015. Total revenue for the nine months ended September 30, 2016 decreased by 45% to $23.5 million compared to $43.0 million for the nine months ended September 30, 2015. The decrease in revenue is primarily due to the sharp decline in benchmark and realized commodity prices, decreased production on existing wells due to drilling inactivity and natural decline, and the Lloydminster and shallow gas dispositions.

Commodity Price Contracts and Risk Management

The Company's financial results will be dependent on the prices received for crude oil and natural gas production. North American crude oil prices have sharply decreased due primarily to global oversupply and storage facilities approaching capacity in Cushing, Oklahoma. Natural gas benchmark prices have also decreased and are determined by supply and demand factors, including weather, and general economic conditions in natural gas consuming and producing regions. Management has been proactive in entering into derivatives for the purpose of hedging and has partially mitigated commodity price risk by entering into crude oil hedging contracts extending to December 31, 2016. Marquee's current commodity contract position as at the date of this MD&A is as follows:

Product	Type	Notional Volumes	Price ($Cdn)	Index	Term	Fair Value ($000)
Crude oil	Swap	200 bbl/day	$54.15/bbl	WTI-NYMEX	Oct.01,2016 to Dec.31,2016	(185)
Crude oil	Swap	100 bbl/day	$57.21/bbl	WTI-NYMEX	Oct.01,2016 to Dec.31,2016	(65)
						(250)

A summary of realized and unrealized commodity contract gains and losses for the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2016**	2015	Change	**2016**	2015	Change
Realized gain (loss) on commodity contracts	**(298)**	1,303	-123%	**2,031**	7,098	-71%
Unrealized gain (loss) on commodity contracts	**644**	2,052	-69%	**(1,883)**	(4,209)	-55%
	346	3,355	-90%	**148**	**2,889**	-95%

Marquee realized commodity contract gain for the nine months ended September 30, 2016 of $2.0 million, with a 2016 third quarter loss of $0.3 million due to oil price recovery with WTI benchmark increasing approximately 42% since January. For the nine months ended September 30, 2016, an unrealized loss of $1.9 million was recognized, being the decrease in fair value to a net derivative asset of $1.6 million at December 31, 2015, as compared to a net derivative liability of $0.3 million at September 30, 2016. The fair value of the net commodity contract asset is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses are not cash and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions. These commodity price contracts will settle at December 31, 2016 corresponding to when the Company will recognize sales from production.

Royalties

	Three months ended September 30,			Nine months ended September 30,		
($000s, except per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
Royalties	**384**	1,521	-75%	**2,058**	5,059	-59%
As a percentage of revenue	**5%**	12%	-58%	**9%**	12%	-25%
$/boe	**1.51**	3.52	-57%	**2.05**	3.62	-43%

Royalty payments are made to the owners of the mineral rights on leases, which include provincial governments and

freehold landowners, as well as to other third parties by way of contractual overriding royalties. Overriding royalties are generally paid to third parties where Marquee has entered into agreements to earn an interest in their mineral rights by investing capital in their property.

Royalties for the three months ended September 30, 2016 decreased to $0.4 million compared to $1.5 million for the same period in 2015. Royalties for the nine months ended September 30, 2016 decreased to $2.1 million compared to $5.1 million in the comparable 2015 period. As a percentage of sales, royalties declined representing reduced royalty rates applied to all commodities due to lower benchmark pricing.

Production and Transportation Expenses

	Three months ended September 30,			**Nine months ended September 30,**		
($000s, except per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
Production and operating costs	**3,990**	7,107	-44%	**14,545**	20,543	-29%
Transportation costs	**305**	546	-44%	**1,305**	1,982	-34%
	4,295	7,653	-44%	**15,850**	22,525	-30%
$/boe	**16.84**	17.69	-5%	**15.77**	16.13	-2%

Production and transportation costs for the third quarter were $4.3 million or $16.84 per boe compared to $7.7 million or $17.69 per boe for the third quarter of 2015. Quarterly production and operating costs on a per boe basis decreased 5% compared to the comparable 2015 quarter. The overall decrease in production and operating costs are due to reductions in field expenses due to managements cost containment strategy and reduced operational activity due to the sale of the Lloydminster and shallow gas assets. Transportation costs for the three months ended September 30, 2016 remained consistent at $1.20 per boe compared to $1.25 per boe in the comparable 2015 period.

Production and transportation costs for the nine months ended September 30, 2016 were $15.9 million or $15.77 per boe compared to $22.5 million or $16.14 per boe in the third quarter of 2015. Overall decrease in production and operating costs for the nine month period are due to the aforementioned factors. On a per boe basis production and operating costs remained relatively consistent. Transportation costs on a per boe basis for the nine months ended September 30, 2016 decreased 9% from $1.43 in 2015 to $1.30 in 2016 due to contracts renegotiated at the end of the 2016 first quarter.

General and Administrative Expenses

	Three months ended September 30,			**Nine months ended September 30,**		
($000s, except per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
G&A expense, gross	**1,591**	2,199	-28%	**4,297**	6,424	-33%
Recovered and capitalized	**(369)**	(405)	-9%	**(854)**	(1,282)	-33%
G&A expense, net	**1,222**	1,794	-32%	**3,443**	5,142	-33%
S/boe,net	**4.79**	4.15	15%	**3.42**	3.68	-7%

During the third quarter of 2016, general and administrative expense “G&A”, net of capitalized and overhead recovery costs was $1.2 million or $4.79 per boe as compared to the quarter ended September 30, 2015 where G&A expenses were $1.8 million or $4.15 per boe. Gross G&A expenses prior to the effects of capitalized and overhead recoveries amounts were $1.6 million compared to $2.2 million for 2015.

G&A decreased for the three and nine months ended September 30, 2016 compared to the same period in 2015, a result of an active cost containment strategy implemented by management including reduction of non-core services, decreased

number of employees, reduced employee compensation, lower professional service, and decreased consulting costs.

Share-based Compensation

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

As at September 30, 2016, the Company had 6,952,500 stock options which were issued at an average exercise price of $0.68 per option. For the three and nine months ended September 30, 2016 and 2015, the following is recorded related to SBC:

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2016**	2015	Change	**2016**	2015	Change
SBC expense, gross	**126**	300	-58%	**435**	830	-48%
SBC, capitalized	**(11)**	(91)	-88%	**(29)**	9	-422%
SBC expense, net	**115**	209	-45%	**406**	839	-52%

Finance Expenses

	Three months ended September 30,			Nine months ended September 30,		
($000s, except per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
Interest on bank debt	**1,047**	506	107%	**2,156**	1,399	54%
Accretion of decommissioning liabilities	**214**	291	-26%	**802**	936	-14%
	1,261	797	58%	**2,958**	2,335	27%
$/boe	**4.94**	1.84	168%	**2.94**	1.67	76%

For the three and nine months ended September 30, 2016, finance expenses increased by 58% and 27% respectively. The increase in interest charges are attributable to higher interest rates and fees charged on the Company's renewed credit facility. The decrease in accretion is due to reduced asset retirement obligations in connection to the Lloydminster and Shallow gas asset dispositions.

Transaction Costs

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2016**	2015	Change	**2016**	2015	Change
Transaction costs	**688**	587	17%	**982**	957	3%

Transaction costs are the costs specific to transactions the Company enters into such as acquisitions and dispositions. For the nine months ending September 30, 2016, $0.3 million of these costs relate to the disposition of the Lloydminster oil assets and the disposition of the shallow gas properties, and $0.7 million relate to the costs associated with the proposed acquisition of Marquee Energy Ltd. by Alberta Oilsands.

Depletion and Depreciation

	Three months ended September 30,			Nine months ended September 30,		
($000s, except per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
Depletion and depreciation	**5,060**	12,895	-61%	**18,885**	31,344	-40%

$/boe	**19.84**	29.80	-33%	**18.79**	22.44	-16%

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

For the three months ended September 30, 2016 the Company recorded depletion expense of $5.1 million or $19.84 per boe compared to $12.9 million or $29.80 per boe in the third quarter of 2015. For the nine months ended September 30, 2016 the Company recorded depletion expense of $18.9 million or $18.79 per boe compared to $31.3 million or $22.44 per boe in the comparable 2015 period. The reduction in depletion expense in aggregate and on a per boe basis is due to decreased production, and the reduction to the depletable reserve base due to the Lloydminster and shallow gas asset dispositions.

Gain (loss) on disposition of oil and gas interests

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

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

Taxes

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

For the three and nine months ended September 30, 2016, as a result of depressed world market oil and natural gas prices and management's judgment related to recognition of deferred tax assets, the Company did not record the benefit of deferred tax compared to a deferred tax expense of $9.7 million and $6.0 million for the comparable three and nine month periods in 2015.

Funds Flow from Operations and Net Income (Loss)

Funds flow from operations for the three months ended September 30, 2016 was $0.2 million or $0.00 per share compared to $2.6 million or $0.02 per share for the third quarter of 2015. Funds flow from operations for the nine months ended September 30, 2016 was $2.0 million or $0.02 per share compared to $15.9 million or $0.13 per share in the comparable 2015 period. The decrease compared to the 2015 periods is due to lower netbacks resulting from the significant reduction

in realized commodity prices and reduced realized hedging gains and lower production volumes.

The net loss for the three months ended September 30, 2016 was $5.2 million ($0.04 per share, basic and diluted) compared to a net loss of $17.8 million ($0.04 per share, basic and diluted) for the same period in 2015. The net loss for the nine months ended September 30, 2016, was $12.1 million ($0.10 per share, basic and diluted) compared to net loss of $26.7 million ($0.22 per share, basic and diluted) for the same period in 2015.

	Three months ended September 30,			Nine months ended September 30,		
($000s, except per share and per boe amounts)	**2016**	2015	Change	**2016**	2015	Change
Funds flow from operations	**186**	2,613	-93%	**2,049**	15,933	-87%
Per share, basic and diluted	-	0.02	-100%	**0.02**	0.13	-85%
Net loss	**(5,247)**	(17,837)	-71%	**(12,122)**	(26,718)	-55%
Per share, basic and diluted	**(0.04)**	(0.15)	-73%	**(0.10)**	(0.22)	-56%

The following table summarizes the Company's netbacks, funds flow from operations and net income (loss) on a per boe basis for the three and nine months ended September 30, 2016 and 2015:

	Three months ended September 30,			Nine months ended September 30,		
($/boe)	**2016**	2015	Change	**2016**	2015	Change
Sales	**29.14**	29.56	-1%	**23.40**	30.78	-24%
Royalties	**(1.51)**	(3.52)	-57%	**(2.05)**	(3.62)	-43%
Production costs	**(15.65)**	(16.43)	-5%	**(14.47)**	(14.71)	-2%
Transportation costs	**(1.19)**	(1.26)	-6%	**(1.30)**	(1.42)	-8%
Operating netback prior to hedging	**10.79**	8.35	29%	**5.58**	11.03	-49%
Realized hedging gain (loss)	**(1.17)**	3.01	-139%	**2.02**	5.08	-60%
Operating netback	**9.62**	11.36	-15%	**7.60**	16.11	-53%
General and administrative expenses	**(4.79)**	(4.15)	15%	**(3.42)**	(3.68)	-7%
Interest expense	**(4.12)**	(1.15)	258%	**(2.15)**	(1.00)	115%
Funds flow from operations	**0.71**	6.06	-88%	**2.03**	11.41	-82%
Depletion and depreciation	**(19.84)**	(29.80)	-33%	**(18.79)**	(22.44)	-16%
Accretion	**(0.84)**	(0.67)	25%	**(0.80)**	(0.67)	19%
Share-based compensation	**(0.45)**	(0.48)	-6%	**(0.40)**	(0.60)	-33%
Unrealized gain (loss) on commodity price contracts	**2.52**	4.74	-47%	**(1.87)**	(3.01)	-38%
Gain on disposition	**-**	3.85	NM	**8.74**	2.39	NM
Transaction costs	**(2.70)**	(1.36)	99%	**(0.98)**	(0.69)	42%
Exploration and evaluation expenditures	**-**	(1.09)	-100%	**-**	(1.20)	-100%
Deferred tax expense	**-**	(22.45)	-100%	**-**	(4.32)	-100%
Net income (loss) and comprehensive loss	**(20.60)**	(41.20)	-50%	**(12.07)**	(19.13)	-37%

Capital Expenditures

	Three months ended September 30,		Nine months ended September 30,	
($000s)	**2016**	2015	**2016**	2015
Land and lease (1)	**113**	905	**288**	2,008
Seismic (1)	**10**	28	**72**	543
Drilling and completions (1)	**84**	5,814	**84**	10,223
Equipment and facilities (1)	**(164)**	1,646	**(351)**	2,861
Acquisitions	**-**	11,548	**-**	25,910
Dispositions (2)	**-**	(15,000)	**(5,127)**	(38,653)
Office and other (3)	**167**	183	**594**	518
	210	5,124	**(4,440)**	3,410

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

(2) Proceeds on dispositions

(3) Excludes non-cash additions

CAPITAL RESOURCES AND LIQUIDITY

Credit Facility

At September 30, 2016, the Company has a syndicated credit facility (“credit facility”) with two Canadian Chartered Banks. The credit facility has a borrowing base of $50 million, comprised of a $40 million revolving demand facility (“revolving loan”) and a $10 million operating demand facility (“operating loan”). The revolving and operating loans can be used for general corporate purposes and capital expenditures, and bear interest at either the Banks’ prime rate plus an applicable margin (of 50 bps to 400 bps) or, Bankers Acceptance (“BA”) rates plus an additional margin (of 175 bps to 525 bps) both determined by reference to the Company's net debt to funds from operations ratio calculated as working capital, excluding the fair value of any commodity contracts, over annualized trailing quarterly cash flow from operating activities before working capital adjustments. At September 30, 2016 the interest rate is prime plus 400 bps and the BA rate as quoted plus 525 bps. The credit facility is based on the bank’s interpretation of the Company’s reserves and future commodity prices. The Company believes the current depressed commodity price environment and the recent disposition of non-core assets may lead to a reduction in the credit facility availability. If the credit facility availability is decreased, the Company has 60 days to repay any shortfall. The next review is anticipated to occur by December 9, 2016.

The Company is subject to a financial covenant that requires it to maintain an adjusted working capital ratio of at least 1:1 (for the purposes of compliance with the covenant, bank debt and the fair value of any commodity contracts are excluded and the unused portion of the operating and revolving loan is added to working capital). At September 30, 2016, the Company was in compliance with the adjusted working capital ratio covenant of 1.9 to 1.0.

Subsequent to September 30, 2016, the borrowing base of the credit facility was reduced to $48.0 million. The adjusted working capital ratio under the revised borrowing base is 1.5:1.

Liquidity

The current economic environment relating to the oil and gas industry has made access to capital, both debt and equity, challenging for many companies. The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. Future liquidity depends primarily on funds flow generated from operations, the ability to draw on existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a short term liability due to its demand terms. The Company generated positive funds flow from operations for the three and nine months ended September 30, 2016.

If future profitability or available liquidity is not sufficient to meet the Company's obligations as they come due, management's plans include potential asset dispositions or pursuing alternative financing arrangements. There can be no assurance that the Company will be successful in its efforts to renew the credit facility at acceptable levels, or to arrange additional financing, if needed, or complete asset dispositions or other transactions on terms satisfactory to the Company or at all.

On August 19, 2016, Marquee and Alberta Oilsands entered into an arrangement agreement whereby Alberta Oilsands will acquire all of the issued and outstanding common shares of Marquee. The successful completion of the arrangement agreement would result in the injection of approximately $30.0 million of net cash (after expected transaction costs associated with the arrangement). The next review of the credit facility has been deferred and is currently scheduled for December 9, 2016, after the receipt of the Final Order by the Alberta Court of Queen's Bench. In the event that the proposed arrangement is not successful, there can be no assurance that the Company will be successful in its efforts to renew the credit facility at acceptable levels or to arrange additional financing or complete additional asset dispositions or other transactions on terms satisfactory to the Company or at all, which would result in a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Capital management

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

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

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

As at September 30, 2016, the Company's ratio of net debt to annualized third quarter funds flow from operations was 60.5 to 1 (September 30, 2015 – 5.0 to 1). The increase in the ratio at September 30, 2016 was a result of a decrease in funds flow from operating activities caused by the decline in benchmark and realized commodity prices and decreased realized hedging gains. The following table summarizes the Company's net debt to funds flow from operations calculation, as at:

($000s, except ratios)	**September 30, 2016**	September 30, 2015
Current assets, excluding commodity contracts	**5,691**	8,286
Bank debt	**(46,017)**	(52,587)
Accounts payable and accrued liabilities, excluding commodity contracts	**(4,693)**	(7,603)
Net debt	**(45,019)**	(51,904)
Quarterly funds flow from operations	**186**	2,613
Annualized quarterly funds flow from operations	**744**	10,452
Net debt to funds flow from operations	**60.5 to 1.0**	5 to 1.0

The Company is required to maintain, under its credit facility, a working capital ratio of greater than 1 to 1 defined as the

ratio of current assets (including undrawn available credit on the revolving and operating portion of the credit facility and excluding the fair value of the commodity contracts) divided by current liabilities (less the current portion of bank debt and the fair value of the commodity contracts). At September 30, 2016, the working capital ratio was 1.9 to 1.0 (December 31, 2015 – 2.7 to 1.0) and the Company was in compliance with the covenant. The following table summarizes the Company's working capital calculation as defined by its lending facility covenants, as at:

($000s)	**September 30, 2016**	December 31, 2015
Current assets, excluding commodity price contracts	**5,691**	7,488
Undrawn available credit	**3,326**	6,785
Subtotal	**9,017**	14,273
Current liabilities, excluding bank debt and commodity price contracts	**4,693**	5,352
Working capital ratio	**1.9 to 1.0**	2.7 to 1.0

Contractual Obligations

Under the facility arrangement the Company has been contracted by the purchaser to operate the facility over a 7.5 year term and will continue to process gas from certain producing properties. Marquee will pay the purchaser an annual facility tariff fee of $2.3 million for the life of the agreement, but retain all third party processing revenues generated.

On December 22, 2015, the Company issued 2,824,967 flow-through shares at $0.60 for total proceeds of $1.7 million and incurred associated share issue costs of $0.1 million. The Company has identified an opportunity to satisfy the obligation prior to December 31, 2016.

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

	Amount ($)
Less than one year	258
Between one and five years	1,147
	1,405

Common Share and Warrant Information

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

	November 29, 2016	September 30, 2016	December 31, 2015
Common shares	**123,165,652**	123,165,652	123,165,652
Stock options	**7,706,250**	7,706,250	7,890,000
Warrants (expired June 12, 2016)	**-**	-	1,146,226

RISKS AND UNCERTAINTIES

Business Risks

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

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

The Company mitigates these business risks by:

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

Environmental, Health and Safety Risk

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

Regulation, Tax and Royalty Risk

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

Industry and Economic Factors

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, environmental, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to taxation of oil and natural gas by agreements among the governments of Canada and Alberta, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Company's operations in a manner materially different than they would affect other oil and gas companies of similar size and with similar assets. All current legislation is a matter of public record and the Company is currently unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and natural gas industry.

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Total revenue	**7,432**	8,344	7,749	12,153	12,792	16,082	14,110	20,696
Funds flow from operations	**186**	470	1,392	2,471	2,613	6,316	7,002	10,830
Basic & diluted ($/share)	**-**	-	0.01	0.02	0.02	0.05	0.06	0.09
Net income/(loss)	**(5,247)**	1,043	(7,918)	(26,701)	(17,837)	(4,750)	(4,131)	2,295
Basic and diluted ($/share)	**(0.04)**	0.01	(0.06)	(0.22)	(0.15)	(0.04)	(0.03)	0.02
Capital expenditures (1)	**210**	377	100	2,386	8,577	949	6,627	17,915
Total assets	**178,553**	182,647	217,189	227,941	258,956	265,779	270,972	281,976
Total equity	**68,134**	73,258	72,098	79,821	104,421	121,984	126,324	130,035
Net debt	**45,019**	44,275	49,058	50,279	51,904	48,829	54,064	63,130
Weighted average common shares outstanding	**123,166**	123,166	123,166	120,617	120,341	120,341	120,341	120,341
Operations								
Average daily production								
Crude oil (bbl/d)	**1,240**	1,265	1,457	1,691	1,437	1,711	1,749	1,658
Heavy oil (bbl/d)	**10**	261	407	461	542	622	771	580
NGLs (bbl/d)	**148**	136	157	176	152	185	227	150
Natural gas (mcf/d)	**8,241**	12,864	14,451	15,578	15,430	15,599	16,733	16,923
Total boe/d	**2,772**	3,806	4,430	4,924	4,703	5,118	5,536	5,209

(1) Excludes acquisitions and dispositions

Three months ended September 30, 2016 (Q3-2016) compared to June 30, 2016 (Q2-2016)

Total revenue was lower in Q3 compared to Q2 as a result of being the first full quarter of decreased volumes as a result of the properties sold. Realized oil prices remained consistent with Q2 but gas prices increased by 82% to $2.58 compared to $1.42 for Q2. The swing from net income of $1,043 in Q2 to a loss of $5,247 in Q3 is mainly due to the gain on sale of

property recorded in Q2. Capital expenditures for the quarter represent capitalized G&A and lease rentals on producing and non-producing lands.

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

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

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

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

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

Three months ended March 31, 2015 (Q1-2015) compared to December 31, 2014 (Q4-2014)
Total revenue was lower in Q1 2015 compared to Q4 2014 despite higher production volumes as a result of decreased commodity benchmark and realized prices. Net loss in Q1 2015 compared to net income in Q4 2014 was due to lower operating netbacks. Capital expenditures in the quarter decreased as a result of drilling only two wells compared to nine in Q4 2014.

NON-GAAP MEASURES

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

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

This MD&A and the financial statements contain the term "funds flow from operations" which should not be considered an alternative to, or more meaningful than "cash flow from operations" as determined in accordance with IFRS as an indicator of the Company's performance. Therefore reference to funds flow from operations or funds flow from operations per share

may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt. Funds flow from operations per share is calculated using the weighted average number of shares for the period.

	Three months ended September 30,			Nine months ended September 30,		
($000s)	**2016**	2015	Change	**2016**	2015	Change
Cash flow from operations	**(811)**	5,280	-115%	**1,880**	17,530	-89%
Decommissioning expenditures	**30**	(11)	-373%	**245**	594	-59%
Transaction costs	**688**	587	17%	**982**	957	3%
Changes in non-cash working capital	**279**	(3,243)	-109%	**(1,058)**	(3,148)	-66%
Funds flow from operations	**186**	2,613	-93%	**2,049**	15,933	-87%

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

BOE Presentation

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

CRITICAL ACCOUNTING ESTIMATES

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

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

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

Management Judgment and Estimates

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

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 as its core CGU.

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

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

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

Key Sources of Estimation Uncertainty

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

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

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

Share based payments
The amounts recorded for share-based compensation expense relating to the fair value of stock options and warrants issued are estimated using the Black-Scholes option pricing model including management's estimates of the future volatility of the Company's share value, quoted market value of the Company's shares at grant date, expected forfeiture rates, expected lives of the options and warrants (based on historical experience and general holder behaviours), and the risk-free interest rate (based on government bonds).

Business combinations and asset acquisitions
The values assigned to the common shares issued in the asset acquisitions completed in 2015 and 2014 and the allocation of the purchase price to the net assets in the acquisitions are based on numerous estimates that affect the valuation of certain assets and liabilities acquired including the discount rates, estimates of proved and probable reserves, estimates of fair values of exploration and evaluation assets, future oil and natural gas prices and other factors.

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

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

CHANGES IN ACCOUNTING POLICIES

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 amendments have been applied by the Company effective January 1, 2016 and did not have a material effect on the Company's financial statements.

FUTURE ACCOUNTING PRONOUNCEMENTS

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

IFRS 9 Financial Instruments ("IFRS 9") (2013 & 2014)
IFRS 9 (2013) significantly revises the existing hedge accounting guidance in IAS 39 Financial Instruments: Recognition and Measurement and is intended to align hedging with an entity's risk management strategies. IFRS 9 (2014) incorporates a further amendment to classification categories for financial assets, and includes a new impairment model. IFRS 9 (2013 & 2014) are effective for annual periods beginning on or after January 1, 2018. Marquee is currently evaluating the impact of the standards on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. Marquee is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 16 Leases ("IFRS 16")
In October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases." The IASB is expected to issue the standard in 2015. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." Marquee is currently evaluating the impact of the standard on the Company's consolidated financial statements.

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

- 2016 capital budget and expenditures;
- business strategies, objectives and outlook;
- Oil and natural gas sales;
- future production levels (including the timing thereof) and rates of average annual production growth;
- exploration and development plans;
- acquisition and disposition plans and the timing and the anticipated benefits thereof;
- anticipated cash flows;
- expected cost reductions and production efficiencies derived from recently acquired assets;
- number and quality of future potential drilling locations future drilling plans;
- expected debt levels;
- operating and other expenses;
- royalty and income tax rates; and
- the timing of regulatory proceedings and approvals.

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

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

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

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

marquee ENERGY LTD.

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Richard Thompson

Gregory G. Turnbull

Paul E. Moynihan

Robert J. Waters

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Vice President Finance and Chief Financial Officer

Steve Bradford
Vice President, Land and Investor Relations

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STOCK MARKET INFORMATION

TSX.V: MQL.V (CAD)
OTC: MQLXF (USD)

ABBREVIATIONS

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

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