TSX Venture – MAH | **Report for the year ended**
New York OTCQB Venture Marketplace – MKSEF | **December 31, 2018**

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 year ended December 31, 2018 and was prepared with information available up to April 25, 2019 and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2018. 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 ("IFRS").

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the audited 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 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 year, deducting decommissioning liability expenditures and does not include the change in working capital applicable to operating activities. Management believes that in addition to cash flow from operating activities, funds from operations is a useful supplemental measure as it provides an indication of the results generated by Marksmen’s principal business activities before the consideration of how such activities are financed.

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

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

Barrel of Oil Equivalent

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

Forward-Looking Statements

This Management’s Discussion and Analysis may contain “forward-looking information” within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company’s current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Introduction

The primary business of Marksmen is the acquisition, development and production of oil properties located in Ohio, USA.

In 2017, after research and development analysis performed by Marksmen's Ohio based team of professional geologists and engineers on the historic oil reserves in Hocking County, Ohio, Marksmen entered into an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program, operated by Hocking Hills Energy and Well Services LLC. The agreement includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease.

The Leaman #1 well was drilled and completed in 2018 to a total depth at 6,398 feet of which approximately 2,700 feet was the horizontal leg. Hydraulic fracturing was completed and was technically successful. It was determined that there was a casing failure/collapse at the beginning of the fracture stages, which required substantial remedial work including a new side-track horizontal leg to be drilled just above the collapsed casing but still in the fractured zone. This was successfully completed in late December 2018.

In early 2019 production equipment including a pumpjack, tanks, flow-lines etc. have been installed and production testing is currently being conducted. A significant amount of hydraulic fracturing fluid has been recovered to date with steadily improving oil production. The Company’s technical team believes that the remedial horizontal leg is well connected with the fractured zone and as more of the fluid/brine is removed the percentage of oil produced will continue to increase and result in a technically successful and commercially viable well.

The Company is currently evaluating offset drilling opportunities on its current land positions in both Hocking and Pickaway counties in Ohio. To meet future capital projects, the Company will consider additional equity by way of private placements and the use of funds generated from operations. Capital projects will be undertaken as funding is available.

Selected Annual Information

Selected operational and financial information from the last three fiscal years is presented below. This summary should be read in conjunction with audited and unaudited consolidated financial statements of the Company.

	Year Ended Dec 31, 2018	Year Ended Dec 31, 2017	Year Ended Dec 31, 2016
Oil Production Net - bbls	**14,320**	18,103	12,456
Petroleum revenue	**$ 1,190,013**	$ 1,165,517	$ 743,976
Royalties	**$ (155,207)**	$ (152,104)	$ (96,953)
Production and operating expenses	**$ (112,734)**	$ (131,088)	$ (129,270)
Income from operations	**$ 922,072**	**$ 882,325**	**$ 517,753**
Revenue per barrel	**$ 83.10**	$ 64.38	$ 59.73
Net loss before Impairment	**$ (725,097)**	$ (563,905)	$ (719,293)
Impairment recovery (loss)	**$ -**	$ -	$ 655,110
	$ (725,097)	$ (563,905)	$ (64,183)
Currency translation adjustment	**$ 418,439**	$ (265,849)	$ (108,906)
Net loss and comprehensive loss	**$ (306,658)**	$ (829,754)	$ (173,089)
Loss per common share - basic	**$ (0.00)**	$ (0.01)	$ (0.00)
Cash-flow provided by (used in) operating activities	**$ 445,864**	$ (50,573)	$ (390,747)
Cash-flow provided by financing activiites	**$ 1,355,872**	$ 1,013,469	$ 881,336
Cash on hand end of year	**$ 107,685**	$ 801,097	$ 116,806
Exploration and evaluation assets	**$ 4,545,574**	$ 1,736,033	$ 1,736,916
Property and equipment assets	**$ 2,076,848**	$ 2,223,110	$ 2,636,588
Total assets	**$ 6,881,026**	$ 5,346,277	$ 4,723,592
Total liabilities	**$ 2,241,952**	$ 2,114,296	$ 1,829,139
Total shareholder's equity	**$ 4,639,074**	$ 3,231,981	$ 2,894,453
Total liabilities and equity	**$ 6,881,026**	$ 5,346,277	$ 4,723,592
Common shares outstanding - basic	**96,736,643**	88,102,065	79,200,432
Common shares outstanding - weighted average	**92,212,044**	81,620,976	72,662,453

Quarterly Financial Information

The following is a summary of selected quarterly information. This summary should be read in conjunction with audited and unaudited consolidated financial statements of the Company.

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Quarterly Information	**2018**	**2018**	**2018**	**2018**	2017	2017	2017	2017
Net Oil Production - bbls	**3,070**	**3,459**	**4,444**	**3,347**	3,792	3,829	5,014	5,468
Net Oil Production - bbls / day	**33.4**	**37.6**	**48.8**	**37.2**	41.2	41.6	55.1	60.8
Revenue - oil	**$ 239,204**	**$ 309,083**	**$ 380,784**	**$ 260,942**	$ 258,747	$ 220,011	$ 319,955	$366,804
Royalties	**$ (31,244)**	**$ (40,147)**	**$ (53,445)**	**$ (30,371)**	$ (33,637)	$ (28,881)	$ (41,751)	$ (47,835)
Production and operating expenses	**$ (36,931)**	**$ (39,515)**	**$ (20,384)**	**$ (15,904)**	$ (37,332)	$ (36,025)	$ (28,368)	$ (29,363)
Income from production operations	**$ 171,029**	**$ 229,421**	**$ 306,955**	**$ 214,667**	$ 187,778	$ 155,105	$ 249,836	$ 289,606
Net loss	**$ (275,620)**	**$ (77,841)**	**$ (223,902)**	**$ (147,734)**	$ (341,415)	$ (114,871)	$ (89,758)	$ (17,861)
Total assets	**$6,881,026**	**$6,243,527**	**$6,375,910**	**$5,525,659**	$5,346,277	$4,559,104	$4,690,786	$4,817,812
Total liabilities	**$2,241,952**	**$2,087,866**	**$2,087,866**	**$2,313,086**	$2,114,296	$1,769,968	$1,725,380	$1,831,835
Total shareholder's equity	**$4,639,074**	**$4,174,542**	**$4,288,044**	**$3,231,981**	$2,789,136	$2,965,406	$2,985,977	$2,894,453
Total liabilities & equity	**$6,881,026**	**$6,262,408**	**$6,375,910**	**$5,545,067**	$4,903,432	$4,735,374	$4,711,357	$4,726,288
Common shares issued & outstanding	**96,736,643**	**93,561,641**	**93,561,641**	**88,295,065**	88,102,065	83,352,932	82,387,932	80,550,432

Oil Production – Ohio

	Q1	Q2	Q3	Q4	Total		Total		
Oil Production -Ohio	**2018**	**2018**	**2018**	**2018**	**2018**		2017	**Change**	**% Change**
Gross - bbls	**4,332**	**5,796**	**4,525**	**3,968**	**18,621**				
Net working Interest- bbls	**3,347**	**4,444**	**3,459**	**3,070**	**14,320**		18,103	(3,783)	**-21%**
Gross oil per day - bbls	**48.1**	**63.7**	**49.2**	**43.1**	**51.0**				
Net oil per day - bbls	**37.2**	**48.8**	**37.6**	**33.4**	**39.2**		49.6	(10.4)	**-21%**
Oil price - $USD per bbl	**$ 61.65**	**$ 66.55**	**$ 68.33**	**$ 58.63**	**$ 64.14**		$ 49.58	$ 14.56	**29%**

Net production in 2018 was 14,320 barrels of oil compared to 18,103 barrels in 2017, a 21% reduction of 3,783 barrels. This is due to normal year over year production decline due to depletion of reserves as well as increased shut-in days due to colder than normal weather in 2018. The lower production was offset by an average increase in oil commodity prices of $14.56 per barrel or 29% moving upward to $64.14 in 2018 compared to $49.58 in 2017.

Well Information

In 2017 Marksmen agreed to participate in the drilling of a horizontal well, Leaman #1, located in Hocking County. The well was completed in December of 2018. Production equipment has been installed and production testing is currently on-going in 2019.

	2018			2017	
		Net			Net
Well Information	**Wells**	**Marksmen %**		Wells	Marksmen %
Well drilled - Leaman #1	**1.0**	**60.0**		-	-
Producing wells	**4.0**	**67.5**		4.0	67.5
Water injection well	**1.0**	**100.0**		1.0	100.0
Shut-in wells	**2.0**	**75.0**		2.0	75.0

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. Reclamation will continue on two or more of the leases in 2019. The remaining well at Alder Flats is shut-in but not abandoned. In 2018 approximately $26,150 was spent on lease rentals, property tax and lease clean-up.

Operating Net Back – Ohio, USA in $USD

Operating netbacks are calculated by deducting royalties and operating costs from revenues and dividing the operating income by the number of produced barrels of oil. This calculation does not have any standardized meaning under IFRS. However, the Company considers this calculation to be a meaningful measure of field operations. It is a measurement widely used in the oil and gas industry.

	Q1	**Q2**	**Q3**	**Q4**	**Total**		Total		
$USD	**2018**	**2018**	**2018**	**2018**	**2018**		2017	**Change**	**% Change**
Net Oil Production - bbls	**3,347**	**4,444**	**3,459**	**3,070**	**14,320**		18,103	(3,783)	**-21%**
Revenue	**$ 206,327**	**$ 295,769**	**$ 236,341**	**$ 179,995**	**$ 918,432**		$ 897,518	$ 20,914	**2%**
Royalty expense	**$ (24,014)**	**$ (41,566)**	**$ (30,696)**	**$ (23,511)**	**$ (119,787)**		$ (117,129)	$ (2,658)	**2%**
	$ 182,313	**$ 254,203**	**$ 205,645**	**$ 156,484**	**$ 798,645**		$ 780,389	$ 18,256	**2%**
Production costs	**$ (10,334)**	**$ (13,412)**	**$ (27,120)**	**$ (15,958)**	**$ (66,824)**		$ (89,958)	$ 23,134	**-26%**
Income from Field Operations	**$ 171,979**	**$ 240,791**	**$ 178,525**	**$ 140,526**	**$ 731,821**		$ 690,431	$ 41,390	**6%**
Revenue / bbl	**$ 61.65**	**$ 66.55**	**$ 68.33**	**$ 58.63**	**$ 64.14**		$ 49.58	$ 14.56	**29%**
Royalties / bbl	**$ (7.17)**	**$ (9.35)**	**$ (8.87)**	**$ (7.66)**	**$ (8.37)**		$ (6.47)	$ (1.89)	**29%**
Operating costs / bbl	**$ (3.09)**	**$ (3.02)**	**$ (7.84)**	**$ (5.20)**	**$ (4.67)**		$ (4.97)	$ 0.30	**-6%**
Operating Netback / bbl	**$ 51.38**	**$ 54.18**	**$ 51.61**	**$ 45.77**	**$ 51.10**		$ 38.14	**$ 12.97**	**34%**

The Company's production decreased in 2018 to 14,320 barrels compared to 18,103 barrels in 2017, a decrease of 3,783 barrels or 21%. The reduced production is attributed to normal decline due to the depletion of reserves and an increase in shut-in days for cold weather and operational workovers. Lower production was offset by higher commodity prices for oil resulting in higher revenues and this coupled with lower production costs of 26% have resulted in income from field operations to be 6% higher in 2018 compared to 2017.

Operating Results in $CDN

$CDN	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Total 2018	Total 2017	Change	% Change
Net Oil Production - bbls	**3,347**	**4,444**	**3,459**	**3,070**	**14,320**	18,103	(3,783)	**-21%**
Revenue	**$ 260,942**	**$ 380,784**	**$ 309,083**	**$ 239,204**	**$1,190,013**	$ 1,165,517	$ 24,496	**2%**
Royalty expense	**$ (30,371)**	**$ (53,445)**	**$ (40,147)**	**$ (31,244)**	**$ (155,207)**	$ (152,104)	$ (3,103)	**2%**
	$ 230,571	**$ 327,339**	**$ 268,936**	**$ 207,960**	**$1,034,806**	$ 1,013,413	$ 21,393	**2%**
Production costs	**$ (15,904)**	**$ (20,384)**	**$ (39,515)**	**$ (36,931)**	**$ (112,734)**	$ (131,088)	$ 18,354	**-14%**
Income from Field Operations	**$ 214,667**	**$ 306,955**	**$ 229,421**	**$ 171,029**	**$ 922,072**	$ 882,325	$ 39,747	**5%**
Revenue / bbl	**$ 77.96**	**$ 85.68**	**$ 89.36**	**$ 77.92**	**$ 83.10**	$ 64.38	$ 18.72	**29%**
Royalties / bbl	**$ (9.07)**	**$ (12.03)**	**$ (11.61)**	**$ (10.18)**	**$ (10.84)**	$ (8.40)	$ (2.44)	**29%**
Production expenses / bbl	**$ (4.75)**	**$ (4.59)**	**$ (11.42)**	**$ (12.03)**	**$ (7.87)**	$ (7.24)	$ (0.63)	**9%**
Operating Netback / bbl	**$ 64.14**	**$ 69.07**	**$ 66.33**	**$ 55.71**	**$ 64.39**	$ 48.74	$ 15.65	**32%**

Oil Revenue - for the year ended December 31, 2018 increased by 2% to $1,190,013 compared to $1,165,517 in 2017. This increase can be attributable to higher commodity prices that offset lower production rates. Revenue is paid to Marksmen directly by an oil marketing company and the price paid is based on their posted prices derived from West Texas Intermediate oil (“WTI”) commodity prices.

Royalties - are paid by the oil marketing company at 12.5% of revenue on Marksmen’s behalf to the royalty rights owners of record as determined by Marksmen. There are no royalties paid to the state of Ohio but rather an oil severance tax of $0.20 per barrel. Total royalties paid in 2018 were $155,207 compared to $152,104 in 2017.

Production Expenses – for the year ended December 31, 2018 production expenses decreased to $112,734 compared to $131,088 in 2017. This 14% decrease was primarily due to lower water handling and disposal fees due to the connection of a well to the Company’s water disposal facility in mid-2017.

General and Administrative Expenses

General & Administrative Expenses	2018	2017	Change	% Change
Employee compensation	**$ 129,068**	$ 136,633	$ -7,565	**-6%**
Management consulting services	**$ 179,100**	$ 152,640	$ 26,460	**17%**
Professional fees	**$ 131,328**	$ 123,650	$ 7,678	**6%**
Investor relations	**$ 145,968**	$ 117,065	$ 28,903	**25%**
Filing and listing fees	**$ 64,958**	$ 53,416	$ 11,542	**22%**
Ohio management and administration	**$ 47,490**	$ 31,265	$ 16,225	**52%**
Insurance	**$ 53,645**	$ 31,138	$ 22,507	**72%**
Computer software and support	**$ 21,212**	$ 17,358	$ 3,854	**22%**
Office and storage	**$ 46,327**	$ 41,250	$ 5,077	**12%**
General and administrative - other	**$ 17,428**	$ 15,028	$ 2,400	**16%**
	$ 836,524	$ 719,443	$ 117,081	**16%**

The Company has categorized its administrative expenses as described below. In 2018 the categories have been expanded to include insurance, computer software and support and office and storage space. This has resulted in the reclassification of some 2017 general and administrative costs for comparative purposes.

Employee Compensation – This compensation represents payments of salaries and wages to one full-time management employee and two part-time administrative support personnel. Employee compensation remains consistent year over year.

Management Consulting Fees – These fees are related to fees to a professional corporation of a senior executive for services related to the overall management of the Company including some administrative costs. The increase is due to additional fees being charged for increased activities in equity raises and executive involvement in the management of the Leaman #1 well. The executive has consistently invested in all the private placements of the Company.

Professional Fees – Fees consist of legal fees, reserve engineering, audit and accounting services in Canada, as well as fees for engineering, geology and land consulting in Ohio, USA. Professional fees remained consistent year over year.

Investor Relations – Are related to costs incurred to raise capital for the drilling opportunities in Ohio. Expenses relate to travel, investor conferences, and use of investment consultants throughout North America. There was an increased use of consultants during the year to raise capital in a tight marketplace.

Filing and Listing Costs – These costs are directly associated with costs of being a public company in Canada. They include annual fees and charges from stock exchanges in Canada and New York, provincial securities commissions, and a stock transfer agent. The increase of 22% is attributable to higher AGM related fees and an increase in fees charged by the OTCQB in New York.

Ohio Management and Administrative Expenses – Marksmen's business activities in 2018 continue to be focused on developing its oil and gas operations in Ohio. Since Marksmen was not the operator of the Leaman #1 well in 2018, there was $9,266 less Ohio based management fees charged to capital projects than in 2017.

Insurance – In 2018 there was a general increase in oil and gas related insurance, especially related to operations in the USA, in all categories including director and officer, property and general liability as well as control of well insurance that resulted in a year over year 72% increase of $22,507.

Computer software and Support – There was increase in the fees charged by the Company's accounting software provider in 2018 that resulted in a 22% increase of $3,854.

Office and Storage – During the year there was an increase in office rent as the Company moved with its sub-lease landlord to new and somewhat larger office space in 2018, with a modest increase in monthly rent.

General and Administrative Expenses – These expenses are normal day to day costs of running the Company. These expenditures have remained consistent year over year.

Selected Other Expenses

Interest Expense – During the year ended December 31, 2018 the Company incurred interest related to a secured debenture of $150,000 (2017-$150,000).

Depletion – In 2018 depletion totaled $322,850 or $22.55 per barrel of oil produced compared to $431,756 or $23.85 per barrel of oil produced in 2017. The decrease of $108,906 in 2017 is related to a year over year decrease in oil production of 3,783 barrels.

Impairment – Due to the decline of commodity prices in Q4 of 2018 management concluded that indicators of impairment existed and performed an impairment test on the reserves of the Company. Based on the proved and probable reserves projected in the reserves report prepared by the Company's independent qualified reserve evaluator, no impairment was required in 2018.

Financial Position – Highlights

	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017	Change	**% Change**
Assets				
Current assets	**$ 258,604**	$ 1,387,134	$ (1,128,530)	**-81%**
Exploration and evaluation assets	**$ 4,545,574**	$ 1,736,033	$ 2,809,541	**162%**
Property and equipment	**$ 2,076,848**	$ 2,223,110	$ (146,262)	**-7%**
	$ 6,881,026	$ 5,346,277	$ 1,534,749	**29%**
Liabilities				
Accounts payable and accruals	**$ 602,952**	$ 515,871	$ 87,081	**17%**
Secured debentures	**$ 1,250,000**	$ 1,240,959	$ 9,041	**1%**
Decommissioning liabilities	**$ 389,000**	$ 357,466	$ 31,534	**9%**
	$ 2,241,952	$ 2,114,296	$ 127,656	**6%**
Equity				
Share capital, contributed surplus & other	**$ 25,609,485**	$ 23,477,295	$ 2,132,190	**9%**
Deficit	**$ (20,970,411)**	$ (20,245,314)	$ (725,097)	**4%**
	$ 4,639,074	$ 3,231,981	$ 1,407,093	**44%**
			$ -	
Total liabilities and equity	**$ 6,881,026**	$ 5,346,277	$ 1,534,749	**29%**

Assets – increased by $1,534,749 or 29% in the year ended December 31, 2018 compared to 2017 due primarily to the increase in exploration and evaluation assets related to the drilling of the Leaman #1 well.

Liabilities – increased in 2018 compared to 2017 by 6% or $127,656 due primarily to an increase in decommissioning liabilities associated with the Leaman #1 well and timing of accounts payable.

Equity – In the year ended December 31, 2018, the Company's share capital and contributed surplus increased by $2,132,191 or 9% compared to 2017 due to funds raised in private placements, the exercise of warrants and the issuance of stock options. This is offset by a deficit for the year of $725,097 increasing the total deficit to $20,970,411 in 2018 compared to $20,245,314 in 2017.

Capital Expenditures

Exploration and evaluation assets (E&E)		**Year End Dec. 31, 2018**		Year End Dec. 31, 2017
Balance, beginning of year	**$**	**1,736,033**	$	1,736,916
Expenditures on exploration and evaluation	**$**	**2,693,897**	$	86,792
Foreign currency adjustment	**$**	**115,644**	$	(87,676)
Balance, end of year	**$**	**4,545,574**	$	1,736,033

The expenditures totaling $2,693,897 at year end 2018 are capital costs of the Leaman #1 that are classified under E&E until the Company determines the wells technical feasibility and commercial viability at which time these expenditures will be transferred to petroleum and natural gas assets.

Petroleum and natural gas assets		**Year End Dec. 31, 2018**		Year End Dec. 31, 2017
Balance beginning of year	**$**	**3,803,559**	$	3,845,142
Additions - drilling, completions and equipping	**$**	**-**	$	174,742
Disposals	$	(21,985)	$	-
Change in estimate of decommissioning liabilities	**$**	**21,395**	$	1,898
Foreign currency adjustment	**$**	**286,864**	$	(218,223)
Balance, end of year (before depletion)	**$**	**4,089,833**	$	3,803,559
Accumulated depletion	**$**	**(2,014,512)**	$	(1,582,575)
Net carrying amount	**$**	**2,075,321**	$	2,220,984

During the year ended December 31,2018 the Company sold three surplus tanks to a third-party operator in Ohio at the carrying value of $21,985.

Oil and Gas Reserves

Marksmen's oil and gas reserves have been evaluated as at December 31, 2018 in a report prepared by McDaniel and Associates Consultants Ltd. Group Ltd. ("McDaniel") in accordance with National Instrument 51-101 ("NI 51-101"). The reserves report was presented to the reserves committee and approved March 20, 2019. The results will be posted on SEDAR under the following referenced documents:

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

Decommissioning Liabilities

The Company's business activities require an estimate for the future cost of decommissioning and reclaiming well sites and/or facilities at the end of their life cycle. The Company measures these liabilities at the present value, using estimates that include costs to abandon, risk-free rate and expected timing of the abandonments. The Company has estimated the net present value of the decommissioning liabilities to be $389,000 as at December 31, 2018 (2017 - $357,466).

The Company has completed the abandonment of all but one well of its Canadian petroleum and natural gas assets. Reclamation of these assets will continue in 2019.

Secured Debenture

In previous years, Marksmen entered into two secured debentures agreements with a third party that total $1,250,000 and matured on December 31, 2018. The debentures bear interest at 12% per annum with payments due semi-annually at the end of June and December of each year. The Company may repay the debentures at any time during the term. The Company has fulfilled all its interest payment obligations over the term of the debentures, including during the year ended December 31, 2018.

In January 2019, the Company closed a private placement of a non-convertible secured debenture to replace the debentures outlined above. The non-convertible debenture 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 the debenture is paid in full by April 30, 2019 and at $0.22 per share thereafter, expiring on December 31, 2019. The debenture bears an interest rate of 12% per annum and matures on December 31, 2019. The terms of the new debenture are essentially the same as the debentures that matured on December 31, 2018.

Share Capital

For a detailed explanation of the transactions that took place in 2018 and 2017 for common shares, warrants, broker warrants and stock options please refer to Note 11 - Share Capital in Marksmen's consolidated financial statements for the year ended December 31, 2018. The chart below is a summary of share capital and includes balances as of April 25, 2019.

Marksmen Energy Inc. Share Capital	**Year Ended Dec. 31, 2018**	Year Ended Dec. 31, 2017	As of Apr. 25, 2019
Common shares	**96,736,643**	88,102,065	100,813,590
Stock options	**9,669,000**	8,057,000	10,074,000
Warrants	**7,573,623**	8,514,362	7,523,623
Broker warrants	**133,547**	111,947	77,600

During the year ended December 31, 2018 there were:

- 6,583,411 shares were issued pursuant to private placements
- 1,330,167 warrants were exercised
- 721,000 stock options were exercised
- 2,795,000 stock options were granted
- 300,000 stock options expired and 162,000 were forfeited
- 3,291,706 warrants issued related to the private placements
- 2,902,278 warrants expired
- 21,600 broker warrants were issued related to private placements

Income Tax and Tax Pools

Marksmen does not owe any income taxes as of December 31, 2018 due to its large non-capital loss carry forward balances. At this stage of the Company's development, it cannot be reasonably estimated that there will be sustainable future taxable profits, accordingly there were no deferred income tax assets recognized.

The Company has estimated tax pools as outlined below:

	Rate of Claim	**For the year ended December 31, 2018**	For the year ended December 31, 2017
Canadian development expense	30%	**14,308**	14,308
Canadian oil and gas property expense	10%	**484,498**	484,498
Foreign resource expenditures	10-12%	**827,966**	916,640
Undepreciated capital cost	Various	**117,103**	117,103
Share issue costs		**67,040**	66,243
Non-capital loss carry forward – Canada		**7,715,108**	7,017,860
Net operating loss carry forward – US		**5,534,955**	2,647,965
Capital loss carry forward		**2,059,000**	2,059,000
		16,819,978	13,323,617

The accumulated non-capital loss carried forwards expire between 2029 and 2039.

Segmented Information

The Company's primary operations are limited to a single industry being the acquisition, exploration and development of oil and gas properties in Ohio, USA.

		For the year ended December 31, 2018	
	Canada	Unites States	Total
Petroleum and natural gas sales	-	1,190,013	1,190,013
Depletion and depreciation	599	322,251	322,850
Net loss and comprehensive loss (income)	989,506	(204,508)	784,998
Exploration and evaluation assets	-	4,545,574	4,545,574
Property, plant and equipment	1,527	2,075,320	2,076,848
Total liabilities	1,661,481	580,471	2,241,952

		For the year ended December 31, 2017	
	Canada	Unites States	Total
Petroleum and natural gas sales	-	1,165,517	1,165,517
Depletion and depreciation	926	430,830	431,756
Net loss and comprehensive loss (income)	767,677	(203,772)	563,905
Exploration and evaluation assets	-	1,736,033	1,736,033
Property, plant and equipment	2,126	2,220,984	2,223,110
Total liabilities	1,633,339	480,957	2,114,296

Subsequent Events

On February 27, 2019 and March 28, 2019, the Company closed a private placement issuing a total of 3,880,000 units for aggregate proceeds of $388,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for $0.20 per common share for a period of 24 months from issuance. In connection with the private placement, the Company incurred cash share issue costs of $7,600 and issued 56,000 broker warrants. 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.

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.

In early 2019 production equipment including a pumpjack, tanks, flow-lines etc. have been installed at the Leaman #1 horizontal well and production testing is currently being conducted. A significant amount of hydraulic fracturing fluid has been recovered to date with steadily improving oil production. The Company's technical team believes that the remedial horizontal leg is well connected with the fractured zone and as more of the fluid/brine is removed the percentage of oil produced will continue to increase and result in a technically successful and commercially viable well.

Commitments

The Alberta Energy Regulator ("AER") - has an industry wide program to measure all operating companies Licensee Liability Rating ("LLR"). The LLR program is established by the AER to prevent the costs to abandon, remediate and reclaim a well or facility from becoming the responsibility of the public of Alberta. The program measures the ratio of deemed well and facility assets divided by deemed well and facility Liabilities and if the ratio is below 1.0 a deposit is required.

At December 31, 2018, included in deposits and prepaid expenses is an amount of $40,427 on deposit with the AER associated with the Company's operated wells in Alberta (2017 - $39,790). 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.

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, Marksmen has been served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections in the amount of $86,182 related to unpaid surface leases on properties that were sold by Marksmen to a third-party company in August of 2010. Marksmen has an Assignment of Surface Rights agreement with the third-party, 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 in any way and agrees they are responsible for the payment of surface leases – indeed they did make a partial payment to Service Alberta in November 2018.

Marksmen did agree to retain a nominal 1% working interest in the sold properties and act as the operator of the wells on the behalf of the third-party company. Marksmen'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. Marksmen has filed a submission regarding our position and is awaiting a ruling by the SRB tribunal.

If a ruling is handed down that is not in Marksmen's favour, then the Company will explore its options. The Company has not accrued these costs since they are currently considered a third-party liability pending an SRB ruling and/or legal advice.

Related Party Transactions

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

An aggregate of $179,100 (2017 - $152,640) 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 $30,000 (2017 - $30,000) for costs associated with office space, storage space, and various administrative support costs. This executive participates in all of the private placements of the Company.

Additionally, an aggregate of $103,686 (2017 - $82,191) 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 $50,295 (2017 - $59,561) were capitalized as E&E costs.

Aggregate legal fees of $54,665 (2017 - $39,312) were charged by a law firm in which a director of the Company is a partner, of which $34,359 (2017 - $22,157) were expensed as general and administrative expenses and $20,307 (2017 - $17,155) were charged to share capital as share issue costs.

As at December 31, 2018, the Company has accounts payable and accrued liabilities totaling $43,232 (2017 – $32,337) owing to related parties relating to the above transactions.

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

Key management compensation

Key management includes the Company's executive management.

	As at December 31, 2018	As at December 31, 2017
Compensation	372,786	332,331
Share based payments	161,851	81,698
TOTAL	**534,637**	**414,029**

A portion of the key management compensation of $282,786 (2017 - $234,831) has been paid through consulting fees.

Off Balance Sheet Arrangements

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

Financial Risk Management

Going Concern – At December 31, 2018, the Company had not yet achieved profitable operations, had accumulated a deficit of $20,970,411 a negative working capital of $1,594,348, 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.

The Company successfully completed two private placements during the year ended December 31, 2018. To achieve its intended development, management is committed to raising additional capital. Subsequent to December 31, 2018, the Company successfully completed two private placements for gross proceeds of $388,000 (note 18), has successfully renegotiated the secured debentures that matured on December 31, 2018 (note 10), and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

Fair values - The fair value of cash, trade and other receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. The fair value of the debentures was 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.

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 December 31, 2018, the Company had cash of $107,685 (2017- $801,097), all of which is deposited in two major financial institutions in Canada and the USA. Management has assessed the risk of loss to be minimal.

As at December 31, 2018, the Company's accounts receivable consisted of $65,822 receivable from oil and natural gas marketing companies (2017 - $70,478), $11,155 receivable from joint venture working interest owners (2017 - $448,106) and $11,802 related to goods and service tax owing from the Government of Canada (2017 - $7,595). As at December 31, 2018, 74% (2017 - 13%) 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 December 31, 2018 and 2017, excluding any impaired accounts, are as follows:

Days outstanding	As at December 31, 2018	As at December 31, 2017
0-30 days	76,977	503,641
31-60 days	11,802	22,407
61-90 days	-	-
Greater than 90 days	-	131
Trade and other receivables, net of allowance	**88,779**	**526,179**
Impairment provision	**-**	**-**

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

Liquidity risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2018, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of $602,952 (2017 - $515,871), which are all due over the next twelve months, and the secured debentures balance of $1,250,000 (note 10), which matured on December 31, 2018. 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.

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.

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 years ended December 31, 2018 and 2017. A 20% change in price per bbl in the commodity price would impact petroleum and natural gas sales by approximately $103,000.

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 US currency. The exchange rate between the Canadian and the United States dollar exposes 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.

The Company had the following financial instruments denominated in USD:

	December 31, 2018	December 31, 2017
Cash	97,313	288,873
Trade and other receivables	76,977	518,584
Accounts payable and accrued liabilities	423,709	357,423

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 has no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2018 or December 31, 2017.

Outlook

The primary business of Marksmen is the acquisition, development and production of oil properties located in Ohio, USA. Marksmen and it's Ohio based technical team have been active in Ohio since 2012.

In December of 2018 the Company completed its first Clinton Sandstone horizontal well in Hocking County, Ohio, operated by Hocking Hills Energy and Well Services LLC. The well is currently transitioning from testing to production with the focus on optimization of oil production from the multi-stage hydraulically fractured reservoir. Marksmen has a 60% working interest in the well and approximately 5,000 acres of leasehold interests in a four-township area of mutual interest with working interest participants.

Marksmen is pleased that in 2019 the oil prices have recently climbed to above $65 USD per barrel compared to lows in 2017 of $42 USD per barrel. The Company continues to enjoy industry leading operating netbacks from its light oil operations in Ohio.

The Company has interests in discovery oil wells in the Trenton Black River, Cambrian Knox and Clinton Sandstone formations in Hocking and Pickaway counties in Ohio. Marksmen is currently evaluating additional Clinton Sandstone drilling opportunities in Ohio as well as development and offset drilling opportunities at its Cambrian Knox oil fields in Pickaway County. 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 as funding is available.

Marksmen is optimistic that the capital projects available to the Company will lead to a strong, viable financial position for the Company in 2019 and years to come.

Other

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