MARKSMEN ENERGY INC.

Q3

TSX Venture - MAH | **Report for the 9 months ended**
New York OTCQB Venture Marketplace - MKSEF | **September 30, 2015**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. ("Marksmen or the Company") is for the three and nine months ended September 30, 2015 and was prepared with information available up to November 26, 2015 and should be read in conjunction with consolidated financial statements of Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2014. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

The financial data presented below has been prepared in accordance with International Financial Reporting Standards.

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the audited financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to the estimated amounts that differ materially from current estimates.

Non-IFRS

This MD&A includes the following measures that are from time to time used by the Company, but do not have any standardized meaning under IFRS or GAAP and may not be comparable to similar measures presented by other companies:

"**Funds from operations**" - should not be considered an alternative to, or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS as an indicator of the Company's financial performance. Funds from operations is determined by adding non-cash expenses to the net income or loss for the period, deducting decommissioning liability expenditures and does not include the change in working capital applicable to operating activities. Management believes that in addition to cash flow from operating activities, funds from operations is a useful supplemental measure as it provides an indication of the results generated by Marksmen's principal business activities before the consideration of how such activities are financed.

"**Operating netback**" - Operating netbacks are calculated by deducting royalties and operating costs, including transportation costs, from revenues.

"**Working capital**" – Working capital includes total current assets and total current liabilities. The working capital ratio is calculated by deducting total current liabilities.

Barrel of Oil Equivalent

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to boe at a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This Management's Discussion and Analysis may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Introduction

The primary business of Marksmen Energy Inc. ("Marksmen" or the "Company") is the acquisition, development, and production of crude oil from properties located in Ohio, USA. In 2012 Marksmen made a strategic decision to exploit the largely untapped shallow, light oil resources in Central and Western Ohio, USA, which management believes offers superior economics compared to other parts of North America. To achieve this goal, Marksmen has created a wholly owned subsidiary, Marksmen Energy USA, Inc. and secured the expertise of a technical team in Columbus, Ohio.

In 2014 Marksmen entered into an operating agreement with an Ohio based operator, Houghton Investments, LLC. ("Houghton"), that includes an Area of Mutual Interest (AMI) of approximately fifty square miles. Marksmen completed a five square mile 3D seismic program in the first quarter of 2014. A multi-well drilling program began on April 30, 2014 and seven wells were drilled in Ohio, USA, one in Morrow County and six in Pickaway County. Four wells are in various stages of production and optimization and one well has been converted to a strategically important water injection well. There are potentially fifteen additional drill locations based on the 2014 seismic.

In the first quarter of 2015 the Company initiated a seismic program jointly with a third party corporation which was completed in May 2015. This increased the Company's 3D seismic lands from five square miles to approximately seven square miles. Interpretation of the seismic data indicates an additional nine potential drill targets bringing the total of both seismic acquisitions to over twenty drill targets.

The Company's water injection facility construction has been completed and put on production in late May 2015. This facility, constructed to withstand winter weather conditions, has been instrumental in reducing operating costs in the third quarter.

In July of 2015 Marksmen participated in the drilling and completion of a 45% working interest well in Pickaway County, Ohio, operated by Hocking Hills Energy ("HHE") and Chuck Henry Energy LLC ("CHE"). This is a new target delineated by the new seismic. The well was put on production in August 2015.

Marksmen is optimistic that the field work in the previous year and first nine months of 2015 will positively impact the future of the Company.

Operational Highlights – Alberta

Marksmen's wells in Alberta have been shut-in since 2010 as the wells at Alder Flats, Alberta were uneconomic due to commodity prices, low production volumes and high water disposal costs. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. Equipment salvage operations from the abandoned wells is in progress. Phase 1 reclamation work was completed on all the well sites in 2013 but no surface abandonment work has been undertaken at this time. The remaining well at Alder Flats has not been abandoned as it is candidate for sale or transfer to a third party oil and gas company.

Operational Highlights – Ohio

Period Ended (in $CDN)	3 Months Ended Sep 30, 2015	9 Months Ended Sep 30, 2015	9 Months Ended Dec 31, 2014
Total Production - Barrels of Oil	**2,957.6**	**4,900.7**	3,542.1
Crude Oil Price /boe ($USD)	**$ 42.78**	**$ 47.38**	$ 96.59
Crude Oil Price /boe ($CDN)	**$ 54.77**	**$ 59.68**	$ 105.69
Days on Production	**81**	**245**	274
Production per day (BOE\D)	**36.3**	**20.0**	12.9
Well and Facility Status			
Wells Drilled in Period (Net to Marksmen)	0.5	0.5	7.0
Wells on Production (Net to Marksmen)	4.5	4.5	4.0
Water Injection Wells	1.0	1.0	-
Revenue - Oil	**$ 162,014**	**$ 292,510**	$ 374,363
Royalties	**$ (21,023)**	**$ (37,835)**	$ (47,609)
Gross Operating Income	**$ 140,991**	**$ 254,675**	$ 326,754
Total Operating Costs	**$ (34,753)**	**$ (96,253)**	$ (45,065)
Operating Income	**$ 106,238**	**$ 158,422**	**$ 281,689**

Production – The production of oil in the third quarter of 2015 was 2,958 barrels, an increase of 194 from the third quarter of 2014. The total production in the nine months ended September 30, 2015 was 4,901 barrels of oil. This is an increase of 1,359 barrels of oil over the same period in 2014**.** (See chart below on Production by quarter).

Wells and Facilities Status – In the third quarter Marksmen participated in the drilling of a well drilled and operated by HHE and CHE. This brings Marksmen's wells on production to 4.5 as of September 2015 from 4.0 at year end 2014. The water injection well/facility was put into service in the second quarter of 2015.

Oil and Gas Revenue - Oil revenue for the nine months ended September 30, 2015 totaled $292,510 compared to $374,363 in the same period of 2014. During this comparative time frame the revenue of oil per barrel decreased from an average of $97 USD in 2014 to $47 USD or approximately half the revenue per barrel. Revenue is paid directly to the Company's joint venture partners by the oil marketing company. The payment is based on West Texas Intermediate oil ("WTI") prices and was approximately $55 CDN or $43 USD per barrel in the third quarter. (See chart below on Quarterly Operating Netback by quarter expressed in $USD).

Royalties - Royalties are paid directly by the oil marketing company at 12.5% of revenue to the land owners of record. There are no royalties paid to the state of Ohio but rather an oil severance and state tax totaling $0.20 per barrel of oil. Total royalties paid in the third quarter of 2015 were $21,033 compared to $36,751 in the third quarter of 2015. The change is primarily a function of the reduced commodity prices for oil. (See chart below on Quarterly Operating Netback by quarter expressed in $USD).

Operating Expenses – In the third quarter of 2015 well and facility operating costs totaled $34,753 for the three months ended September 30, 2015 compared to $39,177 for the same period in 2014. There were no water injection cost in the third quarter of 2015 but there were one-time operating costs associated with temporary power and maintenance. (See chart below on Quarterly Operating Netback by quarter expressed in $USD).

Quarterly Financial Information

Financial Information ($CDN)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue - Oil (net of Royalties)	$ 140,981	$ 85,322	$ 28,372	$ 182,926	$ 252,101	$ 74,653	$ -	$ -
Net Income (Loss)	$ 27,992	$ (373,753)	$ 19,152	$ 263,022	$ (95,492)	$ (292,770)	$ (246,152)	$ (321,135)
Per Share - Basic	$ 0.00	$ (0.01)	$ 0.00	$ 0.00	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)
Funds from Operations	$ (410,131)	$ (158,113)	$ (228,641)	$ (228,641)	$ 93,663	$ (285,944)	$ (130,034)	$ (169,941)
Per Share - Basic	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.00	$ (0.01)	$ (0.00)	$ (0.00)
Shares Issued and Outstanding	62,023,152	62,023,152	60,457,685	55,455,718	55,123,093	52,456,785	42,067,632	36,009,132
Weighted Average Shares	61,775,236	60,507,894	57,555,551	48,586,878	54,096,506	47,710,852	37,091,738	33,954,477

The above summary of selected quarterly information has been derived from the year end audited and quarterly unaudited financial statements of Marksmen. This summary should be read in conjunction with audited and unaudited financial statements of the Company as contained in the public record.

Quarterly Production Information – Ohio

Oil Production - Ohio	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Oil Production - barrels	2,957.6	1,392.3	550.7	1,735.2	2,763.7	778.4	-	-
Average barrels per day	36.3	15.3	6.1	18.9	30.0	8.6	-	-

Oil Production in Ohio – The third quarter of 2015 was the best quarter of oil production since the start of the Company's Ohio production operations in 2014. The production in the first quarter of 2015 was significantly lower due to an unusually cold winter that caused flow lines and the third party water injection facility to freeze resulting in shut-in production. The average daily oil production increased from a low of 6.1 barrels per day in the first quarter of 2015 to 36.3 barrels per day in the third quarter of 2015. The Delong Davis well #1 (45% net to Marksmen) was put on production in mid-August and a workover was performed on the BJ-78# 11 well at the same time, both of which contributed to the increased production.

Quarterly Operating Netback – Expressed in $USD

Operating Netback ($USD)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Revenue	$ 126,541	$ 79,395	$ 26,252	$ 119,282	$ 263,145	$ 78,988	$ -	$ -
Royalties	$ (16,430)	$ (10,209)	$ (3,393)	$ (15,277)	$ (33,481)	$ (10,029)	$ -	$ -
Operating Costs	$ (25,741)	$ (25,255)	$ (20,031)	$ (44,828)	$ (29,608)	$ (4,021)	$ -	$ -
Income from Operations	**$ 84,370**	**$ 43,931**	**$ 2,828**	**$ 59,177**	**$ 200,056**	**$ 64,938**	**$ -**	**$ -**
Oil Revenue - per barrel	$ 42.78	$ 57.02	$ 47.67	$ 68.74	$ 95.22	$ 101.47	$ -	$ -
Royalties - per barrel	$ (5.56)	$ (7.33)	$ (6.16)	$ (8.80)	$ (12.11)	$ (12.88)	$ -	$ -
Operating costs - per barrel	$ (8.70)	$ (18.14)	$ (36.37)	$ (25.83)	$ (10.71)	$ (5.17)	$ -	$ -
Total Costs - per barrel	$ (14.26)	$ (25.47)	$ (42.53)	$ (34.64)	$ (22.83)	$ (18.05)	$ -	$ -
Operating netback per barrel	**$ 28.52**	**$ 31.55**	**$ 5.14**	**$ 34.10**	**$ 72.39**	**$ 83.42**	**$ -**	**$ -**

Operating Netback – Expressed in $USD (See Non IFRS explanation on page 2 above) - Operating netback is calculated by deducting royalties and operating costs, including transportation costs, from revenues. It is a measure of the efficiency of operations of the Company at the field level before administrative expenses and financing income/expenses. Operating netbacks are impacted by changes in production levels and changes in the price per barrel of oil. Oil revenue fell from a high of $101 USD per barrel in the second quarter of 2014 to a low of $43 USD in the third quarter of 2015. Royalties are paid on a percentage of revenue (approximately 12.5%) and have ranged from a high of $13 per barrel in the second quarter of 2014 to under $6 per barrel in the third quarter of 2015. Operating costs were low in the first months of production until increased water production led to increased water disposal costs and resulting higher operating costs through the first quarter and part of the second quarter of 2015 at which time Marksmen's water disposal facility was put on stream. This facility has had a positive impact on operating costs in the third quarter of 2015. The operating net back has dropped with the price of oil from a high of $83 USD in the second quarter of 2014 to its current level of under $29 USD in the third quarter of 2015.

General and Administrative Expenses

Administrative Expenses	Three months ending		Nine months ending	
	Sep 30, 2015	Sep 30, 2014	**Sep 30, 2015**	Sep 30, 2014
Management consulting services	**$ 35,824**	$ 71,686	**$ 173,274**	$ 203,850
Professional fees	**$ 29,745**	$ 45,229	**$ 125,125**	$ 148,225
Investor relations and conferences	**$ 15,371**	$ 25,356	**$ 63,671**	$ 96,110
Filing and listing fees	**$ 22,870**	$ 20,335	**$ 31,720**	$ 48,721
Ohio administrative expenses	**$ 11,166**	$ 9,700	**$ 35,659**	$ 44,963
General and administrative	**$ 42,679**	$ 71,284	**$ 131,079**	$ 137,098
	$ 157,655	**$ 243,590**	**$ 560,528**	**$ 678,967**

The Company has divided its administrative expenses into six categories, as outlined in the Chart above. Overall, the three months total comparative costs reduced by $85,935 and the nine month comparative costs reduced by $118,439. A review by category follows:

Management Consulting Services - are related to fees paid to a senior management executive for services related to the overall management of the Company, plus office space and storage of Company files, administrative costs etc. The quarterly comparison shows a decrease of $35,844 where the nine month comparison shows a decrease of $30,576.

Professional Services – consists of legal, engineering, audit and accounting services. There is a decrease of these cost for both the quarter and nine months of $15,484 and $23,100 respectively.

Investor Relations and Conferences – In order to raise capital for the opportunities in Ohio, USA, management has attended a number of conferences and has had numerous meetings with many contacts in the investor community in Canada, the USA and Europe. The comparative expenditures for the quarter decreased by $9,985 and $32,439 for nine months ended September, 2015.

Filing and Listing Costs – These are the costs of being a public company in Canada and in the USA. The comparative quarterly comparisons increased by $2,532 and the nine months comparison decreased by $17,001.

Ohio Administrative Expenses – Marksmen's business activities in 2015 have been focused on developing its oil and gas operations in Ohio. The comparative expenditures for the quarter ended September 30, 2015 show an increase of $1,466 where the nine months indicates a reduction of $9,304. The results are not directly comparable due to the development and maturing of the Ohio projects resulting in a larger portion of Ohio based geological/engineering costs previously being charged to administration costs were capitalized in the last two quarters of 2014 and in the nine months of 2015.

General and Administrative Expenses – The normal day to day costs of running the Company are covered in this category and are related to salaries, rent, office costs, travel, communications etc. The comparative expenditures by quarter decreased by $28,605 where the nine months comparison also decreased by $6,019.

Selected Other Expenses

Interest Expense – The Company has two debentures with gross proceeds of $750,000 and $500,000 respectfully totaling $1,250,000. During the quarter ended September 31, 2015 the Company accrued $35,527 of interest related to the secured debentures totaling $82,130 for the nine months ended September 30, 2015. The semi-annual payment of $46,603 was paid on June 30, 2015. The next interest payment is due December 31, 2015. Marksmen is current on its payment of all debenture interest.

Foreign Exchange – In the quarter ended September 30, 2015 the Company recorded a foreign exchange gain of $251,531 while in the nine months ended September 30, 2015 the Company recorded a foreign exchange gain of $466,853 due to changes in exchange rates quarter over quarter of the $US dollar vs. the $CAD dollar.

Abandonment recovery – In Alberta, the Company abandoned four wells and had previously over-estimated the costs of the abandonments. Therefore the Company has recorded a recovery of $40,628.

Depletion expense – are $133,470 for the quarter ended September 30, 2015 and $222,580 for the nine months ended September 30, 2015.

Financial Position – Highlights

Period Ended	Sep 30, 2015	Dec 31, 2014
Assets		
Current assets	**$ 411,542**	$ 415,576
Exploration and evaluation assets	**$ 1,645,361**	$ 924,800
Property and equipment	**$ 2,520,075**	$ 1,869,084
	$ 4,576,978	$ 3,209,460
Liabilities		
Accounts payable and accruals	**$ 396,201**	$ 288,368
Decommissioning liabiliites	**$ 379,643**	$ 472,270
Secured debentures	**$ 1,220,671**	$ 734,770
	$ 1,996,515	$ 1,495,408
Equity		
Share capital	**$ 17,218,118**	$ 16,329,927
Contributed surplus	**$ 3,342,390**	$ 2,971,349
Accumulated other comprehensive Income	**$ 104,307**	$ 132,215
Deficit	**$ (18,084,352)**	$ (17,719,439)
	$ 2,580,463	**$ 1,714,052**
Liabilities and Equity	**$ 4,576,978**	$ 3,209,460

Assets – increased by $1,367,518 as of September 30, 2015 compared to December 31, 2014. The increase is the result of an additional seismic program, land acquisition, the drilling of a well, workovers and the completion of a water disposal facility.

Liabilities – increased by $501,107 as of September 30, 2015 compared to December 31, 2014. There is an increase in accounts payables of $107,833 and a decrease in decommissioning liabilities of $92,627 due to the abandonment of four wells. The secured debenture put in place in June 2015 to fund capital projects accounted for an increase of liabilities of $485,901.

Equity – increased by $866,411 as of September 30, 2015 compared to December 31, 2014. Two private placements closed in the first nine months of 2015 resulting in an increase in share capital of $888,191 while contributed surplus increased by $371,041. The deficit increased by $364,913 as per the net loss in the nine months ended September 30, 2015. For more detailed information see the Consolidated Statement of Changes in Equity (Deficit) in the financial statements dated September 30, 2015.

Capital Expenditures

Capital Expenditures	Quarter Ended			Nine Months Ended	
Oil and Gas Assets	**Sep 30, 2015**	Sep 30, 2014		**Sep 30, 2015**	Sep 30, 2014
Property Plant and Equipment (PP&E) - Alberta	**$ 5,211**	$ 3,789		**$ 8,595**	$ 8,935
Property Plant and Equipment (PP&E) - Ohio	**$ 231,246**	$ 453,073		**$ 463,890**	$ 12,844
	$ 236,457	$ 456,862		**$ 472,485**	$ 21,779
Exploration and Evaluation (E&E) - Ohio	**$ 107,043**	$ 451,191		**$ 611,925**	$ 1,697,506
Total E&E and PP&E Additions	**$ 343,500**	$ 908,053		**$ 1,084,410**	$ 1,719,285

In the nine months ended September 30, 2015 exploration and evaluation expenditures were $611,925 related to the 3D seismic program and land acquisition. The property, plant and equipment expenditures for the same period of 2015 totaled $472,485 related to the water injection facility, drilling operations and additional equipping costs at existing wells. In Alberta there were minor charges for capitalized costs associated with wells at Alder Flats.

Equity Investment in MAR Oil Company

The Company has suspended business negotiations with a US Private Company ("US PrivateCo.") initiated in the year ended December 31, 2011, and as at September 30, 2015, no assurance can be given that any agreement with US PrivateCo. will be reached with respect to either new business terms or moving forward with the necessary technical work to produce the properties. During the year ended December 31, 2012, the Company's share of the US PrivateCo. losses were in excess of Company's interest and accordingly the investment was reduced to $nil. The Company has discontinued recognizing its share of any further losses.

Impairment Evaluation

At December 31, 2014, as a result of a decrease in forecast oil and natural gas prices, an indication of potential impairment was identified. Recoverable amounts for the Company's oil and gas assets were estimated based on fair value less cost of disposal ("FVLCD"), calculated using the present value of the cost generating unit's ("CGU") expected future cash flows (after-tax). The primary source of cash flow information was derived from a report on the Company's oil and gas reserves which was prepared by an independent qualified reserve evaluator. The projected cash flows reflect current market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates. Cash flow forecasts are also based on past experience, historical trends and an evaluation of the Company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Production profiles, reserves volumes, operating costs, capital expenditures are consistent with the estimates approved through the Company's annual reserves evaluation process. The after-tax discount rate applied in the impairment calculation as at December 31, 2014 was 10% applied to proven reserves and 15% applied to probable reserves. Based on the assessment at December 31, 2014, the recoverable amount of the Company's Ohio, USA CGU exceeded its carrying value, and accordingly, no impairment losses were recorded.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $379,643 as at September 30, 2015 (December 31, 2014 - $472,270), of which $251,694 is current (December 31, 2014 - $169,008). The total undiscounted amount of estimated future cash flows is $382,792 (December 31, 2014 - $490,226). These payments are expected to be made over the next 8 years. The obligations have been calculated using an inflation rate of 2% (December 31, 2014 – 2%) and a discount factor, being the risk-free rate related to the liability, of 0.52% - 2.09% (December 31, 2014 –1.10% - 2.40%). Included in the Company's decommissioning liability is its 1% ownership in the oil and natural gas assets of a private company, 1528810 Alberta Ltd., in which there are two common directors between the Company and the private company.

During the nine months ended September 30, 2015, the Company completed the abandonment of substantially all of its Canadian petroleum and natural gas assets. Reclamation of these assets has not yet occurred. The Company recorded an abandonment recovery of $40,628 as the estimated capitalized abandonment costs were previously impaired.

Secured Debenture

On June 28, 2013, the Company closed a secured debenture (the "Debenture") for gross proceeds of $750,000. The funds received under the Debenture were used by the Company to conduct the initial 3D Seismic program and to fund the work required to the drilling stage on the Houghton Project in Ohio, USA. The Debenture bears interest of 12% per annum, the first payment was due and paid by the Company on June 28, 2014, and each subsequent payment due and payable semi-annually on December 31 and June 30 of each year commencing on December 31, 2014. As of September 30, 2015, the Company has incurred $202,880 of interest expense (December 31, 2014 - $135,750), of which $67,130 was incurred during the nine months ended September 30, 2015 (December 31, 2014 - $90,000). The Company has made all of the required interest payments, including $44,630 on June 30, 2015.

Pursuant to the original Debenture agreement (the "Original Agreement"), the Debenture matures on January 31, 2016. However, on June 19, 2015, the terms of the Original Agreement were revised to extend the maturity date until December 31, 2018 and to extend the expiry date of the share purchase warrants until June 28, 2018, all other terms and conditions remain unchanged. The Company may, at any time, repay the Debenture in full and any accrued and unpaid interest without notice or penalty. If the Company is in default of the requirements included in the Debenture agreement, the Debenture holder may demand repayment of the Debenture or accelerate the date for payment. Security for the Debenture includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof.

Pursuant to the Debenture, the Company issued to the Debenture holder 2,666,667 share purchase warrants. Each warrant is exercisable into one common share of the Company at a price of $0.17 per common share until the expiry date of the earlier of: (i) two months following payment in full of the Debenture; or (ii) June 30, 2017 (which was extended until June 28, 2018). During the nine months ended September 30, 2015, 264,700 of the warrants were exercised (December 31, 2014 - 267,000).

The Company valued the warrant feature of the debenture using the residual method (the "Residual Method"). Using this method, the fair value of the debt component was calculated using an estimated market rate for similar debt without warrants or a conversion feature. The liability component was $715,519 and the equity component was $34,481, which net of tax is $25,861.

On June 19, 2015, the Company closed an additional secured debenture (the "Debenture B") for gross proceeds of $500,000. The funds received under the Debenture B will be deployed towards the continued developed of projects in Ohio, USA. The Debenture B bears interest of 12% per annum, with the first payment due and payable by the Company on December 31, 2015, with each subsequent payment due and payable semi-annually on December 31 and June 30 of each year commencing on December 31, 2015. As of September 30, 2015, the Company has incurred $16,973 of interest expense. The Debenture B matures on December 31, 2018. The Company may, at any time, repay the Debenture B in full and any accrued and unpaid interest without notice or penalty. If the Company is in default of the requirements included in the Debenture B agreement, the Debenture B holder may demand repayment of the Debenture B or accelerate the date for payment. Security for the Debenture B includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof.

Pursuant to the Debenture B, the Company issued to the Debenture B holder 1,777,778 share purchase warrants. Each warrant is exercisable into one common share of the Company at a price of $0.25 per common share until the expiry date of the earlier December 31, 2018.

The Company valued the warrant feature of the Debenture B using the Residual Method. The liability component was $473,054 and the equity component was $26,946, which net of tax is $20,210.

Share Capital

For a detailed explanation of the transactions that took place in the first nine months of 2015 for common shares, warrants, broker warrants and stock options please refer to Note 10 - Share Capital in Marksmen's Financial Statements for the three and nine months ended September 30, 2015. The chart below is a summary of share capital and includes the balances as of November 26, 2015.

Marksmen Energy Inc. Share Capital	**Sep 30, 2015**	Nov 26, 2015	Dec. 31, 2014
Common Shares	**62,023,152**	62,023,152	55,455,718
Warrants	**11,709,101**	11,709,101	7,955,540
Broker Warrants	**58,080**	58,080	119,720
Stock Options	**5,161,667**	5,167,667	5,289,667

Commitment

Alberta Energy Regulator – The Alberta Energy Regulator ("AER") has an industry wide program to measure all operating companies Licensee Liability Rating ("LLR"). The LLR program is established by the AER to prevent the costs to abandon, remediate and reclaim a well or facility from becoming the responsibility of the public of Alberta. The program measures the ratio of deemed well and facility assets divided by deemed well and facility Liabilities and if the ratio is below 1.0 a deposit is required. Included in deposits and prepaid expenses is an amount of $131,068 on deposit with the AER ($175,809 on June 30, 2015) associated with six shut-in wells at Alder Flats, Alberta.

During the three months ended September 30, 2015, the Company abandoned four wells in Alder Flats, Alberta, which resulted in a reduction of $45,258 in the amount of deposit required by the AER. At September 30, 2015, this amount is included in trade and other receivables and was received from the AER in October 2015. Subsequently, on November 24, 2015, the AER has provided an additional refund of $25,000 of the Company's outstanding deposit. This refund is also related to the abandonment of the above noted four wells.

In August 2010 the Company sold fifteen gas properties to 1528810 Alberta Ltd ("PrivateCo.") in which there are two common directors between the Company and the PrivateCo. Upon the sale of the properties, the Company retained a 1% interest in the properties, remained the licensee of record for these wells and is deemed to be the operator by the AER. The Company does not charge PrivateCo. an operating fee for the operation of these properties.

In February 2014, the AER, at the urging of small operators, outlined a Licensee Liability Rating (LLR) Program Management Plan (the "Plan") whereby a corporation can undertake appropriate measures over a defined time period through December 2017 to meet their LLR program requirements. In May 2014, the Company and PrivateCo. were accepted into the Plan, which allowed the Company and the PrivateCo. to turn wells back on production, optimize production, transfer wells to other operators, sell properties to other operators that have a positive LLR, abandon wells, and apply for a change in licensing and liability rating status to facilities. The Company in conjunction with PrivateCo., provides monthly updates to AER to indicate progress in meeting the defined asset liability ratio. The Company continues to reduce its overall deemed liabilities and to continue to improve its LLR ratio. This has been accomplished by various initiatives including transferring the operatorship in a well to another company, the de-licensing of a multi-well battery and most recently the abandonment of four wells. Marksmen has successfully emerged from the Plan based on the current LLR ratio and the security deposit held by AER. However, the AER has agreed that should the need arise the Company may re-enter the LLR Program Management Plan.

Related party transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

During the three months ended September 30, 2015:

a) An aggregate of $48,600 (September 30, 2014 - $76,500) in consulting fees were paid to a professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as for costs associated with office space, storage space and other related costs.

b) An aggregate of $33,860 USD (September 30, 2014 - $55,031 USD) in consulting fees and related office costs were paid to a director and officer of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses.

c) An aggregate of $15,277 (September 30, 2014 - $21,018) in legal fees were charged by a law firm in which a director of the Company is a partner, of which $3,875 was expensed as general and administrative expenses (September 30, 2014 - $21,018) and $11,402 was recorded as share issue costs (September 30, 2014 - $nil).

d) An aggregate of $nil (September 30, 2014 - $nil) was charged as operating fees as per the Commitment note above to 1528810 Alberta Ltd. ("PrivateCo.") in which there are two common directors between the Company and PrivateCo.

During the nine months ended September 30, 2015:

e) An aggregate of $184,675 (September 30, 2014 - $228,600) in consulting fees were paid to a professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as costs associated with office space, storage space and other related costs. An amount of $nil (September 30, 2014 – $nil) remains owing in accounts payable.

f) An aggregate of $121,671 USD (September 30, 2014 - $132,289 USD) in consulting fees and related office costs were paid to certain directors and officers of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses. An amount of $38,243 USD remains owing in accounts payable.

g) An aggregate of $nil (September 30, 2014 - $nil) was charged as operating fees as per the Commitment note above to 1528810 Alberta Ltd. ("PrivateCo.") in which there are two common directors between the Company and PrivateCo.

h) An aggregate of $15,063 (September 30, 2014 - $15,063) remains, from a prior year, as an accounts payable to an officer and director who resigned from the Company in 2012.

i) An aggregate of $36,846 (September 30, 2014 - $79,968) in legal fees were charged by a law firm in which a director of the Company is a partner, of which $16,732 was expensed as general and administrative expenses (September 30, 2014 - $65,130) and $20,114 was recorded as share issue costs (September 30, 2014 - $14,838). A total of $34,152 remains in accounts payable as owing from this and prior periods.

j) The Company has trade and other receivables related to prior years of $90,786 (December 31, 2014 - $90,786) owing from PrivateCo. in which there are two common directors between the Company and PrivateCo. This amount has been offset in its entirety as an allowance for doubtful accounts.

Off Balance Sheet Arrangements

The Company is not party to any arrangements that would be excluded from the balance sheet.

Going Concern

At September 30, 2015, the Company had not yet achieved profitable operations, had accumulated a deficit of $18,084,352 since its inception (December 31, 2014 - $17,719,439), working capital deficiency of $236,353 (December 31, 2014 – deficiency of $41,800), negative cash flow from operations of $495,752 (December 31, 2014 - $828,563) and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing, or generating profitable operations in the future. The Company successfully completed three private placements during the nine months ended September 30, 2015. Management is committed to raising additional capital to achieve its intended development, however, additional equity financing is subject to the global financial markets and economic conditions, which have recently been disrupted and are volatile, and the debt and equity markets, which have been distressed, particularly for junior petroleum and natural gas companies. Any adjustments necessary to the consolidated financial statements if the Company ceases to be a going concern could be material.

Outlook

In the first half of 2015 The Company has completed a 3D seismic program and has accumulated sufficient acreage to be included in a future seismic acquisition program that the Company may undertake next year. Currently the Company has a total land position covered by 3D seismic of approximately seven square miles. The analysis of the 2015 3D seismic data indicates potentially nine additional drill targets, bringing the total potential targets to over twenty.

The water disposal facility has been put into full production in June 2015 and has shown its effectiveness of reducing operating costs.

In July 2015 Marksmen participated in the drilling of a well operated by its joint venture partners, Hocking Hills Energy and Well Services LLC and Chuck Henry Energy LLC. The well, Delong-Davis #1, is a Cambrian Knox remnant oil well located in Pickaway County, Ohio. Marksmen has a 45% working interest in the well.

The Company is planning its next well in a known oil producing area, 2,000 feet south of the producing Marksmen/Houghton Strittmatter #1 well. The Davis-Holbroook #1 location is structurally similar to an analogous structure that has produced close to 100,000 barrels of oil. The 3D seismic completed in 2015 shows it to be approximately 3.5 times larger than the analogous structure.

The Company continues to review funding options for its new projects with alternatives including private placements, a short form prospectus, other debenture opportunities as well as funds generated from operations. The timing of the start of all drilling or seismic activities is dependent on the Company's ability to raise the necessary capital and Marksmen does recognize the challenges that exist in the current volatile marketplace.

In order to have greater management input into the operation of oil and gas assets in Ohio, Marksmen Energy USA, Inc. has applied to the State of Ohio and has been accepted as an oil and gas operator. As the operator, Marksmen will have more control over all facets of drilling, completion, tie-in and operating of the Company's wells in a manner that is in the best interest of the Company. The Company plans to negotiate the assignment of the operatorship of these wells with the current operators.

In less than two years since beginning exploration activities in Ohio, Marksmen has completed two 3D seismic programs totaling seven square miles with over twenty drilling targets, has accumulated land for future exploration, drilled eight wells including one water disposal well, introduced progressive cavity pumping technology to the region, completed a major workover of a well, constructed a state of the art water disposal facility, and has entered into joint operating agreements with Ohio based partners. These combined achievements provide a solid base and are expected to have a significant positive impact on the future of the Company.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com or email at info@marksmen.com. Marksmen is listed on the TSX Venture Exchange under the symbol "MAH" and on the OTCQB Venture Marketplace under the symbol MKSEF.