Q2

TSX Venture – MAH | **Report for 3 and 6 months ended**

New York OTCQB Venture Marketplace – MKSEF | **June 30, 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 three and six months ended June 30, 2015 and was prepared with information available up to Aug 31, 2015 and should be read in conjunction with consolidated financial statements of Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2014. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

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

Application of Accounting Estimates

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

Non-IFRS

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

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

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

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

Barrel of Oil Equivalent

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

Forward-Looking Statements

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

Introduction

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

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

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 will increase the Company's 3D seismic lands from five square miles to approximately seven square miles. Interpretation of the seismic data indicates nine potential drill targets bringing the total in both seismic acquisitions to over twenty drill targets.

The Company's water injection facility construction has been completed and put on production in late May 2015. This facility, constructed to withstand all weather conditions, is the cornerstone of reducing operating costs, optimizing production, and maintaining production operations in cold weather. Production in the first quarter of 2015 was substantially less than in previous quarters due to abnormally cold weather in Ohio that forced the shut-in of the third party water injection facility for much of the quarter due to frozen equipment and flow lines.

Marksmen has applied to the state of Ohio to become an approved oil and gas operator. This will give the Company the flexibility needed to ensure all wells are operated and optimized in an efficient manner.

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 and Chuck Henry Energy LLC. This is a new target delineated by the new seismic. The well is currently on production and as of August 12, 2015 is producing approximately 30 barrels of oil per day net to Marksmen. Additionally Marksmen performed a major workover on an existing well in the same August time frame, producing approximately 60 barrels of oil per day net to Marksmen.

Marksmen is optimistic that the progress made in the previous year and first six months of 2015 will positively impact the future of the Company.

Operational Highlights – Ohio

Period Ended (in $CDN)	Q2 2015 by Month Apr 2015	May 2015	Jun 2015	3 Months Ended Jun 30, 2015	6 Months Ended Jun 30, 2015
Total Production - Barrels of Oil	303.5	514.7	574.2	**1392.4**	**1943.0**
Crude Oil Price /boe	$ 65.56	$ 71.18	$ 72.33	**$ 70.32**	**$ 67.16**
Days on Production	20	25	25	**70**	**102**
Production per day (BOE\D)	15.2	20.6	23.0	19.9	**10.7**
Revenue - Oil	$ 19,744	$ 36,636	$ 41,532	**$ 97,912**	**$ 130,496**
Royalties	$ (2,545)	$ (4,710)	$ (5,335)	**$ (12,590)**	**$ (16,802)**
Gross Operating Income	$ 17,199	$ 31,926	$ 36,198	**$ 85,322**	**$ 113,694**
Operating Costs - Water Disposal	$ (9,898)	$ (8,954)	$ -	**$ (18,852)**	**$ (35,566)**
Operating Costs - Other	$ (1,815)	$ (4,919)	$ (5,609)	**$ (12,342)**	**$ (20,491)**
Total Operating Costs	$ (11,712)	$ (13,873)	$ (5,609)	**$ (31,194)**	**$ (56,057)**
Operating Income	$ 5,623	$ 18,054	$ 30,588	**$ 54,265**	**$ 57,774**
Operating Costs /boe - Water Disposal	$ (32.61)	$ (17.40)	$ -	**$ (13.54)**	**$ (18.30)**
Operating Costs /boe - Other	$ (5.98)	$ (9.56)	$ (9.77)	**$ (8.86)**	**$ (10.55)**
Total Operating Costs / boe	$ (38.59)	$ (26.95)	$ (9.77)	**$ (22.40)**	**$ (28.85)**
Operating Net back / boe	$ 18.52	$ 35.08	$ 53.27	**$ 38.97**	**$ 29.73**

Production – the total production in the second quarter of 2015 was 1,392 barrels of oil (“barrels”). This is an increase of 614 barrels of oil over the same period in 2014**.** The chart above indicates the increased production in each month of the second quarter. The total production for the three months ended June 30, 2015 was 1,392 barrels. This is an increase of 841 barrels compared to the first quarter of 2015 where the production was 551 barrels. The production during the first quarter of 2015 was negatively impacted by abnormally cold weather conditions that caused the third party water injection facility to be shut-in for much of the quarter due to frozen equipment and flow lines. Without the water injection facility the wells cannot produce. For additional quarterly production please also refer to the Quarterly financial table that follows (see also subsequent events related to increased production).

Oil and Gas Revenue - Oil revenue for the second quarter of 2015 steadily increased each month of the quarter to total $97,912 or an increase of $65,328 compared to the first quarter of 2015. Revenue is paid directly to the Company’s joint venture partner by the oil marketing company. The payment is based on West Texas Intermediate oil (“WTI”) prices and was approximately $70 CDN or $57USD per barrel in the second quarter.

Royalties - royalties are paid directly by the oil marketing company at 12.5% of revenue to the land owners of record. There are no royalties paid to the state of Ohio but rather an oil severance and state tax totaling $0.20 per barrel. Total royalties paid in the second quarter of 2015 were $12,590 compared to $4,212 in the first quarter of 2015.

Operating Expenses – For a better understanding of the impact of water disposal costs the chart above has separated operating costs into two parts, one being the water disposal cost that is paid to a third party and the second being other costs that include maintenance, contract operator, power and supplies, etc. The chart indicates the positive impact on costs with the water disposal costs being reduced to $nil in June of 2015 when Marksmen's fully insulated and winterized water injection facility was fully operational. Other operating costs increased in May and June due to one-time or extra maintenance charges. Also June's increased costs reflect the costs to operate and power the water injection facility. As production increases the operating costs per barrel will reduce as certain operating costs do not increase proportionally with increased production.

Operating Net back – improved month over month in the second quarter of 2015 from $18.52 in April to $53.27 in June due to increased production and the elimination of third party water injection costs. The water injection component of operating costs went from a high of $32.61 per barrel in April to $nil in June. This resulted in total operating costs reducing by approximately $17 per barrel.

Operating net backs are impacted by changes in production levels and changes in the price per barrel of oil. In the quarter ended June 30, 2014 the price of oil was just over $100 USD per barrel yielding a net back of approximately $90 per barrel. By focusing on the month of June in the chart above, it demonstrates how the benefit of the Marksmen owned water disposal facility reduces operating costs and is crucial to allowing the Company to remain net back positive going forward even with lower prices per barrel of oil (For example, if the price of WTI drops to $40 USD the royalties will be $5 and the operating costs will be approximately $10 per barrel still resulting in a positive operating net back of $25 per barrel).

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	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Production - Barrels of Oil	1,392	551	1,735	2,764	778	-	-	-
Revenue - Oil (net of Royalties)	$ 85,322	$ 28,372	$ 182,926	$ 252,101	$ 74,653	$ -	$ -	$ -
Net Income (Loss)	$ (373,753)	$ 19,152	$ 263,022	$ (95,492)	$ (292,770)	$ (246,152)	$ (321,135)	$ (260,441)
Per Share - Basic	$ (0.01)	$ 0.00	$ 0.00	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Funds from Operations	$ (158,113)	$ (228,641)	$ (228,641)	$ 93,663	$ (285,944)	$ (130,034)	$ (169,941)	$ (207,915)
Per Share - Basic	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.00	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)
Shares Issued and Outstanding	61,371,485	60,457,685	55,455,718	55,123,093	52,456,785	42,067,632	36,009,132	34,450,132
Weighted Average Shares	60,507,894	57,555,551	48,586,878	54,096,506	47,710,852	37,091,738	33,954,477	34,450,132

General and Administrative Expenses

Period	Three months ending		Six Months Ending	
	Jun 30, 2015	Jun 30, 2014	**Jun 30, 2015**	Jun 30, 2014
Management consulting services	**$ 71,300**	$ 70,100	**$ 140,575**	$ 154,350
Professional services	**$ 31,051**	$ 58,393	**$ 48,689**	$ 65,868
Investor relations and conferences	**$ 48,176**	$ 11,137	**$ 72,202**	$ 46,523
Filing and listing costs	**$ 7,568**	$ 15,995	**$ 21,132**	$ 28,780
Ohio administrative costs	**$ 13,701**	$ 79,242	**$ 29,502**	$ 79,646
General and administrative	**$ 47,967**	$ 39,090	**$ 90,773**	$ 60,210
Total	**$ 219,763**	$ 273,957	**$ 402,873**	$ 435,377

The Company has divided its administrative expenses into six categories, as outlined in the Chart above. Overall, the three months total comparative costs reduced by $54,194 and the six month comparative costs reduced by $32,504. A review by category follows:

Management Consulting Services - are related to fees paid to a senior management executive for services related to the overall management of the Company, plus office space and storage of Company files etc. The quarterly comparison shows an increase of $1,200 where the six month comparison shows a decrease of $13,775

Professional Services – consists of legal, engineering, audit and accounting services. There is a decrease of these cost for both the quarter and six months of $27,342 and $17,179 respectively.

Investor Relations and Conferences – In order to raise capital for the opportunities in Ohio, USA, management has attended a number of conferences and has had numerous meetings with many contacts in the investor community in Canada and the USA. The comparative expenditures for the quarter increased $37,039 and $25,679 for six months ended June, 2015. The increases are due to increased costs associated with the successful efforts related to raising funds for a new debenture and two private placements.

Filing and Listing Costs – These are the costs of being a public company in Canada and in the USA. The comparative quarterly comparisons decreased by $8,427 and the six months comparison decreased by $7,648.

Ohio Administrative Expenses – Marksmen's business activities in 2015 have been focused on developing its oil and gas operations in Ohio. The comparative expenditures for the first quarter show a reduction of $65,541 where the six months also indicates a reduction of $50,144. The results are not directly comparable due to the development and maturing of the Ohio projects resulting in a larger portion of Ohio based geological/engineering costs previously being charged to administration costs were capitalized in the last two quarters of 2014 and in the first six months of 2015.

General and Administrative Expenses – The normal day to day costs of running the Company are covered in this category and are related to salaries, rent, office costs, travel and other costs. The comparative expenditures by quarter increased by $8,877 where the six months comparison increased by $30,563.

Selected Other Expenses

Interest Expense – during the first quarter of 2015 the Company accrued $22,500 of interest related to the Secured Debenture of June 28, 2013 with an additional $24,103 due for the second quarter of 2015. The semi-annual payment of $46,603 was paid on June 30, 2015. In 2014 the amount incurred during the first six months was $45,000 with the first annual payment of $90,000 paid in June of that year. Marksmen is current on its payment of all debenture interest.

Foreign Exchange – In the quarter ended June 30, 2015 the Company recorded a foreign exchange loss of $43,363 while in the six months ended June 30, 2015 the Company recorded a foreign exchange gain of $215,322 due to rate increases quarter over quarter in exchange rates of the $US dollar vs. the $CAD dollar.

Operating Costs – Ohio based operating cost totaled $31,194 for the quarter ended June 30, 2015 and $56,057 for the six months ended June 30, 2015. In Alberta there were $6,731 for the same quarter and $6,947 for the same six months related to minor costs for taxes, standby power, lease costs, etc.

Depletion expense – are $65,383 for the quarter ended June 30, 2015 and $89,110 for the six months ended June 30, 2015. Depletion is calculated based on data from the 2014 reserve report and actual production for the period.

Financial Position – Highlights

Period Ended	**Six Months Ended June 30, 2015**	Six Months Ended June 30, 2014	12 Months Ended Dec. 31,2014
Assets			
Current Assets	**$ 607,038**	$ 1,087,481	$ 415,576
Exploration and Evaluation Assets	**$ 1,485,059**	$ 1,024,619	$ 924,800
Property and Equipment	**$ 2,255,325**	$ 650,443	$ 1,869,084
	$ 4,347,422	$ 2,762,543	$ 3,209,460
Liabilities			
Accounts Payable and Accruals	**$ 223,546**	$ 350,062	$ 288,368
Decommissioning Liabiliites	**$ 492,827**	$ 428,874	$ 472,270
Secured Debenture	**$ 1,215,176**	$ 727,906	$ 734,770
	$ 1,931,549	$ 1,506,842	$ 1,495,408
Equity			
Share Capital and Contributed Surplus	**$ 20,528,217**	$ 18,574,765	$ 19,433,491
Deficit	**$ (18,112,344)**	$ (17,319,064)	$ (17,719,439)
	$ 2,415,873	$ 1,255,701	$ 1,714,052
Liabilities and Equity (Deficit)	**$ 4,347,422**	$ 2,762,543	$ 3,209,460

Assets – increased by $1,584,897 in the first six months of 2015 compared to the same the period in 2014 and by $1,137,962 compared to year end 2014. This is the result of an increase in oil and gas assets from investment in a successful 3D seismic and drilling programs undertaken by the Company in 2014 and 2015.

Liabilities – increased by $424,707 in the first six months of 2015 compared to the same period in 2014 and by $436,141 compared to year end 2014. The increase in liabilities is related to capital project funding provided by an additional secured debenture (please see the discussion on debentures later in the MD&A).

Equity – increased by $1,160,172 in the first six months of 2015 compared to the same the period in 2014 and by $701,821 compared to year end 2014. Two private placements closed in the first six months of 2015. For more detailed information see the Consolidated Statement of Changes in Equity (Deficit) in the financial statements dated June 30, 2015.

Capital Expenditures

Capital Expenditures Oil and Gas Assets	Quarter Ended		Six Months Ended	
	Jun 30, 2015	Jun 30, 2014	**Jun 30, 2015**	Jun 30, 2014
Property Plant and Equipment (PP&E) - Alberta	**$ 3,384**	$ 2,593	**$ 3,384**	$ 5,146
Property Plant and Equipment (PP&E) - Ohio	**$ 185,096**	$ 456,862	**$ 232,644**	$ 456,862
	$ 188,480	$ 459,455	**$ 236,028**	$ 462,008
Exploration and Evaluation (E&E) - Ohio	**$ 367,274**	$ 451,191	**$ 504,882**	$ 896,085
Total E&E and PP&E Additions	**$ 555,754**	$ 910,646	**$ 740,910**	$ 1,358,093

In the first six months of 2015 exploration and evaluation expenditures were $504,882 related to the 3D seismic program and land acquisition. The property, plant and equipment expenditures for the first six months of 2015 totaled $236,028 related to the water injection facility and minor additional equipping costs at existing wells. In Alberta there were minor charges for capitalized costs associated with wells at Alder Flats.

Equity Investment in MAR Oil Company

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

Impairment Evaluation

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

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities for properties in both Alberta, Canada and Ohio, USA to be $492,827 as at June 30, 2015 (December 31, 2014 - $472,270), of which $169,705 is current (December 31, 2014 - $169,008). The total undiscounted amount of estimated future cash flows is $502,945 (December 31, 2014 - $490,226). These payments are expected to be made over the next 6 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 0.49% - 2.21% (December 31, 2014 –1.10% - 2.40%) (See Subsequent Event section regarding abandonment of wells at Alder Flats, Alberta).

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 Pickaway County projects 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 June 30, 2015, the Company has incurred $180,380 of interest expense (December 31, 2014 - $135,750), of which $44,630 was incurred during the six months ended June 30, 2015 (December 31, 2014 - $90,000). The Company has made all of the required interest payments, including $44,630 during the six months ended June 30, 2015.

Pursuant to the original Debenture agreement (the "Original Agreement"), the Debenture matures on January 31, 2016. However, during the six months ended June 30, 2015, the terms of the Original Agreement were revised to extend the maturity date until December 31, 2018 and to extend the expiry date of the share purchase warrants until June 28, 2018, all other terms and conditions remain unchanged. The Company may, at any time, repay the Debenture in full and any accrued and unpaid interest without notice or penalty. If the Company is in default of the requirements included in the Debenture agreement, the Debenture holder may demand repayment of the Debenture or accelerate the date for payment. Security for the Debenture includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof.

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

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

On June 19, 2015, the Company closed an additional secured debenture (the "Debenture B") for gross proceeds of $500,000. The funds received under the Debenture B will be deployed towards the continued developed of the Pickaway County 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 June 30, 2015, the Company has incurred $1,973 of interest expense. The Debenture B matures on December 31, 2018. The Company may, at any time, repay the Debenture B in full and any accrued and unpaid interest without notice or penalty. If the Company is in default of the requirements included in the Debenture B agreement, the Debenture B holder may demand repayment of the Debenture B or accelerate the date for payment. Security for the Debenture B includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof.

Pursuant to the Debenture B, the Company issued to the Debenture B holder 1,777,778 share purchase warrants. Each warrant is exercisable into one common share of the Company at a price of $0.25 per common share until the expiry date of the earlier December 31, 2018. The Company valued the warrant feature of the Debenture B using the Residual Method. The liability component was $473,054 and the equity component was $26,946, which net of tax is $20,210.

Share Capital

For a detailed explanation of the transactions that took place in the first six months of 2015 for common shares, warrants, broker warrants and stock options please refer to Note 10 - Share Capital in Marksmen's Financial Statements for the three and six months ended June 30, 2015. The chart below is a summary of share capital and includes the balances as of August 31, 2015.

Marksmen Energy Inc. Share Capital	**Jun 30, 2015**	Aug 31, 2015	Dec. 31, 2014
Common Shares	**61,371,485**	62,023,152	55,455,718
Warrants	**11,383,267**	11,709,100	7,955,540
Broker Warrants	**58,080**	58,080	119,720
Stock Options	**5,839,667**	5,161,667	5,289,667

Related party transactions

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

During the three months ended June 30, 2015:

An aggregate of $71,300 (June 30, 2014 - $79,850) in consulting fees and expenses were paid to certain directors and officers of the Company and companies controlled by certain directors of the Company and were expensed as general and administrative expenses. An amount of $nil (June 30, 2014 – $nil) remains owing in accounts payable. Additionally an aggregate of $42,288 USD (June 30, 2014 - $39,711 USD) in consulting fees and related costs were paid to certain directors and officers of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses.

An aggregate of $15,424 (June 30, 2014 - $50,324) in legal fees were charged by a law firm in which a director of the Company is a partner, of which $15,424 was expensed as general and administrative expenses (June 30, 2014 - $35,486) and $nil was recorded as share issue costs (June 30, 2014 - $14,838).

During the six months ended June 30, 2015:

An aggregate of $136,075 (June 30, 2014 - $152,100) in consulting fees and expenses were paid to certain directors and officers of the Company and companies controlled by certain directors of the Company and were expensed as general and administrative expenses. An amount of $nil (June 30, 2014 – $nil) remains owing in accounts payable. Additionally an aggregate of $87,811 USD (June 30, 2014 - $83,517 USD) in consulting fees and related costs were paid to certain directors and officers of the wholly owned subsidiary, Marksmen Energy USA, Inc. and were capitalized or expensed as general and administrative expenses. An amount of $13,154 USD remains owing in accounts payable.

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

An aggregate of $21,569 (June 30, 2014 - $58,950) in legal fees were charged by a law firm in which a director of the Company is a partner, of which $21,569 was expensed as general and administrative expenses (June 30, 2014 - $44,112) and $nil was recorded as share issue costs (June 30, 2014 - $14,838). A total of $21,860 remains in accounts payable as owing from this and prior periods.

The Company has trade and other receivables related to prior years of $90,786 (December 31, 2014 - $90,786) owing from companies where a director is a shareholder. This amount has been offset by the same amount as an allowance for doubtful accounts.

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

Off Balance Sheet Arrangements

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

Going Concern

At June 30, 2015, the Company had not yet achieved profitable operations, had accumulated a deficit of $18,112,344 since its inception (December 31, 2014 - $17,719,439), working capital of $213,787 (December 31, 2014 – deficiency of $41,800), negative cash flow from operations of $417,433 (December 31, 2014 - $828,563) and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent on obtaining continued financial support, completing public equity financing, or generating profitable operations in the future. The Company successfully completed two private placements during the six months ended June 30, 2015 and received additional funding through a second secured debenture. 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. Subsequent to June 30, 2015, the Company closed an additional private placement. Any adjustments necessary to the consolidated financial statements if the Company ceases to be a going concern could be material.

Commitments

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. Included in deposits and prepaid expenses is an amount of $175,809 on deposit with the Alberta Energy Regulator ("AER") associated with six shut-in wells at Alder Flats, Alberta (see subsequent events section related to well abandonments).

In August 2010 the Company sold fifteen gas properties to a PrivateCo. but remains the licensee of record for these wells and is deemed to be the operator by AER. Marksmen is not the legal owner of these wells and has no requirement to make provisions for decommissioning liabilities for them.

The Company and PrivateCo were unable to pay a large increase in deposits introduced by AER in March of 2013 that resulted in an abandonment order by AER in June of 2013 requiring the shut-in of all producing wells of PrivateCo. In February, 2014 the AER, at the urging of small operators, outlined a Licensee Liability Rating (LLR) Program Management Plan (the "Plan") whereby a corporation can undertake appropriate measures over a defined time period through December 2017 to meet their LLR program requirements. In May, 2014 the Company and PrivateCo. were accepted into the Plan, which allows the Company and the PrivateCo. to turn wells back on production, optimize production, transfer wells to other operators, sell properties to other operators that have a positive LLR, abandon wells, and apply for a change in licensing and liability rating status to facilities. The Company in conjunction with PrivateCo. provides monthly updates to AER to indicate progress in meeting the defined asset liability ratio. Since being accepted into the plan the Company and PrivateCo. have been successful in moving its LLR ratio from 0.11 in June of 2014 to 0.42 in December, 2014 and subsequently to 0.90 at June 30, 2015. This has been accomplished by various initiatives including transferring the operatorship in a well to another company and the de-licensing of a multi-well battery.

Subsequent Events

Subsequent to June 30, 2015, the Company entered into the following transactions:

Davis Delong Unit #1 Well – Marksmen has participated in the drilling of a well operated by one of its joint operating partners, Hocking Hills Energy and Well Services LLC and Chuck Henry Energy LLC. The well drilled is a Cambrian Knox remnant oil well, in Pickaway County, Ohio. Marksmen has a 45% working interest in the well. The well was spudded on July 20, 2015 and reached its total depth on July 26, 2015 targeting a large Cambrian Knox remnant that was drilled based on the interpretation of new 3D seismic. The well encountered significant oil shows in the top of the Cambrian Knox formation where open hole logs recorded porosities of greater than 20% over a 6 foot interval. Oil did circulate to surface. The well has been logged, cased and completed. A pump-jack and temporary tanks have been installed to allow production. The well began producing on August 5, 2015 and has average daily production rates in the first two weeks of operation of approximately 70 barrels of oil (gross) or 31.5 barrels net to Marksmen. The well is currently producing only oil with no appreciable water.

BJ-78 #11 Workover – Over the past year, this well has undergone extensive technical review and it was determined that the well was a candidate for a major workover. Before the workover the well was producing approximately 5 to 7 barrels of oil per day with proportionately very high quantities of water. Marksmen successfully completed the workover on its BJ-78 # 11 well on August 4, 2015. The process included plugging off the previous production interval and perforating a short distance up-hole, followed by a low pressure acid job. The new interval was put on production on August 5, 2015 and has been producing approximately 60 barrels of oil per day net to Marksmen in the first two weeks of operation. There is water produced along with the oil but currently it is much less than what was experienced prior to the workover.

Increased Production – The production rates per day in June of the second quarter coupled with the production from the wells mentioned above is anticipated to increase the production to approximately 90 to 110 barrels per day as of mid-August 2015.

Private Placement - On August 4, 2015, the Company completed the second closing of a private placement issuing 651,667 units (the "Units) at $0.15 per Unit for aggregate gross proceeds of $97,750. 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.

Abandonment of Wells – On August 29, 2015 Marksmen completed the abandonment of four out of five wells at Alder Flats, Alberta. This meets the Company's obligation to the Alberta Energy Regulator ("AER") to abandon at least two wells in 2015. This work included the removal of all down-hole equipment: sucker rods, tubing, down-hole pumps and packers as well as the surface wellhead equipment. The wells were then cut off below the surface and capped. All work was performed according to current AER regulations. Required abandonment notices have been submitted to the AER. This will reduce the Company's deemed liability under the AER's License Liability Rating program by approximately $118,000 and will allow the Company to apply for a refund of part of the Company's deposit in an amount required to pay for the abandonment of the wells. The abandonment of these wells will reduce the Company's decommissioning liabilities effective the third quarter of 2015.

The next phase is the removal and sale of all equipment remaining on surface including: pump-jacks, tanks, tubing, down-hole equipment, meter stations, separators, flair stack, electrical power pole and transformer etc. This process has begun but will take a number of days over approximately two to three weeks to complete. The final stage of wellsite abandonment is the site reclamation process that has been partially completed at two wells but more site restoration work is required at all four wells plus one previously abandoned well to meet the environmental regulations of the AER.

Outlook

In the first six months 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 in the later part of the 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 of 2015 and has shown its effectiveness of reducing operating costs. Future wells drilled in the area will also be tied into this water injection well and will benefit from this infrastructure.

Marksmen is currently in negotiations with a number of potential partners to drill additional wells in Pickaway County and other counties in Ohio using industry standard oil and gas operating agreements. The Company also plans to drill wells on its land holdings, including the large Strittmatter #2 Cambrian Knox remnant which could yield a number of offset locations.

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

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

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

Other

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