



MANAGEMENT DISCUSSION AND ANALYSIS
Q3 2018
Report for the Three and Nine months ended September 30, 2018

TSX Venture – MAH
New York OTCQB Venture Marketplace – MKSEF

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. (“Marksmen or the Company”) is for the three and nine months ended September 30, 2018 and was prepared with information available up to November 26, 2018 and should be read in conjunction with Marksmen Energy Inc.’s consolidated audited financial statements for the year ended, December 31, 2017. All values in this MD&A are expressed in Canadian currency (“CDN”) unless specifically notated as USA currency (“USD”). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

The financial data presented below has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the 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 or GAAP and may not be comparable to similar measures presented by other companies:

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

“Net Petroleum Income or operating netback” – Net petroleum income or operating netback is calculated by deducting royalties and production expenses, including transportation costs, from revenues.

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

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

Forward-Looking Statements

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

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

Introduction

Marksman's primary business is the acquisition, development, and production of crude oil from properties located in Ohio, USA. The Company's current production coupled with strong oil prices based on West Texas Intermediate ("WTI") prices generates positive cash flow from operations.

Marksman has an agreement with a 60% working interest in a Clinton Sandstone formation horizontal drilling program in Hocking County, Ohio that includes an area of mutual interest ("AMI") covering parts of four townships with over 5,000 acres currently under lease.

The first well has been drilled and completed but requires remedial work to put the well on production. On November 17, 2018 a service rig was used to successfully place a whip-stock assembly in the cased hole of the Leaman #1 horizontal well. The whip-stock will be used to begin side-tracking operations to laterally drill 1,500 feet in the Clinton Sandstone formation, which was previously stimulated with hydraulic fracturing. This operation will commence in the first week of December 2018 using a top drive drilling rig. The next steps will then be to flow and production test the well, followed by equipping the well and putting it on production.

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 as well as funds generated from operations. Capital projects will be undertaken as funding is available.

Quarterly Financial Information

The following is a summary of selected quarterly information that has been derived from the audited and management prepared financial statements of Marksman. This summary should be read in conjunction with audited and unaudited financial statements of the Company as contained in the public record.

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly Financial Information	2018	2018	2018	2017	2017	2017	2017	2016
Net Oil Production - bbls	3,459	4,444	3,347	3,792	3,829	5,014	5,468	5,881
Net Oil Production - bbls / day	37.6	48.8	37.2	41.2	41.6	55.1	60.8	63.9
Revenue - oil	\$ 309,083	\$ 380,787	\$ 260,942	\$ 258,747	\$ 220,011	\$ 319,955	\$ 366,804	\$ 376,797
Royalties	\$ (40,147)	\$ (53,446)	\$ (30,371)	\$ (33,637)	\$ (28,881)	\$ (41,751)	\$ (47,835)	\$ (49,144)
Production Costs	\$ (39,515)	\$ (20,384)	\$ (15,904)	\$ (37,332)	\$ (36,025)	\$ (28,368)	\$ (29,363)	\$ (32,656)
Income from Production Operations	\$ 229,421	\$ 306,957	\$ 214,667	\$ 187,778	\$ 155,105	\$ 249,836	\$ 289,606	\$ 294,997
Net (Loss) Income	\$ (77,841)	\$ (223,902)	\$ (147,734)	\$ (341,415)	\$ (114,871)	\$ (89,758)	\$ (17,861)	\$ 97,299
Total Assets	\$ 6,243,527	\$ 6,375,910	\$ 5,525,659	\$ 5,346,277	\$ 4,559,104	\$ 4,690,786	\$ 4,817,812	\$ 4,723,592
Total Liabilities	\$ 2,068,985	\$ 2,087,866	\$ 2,313,086	\$ 2,114,296	\$ 1,769,968	\$ 1,725,380	\$ 1,831,835	\$ 1,829,139
Shareholders' Equity	\$ 4,174,542	\$ 4,288,044	\$ 3,212,573	\$ 3,231,981	\$ 2,789,136	\$ 2,965,406	\$ 2,985,977	\$ 2,894,453
Common shares issued & O/S	93,561,641	93,561,641	88,292,065	88,102,065	83,352,932	82,387,932	80,550,432	79,200,432

Oil Production – Ohio

Oil Production - Ohio	Three Months Ended				Nine Months Ended			
	Sep 30	Sep 30	Change	% Change	Sep 30	Sep 30	Change	% Change
	2018	2017			2018	2017		
Net to Marksmen - bbls	3,459	3,829	(370)	(10)	11,250	14,311	(3,061)	(21)
Net to Marksmen - bbls/day	37.6	41.6			41.2	52.4		

Total net Company production in the third quarter of 2018 was 3,459 barrels compared to 3,829 barrels in the same period in 2017. There were some lost production days due to workovers to repair down hold assemblies on two wells in the quarter, resulting in lost production of approximately 550 bbls in August.

The Davis-Holbrook #1 well was drilled in June of 2016 and put on production in mid-July of that year. It has contributed significantly to the revenue of the Company since that time. The total production of oil from this well to September 30, 2018 is 33,952 barrels net to Marksmen. This well and the Delong-Davis #1 well make up most of the Company's production with small additional production from two other wells.

Field Operations Ohio – Stated in \$USD

Field Operations - Ohio \$USD	Three Months Ended				Nine Months Ended			
	Sep 30	Sep 30	Change	% Change	Sep 30	Sep 30	Change	% Change
	2018	2017			2018	2017		
Oil Production - bbls	3,459	3,829	(370)	(10)	11,250	14,311	(3,061)	(21)
Revenue	\$ 236,341	\$ 178,871	\$ 57,470	32	\$ 738,437	\$ 693,567	\$ 44,870	6
Royalty expense	\$ (30,696)	\$ (23,472)	\$ -7,224	31	\$ (96,276)	\$ (90,613)	\$ (5,663)	6
Operating costs	\$ 205,645	\$ 155,399	\$ 50,246	63	\$ 642,161	\$ 602,955	\$ 39,206	7
	\$ (27,120)	\$ (25,192)	\$ -1,928	8	\$ (50,866)	\$ (64,629)	\$ 13,763	(21)
Net Petroleum Income	\$ 178,525	\$ 130,207	\$ 48,318	37	\$ 591,295	\$ 538,326	\$ 52,969	10
Revenue / bbl	\$ 68.33	\$ 46.71	\$ 21.61	46	\$ 65.64	\$ 48.46	\$ 17.18	35
Royalty Expense / bbl	\$ (8.87)	\$ (6.13)	\$ (2.74)	45	\$ (8.56)	\$ (6.33)	\$ (2.23)	35
Operating costs / bbl	\$ (7.84)	\$ (6.58)	\$ -1.26	19	\$ (4.52)	\$ (4.52)	\$ -0.01	0
Net Petroleum Income / bbl	51.61	34.01	\$ 17.61	52	52.56	37.62	\$ 14.94	40

In the first nine months of 2018 compared to the same period in 2017, production decreased by 3,061 barrels, while net petroleum income increased by \$44,870 or approximately 6% due to an average increase in the per barrel price of oil of \$17.18. Operating costs in the same period are \$13,763 lower due primarily to the elimination of third-party water disposal at Davis-Holbrook #1 well after a water line was run to our water disposal facility.

Well Information

Summary	2018		2017	
	Wells	Net	Wells	Net
	Q3	Marksmen %	Q3	Marksmen %
Drilling - Leaman #1	1	60.00	-	-
Producing wells	4	67.50	4	67.50
BJ-78 #6 (Water Injection)	1	100.00	1	100.00
Shut In Wells	2	75.00	2	75.00

The Leaman #1 horizontal well has been drilled and fracked. As of November 17, 2018, a whip-stock has been set in the casing to allow a lateral drilling operation into the already fracked Clinton Sandstone formation. The lateral drilling is planned to begin in the first week of December 2018.

Marksmen is the operator of 6 of the 8 wells listed above. It's working interest in three of the producing wells is 75% and one is 45% resulting in an average of 67.5%. Two of the producing wells plus the shut-in wells are candidates for optimization.

Field Operations – Ohio and Alberta - Stated in \$CDN

Net Petroleum Income \$CDN	Three Months Ended				Nine Months Ended			
	Sep 30	Sep 30	Change	% Change	Sep 30	Sep 30	Change	% Change
	2018	2017			2018	2017		
Oil Production - bbls	3,459	3,829	(370)	(10)	11,250	14,311	(3,061)	(21)
Revenue	\$ 309,083	\$ 220,011	\$ 89,072	40	\$ 950,812	\$ 906,770	\$ 44,042	5
Royalty expense	\$ (40,147)	\$ (28,881)	\$ (11,266)	39	\$ (123,964)	\$ (118,467)	\$ (5,497)	5
	\$ 268,936	\$ 191,130	\$ 77,806	41	\$ 826,848	\$ 788,303	\$ 38,545	5
Operating costs	\$ (39,515)	\$ (36,025)	\$ (3,490)	10	\$ (75,723)	\$ (93,756)	\$ 18,033	(19)
Net Petroleum Income	\$ 229,421	\$ 155,105	\$ 74,316	48	\$ 751,125	\$ 694,547	\$ 56,578	8
Revenue / bbl	\$ 89.36	\$ 57.46	\$ 31.90	56	\$ 84.52	\$ 63.36	\$ 21.16	33
Royalty Expense / bbl	\$ (11.61)	\$ (7.54)	\$ (4.06)	54	(11.02)	\$ (8.28)	\$ (2.74)	33
Operating costs / bbl	\$ (11.42)	\$ (9.41)	\$ (2.02)	21	(6.73)	\$ (6.55)	\$ (0.18)	3
Net Petroleum Income / bbl	66.33	40.51	\$ 25.82	64	\$ 66.77	\$ 48.53	\$ 18.24	38

Alberta - Marksmen's wells at Alder Flats in Alberta have been shut-in since 2010. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. Reclamation work to remove equipment from the abandoned wells and will be completed in November and December of 2018. Additional reclamation work will be undertaken in 2019. The remaining well at Alder Flats has not been abandoned. There were \$4,370 of field operating costs related to surface leases charged to wells in Alberta in the third quarter.

Oil Revenue Ohio – Production was lower in the first nine months of 2018 by 3,061 barrels compared to the same period in 2017 but revenue was up by \$44,042 due to increased commodity prices for oil. Revenue is paid to Marksmen directly by the oil marketing company and is based on their monthly pricing schedule derived from the daily posted West Texas Intermediate oil ("WTI") prices.

Royalties Ohio - are paid by the oil marketing company at 12.5% of revenue to the land owners of record as determined by Marksmen. There are no royalties paid to the state of Ohio but rather an oil severance tax \$0.20 per barrel. Total royalties and severance tax paid in the first nine months of 2018 were \$123,964 compared to \$118,467 in the same period of 2017.

Operating Expenses in Ohio and Alberta – were \$75,723 in the first nine months of 2018, a decrease of \$18,033 or 19% from the same period in 2017, including \$4,370 of costs in Alberta. Reduced operating costs are the result of a water line being built in the fall of 2017 from the Davis-Holbrook #1 well to our water disposal facility.

Net Petroleum Operations Income (Net back) – was \$751,125 in the first nine months of 2018 compared to \$694,547 in the same period of 2017, an increase of \$56,578 or 8%.

General and Administrative Expenses

General & Administrative	Three Months Ended				Nine Months Ended			
	Sep 30 2018	Sep 30 2017	Change	% Change	Sep 30 2018	Sep 30 2017	Change	% Change
Employee Compensation	\$ 30,723	\$ 31,490	\$ (767)	(2)	\$ 95,035	\$ 95,113	\$ -78	(0)
Management consulting services	\$ 25,000	\$ 29,980	\$ (4,980)	(17)	\$ 135,600	\$ 87,950	\$ 47,650	54
Professional fees	\$ 13,483	\$ 23,690	\$ (10,207)	(43)	\$ 66,230	\$ 51,141	\$ 15,089	30
Investor relations	\$ 6,504	\$ 9,958	\$ (3,454)	(35)	\$ 85,528	\$ 44,822	\$ 40,706	91
Filing and listing fees	\$ 17,093	\$ 8,888	\$ 8,205	92	\$ 45,036	\$ 18,908	\$ 26,128	138
Ohio administrative expenses	\$ 604	\$ 8,777	\$ (8,173)	(93)	\$ 13,625	\$ 26,391	\$ -12,766	(48)
Office and Storage	\$ 12,486	\$ 11,250	\$ 1,236	11	\$ 37,536	\$ 30,000	\$ 7,536	25
Insurance	\$ 10,500	\$ 9,011	\$ 1,489	17	\$ 27,350	\$ 24,125	\$ 3,225	13
General and administrative - other	\$ 19,162	\$ 10,884	\$ 8,278	76	\$ 40,031	\$ 36,357	\$ 3,674	10
	\$ 135,556	\$ 143,928	\$ (8,372)	(6)	\$ 545,972	\$ 414,807	\$ 131,165	32

The Company has divided its administrative expenses into categories as described below:

Employee Compensation – represents payments of salaries and wages to one full time management employee and two part-time administrative support personnel.

Management Consulting Fees - are related to fees to a professional corporation of a senior executive for services related to the overall management of the Company. Costs are higher in the first nine months of 2018 due to additional executive work required in the management of the Leaman #1 horizontal well and obtaining investor participation in private placements. In the first nine months of 2018 the senior executive purchased 370,000 units or \$77,700 in the private placement of Marksmen and exercised 531,000 stock options for proceeds of \$36,600. Subsequently, in the fourth quarter the senior executive participated in a private placement that closed on November 16, 2018 with the purchase of 280,000 units or \$33,600.

Professional Fees – consists of legal fees, reserve engineering, audit and accounting services.

Investor Relations – Management, namely the CEO, worked with various companies and investment relations experts in both Canada and internationally in respect of current and ongoing debt and equity/capital financings. In this regard, during the first nine months of 2018 the Company has raised \$726,266 gross proceeds and issued 3,458,409 shares. Subsequently, the Company raised an additional \$375,000 and issued an additional 3,125,000 shares. All capital raised was in support of our drilling opportunities in Ohio.

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 both Canada and the USA, provincial securities commissions, and fees of the Company's stock transfer agent.

Ohio Administrative Expenses – Marksmen's business activities in 2018 continue to be focused on developing its oil and gas operations in Ohio. A portion of Ohio management costs are directly attributable to evaluation of exploration opportunities and drilling or workover activities and are therefore capitalized.

Office Rent and Storage - includes Calgary based office rental charges, and parking as well as office space and storage costs on premises owned by a senior executive.

Insurance – includes Director Liability, property and general liability insurance for both Marksmen Canada and Marksmen USA.

General and Administrative Expenses – The normal day to day costs of running the Company are covered in this category including office supplies, postage, telephones and internet services, and accounting software fees.

Selected Other Expenses

Interest Expense – During the quarter ended September 30, 2018, the Company has incurred interest related to a secured debenture of \$37,808 totaling 112,192 the first nine month of year. The Company has met all its semi-annual interest payments. The next payment is scheduled for December 2018.

Depletion – In the first nine months of 2018 depletion totaled \$264,698 or \$23.52 per barrel of oil produced compared to \$331,521 or \$23.16 per barrel in the first nine months of 2017.

Financial Position – Highlights

Period Ended	Sep. 30, 2018	Dec. 31, 2017	Change	% Change
Assets				
Current assets	\$ 610,478	\$ 1,387,134	\$ (776,656)	(56)
Exploration and evaluation assets	\$ 3,568,823	\$ 1,736,033	\$ 1,832,790	106
Property and equipment	\$ 2,064,226	\$ 2,223,110	\$ (158,884)	(7)
	\$ 6,243,527	\$ 5,346,277	\$ 897,250	17
Liabilities				
Accounts payable and accruals	\$ 419,032	\$ 515,871	\$ (96,839)	(19)
Secured debentures	\$ 1,247,663	\$ 1,240,959	\$ 6,704	1
Decommissioning liabilities	\$ 402,290	\$ 357,466	\$ 44,824	13
	\$ 2,068,985	\$ 2,114,296	\$ (45,311)	(2)
Equity				
Share capital, contributed surplus & other	\$ 24,869,334	\$ 23,477,294	\$ 1,392,040	6
Deficit	\$ (20,694,792)	\$ (20,245,313)	\$ (449,479)	2
	\$ 4,174,542	\$ 3,231,981	\$ 942,561	29
Liabilities and equity	\$ 6,243,527	\$ 5,346,277	\$ 897,250	17

Assets – cash on hand at September 30, 2018 is \$340,017 or a decrease of \$461,080 from December 31, 2017, primarily due to capital expenditures related to the Leaman #1 horizontal well. Exploration and evaluation assets increased by \$1,832,790 at September 30, 2018 compared to December 31, 2017 also related to the Leaman #1 horizontal well.

Liabilities – Accounts payables and accrued liabilities are lower as of September 30, 2018 by \$96,839 compared to year-end 2017.

Equity – Share capital increased by \$1,392,040 resulting from the private placements, exercise of stock options, share-based payments and foreign exchange translation changes compared to year-end 2017. The deficit increased by the net loss of the Company for the nine months ended September 30, 2018 compared to year-ended 2017.

Capital Expenditures

Exploration and Evaluation Expenditures – consist of drilling, seismic and other costs that are pending the determination of technological feasibility and commercial viability of the projects.

Exploration and Evaluation (E&E) at Cost	Nine Months Sep. 30, 2018	Year End Dec. 31, 2017
Balance, beginning of period	\$ 1,736,033	\$ 1,736,916
Expenditures on Exploration and Evaluation	\$ 1,775,978	\$ 75,465
Capitalized share based payments	\$ 14,645	\$ 11,327
Foreign currency adjustment	\$ 42,167	\$ (87,675)
Transfer to PP&E	\$ -	\$ -
Balance, end of period	\$ 3,568,823	\$ 1,736,033

During the first nine months of 2018 there were \$1,775,978 of additions in exploration and evaluation assets related to expenditures for the Leaman #1 horizontal well. When the well is put on production, certain E&E costs will transfer to property plant and equipment.

Property Plant and Equipment – represents the Company's current productive assets.

Property Plant and Equipment (PP&E) at Cost	Nine Months Sep. 30, 2018	Year End Dec. 31, 2017
Petroleum and Natural Gas Assets	\$ 3,944,573	\$ 3,803,579
Corporate Assets	\$ 20,385	\$ 20,385
Property and equipment at cost	\$ 3,964,958	\$ 3,823,964
Accumulated Depletion and depreciation	\$ (1,900,733)	\$ (1,600,834)
Property and Equipment	\$ 2,064,225	\$ 2,223,130

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be \$402,290 as at September 30, 2018 (December 31, 2017 - \$357,466). The total undiscounted amount of estimated future cash flows is \$382,667 (December 31, 2017 - \$368,552). These payments are expected to be made over the next 11 years. The obligations on the Canadian properties have been calculated using an inflation rate of 2% (December 31, 2017 – 2%) and a discount factor, being the risk-free rate related to the liability, of 2.19% (December 31, 2017 – 1.66% - 1.81%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2017 – 2%) and a discount factor, being the risk-free rate related to the liability of 2.30% - 2.43% (December 31, 2017 – 1.81% - 1.97%).

During the year ended December 31, 2015, the Company completed the abandonment of substantially all Canadian petroleum and natural gas assets. Reclamation of these assets has not yet been completed.

Secured Debenture

Marksmen entered into two secured debenture agreements with a third party of \$750,000 and \$500,000 totaling \$1,250,000 and both mature 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 both interest payment requirements during the year ended December 31, 2017 and one at June 30, 2018. The Company has accrued \$37,808 of interest for the third quarter ended September 30, 2018.

Pursuant to the debentures the Company issued 2,666,667 share purchase warrants each exercisable into one common share at \$0.17 per share related to the first debenture, and 1,777,778 share purchase warrants each exercisable into one common share at \$0.25 per share related to the second debenture. As of June 28, 2018, all 2,666,667 of the share purchase warrants related to the first debenture have been exercised at \$0.17. As of September 30, 2018, no warrants at \$0.25 have been exercised.

Share Capital

Marksmen Energy Inc. Share Capital	Q3 Sep. 30, 2018	Year Ended Dec. 31, 2017	As of Nov. 26, 2018
Common Shares	93,561,641	88,102,065	96,736,643
Warrants	8,963,400	8,514,362	8,913,400
Stock Options	8,274,000	8,057,000	9,569,000
Broker Warrants	125,547	111,947	133,547

Share Price – Marksmen shares trade on both the TSX Venture Exchange in Canada (MAH) and the OTCQB Venture Marketplace in New York (MKSEF). On the TSX Venture, the share price of Marksmen has ranged from \$0.04 at the end of 2015, \$0.06 in July of 2017, to \$0.21 at March 31, 2018 and has been as high as \$0.245 in May of 2018. As of September 30, 2018, the share price of Marksmen was in the \$0.165 range and as of November 26, 2018 the share price is trading in the \$0.15 range.

Common Shares – In the first nine months of 2018 there were 3,456,409 common shares issued pursuant to private placements, 721,000 stock options exercised, and 1,280,167 warrants exercised bringing the total of common shares outstanding at September 30, 2018 to 93,561,641. Subsequently in October and November of 2018 there were an additional 3,175,000 shares issued pursuant to a private placement bringing the total to 96,736,643.

Warrants – There were 1,280,167 warrants exercised in the first nine months of 2018 of which 1,250,167 warrants were related to a secured debenture. The total warrants outstanding as of September 30, 2018 are 8,963,400. Subsequently there were 50,000 warrants exercised in November of 2018 bringing the total warrants outstanding to 8,913,400.

Stock Options - During the first nine months of 2018 there were 1,400,000 stock options granted, 721,000 stock options exercised, and 162,000 options cancelled, and 300,000 optioned that expired resulting in a total of 8,274,000 stock options at September 30, 2014. Subsequently, in November 2018 there were 1,295,000 stock options granted resulting in a total at November 26, 2018 of 9,569,000.

Broker Warrants - There were 13,600 broker warrants issued in the first nine months of 2018 resulting in a total of 125,547 broker warrants outstanding. Subsequently, in November there were 8,000 broker warrants issued pursuant to a private placement.

Share-based Payments

During the three and nine months ended September 30, 2018, the Company granted 1,400,000 stock options to purchase common shares of the Company to directors, officers, employees and consultants of the Company. The stock options were issued with an exercise price of \$0.22 per share (December 31, 2017 – 2,025,000). 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. 721,000 stock options were exercised and 162,000 were cancelled and 300,000 stock options expired (December 31, 2017 – 278,000 and nil, respectively). The fair value of the stock options granted is estimated as at the grant date using the Black-Scholes option pricing model.

Share-based payments expense recognized during the three and nine months ended September 30, 2018 were \$49,813 and \$281,220, respectively, (September 30, 2017 - \$16,323, and \$58,979, respectively), of which \$47,262 and \$266,575 respectively, has been recorded in the consolidated statement of comprehensive loss (September 30, 2017- \$15,696 and \$56,28, respectively) and \$2,551 and \$14,645, respectively, has been capitalized as exploration and evaluation (September 30, 2017- \$627 and \$2,695, respectively), all of which has been recorded as an offsetting credit to contributed surplus.

Related Party Transactions

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

During the three months ended September 30, 2018

An aggregate of \$25,000 (September 30, 2017 - \$29,980) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as \$7,500 (September 30, 2017 - \$7,500) for costs associated with office space, storage space, and various administrative support costs. As stated in the discussion of administrative costs the CEO does participate in all the private placements of the Company.

An aggregate of \$16,590 USD (September 30, 2017 - \$11,830 USD) 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 \$15,615 (September 30, 2017 - \$23,785) were capitalized as E&E costs.

Aggregate legal fees of \$nil (September 30, 2017 - \$6,091) were charged by a law firm in which a director of the Company is a partner, of which \$nil (September 30, 2017 - \$1,537) were expensed as general and administrative expenses and \$nil (September 30, 2017 - \$4,554) were charged to share capital as share issue costs.

During the nine months ended September 30, 2018

An aggregate of \$135,600 (September 30, 2017 - \$87,950) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as \$22,500 (September 30, 2017 - \$22,500) for costs associated with office space, storage space, and various administrative support costs. As stated in the discussion of administrative costs the CEO does participate in all the private placements of the Company.

An aggregate of \$60,035 USD (September 30, 2017 - \$49,907 USD) 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 \$28,806 were capitalized as E&E costs.

Aggregate legal fees of \$27,968 (September 30, 2017 - \$22,343) were charged by a law firm in which a director of the Company is a partner, of which \$16,150 (September 30, 2017 - \$12,953) were expensed as general and administrative expenses and \$11,818 (September 30, 2017 - \$9,390) were charged to share capital as share issue costs.

As at September 30, 2018, the Company has accounts payable and accrued liabilities totaling \$21,974 (December 31, 2017 – \$32,337) owing to related parties relating to the above transactions.

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

Commitments

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

At September 30, 2018, included in deposits and prepaid expenses is an amount of \$40,241 on deposit with the AER associated with the Company’s operated wells in Alberta (December 31, 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 abandon, sell or 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 we have not had 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.

Subsequent events

On November 16, 2018, the Company closed a private placement issuing a total of 3,125,002 units for aggregate proceeds of \$375,000. 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 \$0.24 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 \$800 and issued 8,000 broker warrants. 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.

On November 17, 2018 a service rig was used to successfully place a whip-stock assembly in the cased hole of the Leaman #1 horizontal well. The whip-stock will be used during side-track operations to laterally drill approximately 1,500 feet in the Clinton Sandstone formation. This operation will commence in the first week of December 2018, using a top drive drilling rig.

Financial Risk Management

Going Concern – At September 30, 2018, the Company had not yet achieved profitable operations, had accumulated a deficit of \$20,694,792 (December 31, 2017 - \$20,245,314) since its inception, cash flow from operations of \$364,676 (December 31, 2017 – (\$50,573)), a working capital with secured debentures excluded of \$191,446 (December 31, 2017 – working capital \$871,263), or a working capital deficiency of \$1,056,217 (December 31, 2017 – deficiency of \$369,696) when secured debentures are included, 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, renegotiating secured debentures that mature on December 31, 2018, 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 2018 budget and on management's estimate of expenditures expected to be incurred beyond 2018.

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 September 30, 2018, 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.

To achieve its intended development, management is committed to raising additional capital, renegotiating the secured debentures that mature on December 31, 2018 and realizing additional cash flows from drilling activities. During the nine months ended September 30, 2018, the Company successfully completed a private placement for gross proceeds of \$726,266. Subsequent to September 30, 2018, the Company closed an additional private placement of \$375,000.

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.

Credit risk – As at September 30, 2018, the Company’s accounts receivable consisted of \$76,084 receivable from oil and natural gas marketing companies (December 31, 2017 - \$70,478), \$129,932 receivable from joint venture working interest owners (December 31, 2017 - \$448,106) and \$3,536 related to goods and service tax owing from the Government of Canada (December 31, 2017 - \$7,595). Approximately 73% 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 marketer. 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 a cash call from a partner in advance of capital expenditures being incurred. 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.

Segmented Information

The Company’s primary operations are limited to a single industry being the acquisition, exploration for, and development of petroleum and natural gas. Geographical segmentation is as follows:

	For the nine months ended September 30, 2018		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	950,812	950,812
Depletion and depreciation	449	264,249	264,698
Net loss and comprehensive loss (income)	837,969	(388,492)	449,477
Exploration and evaluation assets	-	3,568,823	3,568,823
Property, plant and equipment	1,677	2,062,549	2,064,226
Total liabilities	1,592,596	476,389	2,068,985

	For the nine months ended September 30, 2017		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	906,770	906,770
Depletion and depreciation	694	330,827	331,521
Net loss and comprehensive loss (income)	555,086	(332,596)	222,490
Exploration and evaluation assets	-	1,723,311	1,723,311
Property, plant and equipment	2,358	2,161,545	2,163,902
Total liabilities	1,611,677	158,291	1,769,968

Outlook

Marksman's primary business is the acquisition, development, and production of crude oil from properties located in Ohio, USA. The Company's current production coupled with strong oil prices based on West Texas Intermediate ("WTI") prices generates positive cash flow from operations.

Marksman has an agreement with a 60% working interest in a Clinton Sandstone formation horizontal drilling program in Hocking County, Ohio that includes an area of mutual interest ("AMI") covering parts of four townships with over 5,000 acres currently under lease.

The first well has been drilled and completed but requires remedial work to put the well on production. On November 17, 2018 a service rig was used to successfully place a whip-stock assembly in the cased hole of the Leaman #1 horizontal well. The whip-stock will be used to begin side-tracking operations to laterally drill 1,500 feet in the Clinton Sandstone formation which was previously stimulated with hydraulic fracturing. This operation will commence in the first week of December 2018 using a top drive drilling rig. The next steps will then be to flow and production test the well, followed by equipping the well and putting it on production.

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 as well as funds generated from operations. Capital projects will be undertaken as funding is available.

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

Other

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