TSX Venture – MAH **Report for the year ended**
New York OTCQB Venture Marketplace – MKSEF **December 31, 2015**

MANAGEMENT DISCUSSION AND ANALYSIS

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 year ended December 31, 2015 and was prepared with information available up to April 29, 2016 and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2015. All values in this MD&A are denominated in Canadian currency ("CDN") 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 "IFRS".

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 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 from total current assets.

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 is the acquisition, development, and production of crude oil from properties located in Ohio, USA. Three years ago Marksmen made a strategic corporate decision to exploit the largely untapped shallow, light oil resources in Central and Western Ohio, U.S.A., which management believes offers superior economics compared to other parts of North America. To achieve this goal, Marksmen created a wholly owned subsidiary, Marksmen Energy USA, Inc. and secured the expertise of a technical team in Columbus, Ohio.

Marksmen has entered into a joint venture 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 four wells were drilled in the second quarter, and three in the third quarter of 2014.

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 June 2015. This facility, constructed to withstand winter weather conditions, has been instrumental in reducing water disposal costs in the second half of 2015.

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 has been approved by the state of Ohio to be the operator of oil and gas wells. This will provide the Company with added flexibility needed to ensure all wells are operated and optimized in an efficient manner.

Selected Annual Information

Certain financial and operational information from the last three fiscal years is presented below.

Year Ended	12 Months Ended Dec 31, 2015	12 Months Ended Dec 31, 2014	12 Months Ended Dec 31, 2013
Production - barrels of oil	**5,995**	5,277	-
Petroleum revenue	**$ 353,593**	$ 509,680	$ -
Average price received per barrel	**$ 58.98**	$ 96.59	$ -
Total loss and comprehensive loss	**$ (1,230,631)**	$ (883,982)	$ (935,051)
Per share - basic	**$ (0.02)**	$ (0.02)	$ (0.03)
Funds from operations	**$ (842,161)**	$ (846,575)	$ (717,373)
Per share - basic	**$ (0.01)**	$ (0.02)	$ (0.02)
Exploration and evaluation assets - Ohio	**$ 1,770,835**	$ 924,800	$ 10,033
Investment in property and equipment	**$ 1,911,457**	$ 1,869,084	$ 230,248
Total assets	**$ 3,984,231**	$ 3,209,460	$ 1,103,495
Total liabilities	**$ 2,000,119**	$ 1,495,408	$ 1,838,062
Total shareholder's equity	**$ 1,984,112**	$ 1,714,052	$ (734,567)
Shares outstanding - basic	**63,593,152**	55,455,718	36,009,132
Shares outstanding - weighted average	**60,485,588**	48,586,878	33,954,477

Quarterly Financial Information

The following is a summary of selected quarterly information that has been derived from the audited 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.

Quarter	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Production - Barrels of Oil	**1,095**	2,958	1,392	551	1,735	2,764	778	-
Revenue - Oil (net of Royalties)	**$53,137**	$140,981	$85,322	$28,372	$117,990	$252,101	$74,653	-
Net Comprehensive Income (loss)	**($1,187,909)**	$27,992	($371,392)	($373,753)	($304,883)	($95,492)	($292,770)	($246,152)
Per Share	**($0.02)**	$0.00	($0.01)	($0.01)	($0.01)	($0.00)	($0.01)	($0.01)
Cash Flow Used in Operating Activities	**($842,161)**	($495,752)	($154,910)	($311,224)	($846,575)	($791,239)	($1,063,968)	($95,640)
Per Share	**($0.01)**	($0.01)	($0.00)	($0.01)	($0.02)	($0.01)	($0.02)	($0.00)
Shares Issued and Outstanding	**63,593,152**	62,023,152	61,371,485	60,457,685	55,455,718	55,123,093	52,456,785	42,067,632

Operational Highlights – Ohio

Period Ended	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
Production - Barrels of Oil	**5,995**	**5,277**	**-**
Production Per Day - Barrels	**16.4**	**14.5**	**-**
Well Status			
Wells drilled	**1.0**	**7.0**	**-**
Wells drilled (net to Marksmen)	**0.5**	**6.0**	**-**
Producing wells at year end	**4.0**	**3.0**	**-**
Shut in wells awaiting remedial work	**1.0**	**1.0**	**-**
Water disposal Injection well and Facility	**1.0**	**-**	**-**

Production – Marksmen participated in the drilling of one gross wells in 2015 with a net working interest of 45%. Another well was converted to a water disposal well coupled with a water disposal facility and became operational in June of 2015. Production increased in 2015 by 718 barrels to 5,995 barrels compared to 5,277 in 2014. There were approximately 175 wells days of production lost due to weather, repairs and workovers in 2015.

Well Status and Optimization - There are currently four Marksmen wells operational in Ohio. Three of the wells are operated by Houghton and the fourth is operated by HHE. All four wells are producing less than their expected optimal potential.

Marksmen's operational management has evaluated a number of optimization options. Some of the remedial technical solutions to open up the formation and increase production range from acidizing, deeper perforations using gas gun technology, other technology such as Blue Spark that vibrates the nearby producing zone (proven successful in dolomite formations), new age microbial treatments (currently being exhaustively studied in Ohio by an independent research firm), chemical treatments etc. The capital cost of these techniques would range between $10,000 and $20,000 per well.

There are also opportunities to perforate the wells in additional parts of the producing zones, possibly combined with drilling a short distance deeper using a service rig, with prices in the $15,000 to $30,000 price range. The much more aggressive optimization technique would be to recomplete selective wells using short leg horizontal technology at a cost of over $140,000 per well.

The well at BJ78 #10 is not producing as it has technical problems with the cement job that was completed during drilling operations. This will require a cement squeeze and additional perforation and acidizing costs and will cost in the range of $15,000 to $25,000.

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. There were $8,281 of operational costs associated with these wells in 2015 compared to $8,457 in 2014.

Operating Results and Net Back – Ohio, USA

Operating netbacks are calculated by deducting royalties and operating costs from revenues. These calculations do not have any standardized meaning under IFRS or GAAP. However, this calculation is considered useful by the Company and is widely used in the Oil and Gas industry.

The chart below is in both $CDN and $USD for comparative purposes.

Period Ended	**Year Ended Dec. 31, 2015 $CDN**	**Year Ended Dec. 31, 2015 $USD**	Year Ended Dec. 31, 2014 $CDN	Year Ended Dec. 31, 2014 $USD
Production - Barrels of Oil	**5,995**	**5,995**	5,277	5,277
Avg. Crude oil price pe barrel	**$ 58.98**	**$ 46.13**	$ 96.59	$ 87.44
Revenue	**$ 353,593**	**$ 276,569**	$ 509,680	$ 461,416
Royalties	**$ (45,781)**	**$ (35,811)**	$ (64,936)	$ (58,787)
Gross Operating Income	**$ 307,812**	**$ 240,758**	$ 444,744	$ 402,629
Royalties - per barrel	**$ (7.64)**	**$ (5.97)**	$ (12.31)	$ (11.14)
Operating costs				
Third party Water Disposal	**$ (37,084)**	**$ (29,006)**	$ (56,846)	$ (51,463)
Service rig and workover costs	**$ (20,531)**	**$ (16,059)**	$ -	$ -
Water disposal facility	**$ (16,275)**	**$ (12,730)**		$ -
Routine operating costs	**$ (53,123)**	**$ (41,550)**	$ (29,818)	$ (26,997)
Total Operating Costs	**$ (127,013)**	**$ (99,345)**	$ (86,664)	$ (78,460)
Oerating Income	**$ 180,799**	**$ 141,413**	$ 358,080	$ 324,169
Operating costs per barrel of oil				
Third party Water Disposal	**$ (6.19)**	**$ (4.84)**	$ (10.77)	$ (9.75)
Service rig and workover costs	**$ (3.42)**	**$ (2.68)**	$ -	$ -
Water disposal facility	**$ (2.71)**	**$ (2.12)**	$ -	$ -
Routine operating costs	**$ (8.86)**	**$ (6.93)**	$ (5.65)	$ (5.12)
Total Costs - per barrel	**$ (21.19)**	**$ (16.57)**	$ (16.42)	$ (14.87)
Operating netback / barrel of oil	**$ 30.16**	**$ 23.59**	$ 67.86	$ 61.43

Oil and Gas Revenue - Oil revenue for the year ended December 31, 2015 was $353,593 compared to $509,680 in 2014. The decrease is directly attributable to the decline in the price of oil. Revenue is paid directly to our joint venture partner by the oil marketing company. The payment is based on West Texas Intermediate oil ("WTI") prices.

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 tax $0.20 per barrel. Total royalties paid in 2015 were $45,785 compared to $64,936 in 2014.

Operating Expenses – operating expenses in Ohio totaled $127,013 for the year ended December 31, 2015 compared to $86,664 in 2014. Additionally, there was $8,281 paid in 2015 for minor operating costs associated with the shut-in wells in Alberta compared to $8,457 in 2014.

- **Service Rig and Workover Costs** - there were downhole tubing repair issues in 2015 that required a service rig. The total for service rig and one time repair and workover costs were $20,675 compared to nil in 2014.

- **Third Party Water Disposal** - for the first half of 2015 totaled $37,084 and was $56,846, mostly in the second half of 2014. In approximately 12 months the total water disposal costs were $93,930. Since July of 2015 there has been no third party water disposal fees.

- **Water Disposal Facility -** the cost to operate the water disposal facility totaled approximately $16,275 for six months in 2015. Annualized the cost of this facility will be approximately $30,000. Marksmen does have the infrastructure in place to generate revenue by disposing of other operator's water through our facility.

- **Routine Operating Costs –** were $52,978 in the year ended 2015 compared to $29,818 in 2014. The increase is attributable to an additional well on stream in August and a full year of operations compared in 2015.

Net Backs – the third party water disposal fees of $6.19 per produced barrel in 2015 have stopped in June of 2015 and have been replaced by a significantly lower cost of $2.71 per barrel to operate our water disposal facility. Most of the costs to operate the water disposal facility are fixed and any increased production of water due to increased oil production will not negatively impact the per barrel cost. Service rig and downhole repairs should be minimized and where possible will be completed when optimization work (Capital Expenditures) is undertaken. Routine operating costs are partially fixed and will improve as production is optimized.

The operating netbacks per barrel declined from $67.86 in 2014 to $30.16 in 2015 primarily as a result of lower oil prices.

General and Administrative Expenses

Administrative Expenses	Year Ended	
	Dec. 31, 2015	Dec. 31 2014
Management consulting services	**$ 215,775**	$ 291,399
Professional fees	**$ 205,906**	$ 231,931
Investor relations and conferences	**$ 104,043**	$ 81,111
Filing and listing fees	**$ 37,386**	$ 66,296
Ohio administrative expenses	**$ 27,789**	$ 84,390
General and administrative	**$ 181,623**	$ 172,052
	$ 772,522	$ 927,179

The Company has divided its administrative expenses into six categories, namely: Management consulting fees, Professional fees, Investor relations and conferences, Filing and listing costs, Ohio administrative expenses, and General and administrative expenses as discussed below.

Management Consulting Fees - are related to fees to a professional corporation of a senior executive for services related to the overall management of the Company, plus office space, storage of Company files, administrative costs etc. The executive does invest in the private placements of the Company.

Professional Fees – consists of legal fees, reserve engineering, audit and accounting services. Legal and audit fees both include extra one time charges related to the preparation of our first Annual Information form and associated continuous disclosure provided to the Alberta Securities Commission.

Investor Relations and Conferences – In order to raise capital for the USA based opportunities in Ohio management has attended a number of conferences and numerous meetings with many contacts in the investor community in Canada and the USA.

Filing and Listing Costs – These costs are directly associated with costs of being a public company in Canada. They include annual fees and charges from stock exchanges, provincial securities commissions, and a stock transfer agent.

Ohio Administrative Expenses – Marksmen's business activities in 2015 continue to be focused on developing its oil and gas operations in Ohio. These costs decreased in 2015 as there were fewer capital projects which allowed costs associated with the Ohio Operation to be reduced.

General and Administrative Expenses – The normal day to day costs of running the Company are covered in this category. Some of the higher expenditures in this category are salaries of $122,316, telephone of $6,419, insurance of $16,292 and accounting computer software of $19,280.

Selected Other Expenses

Interest Expense – during the year ended December 31, 2015 the Company incurred of interest related to the Secured Debentures of $122,219 compared to $90,000 in 2014. The Company made its payments pursuant to the terms of the agreements.

Derecognition of Liabilities – the Company had been carrying older liabilities, many older than five years that were disputed or considered no longer payable. Therefore, the Company reduced its obligations by $68,883 in 2015.

Foreign Exchange – At December 31, 2015 the Company had a foreign exchange loss of $160,486.

Financial Position – Highlights

Period Ended	Year Ended Dec. 31, 2015	Year Ended Dec. 31,2014	Variance
Assets			
Current Assets	**$ 301,939**	$ 415,576	$ (113,637)
Exploration and Evaluation Assets	**$ 1,770,835**	$ 924,800	$ 846,035
Property and Equipment	**$ 1,911,457**	$ 1,869,084	$ 42,373
	$ 3,984,231	$ 3,209,460	$ 774,771
Liabilities			
Accounts Payable and Accruals	**$ 420,369**	$ 288,368	$ 132,001
Decommissioning Liabiliites	**$ 353,585**	$ 472,270	$ (118,685)
Secured Debenture	**$ 1,226,165**	$ 734,770	$ 491,395
	$ 2,000,119	$ 1,495,408	$ 504,711
Equity			
Share Capital and Contributed Surplus	**$ 21,601,338**	$ 19,433,491	$ 2,167,847
Deficit	**$ (19,617,226)**	$ (17,719,439)	$ (1,897,787)
	$ 1,984,112	$ 1,714,052	$ 270,060
Liabilities and Equity (Deficit)	**$ 3,984,231**	$ 3,209,460	$ 774,771

Assets – increased by $774,771 in the year ended December 31, 2015 over 2014. Current assets, namely cash, deposits at Alberta Energy Regulator and accounts receivable decreased while investment in seismic, land and drilling activities showed a net increase.

Liabilities – increased by $504,711 in the year ended December 31, 2015 compared to the same period in 2014. Accounts payable and accruals increased due to cash constraints, decommissioning liabilities reduced due to abandonment of wells in Alder Flats, Alberta. The Company increased its secured debenture during the year by $500,000. Also included in payables is an amount of $80,000 provided by an individual in advance of participation in a subsequent private placement.

Equity – in the year ended December 31, 2015 the Company is in a positive net equity position of $1,984,112 an increase of $270,060 over 2014. This is primarily due to an increase in share capital from the issuance of shares in private placements.

Capital Expenditures

Capital Expenditures Oil and Gas Assets	Year End Dec. 31, 2015	Year End Dec. 31, 2014
Exploration and Evaluation (E&E)		
Additions	**$ 706,566**	$ 940,927
Foreign Currency Adjustment	**$ 139,469**	$ 42,677
Transfer to PP&E	**$ -**	$ (289,052)
Total E&E Additions	**$ 846,035**	$ 694,552
Property Plant and Equipment (PP&E)		
Additions (Drilling, Completions and Equipping)	**$ 713,583**	$ 1,597,365
Foreign Currency Adjustment	**$ 387,063**	$ (5,372)
Transfer from E&E	**$ -**	$ 289,052
Total PP&E Additions	**$ 1,100,646**	$ 1,881,045
Combined E&E and PP&E Additions in $CDN	**$ 1,946,681**	$ 2,575,597

In the year ended December 31, 2015 Marksmen had net additions of land, seismic, and drilling of both E&E and PP&E assets of $1,946,681 compared to $2,575,597 in the same period of 2014.

Equity Investment in MAR Oil Company

The Company has suspended business negotiations with MAR Oil Company ("MAR"), and as at December 31, 2015, no assurance can be given that any agreement with MAR will be reached with respect to either new business terms or moving forward with the necessary technical work to produce the properties. The impact to the Company is not known at this time. During the year ended December 31, 2012, the Company's share of MAR's 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.

Oil and Gas Reserves

Marksmen's oil and gas reserves have been evaluated as at December 31, 2015 in a report prepared by McDaniel and Associates Consultants Ltd. Group Ltd. ("McDaniel") in accordance with National Instrument 51-101 ("NI 51-101"). The results will be posted on Sedar under the following referenced documents:

NI-5101F1 Statement of Reserve Data and Other Oil and Gas Information
NI-5101F2 Report on Reserves Data by an Independent Qualified Reserves Evaluator
NI-5101F3 Report of Management and Directors on Oil and Gas Disclosure

The following summary table of reserves includes only Ohio, USA properties. There are no reserves associated with any properties in Alberta.

	2015			2014		
Reserves Summary			**Total Proved**			Total Proved
OHIO Properties	**Proved**	**Total**	**Plus**	Proved	Total	Plus
$USD	**Producing**	**Probable**	**Probable**	Producing	Probable	Probable
	Mbbl	**Mbbl**	**Mbbl**	Mbbl	Mbbl	Mbbl
Light and Medium Oil						
Gross Interest	**23.8**	**50.2**	**74.0**	19.0	46.3	65.3
Company Share	**20.8**	**43.9**	**64.7**	16.7	40.5	57.2
Net Present Value						
Before Tax - Company Share	**M$**	**M$**	**M$**	M$	M$	M$
0%	**816.0**	**1,697.2**	**2,513.2**	700.6	2,564.0	3,264.6
5%	**723.0**	**1,266.7**	**1,989.7**	621.5	2,073.9	2,695.4
10%	**646.4**	**962.4**	**1,608.8**	555.0	1,714.2	2,269.2
15%	**582.9**	**742.1**	**1,325.0**	498.9	1,443.4	1,942.3
20%	**530.0**	**579.2**	**1,109.2**	451.2	1,234.8	1,686.0

Impairment loss

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 CGUs' expected future cash flows. 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 discount rate applied in the impairment calculation as at December 31, 2015 was 10% applied to proven reserves and 15% applied to probable reserves. The FVLCD estimates are categorized as level 3 according to the IFRS 13 fair value hierarchy. Based on the assessment at December 31, 2015, the carrying value of the Company's Ohio, USA CGU exceeded its recoverable value by $632,358, and accordingly, an impairment

for this amount was recorded. The discount rate applied is the most sensitive assumption in the calculation of impairment. If the discount rate were increased by 5%, the impairment loss would increase by approximately $315,833.

During the year ended December 31, 2014, the Company impaired its oil and natural gas assets in its Alder Flats CGU to $nil. The Alder Flats CGU, which at the time was the Company's only oil and natural gas asset, had been shut-in for in excess of two years, which combined with the Company's refocus to its Ohio, USA exploration project, and the continued decline in reserves and commodity prices, resulted in management's assessment that the carrying amount of the CGU was impaired resulting in a $34,828 charge to loss. During the year ended December 31, 2015, the Company continued to impair its oil and natural gas assets in its Alder Flats CGU to $nil resulting in an impairment charge of $7,993.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $353,585 as at December 31, 2015 (December 31, 2014 - $472,270), of which $228,757 is current (December 31, 2014 - $169,008). The total undiscounted amount of estimated future cash flows is $359,808 (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 0.48% - 2.03% (December 31, 2014 –1.00% - 1.57%). The obligations on the US properties 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 1.31% - 2.18% (December 31, 2014 – 1.00% - 1.57%).

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 $69,298 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 December 31, 2015, the Company has incurred $225,750 of interest expense (December 31, 2014 - $135,750), of which $90,000 was incurred during the year ended December 31, 2015 (December 31, 2014 - $90,000). 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. The extension does not represent a significant modification to the original instrument. 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.

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 the Company's 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 December 31, 2015, the Company has incurred $32,219 of interest expense, which was paid in full. 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 December 31, 2018.

Share Capital

For a detailed explanation of the transactions that took place in 2015 and 2014 for common shares, warrants, broker warrants and stock options please refer to Note 11 - Share Capital in Marksmen's consolidated financial statements for the year ended December 31, 2015. The chart below is a summary of share capital and includes the balances as of April 29, 2016.

Marksmen Energy Inc.	**Year Ended**	Year Ended	As of
Share Capital	**Dec. 31, 2015**	Dec. 31, 2014	Apr. 29, 2016
Common Shares	**63,593,152**	55,455,718	63,593,152
Warrants	**11,709,100**	7,955,539	11,709,100
Broker Warrants	**58,080**	119,720	58,080
Stock Options	**6,201,667**	5,289,667	6,201,667

Share-based payment

During the year ended December 31, 2015, the Company granted 1,590,000 stock options (December 31, 2014 – 2,560,000) consistent with the Plan. The options granted are exercisable at a weighted average of $0.10 per option (December 31, 2014 - $0.34) and expire 5 years after the grant date (December 31, 2014 – 5 years). 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.

Share-based payments expense recognized during the year ended December 31, 2015 was $388,718 (December 31, 2014 - $470,786), of which $230,001 has been recorded in the consolidated statement of comprehensive loss (December 31, 2014 - $286,372) and $158,717 has been capitalized as exploration and evaluation (December 31, 2014 - $184,414), all of which has been recorded as an offsetting credit to contributed surplus.

Income Tax

Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 26.00% (December 31, 2014 – 25.00%) to income before income taxes as follows. For detailed information regarding income tax and deferred tax please refer to section 12 of the Company's Consolidated Financial Statements as of December 31, 2015.

For the Company's fully owned subsidiary, Marksmen Energy USA, Inc. the Company also prepares USA state and federal tax returns.

Tax Pools

Tax Pools	**Year Ended Dec. 31, 2015**	Year Ended Dec. 31, 2014
Canadian development expense	**$ 22,301**	$ 14,308
Canadian oil and gas property expense	**$ 476,505**	$ 476,499
Foreign resource expenditure	**$ 1,590,565**	$ 2,566,545
Undepreciated capital cost	**$ 117,464**	$ 116,402
Share issue costs	**$ 69,189**	$ 134,300
Non-capital loss carry forward	**$ 5,535,757**	$ 4,063,456
Non-capital loss carry forward - USA	**$ 3,067,689**	$ 570,105
Capital loss carry forward	**$ 2,059,000**	$ 2,059,000
Total	**$ 12,938,470**	$ 10,000,615

Commitment

Alberta Energy Regulator ("AER") – 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.

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 AER. The Company does not include in its records the amount the AER requires for deposit pursuant to the LLR program related to PrivateCo. The Company does not charge PrivateCo a management fee for the operation of these properties.

At December 31, 2015, included in deposits and prepaid expenses is an amount of $106,681 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2014 -

$166,290). During the year ended December 31, 2015, the Company abandoned four wells in Alder Flats, Alberta, which resulted in a refund of $70,429 in the amount on deposit with the AER.

The Company continues to reduce its overall deemed liabilities and to continue to improve its LLR ratio. Subsequent to the year ended December 31, 2015 the Company, along with other oil and gas companies, negotiated a change in the methodology used by AER to calculate the deemed liabilities of shallow gas wells. This resulted in a refund in February 2016 to the Company of $67,785, thereby reducing the deposit to $38,896.

Related party transactions

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

An aggregate of $215,775 (December 31, 2014 - $265,875) 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 various administrative support costs. Additionally, an aggregate of $164,747 (December 31, 2014 - $208,322) 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.

An aggregate of $nil (December 31, 2014 - $15,063) is accrued as a liability to officers and directors who resigned from the Company in 2012. During the year ended December 31, 2015, the Company reversed the $15,063 related to the resigned directors and is included in the derecognized liabilities included in the consolidated statement of comprehensive loss.

Aggregate legal fees of $93,177 (December 31, 2014 - $90,621) were charged by a law firm in which a director of the Company is a partner, of which $78,180 (December 31, 2014 - $77,563) were expensed as general and administrative expenses and $14,997 (December 31, 2014 - $13,058) were charged to share capital as share issue costs.

The Company has trade and other receivables related to prior years of $90,786 (December 31, 2014 - $90,786) owing from 1528810 Alberta Ltd. in which there are two common directors between the Company and 1528810 Alberta Ltd. This amount has been offset in its entirety as an allowance for doubtful accounts.

As at December 31, 2015, the Company has accounts payable and accrued liabilities totaling $133,064 (December 31, 2014 – $66,129) owing to related parties relating to the above transactions.

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

Key management compensation – includes the Company's executive management.

	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014
Compensation	$ 305,775	$ 343,375
Share based payments	$ 127,886	$ 148,127
Total	$ 433,661	$ 491,502

A portion of the key management compensation of $215,775 (December 31, 201 - $265,875) has been paid through consulting fees.

Off Balance Sheet Arrangements

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

Going Concern

At December 31, 2015, the Company had not yet achieved profitable operations, had accumulated a deficit of $19,624,501 since its inception (December 31, 2014 - $17,719,439), working capital deficiency of $347,187 (December 31, 2014 – of $41,800), negative cash flow from operations of $842,161 (December 31, 2014 - $846,575) 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 year ended December 31, 2015 and management is committed to raising additional capital to achieve its intended development.

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.

To meet future capital projects, the Company will consider additional equity by way of private placements as well as funds generated from operations. Capital projects will be undertaken when funding is available.

The Company plans to drill, complete and tie in a well at the Davis-Holbrook location. This is subject to equity funding provided by a private placement, scheduled to close on or about May 6,2016. This location identified in the 3D seismic shot in 2015 shows indications of a large remnant, approximately 3.5 times larger than those identified in the 2014 3D seismic. The total capital budget for this well is $300,000 USD or about $380,000 CDN. A current joint operating partner has the right to participate in the well up to 25%. Marksmen has been granted the right to be an operator in the state of Ohio and

Marksmen intends to be operator of this well. This gives Marksmen more control over the technical design and drilling of the well.

Marksmen will also continue to evaluate the optimization of existing wells in Ohio and will implement the work as funding is available.

The Company will also evaluate other opportunities that may become available in western Canada that are strategically beneficial.

Other

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