Marksmen Energy Inc.

Consolidated Financial Statements
For the three and nine months ended September 30, 2016
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW

In accordance with National Instrument 51-102 Section 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited Interim Consolidated Financial Statements for the three and nine month periods ended September 30, 2016 and 2015.

Marksmen Energy Inc.

Consolidated Statements of Financial Position

As at:

(Canadian $)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash	47,682	138,987
Trade and other receivables (note 10)	121,557	35,511
Deposits and prepaid expenses	59,034	127,441
Total Current Assets	228,273	301,939
Exploration and evaluation (note 3)	1,668,400	1,770,835
Property and equipment (note 4)	2,082,807	1,911,457
TOTAL ASSETS	**3,979,480**	**3,984,231**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	258,408	420,369
Decommissioning liabilities (note 5)	-	228,757
Total Current Liabilities	258,408	649,126
Decommissioning liability (note 5)	387,983	124,828
Secured debentures (note 6)	1,231,281	1,226,165
	1,877,672	**2,000,119**
SHAREHOLDERS' EQUITY		
Share capital (note 7(b))	16,986,880	16,242,351
Warrants (note 7(e))	1,093,506	1,097,773
Contributed surplus (note 7(g))	3,596,220	3,461,843
Accumulated other comprehensive income	862,690	799,371
Deficit	(20,437,488)	(19,617,226)
	2,101,808	**1,984,112**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,979,480**	**3,984,231**

Going concern (note 1)

Approved by the Board of Directors:

Signed “Erich Boechler”
Erich Boechler

Signed “Archie Nesbitt”
Archie Nesbitt

The notes are an integral part of these consolidated financial statements.

Marksmen Energy Inc.

Consolidated Statements of Comprehensive Loss

For the three and nine month periods ended:

	Three months ended		Nine months Ended	
(Canadian $)	**Sep. 30, 2016**	**Sep. 30, 2015**	**Sep. 30, 2016**	**Sep. 30, 2015**
REVENUE				
Petroleum and natural gas sales	**284,497**	162,014	**367,179**	292,510
Royalties	**(37,001)**	(21,033)	**(47,809)**	(37,835)
	247,496	140,981	**319,370**	254,675
EXPENSES				
Production and operating expenses	**40,513**	34,753	**96,614**	97,757
Depletion and depreciation (note 4)	**72,941**	133,470	**125,258**	222,580
General and administrative	**147,348**	285,737	**443,227**	560,528
Share-based payments (note 7(d))	**18,404**	36,799	**97,790**	146,917
Loss from operations	**(31,710)**	(221,696)	**(443,519)**	(773,107)
FINANCE (EXPENSE) INCOME				
Interest expense	**(37,808)**	(35,527)	**(112,603)**	(82,130)
Bad debt expense	**(9,871)**	-	**(8,034)**	-
Foreign exchange	**65,369**	251,531	**(234,300)**	466,853
Accretion of secured debentures (note 6)	**(1,782)**	(5,495)	**(5,116)**	(12,847)
Accretion of decommissioning liabilities (note 5)	**(533)**	(1,449)	**(1,610)**	(4,310)
	15,375	209,060	**(361,663)**	367,566
OTHER INCOME				
Loss (recovery) of abandonment estimates	**123**	(40,628)	**15,080**	(40,628)
NET LOSS	**(16,458)**	27,992	**(820,262)**	(364,913)
Other comprehensive (loss) income that may subsequently be transferred to net loss				
Currency translation adjustment	**(14,129)**	(15,559)	**63,319**	(27,908)
			-	
NET LOSS (INCOME) AND COMPREHENSIVE LOSS (INCOME)	**(30,587)**	12,433	**(756,943)**	(392,821)
Basic and diluted loss per share (note 7(h))	**(0.00)**	0.00	**(0.01)**	(0.01)
Weighted average - common shares outstanding during the period	**71,448,146**	61,775,236	**67,520,649**	59,961,684

The notes are an integral part of these consolidated financial statements.

Marksmen Energy Inc.

Consolidated Statements of Changes in Equity

(Canadian $)	Share Capital	Warrants	Surplus	Deficit	Accumulated other Comprehensive Income	Total
BALANCE AS AT DECEMBER 31, 2015	16,242,351	1,097,773	3,461,843	(19,617,226)	799,371	1,984,112
Loss for the period	-	-	-	(820,262)	-	(820,262)
Translation differences on foreign subsidiaries	-	-	-	-	63,319	63,319
Private placement	665,462	-	-	-	-	665,462
Exercise of warrants	74,800	-	-	-	-	74,800
Reallocation of warrant fair value on exercise	4,267	(4,267)	-	-	-	-
Share-based payments	-	-	134,377	-	-	134,377
BALANCE AS AT SEPTEMBER 30, 2016	16,986,880	1,093,506	3,596,220	(20,437,488)	862,690	2,101,808
BALANCE AS AT DECEMBER 31, 2014	15,426,684	903,243	2,971,349	(17,719,439)	132,215	1,714,052
Loss for the period	-	-	-	(364,913)	-	(364,913)
Translation differences on foreign subsidiaries	-	-	-	-	(27,908)	(27,908)
Units issued pursuant to private placement	577,115	368,295	-	-	-	945,410
Cash share issue costs	(12,757)	(7,357)	-	-	-	(20,114)
Broker warrants issued	(2,570)	(1,637)	4,207	-	-	-
Exercise of warrants	44,999	-	-	-	-	44,999
Reallocation of warrant fair value on exercise	2,567	(2,567)	-	-	-	-
Warrants issued pursuant to secured debenture	-	26,946	-	-	-	26,946
Share-based payments	-	-	261,990	-	-	261,990
Reallocation of warrant fair value on expiry	-	(104,843)	104,843	-	-	-
BALANCE AS AT SETEMBER 30, 2015	16,036,038	1,182,080	3,342,389	(18,084,352)	104,307	2,580,462

The notes are an integral part of these consolidated financial statements.

Marksmen Energy Inc.

Consolidated Statements of Cash Flows

For the nine month periods ended:

(Canadian $)	September 30, 2016	September 30, 2015
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	(820,262)	(364,913)
Abandonment costs paid	5,099	(87,622)
ITEMS NOT AFFECTING CASH:		
Depletion and depreciation	125,258	222,580
Accretion of decommissioning liabilities	1,610	4,310
Accretion of secured debentures	5,116	12,847
Recovery of abandonment estimates	15,080	(40,628)
Share-based payments	97,790	146,917
Change in trade and other receivables	(120,260)	(45,475)
Change in deposits and prepaid expenses	68,264	15,204
Change in accounts payable and accrued liabilities	11,442	(55,350)
CASH FLOW USED IN OPERATING ACTIVITIES	**(610,863)**	**(192,130)**
INVESTING ACTIVITIES		
Expenditures on property and equipment	(246,331)	(472,485)
Expenditures on exploration and evaluation	(64,806)	(611,925)
Change in non-cash working capital	(139,660)	159,401
CASH FLOW USED IN INVESTING ACTIVITIES	**(450,797)**	**(925,009)**
FINANCING ACTIVITIES		
Proceeds from private placements, net of cash issue costs	665,462	925,296
Proceeds from issuance of secured debenture	-	500,000
Proceeds from exercise of warrants	74,800	44,999
Change in non-cash working capital	-	-
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	**740,262**	**1,470,295**
Foreign exchange effect on cash and cash equivalents	230,092	(391,244)
Decrease in cash	(91,305)	(38,088)
Cash, beginning of period	138,987	96,150
CASH, END OF PERIOD	**47,682**	**58,062**

The notes are an integral part of these consolidated financial statements.

1 Reporting entity

Marksmen Energy Inc. (the "Company") is involved in the exploration for, development of and production of petroleum and natural gas properties in Ohio and Western Canada. The Company was incorporated in Canada under the laws of the Alberta Business Corporations Act on March 14, 1997. The Company is listed on the TSX Venture Exchange under the symbol "MAH.V" and on the OTCQB Venture Marketplace under the symbol "MKSEF". The Company's registered office is located at Suite 1600 Dome Tower, 333-7th Avenue SW, Calgary, Alberta, Canada, T2P 2Z1.

At September 30, 2016, the Company had not yet achieved profitable operations, had accumulated a deficit of $20,437,488 since its inception (December 31, 2015 - $19,617,226), working capital deficiency of $30,135 (December 31, 2015 – deficit of $347,187), negative cash flow from operations of $610,863 (December 31, 2015 - $773,863) 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 closed a private placement during the nine months ended September 30, 2016 (note 7(b)). 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.

2 Basis of presentation

a) Statement of compliance:

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – *"Interim Financial Reporting"* as issued by the International Accounting Standards Board ("IASB") using the accounting policies and methods of computation disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2015. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and exclude certain disclosures required to be included in annual consolidated financial statements.

These financial statements were authorized for issue by the Board of Directors on November 23, 2016.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. Marksmen Energy USA Inc.'s functional currency is United States Dollars.

d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2015.

3 Exploration and evaluation

	As at September 30, 2016	As at December 31, 2015
Balance, beginning of period	1,770,835	924,800
Expenditures on exploration and evaluation assets	101,393	706,566
Transfers to property, plant and equipment (note 4)	(130,320)	-
Foreign exchange translation	(73,508)	139,469
BALANCE, END OF PERIOD	**1,668,400**	**1,770,835**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of technological feasibility and commercial viability. As at September 30, 2016, the Company has $1,668,400 in E&E assets (December 31, 2015 - $1,770,835). The expenditures on exploration and evaluation assets represent the acquisition of undeveloped land and seismic activity within Ohio, USA. During the nine months ended September 30, 2016, the Company transferred $130,320 of E&E assets to property and equipment after technical feasibility and commercial viability was determined on certain petroleum and natural gas assets.

4 Property and equipment

	As at September 30, 2016	As at December 31, 2015
Petroleum and natural gas assets	3,772,412	3,535,089
Corporate assets	20,385	19,683
Property and equipment at cost	3,792,796	3,554,772
Accumulated depletion and depreciation	(1,709,989)	(1,643,315)
PROPERTY AND EQUIPMENT NET CARRYING AMOUNT	**2,082,807**	**1,911,457**

Petroleum and natural gas assets

COST	As at September 30, 2016	As at December 31, 2015
Balance, beginning of period	3,535,089	2,487,357
Additions	240,533	713,583
Transfer from exploration and evaluation assets (note 3)	130,320	-
Change in estimate of decommissioning liabilities (note 5)	23,821	(52,914)
Foreign currency translation	(157,351)	387,063
BALANCE, END OF PERIOD	**3,772,412**	**3,535,089**
ACCUMULATED DEPLETION		
Balance, beginning of period	(1,627,177)	(621,952)
Depletion	(124,362)	(263,879)
Impairment loss	-	(640,351)
Foreign currency translation	58,584	(100,995)
BALANCE, END OF PERIOD	(1,692,955)	(1,627,177)
NET CARRYING AMOUNT, END OF PERIOD	**2,079,457**	**1,907,912**

The Company's Canadian petroleum and natural gas assets continued to be shut-in during the three and nine months ended September 30, 2016.

Corporate assets

COST	As at September 30, 2016	As at December 31, 2015
Balance, beginning of period	19,683	18,622
Additions	702	1,061
BALANCE, END OF PERIOD	**20,385**	**19,683**
ACCUMULATED DEPRECIATION		
Balance, beginning of period	(16,138)	(14,943)
Depreciation	(896)	(1,195)
BALANCE, END OF PERIOD	(17,034)	(16,138)
NET CARRYING AMOUNT, END OF PERIOD	**3,351**	**3,545**

5 Decommissioning liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $387,983 as at September 30, 2016 (December 31, 2015 - $353,585), of which $nil is current (December 31, 2015 - $228,757). During the nine months ended September 30, 2016, the Company revised its expected reclamation date of its Canadian wells from 1 year to 2 years, and as such the liability is no longer considered current. The total undiscounted amount of estimated future cash flows is $398,241 (December 31, 2015 - $359,808). These payments are expected to be made over the next 9 years. The obligations have been calculated using an inflation rate of 2% (December 31, 2015 – 2%) and a discount factor, being the risk-free rate related to the liability, of 0.51% (December 31, 2015 – 0.48% - 2.03%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2015 – 2%) and a discount factor, being the risk free rate related to the liability of 0.57% - 1.55% (December 31, 2015 – 1.31% - 2.18%).

During the year ended December 31, 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 $68,298 as the estimated capitalized abandonment costs were previously impaired. During the nine months ended September 30, 2016, the Company recovered an additional $15,080 of abandonment costs. The respective gains are included in the “change in estimates” line items below.

	As at September 30, 2016	As at December 31, 2015
Balance, beginning of period	353,585	472,270
Liabilities incurred	16,535	10,173
Change in estimate	22,366	(63,086)
Abandonment costs	-	(87,622)
Accretion expense	1,610	5,767
Foreign currency translation	(6,114)	16,083
Less: current portion	-	(228,757)
BALANCE, END OF PERIOD	**387,983**	**124,828**

6 Secured debenture

On June 28, 2013, the Company closed a secured debenture (the "Debenture") for gross proceeds of $750,000. As of September 30, 2016, the Company has incurred $293,312 of interest expense (December 31, 2015 - $225,750), of which $67,562 was incurred during the nine months ended September 30, 2016. The maturity date on this debenture is December 31, 2018.

On June 19, 2015, the Company closed an additional secured debenture (the "Debenture B") for gross proceeds of $500,000. As of September 30, 2016, the Company has incurred $77,260 (December 31, 2015 - $32,219) of interest expense, of which $45,041 was incurred during the nine months ended September 30, 2016. The maturity date on this debenture is also December 31,2018.

	Secured Debentures
Balance, December 31, 2014	734,770
Issue of secured debenture	500,000
Issue of debenture warrants (note 7(e))	(26,946)
Accretion of secured debentures	18,341
Balance, December 31, 2015	1,226,165
Accretion of secured debentures	5,116
Balance, September 30, 2016	**1,231,281**

7 Share capital

a) Authorized

Unlimited number of common shares with voting rights, at par value
Unlimited number of preferred shares, issuable in series, at par value

b) Issued

	Number	Amount
Balance, December 31, 2014	55,455,718	15,426,684
Shares issued pursuant to private placement (i)	5,001,967	517,460
Shares issued pursuant to private placement (ii)	1,300,767	143,962
Shares issued pursuant to private placement (iii)	1,570,000	125,600
Share issue costs (vi)	-	(18,921)
Exercise of warrants (note 7(e))	264,700	44,999
Reallocation of warrant fair value on exercise	-	2,567
Balance, December 31, 2015	**63,593,152**	**16,242,351**
Shares issued pursuant to private placement (v)	13,707,280	688,364
Share issue costs (v)	-	(22,902)
Exercise of warrants (note 7(e))	440,000	74,800
Reallocation of warrant fair value on exercise	-	4,267
Balance, September 30, 2016	**77,740,432**	**16,986,880**

i) On March 30, 2015, the Company completed a private placement, issuing 5,001,967 units ("Unit C") at $0.15 per Unit C for aggregate proceeds of $750,295. Each Unit C consisted of one common share of the Company and one half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for $0.25 per common share for a period of 24 months from issuance, which was valued at $232,813 (note 7(e)(i)).

ii) On June 25, 2015 and August 4, 2015, the Company completed the first and second closing of a larger private placement, issuing 649,100 units and 651,667 units ("Unit D"), respectively, at $0.15 per Unit D for aggregate proceeds of $195,116. Each Unit D consisted of one common share of the Company and one half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for $0.25 per common share for a period of 24 months from issuance, which was valued at an aggregate of $51,154 (note 7(e)(ii)).

iii) On December 30, 2015, the Company closed a private placement, issuing 1,570,000 common shares at $0.08 per common share for total proceeds of $125,600.

vi) In connection with the private placements, the Company incurred cash share issue costs of $23,708 of which $16,351 was allocated to share capital and $7,357 was allocated to warrants. 58,080 broker warrants were also issued, valued at $4,207 (note 7(f)(i)).

$2,570 of the broker warrants value was allocated to share capital and $1,637 was allocated to warrants, with an offsetting credit to contributed surplus.

v) On May 31, 2016, the Company completed a private placement, issuing 13,607,280 common shares at $0.05 per common share for aggregate proceeds of $680,364. In connection with the private placement, the Company incurred cash share issue costs of $22,902. In addition, the Company adjusted the December 30, 2015 private placement (iii) to include an issuance of 100,000 common shares at $0.08 per common share for aggregate proceeds of $8,000.

c) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of the directors, officers, employees and consultants of the Company. The maximum number of options available under the Plan is limited to 10% of the issued and outstanding common shares on the date the option is granted, with the maximum number of options available to an individual director, officer, employee or consultant not exceeding 5% or 2%, respectively, of the issued and outstanding shares. Such options will be exercisable for a period of up to 5 years from the date of grant, at an exercise price and vesting period as determined by the Board of Directors.

During the nine months ended September 30, 2016, the Company granted 1,735,000 stock options, 515,000 stock options expired unexercised and there were no stock options exercised or cancelled. A summary of the status of the Company's stock option plan and changes during the period is as follows:

	As at September 30, 2016		As at December 31, 2015	
	Number	Weighted Average Exercise Price ($)	Number	Weighted Average Exercise Price ($)
Balance, beginning of the period	6,201,667	0.22	5,289,667	0.26
Granted	1,735,000	0.05	1,590,000	0.10
Expired	(515,000)	0.30	(678,000)	(0.20)
BALANCE, END OF PERIOD	**7,421,667**	**0.18**	**6,201,667**	**0.22**

Exercise price ($)	Options outstanding	Weighted average remaining term (years)	Weighted average exercise price ($)	Options exercisable	Weighted average exercise price ($)
0.00 - 0.09	2,775,000	4.46	0.06	925,000	0.08
0.10 - 0.19	2,746,667	2.01	0.12	2,563,333	0.15
0.30 - 0.39	-	-	-	-	-
0.40 - 0.49	1,900,000	2.88	0.40	1,900,000	0.40

As at September 30, 2016, the Company had 5,388,333 exercisable options and 2,033,334 options granted but not yet vested (December 31, 2015 – 4,288,333 and 1,913,334, respectively). The weighted average exercise price of the exercisable options is $0.22 (December 31, 2015 - $0.23).

d) Share-based payment

During the nine month period ended September 30, 2016, the Company granted 1,735,000 stock options (December 31, 2015 – 1,590,000). The options granted are exercisable at $0.05 per option and expire 5 years after the grant date. 1/3 of the stock options vest immediately and the remaining stock options granted vest 1/3 on each of the first and second anniversary of the grant date. The forfeiture rates are based on historical data and managements estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

	As at September 30, 2016
Risk-free interest rate	0.63%
Expected life	2.5 years
Expected volatility	263.02%
Fair value per option	$0.05
Forfeiture rate	20.08%
Dividend yield	-

Share-based payments expense recognized during the three and nine months ended September 30, 2016 was $23,383 and $134,377 (September 30, 2015 - $65,808 and $261,991, respectively), of which $18,404 and $97,790, respectively, has been recorded in the consolidated statement of comprehensive loss (September 30, 2015 - $36,799 and $146,917, respectively) and $4,979 and $36,587, respectively, has been capitalized as exploration and evaluation (September 30, 2015 - $29,009 and $115,074, respectively), all of which has been recorded as an offsetting credit to contributed surplus.

e) Warrants

	Number of Warrants	Weighted Average Exercise Price ($)	Amount($)	Weighted Average Expiry Date
Balance, December 31, 2014	7,995,540	0.23	903,243	1.19
Warrants issued pursuant to private placement (note 7(b)(i))	2,500,984	0.25	232,835	0.90
Warrants issued pursuant to private placement (note 7(b)(ii))	650,384	0.25	51,154	1.24
Warrants issued pursuant to secured debenture (note 6)	1,777,778	0.25	26,946	2.75
Share issue costs (note 7(b)(vi))	-	-	(8,994)	-
Exercise of warrants	(264,700)	(0.17)	(2,567)	-
Warrants expired unexercised	(950,885)	(0.30)	(104,843)	-
Balance, December 31, 2015	**11,709,100**	**0.23**	**1,097,773**	**1.49**
Exercise of warrants	(440,000)	(0.17)	(4,267)	-
Balance, September 30, 2016	**11,269,100**	**0.23**	**1,093,506**	**0.96**

(i) As part of the units issued on March 30, 2015 (note 7(b)(i)); subscribers received one half of one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.25 for a period of 24 months from the date of closing. A value of $232,835 ($0.09 per warrant) has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity. In connection with the private placements, share issue costs totaling $3,820 were allocated to warrants (note 7(b)(vi)).

(ii) As part of the units issued on June 25, 2015 and August 4, 2015 (note 7(b)(ii)); subscribers received one half of one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.25 for a period of 24 months from the date of closing. A value of $51,154 ($0.08 per warrant) has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity. In connection with the private placements, share issue costs totaling $5,174 were allocated to warrants (note 7(b)(vi)).

The fair value of the warrants issued during the year ended December 31, 2015 were estimated as at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation are noted below:

	December 31, 2015
Risk-free interest rate	0.44%
Expected life	2.00 years
Expected volatility	158.18%
Fair value per warrant	$0.09

On March 16, 2016, approval was received to extend the expiry date of 1,528,625 and 2,449,363 from March 24, 2016 and April 28, 2016, respectively, to April 28, 2017. All other terms and conditions remained the same. On June 19, 2015, approval was received to extend the expiry date of 2,399,667 share purchase warrants from February 28, 2016 to June 28, 2018 (note 6). All other terms and conditions will remain the same.

f) Broker warrants

	Number of Warrants	Weighted Average Exercise Price ($)	Amount($)	Weighted Average Expiry Date
Balance, December 31, 2014	119,720	0.16	17,381	0.28
Broker warrants issued on private placement (note 7(f)(i))	58,080	0.15	4,207	0.29
Broker warrants expired unexercised	(119,720)	0.16	(17,381)	(0.28)
Balance, December 31, 2015	58,080	0.15	4,207	0.29
Broker warrants expired unexercised	(58,080)	(0.15)	(4,207)	(0.29)
Balance, September 30, 2016	-	-	-	-

(i) During the year ended December 31, 2015, the Company issued 58,080 (note 7(b)(vi)) broker warrants to those who facilitated the private placements. Each broker warrant granted entitles the holder to purchase one common share at a price of $0.15 per common share for a period of 1 year from the date of closing. The broker warrants were valued at $4,207 and recorded as share issue costs.

The fair value of the Broker Warrants granted during the year ended December 31, 2015 were estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

	December 31, 2015
Risk-free interest rate	0.49%
Expected life	1.00 year
Expected volatility	149.86%
Fair value per broker warrant	$0.07

As at September 30, 2016, all broker warrants have expired unexercised.

g) Contributed surplus

	As at September 30, 2016	As at December 31, 2015
Balance, beginning of the period	3,461,843	2,971,349
Share-based payments (note 7(d))	97,790	230,001
Capitalized share-based payments (note 7(d))	36,587	158,717
Expiry of warrants (note 7(e))	-	104,843
Broker warrants (note 7(f))	-	4,207
Deferred tax liability on Debenture B (note 6)	-	(7,275)
BALANCE, END OF PERIOD	**3,596,220**	**3,461,843**

h) Per share data

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. All warrants, broker warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive due to the loss position of the Company.

8 Commitments

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.

At September 30, 2016, included in deposits and prepaid expenses is an amount of $39,358 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2015 - $106,681). The Company continues to work with the AER to reduce its overall deemed liabilities and to improve its LLR ratio.

9 Related party transactions

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

During the three months ended September 30, 2016:

a) An aggregate of $26,500 (September 30, 2015 - $41,100) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company net of costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $22,931 USD (September 30, 2015 - $33,860 USD) in consulting fees and related costs were paid to a director and officer, Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses.

b) Aggregate legal fees of $9,796 (September 30, 2015 - $15,277) were charged by a law firm in which a director of the Company is a partner, of which $9,796 (September 30, 2015 - $3,875) were expensed as general and administrative expenses and $nil (September 30, 2015 - $11,402) were charged to share capital as share issue costs.

During the nine months ended September 30, 2016:

c) An aggregate of $97,650 (September 30, 2015 - $162,175) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company net of costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $46,987 USD (September 30, 2015 - $121,671 USD) in consulting fees and related costs were paid to a director and officer, Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses.

d) Aggregate legal fees of $41,936 (September 30, 2015 - $36,846) were charged by a law firm in which a director of the Company is a partner, of which $19,035 (September 30, 2015 - $11,402) were expensed as general and administrative expenses and $22,902 (September 30, 2015 - $nil) were charged to share capital as share issue costs.

e) The Company has trade and other receivables related to prior years of $90,786 (December 31, 2015 - $90,786) owing from 1528810 Alberta Ltd in which there are two common directors between the Company and the 1528810 Alberta Ltd. This amount has been offset in its entirety as an allowance for doubtful accounts.

f) As at September 30, 2016, the Company has accounts payable and accrued liabilities totaling $58,133 (December 31, 2015 – $133,064) owing to related parties relating to the above transactions.

All of the above related party transactions are in the normal course of operations.

10 Financial risk management

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and trade and other receivables represents the maximum credit exposure.

As at September 30, 2016, the Company had cash of $47,682 (December 31, 2015 - $138,987), of which $41,991 (December 31, 2015 - $133,545) was deposited with two major financial institution and $5,691 (December 31, 2015 - $5,442) is held in trust by the Company's legal counsel. Management has assessed the risk of loss to be minimal.

As at September 30, 2016, the Company's accounts receivable consisted of $117,579 (December 31, 2015 - $28,652) from petroleum and natural gas companies and $3,978 (December 31, 2015 - $6,859) related to goods and service tax owing from the Government of Canada. The Company is not subject to concentration risk. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint ventures; as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint ventures; however, the Company does have the ability to withhold production from joint ventures in the event of non-payment.

The Company's trade and other receivables have been aged as follows:

Days outstanding	As at September 30, 2016	As at December 31, 2015
0-30 days	131,580	6,859
31-60 days	-	16,197
61-90 days	467	5,289
Greater than 90 days	91,432	110,925
TOTAL	**223,479**	**139,270**

At September 30, 2016, the Company has an allowance for $101,922 (December 31, 2015 - $103,759) of trade and other receivables that were deemed to be uncollectible, all of which are included in the greater than 90 days category.

11 Segmented information

The Company's primary operations are limited to a single industry being the acquisition, exploration for, and development of petroleum and natural gas.

Geographical segmentation is as follows:

			As at September 30, 2016
	Canada	Unites States	Total
Petroleum and natural gas sales	-	367,179	367,179
Depletion and depreciation	896	124,362	125,258
Net loss	932,369	(112,107)	820,262
Exploration and evaluation	-	1,668,400	1,668,400
Property, plant and equipment	3,351	2,079,457	2,082,807
Total liabilities	1,694,900	182,772	1,877,672

			As at September 30, 2015
	Canada	Unites States	Total
Petroleum and natural gas sales	-	292,510	292,510
Depletion and depreciation	896	221,684	222,580
Net loss	287,474	77,439	364,913
Exploration and evaluation	-	1,645,361	1,645,361
Property, plant and equipment	11,377	2,508,698	2,520,075
Total liabilities	1,790,119	206,396	1,996,515