Marksmen Energy Inc.

Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(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 months ended March 31, 2019 and 2018.

Marksmen Energy Inc.

Consolidated Statements of Financial Position

As at:

(Canadian $)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash	140,014	107,685
Trade and other receivables (note 10(b))	101,151	88,779
Deposits and prepaid expenses (note 11)	61,921	62,140
Total Current Assets	303,086	258,604
Exploration and evaluation assets (note 4)	4,533,370	4,545,574
Property and equipment (note 5)	1,995,345	2,076,848
TOTAL ASSETS	**6,831,801**	**6,881,026**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	462,462	602,952
Secured debentures (note 7)	1,232,859	1,250,000
Total Current Liabilities	1,695,321	1,852,952
Decommissioning liabilities (note 6)	403,517	389,000
	2,098,838	**2,241,952**
SHAREHOLDERS' EQUITY		
Share capital (note 8(b))	18,968,914	18,679,181
Warrants (note 8(e))	877,309	792,170
Contributed surplus (note 8(g))	5,416,179	5,295,078
Accumulated other comprehensive income	726,600	843,056
Deficit	(21,256,039)	(20,970,411)
	4,732,963	**4,639,074**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,831,801**	**6,881,026**

Going concern (note 1)
Commitments (note 11)
Subsequent events (note 14)

Approved by the Board of Directors:

Signed "Donald D. Jones"	Signed "Archie J. Nesbitt"
Donald Jones	Archie Nesbitt

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

Marksmen Energy Inc.

Consolidated Statements of Comprehensive Loss

For the Three Months Ended:

(Canadian $)	Three months ended March 31, 2019	 March 31, 2018
REVENUE		
Petroleum and natural gas sales	143,647	260,942
Royalties	(18,945)	(30,371)
	124,702	230,571
EXPENSES		
Production and operating expenses	28,405	15,904
Depletion and depreciation (note 5)	49,329	78,638
General and administrative	145,562	209,705
Share-based payments (note 8(d))	57,622	33,322
Loss from operations	(156,216)	(106,998)
FINANCE EXPENSE		
Interest expense (note 7)	37,500	36,986
Accretion of secured debentures (note 7)	5,459	2,184
Accretion of decommissioning liabilities (note 6)	2,385	1,566
Bad debt expense (note 11	79,240	-
	(124,584)	(40,736)
OTHER EXPENSES		
Abandonment estimates	(4,829)	-
NET LOSS	(285,629)	(147,734)
Other comprehensive income that may subsequently be transferred to net loss		
Currency translation adjustment	(116,456)	78,032
NET LOSS AND COMPREHENSIVE LOSS	(402,085)	(69,702)
Basic and diluted loss per share (note 8(h))	(0.00)	(0.00)
Weighted average number of common shares outstanding during the period	98,002,862	88,266,010

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, 2018	18,679,181	792,170	5,295,078	(20,970,411)	843,056	4,639,074
Loss for the period	-	-	-	(285,629)	-	(285,629)
Translation differences on foreign subsidiaries	-	-	-	-	(116,456)	(116,456)
Private placement (note 8(b))	254,174	133,826	-	-	-	388,000
Broker warrants (note 8(f))	(2,167)	(1,135)	3,302	-	-	-
Cash share issue costs (note 8(b))	(5,058)	(2,542)	-	-	-	(7,600)
Exercise of warrants (note 8(e))	9,000	-	-	-	-	9,000
Reallocation of warrant fair value on exercise (note 8(e))	6,402	(6,402)	-	-	-	-
Reallocation of warrant fair value on expiry (note 8(e))	-	(61,208)	61,208	-	-	-
Private placment of secured debenture (note 7)	-	22,600	-	-	-	22,600
Exercise of stock options (note 8(c))	5,950	-	-	-	-	5,950
Reallocation of stock option fair value on exercise	4,640	-	(4,640)	-	-	-
Exercise of broker warrants (note 8(f))	16,792	-	-	-	-	16,792
Share-based payments (note 8(d))	-	-	61,231	-	-	61,231
BALANCE AS AT MARCH 31, 2019	18,968,914	877,309	5,416,179	(21,256,039)	726,600	4,732,962
BALANCE AS AT DECEMBER 31, 2017	17,687,906	510,698	4,854,074	(20,245,314)	424,617	3,231,981
Loss for the period	-	-	-	(147,734)	-	(147,734)
Translation differences on foreign subsidiaries	-	-	-	-	78,032	78,032
Exercise of stock options (note 8(c))	15,200	-	-	-	-	15,200
Reallocation of stock option fair value on exercise	11,983	-	(11,983)	-	-	-
Share-based payments (note 8(d))	-	-	35,094	-	-	35,094
BALANCE AS AT MARCH 31, 2018	**17,715,089**	**510,698**	**4,877,185**	**(20,393,048)**	**502,649**	**3,212,573**

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

Marksmen Energy Inc.

Consolidated Statements of Cash Flows

(Canadian $)	March 31, 2019	March 31, 2018
CASH (USED IN) PROVIDED BY:		
OPERATING ACTIVITIES		
Net loss for the period	(285,629)	(147,734)
ITEMS NOT AFFECTING CASH:		
Depletion and depreciation (note 5)	49,329	78,638
Accretion of decommissioning liabilities (note 6)	2,385	1,566
Accretion of secured debentures (note 7)	5,459	2,184
Loss of abandonment estimates (note 6)	4,829	-
Share-based payments (note 8(d))	57,622	33,322
Change in trade and other receivables	(12,372)	337,785
Change in deposits and prepaid expenses	1,864	(657)
Change in accounts payable and accrued liabilities	(16,539)	86,420
CASH FLOW PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(193,052)**	**391,524**
INVESTING ACTIVITIES		
Disposals on property and equipment (note 5)	-	390
Expenditures on exploration and evaluation (note 4)	(68,081)	(875,970)
Change in non-cash working capital	(123,950)	(209,053)
CASH FLOW USED IN INVESTING ACTIVITIES	**(192,031)**	**(1,084,633)**
FINANCING ACTIVITIES		
Proceeds from private placements, net of cash issue costs (note 8(b))	380,400	-
Proceeds from exercise of warrants (note 8(b))	9,000	-
Proceeds from exercise of stock options (note 8(b))	5,950	15,200
Proceeds from exercise of broker warrants (note 8(f))	16,792	-
Proceeds from private placement of secured debenture (note 7)	1,250,000	-
Repayment of secured debentures (note 7)	(1,250,000)	-
Change in accounts payable and accrued liabilities	-	275,666
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	**412,142**	**290,866**
Foreign exchange effect on cash	5,269	(15,955)
Increase (decrease) in cash	32,328	(418,198)
Cash, beginning of period	107,685	801,097
CASH, END OF PERIOD	**140,014**	**382,899**

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

1 Reporting entity and going concern

Marksmen Energy Inc. (the “Company”) is involved in the exploration for, development of and production of petroleum and natural gas properties in Ohio, USA. 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 March 31, 2019, the Company had not yet achieved profitable operations, had accumulated a deficit of $21,256,039, a negative working capital of $1,392,235, and may incur further losses in the development of its business. The ability to continue as a going concern is dependent on global commodity markets, obtaining continued financial support by completing public equity financing, continuing to be able to renegotiate the secured debentures that mature on December 31, 2019, and by drilling additional oil and gas wells that will increase cash-flow and oil and gas reserves. The timing and extent of forecast capital and operating expenditures is based on the Company’s 2019 budget and on management’s estimate of expenditures expected to be incurred beyond 2019.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at March 31, 2019, the availability of additional financing, and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

The Company successfully completed two private placement for gross proceeds of $388,000 (note 8), has successfully renegotiated the secured debentures that matured on December 31, 2018 (note 7), and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

The consolidated financial statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these consolidated financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company’s assets, liabilities, revenues, expenses, and financial position classifications may be necessary and such adjustments could be material.

2 Basis of presentation

a) Statement of compliance:

The interim 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 annual consolidated financial statements for the year ended December 31, 2018, except as disclosed in Note 3. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2018 and exclude certain disclosures required to be included in the annual financial statements.

The policies applied in these interim financial statements are based on International Financial Reporting Standards ("IFRS") issued on May 29, 2019, the date the Company's Board of Directors approved these interim consolidated financial statements.

b) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Marksmen Energy USA, Inc. The subsidiary is fully consolidated from the date of acquisition, being the date of which the Company obtained control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent, using consistent accounting policies. Any balances, unrealized gains and losses, or income and expenses from intra-company transactions are fully eliminated upon consolidation.

c) 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.

d) 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.

e) 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.

3 Recent accounting pronouncements

On January 1, 2019, the Company adopted IFRS 16 – *Leases*. IFRS 16 replaced lease guidance previously applicable under IAS 17 – *Leases.* Under IAS 17, leases were required to be classified as "operating" or "finance" based on whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. "Operating" leases were recognized in the statement of net loss and comprehensive loss, while "finance" leases were recognized on the statement of financial position. Under IAS 17, all of the Company's leases were classified as operating leases.

IFRS 16 introduced new requirements with respect to lease accounting and introduced a new lease definition that increased the focus on control of the underlying asset, requiring the recognition of a right-of-use asset and a corresponding lease liability at the commencement for all leases. As a result, the Company is now required to recognize right-of-use assets representing its right to use the underlying assets and corresponding lease liabilities representing its obligation to make payment to use the assets.

Subsequent to the adoption of IFRS 16, the Company assesses each new contract to determine whether it contains a lease. A specific asset is the subject to a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A right-of-use asset and a corresponding lease liability is initially recognized at the commencement date and measured at the net present value of all future non-cancellable lease payments at the commencement date of the contract. The lease payments are discounted using the rate implicit in the lease unless that rate is not readily determined, in which case, the Company's incremental borrowing rate is utilized. The lease term consists of all non-cancellable periods under the lease contract and the periods covered by an extension or termination option if there is reasonable certainty that the option will be exercised.

After initial recognition, the lease liability is accreted for passage of time and reduced for lease payments made during each period. Lease payments are recognized as a financing activity in the statement of cash flows. After initial recognition, the right-of-use asset is depreciated on a straightline basis over the term of the lease to the statement of loss and comprehensive loss. The depreciation of right-of-use assets used in development activities is initially capitalized to PP&E and then depleted to net loss over the remaining life of the developed asset.

The Company adopted IFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively, with the cumulative effect of adoption recognized as a cumulative adjustment to lease liabilities and right-of-use assets measured at the amount equal to the associated lease liabilities with no restatement of prior period financial information and no impact to the opening deficit.

The Company has elected to apply the practical expedient exemption to scope out non-cancellable, low-value and short-term lease arrangements. The Company also elected to not recognize contractual arrangements that previously had not met the definition of a lease under IAS 17 at the inception of the contract. All of the Company's lease arrangements fall into the short-term parameters and accordingly the Company has not recognized any right-of-use assets or a corresponding lease liability. These out-of-scope contractual arrangements continue to be recognized in the statement of net loss and comprehensive loss.

4 Exploration and evaluation

	As at March 31, 2019	As at December 31, 2018
Balance, beginning of period	4,545,574	1,736,033
Expenditures on exploration and evaluation assets	71,690	2,693,897
Foreign exchange translation	(83,894)	115,644
BALANCE, END OF PERIOD	**4,533,370**	**4,545,574**

E&E assets consist of the Company's exploration projects which are pending the determination of technological feasibility and commercial viability. As at March 31, 2019, the Company has $4,533,370 in E&E assets (December 31, 2018 - $4,545,574). The additions represent the acquisition of undeveloped land, seismic activity and the drilling of a well that has not reached technical feasibility and commercial viability within Ohio, USA, and includes $3,609 of capitalized share-based payments and $4,561 of capitalized consulting payments. Transfers to property and equipment reflect assets in which technological feasibility and commercial viability have been established. There were no transfers during the period ended March 31, 2019 or the year ended December 31, 2018. As at March 31, 2019 and December 31, 2018, there were no indicators of impairment of the E&E assets.

5 Property and equipment

	As at March 31, 2019	As at December 31, 2018
Petroleum and natural gas assets	4,027,387	4,089,833
Corporate assets	20,385	20,385
Property and equipment at cost	4,047,773	4,110,218
Accumulated depletion and depreciation	(2,052,428)	(2,033,370)
PROPERTY AND EQUIPMENT NET CARRYING AMOUNT	**1,995,345**	**2,076,848**

Petroleum and natural gas assets

COST	As at March 31, 2019	As at December 31, 2018
Balance, beginning of period	4,089,833	3,803,559
Disposals	-	(21,985)
Change in estimate of decommissioning liabilities (note 6)	10,503	21,395
Foreign currency translation	(72,949)	286,864
BALANCE, END OF PERIOD	**4,027,387**	**4,089,833**
ACCUMULATED DEPLETION		
Balance, beginning of period	(2,014,512)	(1,582,575)
Depletion	(49,229)	(322,251)
Foreign currency translation	30,271	(109,686)
BALANCE, END OF PERIOD	(2,033,470)	(2,014,512)
NET CARRYING AMOUNT, END OF PERIOD	**1,993,917**	**2,075,321**

At March 31, 2019, future development costs of $1,336,370 (December 31, 2018 - $1,336,370) are included in costs subject to depletion. The Company's Canadian petroleum and natural gas assets continued to be shut-in during the three months ended March 31, 2019, and continue to have a $nil value.

Corporate assets

COST	As at March 31, 2019	As at December 31, 2018
Balance, beginning of period	20,385	20,385
Additions	-	-
BALANCE, END OF PERIOD	**20,385**	**20,385**
ACCUMULATED DEPRECIATION		
Balance, beginning of period	(18,858)	(18,259)
Depreciation	(100)	(599)
BALANCE, END OF PERIOD	(18,958)	(18,858)
NET CARRYING AMOUNT, END OF PERIOD	**1,427**	**1,527**

6 Decommissioning liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $403,517 (December 31, 2018 - $389,000). The total undiscounted amount of estimated future cash flows is $442,982 (December 31, 2018 - $447,068). These payments are expected to be made over the next 20 years. The obligations on the Canadian properties have been calculated using an inflation rate of 2% (December 31, 2018 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 1.56% (December 31, 2018 – 1.81% - 1.85%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2018 – 2%) and a discount factor, being the average risk free rate related to the liability of 1.91% (December 31, 2018 – 1.94%).

During the year ended December 31, 2017, 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 loss of $4,829 (December 31, 2018 – recovery of $5,590) as the estimated capitalized abandonment costs were previously impaired. This gain of $4,829 is included in the "change in estimates" line item below.

	As at March 31, 2019	As at December 31, 2018
Balance, beginning of period	389,000	357,466
Liabilities incurred	-	35,763
Change in estimate	15,333	(19,959)
Accretion expense	2,384	6,322
Actual abandonment costs	-	(1,394)
Foreign currency translation	(3,201)	10,802
BALANCE, END OF PERIOD	**403,517**	**389,000**

7 Secured debentures

On June 28, 2013, the Company closed a secured debenture (the "Debenture") for gross proceeds of $750,000. The Debenture bore interest of 12% per annum, and the interest payments were due and payable semi-annually on December 31 and June 30 of each year commencing on December 31, 2014. The Company fulfilled all interest payment requirements to the end of December 31, 2018. As of December 31, 2018, the Company incurred $495,997 of interest expense, of which $90,000 was incurred during the year ended December 31, 2018. Pursuant to the original Debenture agreement (the "Original Agreement"), the Debenture matured on January 31, 2016. However, on June 19, 2015, the terms of the Original Agreement were revised to extend the maturity date until December 31, 2018. The Debenture matured on December 31, 2018.

Pursuant to the Debenture, the Company issued to the Debenture holder 2,666,667 share purchase warrants. Each warrant was 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, 2018. On June 28, 2018, the remaining 1,250,167 share purchase warrants were exercised for gross proceeds of $212,528.

On June 19, 2015, the Company closed an additional secured debenture (the "Debenture B") for gross proceeds of $500,000. The Debenture B bore interest of 12% per annum, and the interest payments were due and payable semi-annually on December 31 and June 30 of each year commencing on December 31, 2015. The Company fulfilled all interest payment requirements to the end of December 31, 2018. As of December 31, 2018, the Company incurred $212,383 of interest expense, of which $60,000 was incurred during the year ended December 31, 2018. Debenture B matured on December 31, 2018.

Pursuant to 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. The entire 1,777,778 warrants expired on December 31, 2018.

On January 29, 2019, the Company closed a private placement of a non-convertible secured debenture ("Debenture C") to replace the Debenture and Debenture B. The non-convertible Debenture C was issued for $1,250,000, along with the issuance of 1,800,000 share purchase warrants of the Company. Each whole warrant entitles the holder thereof to purchase one common share of the Company for $0.24 per share if Debenture C is paid in full by April 30, 2019 and at $0.22 per share thereafter, expiring on December 31, 2019. Debenture C bears an interest rate of 12% per annum and matures on December 31, 2019. The interest payments are due and payable semi-annually on June 30, 2019 and on December 31, 2019, the maturity date of Debenture C. The Company has recorded an interest expense of $37,500 as at March 31, 2019. The terms of Debenture C are the same as the Debenture and Debenture B. All other terms and conditions of Debenture C remain unchanged.

The Company may have, at any time, repaid 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 C agreement, the Debenture C holder may demand repayment of the Debenture C or accelerate the date for payment. Security for the Debenture C includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof.

The Company valued the warrant feature of the Debenture C 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 $1,227,400 and the equity component was $22,600.

	Secured debentures
Balance, December 31, 2017	1,240,959
Accretion of Debenture and Debenture B	9,041
Balance, December 31, 2018	**1,250,000**
Expiry of Debenture and Debenture B	(1,250,000)
Issuance of Debenture C	1,227,400
Accretion of Debenture C	5,459
Balance, March 31, 2019	**1,232,859**

8 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, 2017	88,102,065	17,687,906
Shares issued pursuant to private placement (i)	3,458,409	440,064
Shares issued pursuant to private placement (ii)	3,125,002	221,168
Exercise of stock options (note 8(d))	721,000	51,800
Reallocation of stock option fair value on exercise	-	42,199
Exercise of warrants (note 8(e))	1,330,167	226,928
Reallocation of warrant fair value on exercise (note 8(e))	-	25,819
Share issue costs (i)(ii)	-	(16,703)
Balance, December 31, 2018	96,736,643	18,679,181
Shares issued pursuant to private placement (iii)	3,880,000	254,174
Exercise of stock options (note 8(d))	35,000	5,950
Reallocation of stock option fair value on exercise	-	4,640
Exercise of warrants (note 8(e))	50,000	9,000
Reallocation of warrant fair value on exercise (note 8(e))	-	6,402
Exercise of broker warrants	111,947	16,792
Share issue costs (iii)	-	(7,225)
Balance, March 31, 2019	**100,813,590**	**18,968,914**

i) On April 13 and April 27, 2018, the Company closed a private placement issuing a total of 3,458,409 units (“Unit A”) for aggregate proceeds of $726,266. 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 $0.42 per common share for a period of 24 months from issuance, which was valued at $286,202 (note 8(e)(i)). In connection with the private placement, the Company incurred cash share issue costs of $14,674 and issued 13,600 broker warrants valued at $1,575. Each broker warrant entitled the holder thereof to purchase one common share of the Company at a price of $0.21 per common share for a period of 12 months from issuance (note 8(f)). Share issue costs of $10,715 were allocated to share capital and $5,534 were allocated to warrants.

ii) On November 2 and November 16, 2018, the Company closed a private placement issuing a total of 3,125,002 units (“Unit B”) for aggregate proceeds of $375,000. 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 $0.24 per common share for a period of 24 months from issuance, which was valued at $153,832 (note 8(e)(ii)). In connection with the private placement, the Company incurred cash share issue costs of $9,449 and issued 8,000 broker warrants valued at $703. Each broker warrant entitled the holder thereof to purchase one common share of the Company at a price of $0.12 per common share for a period of 12 months from issuance (note 8(f)). Share issue costs of $5,988 were allocated to share capital and $4,164 were allocated to warrants.

iii) On February 27 and March 28, 2019, the Company closed a private placement issuing a total of 3,880,000 units ("Unit C") for aggregate proceeds of $388,000. 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 $0.20 per common share for a period of 24 months from issuance, which was valued at $133,826 (note 8(e)(iii)). In connection with the private placement, the Company incurred cash share issue costs of $7,600 and issued 56,000 broker warrants valued at $3,302. Each broker warrant entitled the holder thereof to purchase one common share of the Company at a price of $0.10 per common share for a period of 12 months from issuance (note 8(f)). Share issue costs of $7,225 were allocated to share capital and $3,677 were 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.

A summary of the status of the Company's stock option plan and changes during the three months ended March 31, 2019 is as follows:

		As at March 31, 2019		As at December 31, 2018
	Number	Weighted Average Exercise Price ($)	Number	Weighted Average Exercise Price ($)
Balance, beginning of the period	9,669,000	0.19	8,057,000	0.19
Granted	-	-	2,795,000	0.18
Exercised	(35,000)	(0.17)	(721,000)	(0.07)
Forfeited	-	-	(162,000)	(0.18)
Expired	(590,000)	(0.17)	(300,000)	(0.17)
BALANCE, END OF PERIOD	**9,044,000**	**0.20**	**9,669,000**	**0.19**

Exercise Price ($)	Options Outstanding	Weighted Average Remaining Term (Years)	Weighted Average Exercise Price ($)	Options Exercisable	Weighted Average Exercise Price ($)
0.00 - 0.09	1,884,000	2.23	0.06	1,765,000	0.06
0.10 - 0.19	2,460,000	3.01	0.14	1,115,000	0.14
0.20 - 0.29	2,850,000	4.13	0.21	1,433,333	0.21
0.40 - 0.49	1,850,000	0.63	0.40	1,850,000	0.40

As at March 31, 2019, the Company had 6,163,333 exercisable options and 2,880,667 options granted but not yet vested. The weighted average exercise price of the exercisable options is $0.20.

d) Share-based payments

During the three months ended March 31, 2019, the Company granted nil stock options (December 31, 2018 – 2,795,000), and 35,000 were exercised, 590,000 expired unexercised, and nil were forfeited (December 31, 2018 – 721,000, 300,000 and 162,000 respectively). One third of the stock options vest immediately and the remaining stock options granted vest one third on each of the first and second anniversary of the grant date. The forfeiture rates are based on historical data and managements estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

	As at December 31, 2018
Risk-free interest rate	2.02%
Expected life	2.5 years
Expected volatility	182.15%
Fair value per option	$0.14
Forfeiture rate	0.00%
Dividend yield	-

Share-based payments expense recognized during the three months ended March 31, 2019 was $61,231 (March 31, 2018 - $35,094), of which $57,622 has been recorded in the Consolidated Statement of Comprehensive Loss (March 31, 2018 - $33,322) and $3,609 has been capitalized as E&E (March 31, 2018 - $1,772), 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, 2017	8,514,362	0.24	510,699	1.01
Warrants issued pursuant to private placement (note 8(b)(i))	1,729,205	0.42	286,202	1.83
Warrants issued pursuant to private placement (note 8(b)(ii))	1,562,501	0.24	153,832	1.57
Exercise of warrants	(1,330,167)	0.17	(25,819)	-
Expiry of warrants	(2,902,278)	0.25	(129,508)	-
Expiry of warrant share issue costs	-	-	6,462	-
Share issue costs (note 8(b)(i)(ii))	-	-	(9,698)	-
Balance, December 31, 2018	**7,573,623**	**0.30**	**792,170**	**1.07**
Warrants issued pursuant to private placement (note 8(b)(iii))	1,940,000	0.20	133,826	1.93
Warrants issued pursuant to Debenture C (note 7)	1,800,000	0.22	22,600	0.75
Exercise of warrants	(50,000)	-	(6,402)	-
Expiry of warrants	(817,500)	-	(62,352)	-
Expiry of warrant share issue costs	-	-	1,144	-
Share issue costs (note 8(b)(iii))	-	-	(3,677)	-
Balance, March 31, 2019	**10,446,123**	**0.23**	**877,309**	**0.98**

(i) As part of the units issued in the private placement that closed on April 13, 2018 and April 27, 2018 (note 8(b)(i)), subscribers received one half of one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.42 for a period of 24 months from the date of closing. A value of $286,202 ($0.17 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 $5,534 were allocated to warrants (note 8(b)(i)).

(ii) As part of the units issued in the private placement that closed on November 2, 2018 and November 16, 2018 (note 8(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 $0.24 for a period of 24 months from the date of closing. A value of $153,832 ($0.10 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 $4,164 were allocated to warrants (note 8(b)(ii)).

(iii) As part of the units issued in the private placement that closed on February 27, 2019 and March 28, 2019 (note 8(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 $0.20 for a period of 24 months from the date of closing. A value of $133,826 ($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 $3,677 were allocated to warrants (note 8(b)(iii)).

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 March 31, 2019	As at December 31, 2018
Risk-free interest rate	1.78%	1.82%
Expected life	2.00 years	2.00 years
Expected volatility	154.57%	153.86%
Fair value per warrant	$0.07	$0.13

f) Broker warrants

	Number of Warrants	Weighted Average Exercise Price ($)	Amount($)	Weighted Average Expiry Date
Balance, December 31, 2017	111,947	0.15	16,132	0.73
Broker warrants issued pursuant to private placement (note 8(b)(i)and (ii))	21,600	0.18	2,278	0.82
Balance, December 31, 2018	**133,547**	**0.15**	**18,410**	**0.06**
Broker warrants exercised	(111,947)	0.15	(16,132)	-
Broker warrants issued pursuant to private placement (note 8(b)(iii))	56,000	0.10	3,302	0.93
Balance, March 31, 2019	**77,600**	**0.11**	**5,580**	**0.69**

(i) As part of the private placement that closed on April 13, 2018 and April 27, 2018, the Company issued 13,600 (note 8(b)(i)) broker warrants to those who facilitated the private placements. Each broker warrant granted entitles the holder to purchase one common share at a price of $0.21 per common share for a period of 1 year from the date of closing. The broker warrants were valued at $1,575 and recorded as share issue costs.

(ii) As part of the private placement that closed on November 2, 2018 and November 16, 2018, the Company issued 8,000 (note 8(b)(ii)) broker warrants to those who facilitated the private placements. Each broker warrant granted entitles the holder to purchase one common share at a price of $0.12 per common share for a period of 1 year from the date of closing. The broker warrants were valued at $703 and recorded as share issue costs.

(iii) As part of the private placement that closed on February 27, 2019 and March 28, 2019, the Company issued 56,000 (note 8(b)(iii)) broker warrants to those who facilitated the private placements. Each broker warrant granted entitles the holder to purchase one common share at a price of $0.10 per common share for a period of 1 year from the date of closing. The broker warrants were valued at $3,302 and recorded as share issue costs.

The fair value of the Broker Warrants granted is estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

	As at March 31, 2019	As at December 31, 2018
Risk-free interest rate	1.78%	2.03%
Expected life	1 year	1 year
Expected volatility	148.08%	164.59%
Fair value per broker warrant	$0.06	$0.18

g) Contributed surplus

	As at March 31, 2019	As at December 31, 2018
Balance, beginning of the period	5,295,078	4,854,074
Share-based payments (note 8(d))	57,622	328,022
Capitalized share-based payments (note 8(d))	3,609	29,858
Expiry of warrants (note 8(e))	62,352	129,508
Expiry of warrant share issue costs (note 8(e))	(1,144)	(6,463)
Broker warrants issued (note 8(f))	3,302	2,278
Exercise of stock options (note 8(c))	(4,640)	(42,199)
BALANCE, END OF PERIOD	**5,416,179**	**5,295,078**

h) Per share data

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

9 Related party transactions

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

a) An aggregate of $35,700 (March 31, 2018 - $62,700) 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 (March 31, 2018 - $7,500) for costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $9,234 (March 31, 2018 - $19,785) in consulting fees and related costs were paid to a director and Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. of which $4,561 (March 31, 2018 - $13,190) were capitalized as E&E costs (note 4).

b) Aggregate legal fees of $7,308 (March 31, 2018 - $5,735) were charged by a law firm in which a director of the Company is a partner, of which $7,308 (March 31, 2018 - $5,735) were expensed as general and administrative expenses and $nil (March 31, 2018 - $nil) were charged to share capital as share issue costs.

c) As at March 31, 2019, the Company has accounts payable and accrued liabilities totaling $31,689 (December 31, 2018 – $282,786) owing to related parties relating to the above transactions.

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

10 Financial risk management

(a) Fair values:

The fair value of cash, trade and other receivables, accounts payable and accrued liabilities approximates their carrying value due to their short term nature. The fair value of the debentures were calculated using an estimate of the market rate for similar debentures without warrants, which is a level 2 input.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(b) 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 March 31, 2019, the Company had cash of $140,014 (December 31, 2018 - $107,685), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As at March 31, 2019, the Company's accounts receivable consisted of $54,637 receivable from oil and natural gas marketing companies (December 31, 2018 - $65,822), $40,319 receivable from joint venture working interest owners (December 31, 2018 - $11,155) and $6,195 related to goods and service tax owing from the Government of Canada (December 31, 2018 - $11,802). As at March 31, 2019, 54% (December 31, 2018 - 74%) of the Company's receivable are held with one oil and natural gas marketing company and is therefore subject to concentration risk. Receivables from oil and natural gas marketing companies are typically collected within one month of delivery of product and historically the Company has not experienced collection issues with its marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued and cash call receivables are usually provided to the operator at least 30 days in advance of drilling. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner pre-approval of significant capital expenditures. In certain circumstances, the Company may request an operating advance, cash call a partner in advance of capital expenditures being incurred, or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions 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.

Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date. The Company's aged trade and accrued accounts receivable at March 31, 2019 and December 31, 2018, excluding any impaired accounts, are as follows:

Days outstanding	As at March 31, 2019	As at December 31, 2018
0-30 days	94,956	76,977
31-60 days	6,195	11,802
61-90 days	-	-
Greater than 90 days	-	-
Trade and other receivables, net of allowance	**101,151**	**88,779**
Impairment provision	**-**	**-**

The Company assessed the credit loss risk as $nil based on historical data.

The Company recorded a bad debt expense of $79,240 related to a surface rights obligation that the Company has been deemed responsible for (note 11(b)).

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2019, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of $462,462 (December 31, 2018 - $602,952), which are all due over the next twelve months, and the secured debentures balance of $1,250,000 (note 7), which matures on December 31, 2019. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities.

The Company prepares annual capital expenditure budgets, which are regularly updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

(d) Market risk:

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks. If in the future management determines market risk warrants the use of financial derivatives or physical delivery sales contracts any such transactions would be approved by the Board of Directors.

(i) Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and natural gas prices are impacted by world economic events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed appropriate. The Company did not have any commodity price contracts in place as at or during the three months ended March 31, 2019 and December 31, 2018. A 20% change is price per bbl in commodity process would impact petroleum and natural gas sales by approximately $24,900.

(ii) Foreign currency risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company regularly converts Canadian currency into United States currency to provide funds for its Ohio based projects. The Company currently sells oil or natural gas in foreign currencies and the underlying market prices in Canada for oil and natural gas fluctuate with changes in the exchange rate between the Canadian and the United States dollar, thus exposing the Company to foreign currency exchange risk. A hypothetical change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash during the year would not have a material impact on the Company's loss.

As at March 31, 2019 and December 31, 2018, the Company had no forward exchange rate contracts in place.

The Company had the following financial instruments denominated in USD:

	March 31, 2019	December 31, 2018
Cash	86,808	97,313
Trade and other receivables	94,956	76,977
Accounts payable and accrued liabilities	208,022	423,709

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have short or long term interest bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debenture bears a fixed interest rate (note 7).

The Company has no interest rate swaps or financial contracts in place as at or during the periods ended March 31, 2019 and the year ended December 31, 2018.

11 Commitments

(a) 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 March 31, 2019, included in deposits and prepaid expenses is an amount of $40,626 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2018 - $40,427). 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.

(b) The Surface Rights Board ("SRB") is a quasi-judicial tribunal in Alberta that has a dispute resolution process to resolve issues of non-payment of surface leases to landowners by oil and gas companies. On September 18, 2018, the Company was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections regarding surface lease payments outstanding on properties that were sold by the Company to a third-party in August of 2010. As at March 31, 2019, as per notification from SRB, the Company has a balance outstanding of $79,240.

The Company has an Assignment of Surface Rights agreement with the third-party company, effective August 1, 2010 whereby the responsibility for the payment of surface leases is with the third-party. The third-party does not dispute this agreement and agrees they are responsible for the payment of surface leases.

Upon the sale of the properties, the Company agreed to retain a nominal 1% working interest in the sold properties and act as the Operator of the wells on behalf of the third-party company. The Company's position on this judgement is that the assignment of Surface Rights agreements takes precedent while the SRB asserts that the provincial laws governing the SRB places the responsibility on the Operator as defined by Alberta law governing SRB and the Alberta Energy Regulator.

Subsequently, on April 4, 2019 SRB has ruled and agrees that the third-party company is also an Operator, but they did not agree that the Company should be removed as an Operator. Therefore, effective March 31, 2019, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment has been recorded as a bad debt item in the statement of loss and comprehensive loss. The Company will continue to review its options and continue discussions with SRB regarding an appeal of these rulings.

12 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 three months ended March 31, 2019		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	143,647	143,647
Depletion and depreciation	100	49,229	49,329
Net loss and comprehensive loss (income)	332,219	(46,590)	285,629
Exploration and evaluation assets	-	4,533,370	4,533,370
Property, plant and equipment	1,427	1,993,917	1,995,345
Total liabilities	1,725,722	373,116	2,098,838

	For the year ended March 31, 2018		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	260,942	260,942
Depletion and depreciation	150	78,488	78,638
Net loss and comprehensive loss (income)	241,572	(93,838)	147,734
Exploration and evaluation assets	-	2,650,566	2,650,566
Property, plant and equipment	1,976	2,241,309	2,223,110
Total liabilities	1,945,222	367,864	2,114,296

13 Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business.

The Company actively manages its capital structure which includes shareholders' equity and debt. In order to maintain or adjust its capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

As part of the capital management program the Company monitors its working capital ratio. The Company's objective is to maintain a working capital ratio of greater than 1:1 defined as the ratio of current assets divided by current liabilities. At March 31, 2019, the working capital ratio was 0.18:1 (December 31, 2018 – 0.12:1) (note 1). The Board of Directors has not established quantitative return on capital criteria for management, but rather promotes conservative capital management. The Company is not subject to any externally imposed capital requirements.

14 Subsequent events

On April 4, 2019, the Company granted 1,030,000 stock options to directors, officers, employees and consultants of the Company. The stock options were issued with an exercise price of $0.10 per share, vest as to 1/3 immediately and 1/3 on each of the first and second anniversary dates of the grant. The stock options have a five year term from the date of issuance.