Marksmen Energy Inc.

Consolidated Financial Statements

For the three and nine months ended September 30, 2017 and 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, 2017 and 2016.

Marksmen Energy Inc.

Consolidated Statements of Financial Position

As at:

(Canadian $)	September 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	529,787	116,806
Trade and other receivables (note 9)	82,466	173,710
Deposits and prepaid expenses	59,638	59,572
Total Current Assets	671,891	350,088
Exploration and evaluation (note 3)	1,723,311	1,736,916
Property and equipment (note 4)	2,163,902	2,636,588
TOTAL ASSETS	**4,559,104**	**4,723,592**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	167,759	223,715
Total Current Liabilities	167,759	223,715
Decommissioning liabilities (note 5)	363,291	372,360
Secured debentures (note 6)	1,238,918	1,233,064
	1,769,968	**1,829,139**
SHAREHOLDERS' EQUITY		
Share capital (note 7(b))	17,322,904	17,070,170
Warrants (note 7(e))	210,626	1,151,290
Contributed surplus (note 7(f))	4,760,654	3,663,937
Accumulated other comprehensive income	398,850	690,465
Deficit	(19,903,898)	(19,681,409)
	2,789,136	**2,894,453**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,559,104**	**4,723,592**

Going concern (note 1)
Commitments (note 10)
Subsequent events (note 12)

Approved by the Board of Directors:

Signed "Erich Boechler"	Signed "Archie Nesbitt"
Erich Boechler	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 months ended:

(Canadian $)	Three months ended September 30, 2017	 September 30, 2016	Nine months Ended September 30, 2017	 September 30, 2016
REVENUE				
Petroleum and natural gas sales	220,011	284,497	906,770	367,179
Royalties	(28,881)	(37,001)	(118,467)	(47,809)
	191,130	247,496	788,303	319,370
EXPENSES				
Production and operating expenses	36,025	40,513	93,756	96,614
Depletion and depreciation (note 4)	72,645	72,941	331,521	125,258
General and administrative	143,928	147,348	414,807	443,227
Share-based payments (note 7(d))	15,696	18,404	56,284	97,790
Loss from operations	(77,164)	(31,710)	(108,065)	(443,519)
FINANCE EXPENSE				
Interest expense (note 6)	37,809	37,808	112,192	112,603
Bad debt expense	-	9,871	-	8,034
Foreign exchange	-	(65,369)	-	234,300
Accretion of secured debentures (note 6)	2,041	1,782	5,855	5,116
Accretion of decommissioning liabilities (note 5)	1,111	533	2,531	1,610
	(40,961)	15,375	(120,578)	(361,663)
OTHER EXPENSES (INCOME)				
(Recovery) loss of abandonment estimates	(3,254)	123	(6,153)	15,080
NET LOSS	(114,871)	(16,458)	(222,490)	(820,262)
Other comprehensive income that may subsequently be transferred to net loss				
Currency translation adjustment	(150,367)	(14,129)	(291,615)	63,319
			-	
NET LOSS AND COMPREHENSIVE LOSS	(265,238)	(30,587)	(514,105)	(756,943)
Basic and diluted loss per share (note 7(e))	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding during the period	82,504,581	71,448,146	80,841,257	67,520,649

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

Marksmen Energy Inc.

Consolidated Statements of Changes in Equity

(Canadian $)	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
BALANCE AS AT DECEMBER 31, 2016	17,070,170	1,151,290	3,663,937	(19,681,409)	690,465	2,894,453
Loss for the period	-	-	-	(114,871)	-	(114,871)
Translation differences on foreign subsidiaries	-	-	-	-	(291,615)	(291,615)
Private placement (note 7(b))	260,024	99,176	-	-	-	359,200
Cash share issue costs (note 7(b))	(7,290)	(2,101)	-	-	-	(9,391)
Expiry of warrants (note 7(e))	-	(1,104,458)	1,104,458	-	-	-
Expiry of warrant share issue costs (note 7(e))	-	66,719	(66,719)	-	-	-
Share-based payments (note 7(d))	-	-	58,979	-	-	58,979
BALANCE AS AT SEPTEMBER 30, 2017	17,322,904	210,626	4,760,654	(19,903,898)	398,850	2,789,136

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

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

Marksmen Energy Inc.

Consolidated Statements of Cash Flows

(Canadian $)	September 30, 2017	**Nine months ended** September 30, 2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(222,490)	(820,262)
Abandonment costs paid	-	5,099
ITEMS NOT AFFECTING CASH:		
Depletion and depreciation (note 4)	331,521	125,258
Accretion of decommissioning liabilities (note 5)	2,531	1,610
Accretion of secured debentures (note 6)	5,855	5,116
Recovery of abandonment estimates	(6,153)	15,080
Share-based payments (note 7(d))	56,284	97,790
Change in trade and other receivables	91,244	(120,260)
Change in deposits and prepaid expenses	(66)	68,264
Change in accounts payable and accrued liabilities	(33,746)	11,442
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	**224,980**	**(610,863)**
INVESTING ACTIVITIES		
Expenditures on property and equipment	(25,875)	(246,331)
Expenditures on exploration and evaluation	(77,835)	(64,806)
Change in non-cash working capital	(22,211)	(139,660)
CASH FLOW USED IN INVESTING ACTIVITIES	**(125,920)**	**(450,797)**
FINANCING ACTIVITIES		
Proceeds from private placements, net of cash issue costs	349,808	665,462
Proceeds from exercise of warrants	-	74,800
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	**349,808**	**740,262**
Foreign exchange effect on cash and cash equivalents	(35,887)	230,092
Increase (decrease) in cash	412,981	(91,305)
Cash, beginning of period	116,806	138,987
CASH, END OF PERIOD	**529,787**	**47,682**

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, 2017, the Company had not yet achieved profitable operations, had accumulated a deficit of $19,903,898 since its inception (December 31, 2016 - $19,681,409), and may 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, global commodity pricing or continued profitable operations in the future. The Company successfully completed three private placements during the nine months ended September 30, 2017 (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, 2016. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 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 27, 2017.

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, 2016.

3 Exploration and evaluation

	As at September 30, 2017	As at December 31, 2016
Balance, beginning of period	1,736,916	1,770,835
Expenditures on exploration and evaluation assets	80,530	141,471
Transfers to property, plant and equipment (note 4)	-	(133,400)
Foreign exchange translation	(94,136)	(41,990)
BALANCE, END OF PERIOD	**1,723,311**	**1,736,916**

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, 2017, the Company has $1,723,311 in E&E assets (December 31, 2016 - $1,736,916). The additions represent the acquisition of undeveloped land and seismic activity within Ohio, USA, and include $2,695 of capitalized share-based payments. The transfers to property and equipment reflect assets in which technological feasibility and commercial viability have been established. Prior to the transfer to property and equipment, the E&E assets are tested for impairment. There was no impairment recognized on the transfers of the E&E assets to property and equipment.

4 Property and equipment

	As at September 30, 2017	As at December 31, 2016
Petroleum and natural gas assets	3,640,383	3,845,142
Corporate assets	20,384	20,385
Property and equipment at cost	3,660,767	3,865,527
Accumulated depletion and depreciation	(1,496,865)	(1,228,939)
PROPERTY AND EQUIPMENT NET CARRYING AMOUNT	**2,163,902**	**2,636,588**

Petroleum and natural gas assets

COST	As at September 30, 2017	As at December 31, 2016
Balance, beginning of period	3,845,142	3,535,089
Additions	29,049	251,483
Transfer from exploration and evaluation assets (note 3)	-	133,400
Change in estimate of decommissioning liabilities (note 5)	497	15,056
Foreign currency translation	(234,307)	(89,886)
BALANCE, END OF PERIOD	**3,640,383**	**3,845,142**
ACCUMULATED DEPLETION		
Balance, beginning of period	(1,211,605)	(1,627,177)
Depletion	(330,827)	(277,673)
Impairment recovery (expense)	-	655,110
Foreign currency translation	63,595	38,135
BALANCE, END OF PERIOD	(1,478,837)	(1,211,605)
NET CARRYING AMOUNT, END OF PERIOD	**2,161,546**	**2,633,538**

The Company's Canadian petroleum and natural gas assets continued to be shut-in during the nine months ended September 30, 2017.

Corporate assets

COST	As at September 30, 2017	As at December 31, 2016
Balance, beginning of period	20,385	19,683
Additions	-	702
BALANCE, END OF PERIOD	**20,385**	**20,385**
ACCUMULATED DEPRECIATION		
Balance, beginning of period	(17,333)	(16,138)
Depreciation	(694)	(1,195)
BALANCE, END OF PERIOD	(18,027)	(17,333)
NET CARRYING AMOUNT, END OF PERIOD	**2,358**	**3,052**

5 Decommissioning liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $363,291 as at September 30, 2017 (December 31, 2016 - $372,360). The total undiscounted amount of estimated future cash flows is $382,995 (December 31, 2016 - $387,604). These payments are expected to be made over the next 12 years. The obligations on the Canadian properties have been calculated using an inflation rate of 2% (December 31, 2016 – 2%) and a discount factor, being the risk-free rate related to the liability, of 1.51% - 2.40% (December 31, 2016 – 0.73% - 1.02%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2016 – 2%) and a discount factor, being the risk free rate related to the liability of 1.68% - 1.98% (December 31, 2016 –1.02% - 1.47%).

During the year ended December 31, 2016, 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 $6,153 as the estimated capitalized abandonment costs were previously impaired. This gain is included in the "change in estimates" line item below.

	As at September 30, 2017	As at December 31, 2016
Balance, beginning of period	372,360	353,585
Liabilities incurred	4,989	16,926
Change in estimate	(7,470)	3,179
Accretion expense	2,531	2,133
Foreign currency translation	(9,118)	(3,463)
BALANCE, END OF PERIOD	**363,291**	**372,360**

6 Secured debentures

On June 28, 2013, the Company closed a secured debenture (the "Debenture") for gross proceeds of $750,000. As of September 30, 2017, the Company has incurred $383,312 of interest expense (December 31, 2016 - $315,997), of which $67,315 was incurred during the nine months ended September 30, 2017.

On June 19, 2015, the Company closed an additional secured debenture (the "Debenture B") for gross proceeds of $500,000. As of September 30, 2017, the Company has incurred $137,260 (December 31, 2016 - $92,383) of interest expense, of which $44,877 was incurred during the nine months ended September 30, 2017.

	Secured debentures
Balance, December 31, 2015	1,226,165
Accretion of secured debentures	6,899
Balance, December 31, 2016	1,233,064
Accretion of secured debentures	5,855
Balance, September 30, 2017	**1,238,918**

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, 2015	63,593,152	16,242,351
Shares issued pursuant to private placement (i)	13,707,280	688,364
Exercise of warrants (note 7(e))	440,000	74,800
Reallocation of warrant fair value on exercise	-	4,267
Shares issued pursuant to private placement (ii)	1,460,000	86,198
Share issue costs (ii)	-	(25,810)
Balance, December 31, 2016	**79,200,432**	**17,070,170**
Shares issued pursuant to private placement (iii)	1,350,000	90,895
Shares issued pursuant to private placement (iv)	1,837,500	108,130
Shares issued pursuant to private placement (v)	965,000	60,999
Share issue costs (iii), (iv) & (v)	-	(7,290)
Balance, September 30, 2017	**83,352,932**	**17,322,904**

i) 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 addition, the Company issued an additional 100,000 common shares at $0.08 per common share for aggregate proceeds of $8,000.

ii) On December 30, 2016, the Company completed a private placement, issuing 1,460,000 units ("Unit A") for aggregate proceeds of $146,000. Each Unit A 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 $59,802 (note 7(e)(i)). In connection with the 2016 private placements, the Company incurred cash share issue costs of $27,828, of which $2,018 were allocated to warrants (note 7(e)(i)).

iii) On March 31, 2017, the Company completed a private placement, issuing 1,350,000 units ("Unit B") for aggregate proceeds of $135,000. Each Unit B 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 $44,105 (note 7(e)(ii)). In connection with the private placement, the Company incurred cash share issue costs of $3,505, of which $1,145 were allocated to warrants (note 7(e)(ii)).

iv) On June 30, 2017, the Company completed a private placement, issuing 1,837,500 units ("Unit B") for aggregate proceeds of $147,000. Each Unit B 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 $38,870 (note 7(e)(ii)). In connection with the private placement, the Company incurred cash share issue costs of $1,332, all of which was allocated to share capital.

v) On August 28, 2017, the Company completed a private placement, issuing 965,000 units ("Unit C") for aggregate proceeds of $77,200. 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 $16,201 (note 7(e)(iii)). In connection with the private placement, the Company incurred cash share issue costs of $4,554, of which $3,598 was allocated to share capital and $956 was allocated to warrants.

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, 2017, the Company granted 575,000 stock options, and no stock options expired unexercised, were 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, 2017		As at December 31, 2016
	Number	Weighted Average Exercise Price ($)	Number	Weighted Average Exercise Price ($)
Balance, beginning of the period	7,421,667	0.18	6,201,667	0.22
Granted	575,000	0.10	1,735,000	0.05
Expired	-	-	(515,000)	0.30
BALANCE, END OF PERIOD	**7,996,667**	**0.17**	**7,421,667**	**0.18**

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	3.46	0.06	1,850,000	0.08
0.10 - 0.19	3,321,667	1.62	0.14	2,938,333	0.15
0.40 - 0.49	1,900,000	1.88	0.40	1,900,000	0.40

As at September 30, 2017, the Company had 6,688,333 exercisable options and 1,308,334 options granted but not yet vested (December 31, 2016 – 5,735,000 and 1,686,667, respectively). The weighted average exercise price of the exercisable options is $0.19 (December 31, 2016 - $0.21).

d) Share-based payments

During the nine months ended September 30, 2017, the Company issued 575,000 stock options to director, officers and consultants. The stock options granted are exercisable at $0.10 per share, and vest as to 1/3 immediately and 1/3 on each of the first and second anniversaries of the grant date. The stock options have a 5 year term from the date of issuance (December 31, 2016 – 1,735,000). 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, 2017	As at December 31, 2016
Risk-free interest rate	1.10%	0.57%
Expected life	2.5 years	2.5 years
Expected volatility	290.94%	163.28%
Fair value per option	$0.08	$0.07
Forfeiture rate	0.00%	14.27%
Dividend yield	-	-

Share-based payments expense recognized three and nine months ended September 30, 2017 was $16,323 and $58,979 (September 30, 2016 - $23,383 and $134,377), of which $15,696 and $56,284 has been recorded in the consolidated statement of comprehensive loss (September 30, 2016 - $18,404 and $97,790) and $627 and $2,695 has been capitalized as exploration and evaluation (September 30, 2016 - $4,979 and $36,587), 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, 2015	11,709,100	0.23	1,097,773	1.49
Exercise of warrants	(440,000)	(0.17)	(4,267)	-
Warrants issued pursuant to private placement (note 7(b)(ii)	730,000	0.25	59,802	2.00
Share issue costs (note 7(b)(ii))	-	-	(2,018)	-
Balance, December 31, 2016	**11,999,100**	**0.24**	**1,151,290**	**0.90**
Expiry of warrants	(7,129,355)	0.25	(1,104,458)	-
Expiry of warrant share issue costs	-	-	66,719	-
Warrants issued pursuant to private placement (note 7(b)(iii))	675,000	0.25	44,105	1.75
Warrants issued pursuant to private placement (note 7(b)(iv))	918,750	0.25	38,870	2.00
Warrants issued pursuant to private placement (note 7(b)(v))	482,500	0.25	16,201	1.91
Share issue costs (note 7(b)(v))	-	-	(2,102)	-
Balance, September 30, 2017	**6,945,995**	**0.93**	**210,626**	**1.39**

(i) As part of the units issued on December 30, 2016 (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 $59,802 ($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 placement, share issue costs totaling $2,018 were allocated to warrants (note 7(b)(ii)).

(ii) As part of the units issued on March 31, 2017 (note 7(b)(iii)); 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 $44,105 ($0.07 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 placement, share issue costs totaling $1,145 were allocated to warrants (note 7(b)(iii)).

(iii) As part of the units issued on June 30, 2017 (note 7(b)(iv)); 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 $38,870 ($0.04 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.

(iv) As part of the units issued on August 28, 2017 (note 7(b)(v)); 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 $16,201 ($0.03 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 placement, share issue costs totaling $956 were allocated to warrants (note 7(b)(v)).

The fair value of the warrants issued are estimated as at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation are noted below:

	As at September 30, 2017	As at December 31, 2016
Risk-free interest rate	1.02%	0.73%
Expected life	2.00 years	2.00 years
Expected volatility	196.68%	191.66%
Fair value per warrant	$0.05	$0.08

During the year ended December 31, 2016, approval was received to extend the expiry date of 424,500 share purchase warrants from October 25, 2016 to October 25, 2018, 242,500 share purchase warrants from January 17, 2017 to January 17, 2019 and 3,977,988 from April 28, 2016 to April 28, 2017.

f) Contributed surplus

	As at September 30, 2017	As at December 31, 2016
Balance, beginning of the period	3,663,937	3,461,843
Share-based payments (note 7(d))	56,284	163,561
Capitalized share-based payments (note7(d))	2,695	38,533
Expiry of warrants (note 7(e))	1,104,458	-
Expiry of warrant share issue costs (note 7(e))	(66,719)	-
BALANCE, END OF PERIOD	**4,760,654**	**3,663,937**

g) Per share data

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. All 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 Related party transactions

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

During the three months ended September 30, 2017:

a) An aggregate of $29,980 (September 30, 2016 - $26,500) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as $7,500 (September 30, 2016 - $7,500) for costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $14,292 USD (September 30, 2016 - $22,931 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 $6,091 (September 30, 2016 - $9,796) were charged by a law firm in which a director of the Company is a partner, of which $1,537 (September 30, 2016 - $9,796) were expensed as general and administrative expenses and $4,554 (September 30, 2016 - $nil) were charged to share capital as share issue costs.

During the nine months ended September 30, 2017:

c) An aggregate of $87,950 (September 30, 2016 - $97,650) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as $22,500 (September 30, 2016 - $22,500) for costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $49,907 USD (September 30, 2016 - $46,987 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 $22,343 (September 30, 2016 - $41,936) were charged by a law firm in which a director of the Company is a partner, of which $12,953 (September 30, 2016 - $19,035) were expensed as general and administrative expenses and $9,390 (September 30, 2016 - $22,902) were charged to share capital as share issue costs.

e) As at September 30, 2017, the Company has accounts payable and accrued liabilities totaling $24,282 (December 31, 2016 – $45,134) owing to related parties relating to the above transactions.

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

9 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, 2017, the Company's accounts receivable consisted of $78,191 (December 31, 2016 - $167,556) from petroleum and natural gas companies and $4,275 (December 31, 2016 - $6,154) related to goods and service tax owing from the Government of Canada. $77,080 of the Company's receivables are held with one party and are collected 10 days subsequent to the production period end. Other receivables from joint venture partners are typically collected within one to two 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, 2017	As at December 31, 2016
0-30 days	77,080	169,805
31-60 days	5,256	3,799
61-90 days	-	-
Greater than 90 days	130	106
TOTAL	**82,466**	**173,710**

At September 30, 2017, the Company has an allowance for $nil (December 31, 2016 - $nil) of trade and other receivables that were deemed to be uncollectible. During the year ended December 31, 2016, the Company wrote off the allowance of $103,759 held at December 31, 2015 against its trade and other receivables.

10 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, 2017, included in deposits and prepaid expenses is an amount of $39,668 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2016 - $39,358). The AER has indicated that a higher deposit may be required. Since all wells in Alberta are either abandoned or shut-in, the Company has decided to continue negotiations with the AER to bring certain wells back on production to add positive deemed asset valuation.

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:

	For the nine months ended September 30, 2017		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	906,770	906,770
Depletion and depreciation	694	330,827	331,521
Net loss and comprehensive loss (income)	555,086	(332,596)	114,871
Exploration and evaluation assets	-	1,723,311	1,723,311
Property, plant and equipment	2,358	2,161,545	2,163,902
Total liabilities	1,611,677	158,291	1,769,968

	For the nine months ended 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 and comprehensive loss (income)	932,369	(112,107)	820,262
Exploration and evaluation assets	-	1,668,400	1,668,400
Property, plant and equipment	3,351	2,079,457	2,082,808
Total liabilities	1,694,900	182,772	1,877,672

12 Subsequent events

On October 27, 2017, the Company completed a private placement issuing 200,000 units (the "Unit") for aggregate proceeds of $16,000. Each Unit 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.