Q2

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

New York OTCQB Venture Marketplace – MKSEF **June 30, 2016**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2016 and was prepared with information available up to August 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 expressed 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 consolidated 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 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 is the acquisition, development, and production of crude oil from properties 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.

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. Also in 2015, a well, in which Marksmen has a 45% working interest was drilled in the third quarter and put on production.

Marksmen was granted an operator's license in Ohio, allowing the Company to have overall control in the drilling, completion and operations of new oil wells. As operator, Marksmen, a 75% working interest partner, spudded a well at the Davis-Holbrook #1 location, in Pickaway County, Ohio in June 2016. The well was drilled to a total depth of 2,475 feet and encountered several intervals within the Cambrian Knox formation with oil shows and porosities ranging between 10 to 20 %. The well was logged and production casing was run to a depth of 2,458 feet. The Company selected two intervals within the top 57 feet of pay in the Cambrian Knox formation to perforate and stimulate with acid and a swabbing production test was completed. Subsequently, the well was equipped with tubing, rods, pump-jack, tanks and power and was put on production in mid-July, 2016. It has subsequently produced over 3,500 barrels of oil to August 29, 2016, at a stable rate of approximately 80 barrels per day at a constrained production of 9 to 10 hours per day. There is no water being produced and three fluid shots in the first 40 days confirm the oil column is remaining at approximately 700 feet from surface. There are up to 5 additional development/offset locations in this remnant.

Summary of Financial Results

Period Ended	Three Months Ended June 30, 2016		Six Months Ended June 30, 2016		12 Months Ended Dec 31, 2015	
Production - barrels of oil		626		1,655		5,995
Oil revenue	$	37,473	$	82,682	$	353,593
Less: Royalties	$	(4,888)	$	(10,088)	$	(45,781)
Gross Operating Income	$	32,585	$	72,594	$	307,812
Average price received per barrel ($CDN)	$	59.85	$	49.95	$	58.98
Average price received per barrel ($USD)	$	46.70	$	37.56	$	46.13
Net loss and comprehensive loss	$	(295,879)	$	(721,144)	$	(1,230,631)
Per share - basic	$	(0.00)	$	(0.01)	$	(0.02)
Cash Flow used in Operations	$	(100,925)	$	(604,546)	$	(842,161)
Per share - basic	$	(0.00)	$	(0.01)	$	(0.01)
Exploration and evaluation assets	$	1,951,024	$	1,951,024	$	1,770,835
Property and equipment	$	1,732,389	$	1,732,389	$	1,911,457
Total assets	$	4,090,939	$	4,090,939	$	3,984,231
Total liabilities	$	2,046,864	$	2,046,864	$	2,000,119
Total shareholder's equity	$	2,114,224	$	2,114,224	$	1,984,112
Shares outstanding - Basic		77,740,432		77,740,432		63,593,152
Shares outstanding - Weighted Average		71,448,146		67,520,649		60,485,588

The above will be discussed in more detail in various sections of this MD&A.

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 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Production - Barrels of Oil	**626**	1,029	1,095	2,958	1,392	551	1,735	2,764
Revenue - Oil (net of Royalties)	**$ 32,585**	$ 39,289	$ 53,137	$ 140,981	$ 85,322	$ 28,372	$ 117,990	$ 252,101
Net Comprehensive Income (loss)	**$ (301,091)**	$ (502,713)	$ (1,540,149)	$ 27,992	$ (373,753)	$ (19,152)	$ (304,883)	$ (95,492)
Per Share	**$ (0.00)**	$ (0.01)	$ (0.02)	$ 0.00	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
Cash Flow Used in Operating Activities	**$ (100,925)**	$ (503,621)	$ (346,009)	$ (78,719)	$ (106,209)	$ (311,224)	$ (846,575)	$ (791,239)
Per Share	**$ (0.00)**	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.01)
Shares Issued and Outstanding - Basic	**77,740,432**	63,593,152	63,593,152	62,023,152	61,371,485	60,457,685	55,455,718	55,123,093

Production – all production is from Marksmen wells in Ohio. The first production was in the second quarter 2014 and has varied quarter over quarter based on new wells on production, weather slowdowns related to water disposal, waiting on repairs, and production decline. The production in Q2, 2016 was lower due to a well being shut in for most of the quarter.

Revenue – is a function of West Texas intermediate ("WTI") oil prices and production. The price paid per barrel ($CDN) has ranged from a high of approximated $91 per barrel in Q3 2014, to a low of approximately $38 in Q1, 2016. The price paid in Q2, 2016 has increased to approximately $52 per barrel.

Net Comprehensive Income - includes revenue, less all operational costs, depletion, general and administrative costs, share based compensation as well as interest, and foreign exchange. In Q4, 2015 there was an impairment charge against income of $640,351.

Cash Flow from Operations – shows the impact of net loss for the period adjusted for non-cash items including depletion, impairment, share based payments and for changes in accounts receivable and payables etc.

Shares Issued and Outstanding – have increased over the quarters as private placements were completed and warrants were exercised into common shares.

Operational Highlights – Ohio

Period Ended	Quarter Ended June 30, 2016	Quarter Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Production - Barrels of Oil	**626**	1,392	**1,655**	1,943
Production Per Day - Barrels	**6.88**	15.30	**9.10**	10.70
Well Status				
Wells drilled	**1.00**	-	**1.00**	-
Wells drilled (net to Marksmen)	**0.75**	-	**0.75**	-
Producing wells at end of period	**3.00**	3.00	**3.00**	3.00
Shut in wells awaiting remedial work	**2.00**	1.00	**2.00**	1.00
Wells to be put on Production	**1.00**	-	**1.00**	-
Water disposal Injection well and Facility	**1.00**	1.00	**1.00**	1.00

Production – Production in the first six months of 2016 was 1,655 barrels compared to 1,943 in the same period of 2015, a decrease of 288 barrels.

Marksmen is the operator, with a 75% working interest, on a well it drilled in June 2016 located at Davis – Holbrook #1 location in Pickaway County, Ohio. The well has been completed and equipped. The well has subsequently been put on production in July and its production will begin being reported in the third quarter. (see Introduction and Outlook sections for more details).

Well Status and Optimization – At the end of the second quarter of 2016 there were three Marksmen wells operational in Ohio. One well, BJ-78 #8 was shut in for most of the quarter waiting on tubing repairs. Subsequently, in July a service rig was used to pull the rods and tubing and make the necessary repairs and production has been restored.

Marksmen's operational management continues to review optimization options for a number of the wells and will phase in implementation as the price of oil improves and as funds become available.

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. Phase one reclamation work was completed on all the well-sites in 2013 but no surface abandonment work has been undertaken to date. 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.

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.

	Quarter Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Production - Barrels of Oil	**626**	1,392	**1,655**	1,943
Oil production per day	**6.9**	15.3	**9.1**	10.7
Revenue	**$ 37,473**	$ 97,912	**$ 82,682**	$ 130,496
Less Royalties	**$ (4,888)**	$ (12,590)	**$ (10,808)**	$ (16,802)
Gross Operating Income	**$ 32,585**	$ 85,322	**$ 71,874**	$ 113,694
Avg. Crude oil price pe barrel $CDN	**$ 59.85**	$ 70.32	**$ 49.95**	$ 67.16
Avg. Crude oil price pe barrel $USD	**$ 46.70**	$ 57.02	**$ 37.56**	$ 54.37
Less Operating costs				
Third party Water Disposal	**$ 319**	$ 21,214	**$ 386**	$ 39,933
Water disposal facility	**$ 7,899**	$ -	**$ 20,724**	$ -
Routine operating costs	**$ 11,494**	$ 16,711	**$ 26,622**	$ 23,071
Total Operating Costs	**$ 19,712**	$ 37,925	**$ 47,732**	$ 63,004
Oerating Income	**$ 12,873**	**$ 47,397**	**$ 24,142**	**$ 50,690**
Costs per barrel of oil				
Royalty costs per barrel	**$ 7.81**	$ 9.04	$ 6.53	$ 8.65
Third party Water Disposal	**$ 0.51**	$ 15.24	**$ 0.23**	$ 20.55
Water disposal facility	**$ 12.61**	$ -	**$ 12.52**	$ -
Routine operating costs	**$ 18.36**	$ 12.00	**$ 16.08**	$ 11.87
Total Operating Costs per barrel	**$ 39.29**	**$ 36.28**	**$ 35.36**	**$ 41.07**
Operating netback / barrel of oil	**$ 20.56**	$ 34.04	**$ 14.58**	$ 26.09

Oil and Gas Revenue – Revenue is paid directly to our joint venture partners by the oil marketing company. The payment is based on West Texas Intermediate oil ("WTI") prices. Revenue in the second quarter of 2016 was $37,473 and $82,682 for the six months ended June 30, 2016. Overall production was down 288 barrels in the first six months of 2016 compared to the same period of 2015 and revenue decreased $47,814 for the same period as a result of reduced WTI oil 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 taxes of $0.25 per barrel. Total royalties paid in the quarter ended June 30, 2016 were $4,888 and compared to $12,590 in the same period of 2015.

Operating Expenses – Operating expenses in Ohio totaled $47,732 for the first six months of 2016 compared to $63,004 in the same period of 2015. There were one-time extraordinary repair costs at the water injection facility of $3,425 and annual property taxes of $3,150 charged in the first quarter of 2016.

- **Third Party Water Disposal** - In the first six months of 2016 there were $386 of third party water disposal costs compared to $39,933 in the same period of 2015. The water disposal facility came on line in July 2015.

- **Water Disposal Facility -** The cost to operate the water disposal facility totaled $20,724 in the first six months of 2016 compared to $nil in the same period of 2015. This included one-time extraordinary repair costs of $3,425.

- **Routine Operating Costs –** Were $26,622 in the first six months of 2016 compared to $23,071 in the same period of 2015. The increase is attributable to an additional well and related operating costs on stream in August 2015. Additionally, there were annual property taxes of $3,150 charged in the first quarter of 2016.

Net Backs – The third party water disposal fees of $20.25 per produced barrel of oil in the first six months of 2015 have been replaced by a lower cost of $12.52 per barrel to operate our water disposal facility in the same period of 2016. Most of the costs to operate the water disposal facility are fixed and any increased production of water due to increased oil production will effectively reduce the cost of water disposal.

The operating netback per barrel of oil in the second quarter of 2016 was $20.56 and for the three months ended June 30, 2016 and for the first six months of 2016 was $14.48 compared to $26.09 per barrel in the first six months of 2015. The net back decrease in the first six months of 2016 is directly related to the decrease in production and the WTI price of oil compared to the same period in 2015.

General and Administrative Expenses

	Quarter Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Management consulting services	**$ 56,150**	$ 71,300	**$ 86,150**	$ 140,575
Professional fees	**$ 12,509**	$ 31,051	**$ 25,873**	$ 48,689
Investor relations and conferences	**$ 26,600**	$ 48,176	**$ 35,900**	$ 72,202
Filing and listing fees	**$ 18,632**	$ 7,568	**$ 30,083**	$ 21,132
Ohio administrative expenses	**$ 16,565**	$ 13,701	**$ 16,565**	$ 29,502
Other General and administrative	**$ 38,950**	$ 47,967	**$ 99,471**	$ 90,773
Total General and Administrative Expenses	**$ 169,406**	$ 219,763	**$ 294,042**	$ 402,873

The Company has divided its administrative expenses into six categories: management consulting fees, professional fees, investor relations and conferences, filing and listing costs, Ohio administrative expenses, and general and administrative expenses. In the second quarter June 30, 2016 the total general and administrative expenses were $169,406 compared to $219,763 for the same period in 2015, a decrease of $50,357. In the first six months of 2016 the total general and administrative expenses were $294,042 compared to $402,983 for the same period in 2015, a decrease of $108,831. A review by category follows:

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 all of the private placements of the Company. There is a decrease of $54,425 in the first six months of 2016 compared to the same period in 2015.

Professional Fees – Consists of legal fees, reserve engineering, audit and accounting services. There is a decrease of $22,816 in the first six months of 2016 compared to the same period of 2015.

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. There is a decrease of $36,302 in the first six months of 2016 compared to the same period of 2015.

Filing and Listing Costs – These costs are directly associated with costs of being a public company. They include annual fees and charges from stock exchanges, provincial securities commissions, and a stock transfer agent. There is an increase of $8,951 in the first six months of 2016 compared to the same period of 2015.

Ohio Administrative Expenses – Marksmen's business activities in 2016 continue to be focused on developing its oil and gas operations in Ohio. There is a decrease of $12,937 in the first six months of 2016 compared to the same period of 2015.

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 during the first six months of 2016 are salaries of $60,806, insurance of $9,130 and accounting computer software of $10,179.

Selected Other Expenses

Interest Expense – during the year six months of 2016 the Company paid interest of $74,795 related to two secured debentures. The Company fulfilled its required interest payments at June 30, 2016.

Foreign Exchange – In the first six months of 2016 the Company recorded a foreign exchange charge of $299,669 due to currency differences applied to transactions during the period.

Financial Position

Period Ended	**Quarter Ended**		**Year Ended**
	June 30, 2016	**June 30, 2015**	**Dec. 31, 2015**
Assets			
Current Assets	**$ 407,526**	$ 607,038	**$ 301,939**
Exploration and Evaluation Assets	**$ 1,951,024**	$ 1,485,059	**$ 1,770,835**
Property and Equipment	**$ 1,732,389**	$ 2,255,325	**$ 1,911,457**
	$ 4,090,939	$ 4,347,422	**$ 3,984,231**
Liabilities			
Accounts Payable and Accruals	**$ 361,832**	$ 223,546	**$ 420,369**
Decommissioning Liabiliites	**$ 385,384**	$ 492,827	**$ 353,585**
Secured Debenture	**$ 1,229,499**	$ 1,215,176	**$ 1,226,165**
	$ 1,976,715	$ 1,931,549	**$ 2,000,119**
Equity			
Share Capital and Warrants	**$ 18,080,386**	$ 17,131,770	**$ 17,340,124**
Contributed Surplus and Comprehensive Income	**$ 4,454,868**	$ 3,396,447	**$ 4,261,214**
Deficit	**$ (20,421,030)**	$ (18,112,344)	**$ (19,617,226)**
	$ 2,114,224	**$ 2,415,873**	**$ 1,984,112**
Liabilities and Equity (Deficit)	**$ 4,090,939**	$ 4,347,422	**$ 3,984,231**

Assets – In the first six months of 2016 assets increased by $106,708 compared to year end 2015. In 2015 the Company impaired its property and equipment assets by $640,351 and this is reflected in a lower value as of June 30, 2016. Exploration and evaluation assets increased in the first six months of 2016 by a net of $180,189 (after adjustments for currency translation) from expenditures related to the drilling of the Davis Holbrook #1 well.

Liabilities – in the first six months of 2016 total liabilities decreased by $23,404 compared to year end 2015.

Equity – in the first six months of 2016 the share capital and warrants increased by $740,262 compared to year end 2015 attributable to the closing of private placements in the second quarter of 2016 and contributed surplus and comprehensive income increased by $193,654. In the same time frame the accumulated deficit increased by $803,804.

Assets

Assets	June 30, 2016	Dec. 31, 2015	Dec. 31, 2014
Exploration and Evaluation (E&E)			
Balance beginning of Period	**$ 1,770,835**	$ 924,800	$ 230,248
Additions (net of any transfers to PP&E)	**$ 274,031**	$ 706,566	$ 651,875
Foreign Currency Adjustment	**$ (93,842)**	$ 139,469	$ 42,677
Balance, End of Period	**$ 1,951,024**	$ 1,770,835	$ 924,800
Property, Plant and Equipment (PP&E)			
Balance beginning of Period	**$ 3,535,089**	$ 2,487,357	$ 480,223
Additions (includes transfers in from E&E)	**$ (20,105)**	$ 713,583	$ 1,886,417
Change in estimate of Decommissioning Liabilities	**$ 18,418**	$ (52,914)	$ 126,089
Foreign Currency Adjustment	**$ (200,878)**	$ 387,063	$ (5,372)
Total Property, Plant and Equipment	**$ 3,332,524**	$ 3,535,089	$ 2,487,357
Combined E&E and PP&E	**$ 5,283,548**	$ 5,305,924	$ 3,412,157

Asset Additions - In the year ended December 31, 2015 Marksmen had combined asset additions of $1,420,149 for seismic, land acquisition, drilling, completion and equipping of one oil well, plus the completion of a water injection facility. In the first six months of 2016 Marksmen had combined asset additions totaling $253,926 related to the drilling and completion of one oil well in Ohio.

Total Assets - The oil and gas assets before accumulated depletion and impairment were $5,283,548 at June 30, 2016 compared to $5,305,924 at year end 2015 and $3,412,157 at year end 2014.

Accumulated Depletion and Impairment – The accumulated depletion and impairment as of June 30, 2016 is $1,603,787. This includes an impairment charge against income in 2015 of $640,351 primarily related to the reduced price of oil per barrel and the impact it has on future cash flows for the Company's Ohio properties.

Impairment loss

As a result of a decrease in forecast oil and natural gas prices, and information provided by the Company's independent qualified reserve evaluator as of December 2015, the Company recognized an impairment loss of its Ohio oil and gas assets of $632,358 and of its Canadian oil and gas assets of $7,993 for a total impairment loss of $640,351. These amounts were charged against income at year end 2015.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $385,384 as at June 30, 2016 (December 31, 2015 - $353,585), of which $nil is current (December 31, 2015 - $228,757). During the six months ended June 30, 2016, the Company revised its expected reclamation date of its Canadian wells from 1 year to 2 years, and as such the liability is no longer considered current. The total undiscounted amount of estimated future cash flows is $398,241 (December 31, 2015 - $359,808). These payments are expected to be made over the next 9 years.

During the year ended December 31, 2015, the Company completed the abandonment of substantially all of its Canadian petroleum and natural gas assets. Reclamation of these assets has not yet occurred. The Company recorded an abandonment recovery of $68,298 as the estimated capitalized abandonment costs were previously impaired. During the six months ended June 30, 2016, the Company recovered an additional $14,957 of abandonment costs.

Secured Debentures

On June 28, 2013, the Company closed a secured debenture (the "Debenture") for gross proceeds of $750,000. The Debenture bears interest of 12% per annum, the first interest payment was due and paid by the Company on June 28, 2014, and each subsequent interest payment due and payable semi-annually on December 31 and June 30 of each year commencing on December 31, 2014. The Company has fulfilled the required interest payments at June 30, 2016. Pursuant to the original Debenture agreement, the Debenture matured on January 31, 2016. However, on June 19, 2015, the terms 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 Company may, at any time, repay the Debenture in full and any accrued and unpaid interest without notice or penalty. 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. During the six months ended June 30, 2016, 440,000 of the warrants were exercised.

On June 19, 2015, the Company closed an additional secured debenture for gross proceeds of $500,000. The funds received under this debenture were deployed towards the continued developed of the Company's projects. The Debenture bears interest of 12% per annum, with the first interest payment due and payable by the Company on December 31, 2015, with each subsequent interest payment due and payable semi-annually on December 31 and June 30 of each year. The Company has fulfilled the required interest payments at June 30, 2016. The Debenture 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. 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 the first six months of 2016 for common shares, warrants, broker warrants and stock options please refer to Note 10 - Share Capital in Marksmen's consolidate financial statements for the quarter ended March 31, 2016. The chart below is a summary of share capital and includes the balances as of August 29, 2016.

Marksmen Energy Inc. Share Capital	**as of June 30, 2016**	As of August 29, 2016	Year Ended Dec. 31, 2015
Common Shares	**77,740,432**	76,140,432	63,593,152
Warrants	**11,269,100**	11,269,100	11,709,100
Broker Warrants	**-**	-	58,080
Stock Options	**7,421,667**	7,421,667	6,201,667

Commitments

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. in which there are two common directors between the Company and the 1528810 Alberta Ltd. 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 these properties. The Company does not charge 1528810 Alberta Ltd. a management fee for the operation of these properties.
At June 30, 2016, included in deposits and prepaid expenses is an amount of $39,284 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2015 - $106,681). The Company continues to work with the AER to reduce its overall deemed liabilities and to improve its LLR ratio.

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Related party transactions

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

During the three months ended June 30, 2016:

An aggregate of $56,150 (June 30, 2015 - $76,300) 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 $18,304 USD (June 30, 2015 - $42,288 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.

Aggregate legal fees of $27,140 (June 30, 2015 - $15,424) were charged by a law firm in which a director of the Company is a partner, of which $4,238 (June 30, 2015 - $15,424) were expensed as general and administrative expenses and $22,902 (June 30, 2015 - $nil) were charged to share capital as share issue costs.

During the six months ended June 30, 2016:

An aggregate of $86,150 (June 30, 2015 - $136,075) 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 for costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $23,946 USD (June 30, 2015 - $87,811 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.

Aggregate legal fees of $32,141 (June 30, 2015 - $21,569) were charged by a law firm in which a director of the Company is a partner, of which $9,239 (June 30, 2015 - $21,569) were expensed as general and administrative expenses and $22,902 (June 30, 2015 - $nil) 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, 2015 - $90,786) owing from 1528810 Alberta Ltd in which there are two common directors between the Company and the 1528810 Alberta Ltd. This amount has been offset in its entirety as an allowance for doubtful accounts.

As at June 30, 2016, the Company has accounts payable and accrued liabilities totaling $79,558 (December 31, 2015 – $133,064) owing to related parties relating to the above transactions.

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

Subsequent Events

In June Marksmen, as operator and a 75% working interest partner, drilled a well at the Davis-Holbrook #1 location, in Pickaway County, Ohio. Production casing was run and the well was production tested.

Subsequently, in July the surface lease was completed and readied for operations and was equipped with production tanks, containment berms and electrical power etc. The well was equipped with tubing, rods, and pump-jack. The well was put on production in mid-July, 2016 and has produced approximately 80 barrels of oil per day to August 29, 2016 (see the Outlook section below for more information).

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, 2016, the Company had not yet achieved profitable operations, had accumulated a deficit of \$20,421,030 since its inception (December 31, 2015 - \$19,617,226), working capital of \$45,694 (December 31, 2015 – deficit of \$347,187), negative cash flow from operations of \$604,545 (December 31, 2015 - \$773,863) and expects to incur further losses in the development of its business. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.

Outlook

Marksmen completed two 3D seismic programs in 2014 and 2015. 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 nine potential additional drill targets, bringing the total potential targets to over twenty.

There are currently five wells on production in Pickaway County, Ohio, including the Davis Holbrook #1 well that was put on production in mid-July, 2016.

The Davis Holbrook #1 well was drilled to a total depth of 2,475 feet and encountered several intervals within the Cambrian Knox formation with oil shows and porosities ranging between 10 to 20 %. The well was logged and production casing was run to a depth of 2,458 feet. The Company selected two intervals within the top 57 feet of pay in the Cambrian Knox formation to perforate and stimulate with acid and a swabbing production test was completed. Subsequently, the well was equipped with tubing, rods, and a pump-jack. The lease was upgraded for operations with berms, tanks and electrical power and the well was put on production. The well has subsequently produced over 3,500 barrels of oil to August 29, 2016, at a stable rate of approximately 80 barrels per day at a constrained production rate of 9 to 10 hours per day. There is no water being produced and three fluid shots within the 40 days confirm the oil column is remaining at approximately 700 feet from surface. There are up to 5 additional development/offset locations in this remnant.

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.

Marksmen will also continue to evaluate the optimization of wells drilled prior to the Davis Holbrook #1 well and will implement the work as funding is available. The Company will also evaluate other opportunities that may become available in Ohio and western Canada that are strategically beneficial.

Other

Additional information relating to the Company is available on SEDAR at www.sedar.com or email 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.