



Q3

TSX Venture – MAH

Report for the three and nine months ended

New York OTCQB Venture Marketplace – MKSEF

September 30, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. (“Marksmen or the Company”) is for the three and nine months ended September 30, 2019 and was prepared with information available up to Nov 27, 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 measure that is used by the Company, but does not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

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.

Operating netback – is not a standardized measurement in accordance with IFRS. Operating netback is calculated by deducting royalties and production expenses, including transportation costs, from revenues. It is calculated on a boe basis. Operating netback is useful in calculating field performance for internal management purposes.

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, 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 of 6,398 feet of which approximately 2,700 feet was the horizontal leg. Hydraulic fracturing was completed and was technically successful. A casing failure occurred 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 completed in late December 2018. Approximately 30,000 barrels of water was introduced into the formation as part of the hydraulic fracturing process. As of October 31, 2019, during the production testing stage, approximately 18,000 barrels of brine water has been produced.

On October 22, 2019 Marksmen executed a Joint Operating Agreement (“JOA”) with PEP Drilling Inc., of Ohio, to recomplete up to 40 wells in a higher formation - the Clinton Sandstone, that was previously by-passed and not produced. The wells are located in Portage County, Ohio. Marksmen has chosen the first four wells to recomplete with the first well planned for December 2019 or January 2020. All of these wells that have been producing from a lower zone come with all of the necessary infrastructure including surface and downhole equipment. Each well recompletion will take approximately two weeks from start to the beginning of production. In the JOA, Marksmen also has the right of first refusal to participate in the drilling of Clinton Sandstone wells on PEP lands.

In order to complete capital projects, the Company will consider additional equity by way of private placements, other financial instruments and the use of 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. This summary should be read in conjunction with audited and unaudited financial statements of the Company as contained in the public record.

Quarterly Information	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net oil production - bbls	2,410	2,109	2,031	3,070	3,459	4,444	3,347	3,792
Net oil production - bbls / day	26.2	23.2	22.6	33.4	37.6	48.8	37.2	41.2
Revenue - oil	\$ 175,352	\$ 164,094	\$ 143,647	\$ 239,204	\$ 309,083	\$ 380,784	\$ 260,942	\$ 258,747
Royalties	\$ (22,888)	\$ (21,484)	\$ (18,954)	\$ (31,244)	\$ (40,147)	\$ (53,445)	\$ (30,371)	\$ (33,637)
Operating expenses	\$ (24,360)	\$ (40,590)	\$ (28,405)	\$ (36,931)	\$ (39,515)	\$ (20,384)	\$ (15,904)	\$ (37,332)
Income from operations	\$ 128,104	\$ 102,020	\$ 96,288	\$ 171,029	\$ 229,421	\$ 306,955	\$ 214,667	\$ 187,778
Net loss	\$ (164,562)	\$ (198,364)	\$ (206,389)	\$ (275,620)	\$ (77,841)	\$ (223,902)	\$ (147,734)	\$ (341,415)
Total assets	\$ 6,898,200	\$ 6,786,352	\$ 6,831,801	\$ 6,881,026	\$ 6,243,527	\$ 6,375,910	\$ 5,525,659	\$ 5,346,277
Total liabilities	\$ 2,114,862	\$ 2,010,856	\$ 2,098,838	\$ 2,241,952	\$ 2,068,985	\$ 2,087,866	\$ 2,313,086	\$ 2,114,296
Total shareholder's equity	\$ 4,783,338	\$ 4,775,496	\$ 4,732,963	\$ 4,639,074	\$ 4,174,542	\$ 4,288,044	\$ 3,212,573	\$ 3,231,981
Total liabilities & equity	\$ 6,898,200	\$ 6,786,352	\$ 6,831,801	\$ 6,881,026	\$ 6,243,527	\$ 6,375,910	\$ 5,525,659	\$ 5,346,277
Common shares issued & o/s	107,993,590	106,713,590	100,813,590	96,736,643	93,561,641	93,561,641	88,295,065	88,102,065

Field Operations and Netback – Ohio USA in \$USD

USD	Three Months Ended				Nine Months Ended			
	Sep 30 2019	Sep 30 2018	Change	% Change	Sep 30 2019	Sep 30 2018	Change	% Change
Oil Production - bbls	2,410	3,459	(1,049)	(30)	6,550	11,250	(4,700)	(42)
Revenue	\$ 132,687	\$ 236,341	\$ -103,654	(44)	\$ 363,446	\$ 738,437	\$ (374,991)	(51)
Royalty expense	\$ (17,320)	\$ (30,696)	\$ 13,376	(44)	\$ (47,636)	\$ (96,276)	\$ 48,640	(51)
	\$ 115,367	\$ 205,645	\$ -90,278	(87)	\$ 315,810	\$ 642,161	\$ (326,351)	(51)
Operating costs	\$ (15,743)	\$ (27,120)	\$ 11,377	(42)	\$ (57,694)	\$ (50,866)	\$ -6,828	13
Net Petroleum Income	\$ 99,624	\$ 178,525	\$ -78,901	(44)	\$ 258,116	\$ 591,295	\$ -333,179	(56)
Revenue / bbl	\$ 55.06	\$ 68.33	\$ -13.27	(19)	\$ 55.49	\$ 65.64	\$ -10.15	(15)
Royalty Expense / bbl	\$ (7.19)	\$ (8.87)	\$ 1.69	(19)	\$ (7.27)	\$ (8.56)	\$ 1.29	(15)
Operating costs / bbl	\$ (6.53)	\$ (7.84)	\$ 1.31	(17)	\$ (8.81)	\$ (4.52)	\$ -4.29	95
Netback from Operations/bbl	41.34	51.61	\$ -10.27	(20)	39.41	52.56	\$ -13.15	(25)

Production – Total Company production in the third quarter of 2019 was 2,410 barrels compared to 3,459 in Q3 of 2018, a decrease of 1,049 barrels or 30%. Production in the first nine months of 2019 was 6,550 bbls, a reduction of 4,700 bbls and 40% compared to the first nine months of 2018.

Well Information - Ohio – The Leaman #1 horizontal well in Hocking County, Ohio is currently being production tested. In Pickaway County Ohio, three wells are producing, one is part of a water injection facility and two are shut-in and require workovers.

Well Information	Q3	Net	Q3	Net
	2019	Marksmen %	2018	Marksmen %
Production Testing	1	60.0	1	60.0
Producing wells	3	66.7	3	66.7
Water Injection well	1	100.0	1	100.0
Shut-in (Require workovers)	2	75.0	2	75.0

Alberta

Marksmen's wells at Alder Flats in Alberta have not produced oil or gas since 2010. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. Equipment salvage operations from the abandoned wells have been completed in 2018 and reclamation work will continue, depending on funding, in 2020.

The remaining well at Alder Flats has not been abandoned but is shut in. In August 2019, Marksmen entered into an agreement to sell certain mineral rights associated with this well at Alder Flats in exchange for the third party completing the abandonment of essentially all of Marksmen's pipelines in the Alder Flats area.

There was \$3,620 of field operating costs, related to surface leases and property taxes expensed to wells in Alberta during the third quarter of 2019 totaling \$16,668 for the first three quarters of 2019.

Field Operations – Ohio and Alberta – Stated in \$CAD

\$CAD	Three Months Ended				Nine Months Ended			
	Sep 30 2019	Sep 30 2018	Change	% Change	Sep 30 2019	Sep 30 2018	Change	% Change
Oil Production - bbls	2,410	3,459	(1,049)	(30)	6,550	11,250	(4,700)	(42)
Revenue	\$ 175,352	\$ 309,083	\$ (133,731)	\$ (43)	\$ 307,741	\$ 483,093	\$ (175,352)	\$ (36)
Royalty expense	\$ (22,888)	\$ (40,147)	\$ 17,259	\$ (43)	\$ (40,429)	\$ (63,317)	\$ 22,888	\$ (36)
Operating costs	\$ 152,464	\$ 268,936	\$ (116,472)	\$ (86)	\$ 267,312	\$ 419,776	\$ (152,464)	\$ (36)
	\$ (24,360)	\$ (39,515)	\$ 15,155	\$ (38)	\$ (68,995)	\$ (93,355)	\$ 24,360	\$ (26)
Net Petroleum Income	\$ 128,104	\$ 229,421	\$ (101,317)	\$ (44)	\$ 198,317	\$ 326,421	\$ (128,104)	\$ (39)
Revenue / bbl	\$ 72.76	\$ 89.36	\$ (16.60)	\$ (18.57)	\$ 46.98	\$ 42.94	\$ 4.04	\$ 9.41
Royalty Expense / bbl	\$ (9.50)	\$ (11.61)	\$ 2.11	\$ (18.17)	\$ (6.17)	\$ (5.63)	\$ (0.54)	\$ 9.67
Operating costs / bbl	\$ (10.11)	\$ (11.42)	\$ 1.32	\$ (11.52)	\$ (10.53)	\$ (8.30)	\$ (2.24)	\$ 26.94
Netback from Operations/bbl	\$ 53.16	\$ 66.33	\$ (13.17)	\$ (19.86)	\$ 30.28	\$ 29.02	\$ 1.26	\$ 4.35

Oil Revenue - for the quarter ended September 30, 2019 decreased 43% compared to the same quarter in 2018. The decrease is due to 30% lower production and lower commodity prices. 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 - are paid by the oil marketing company at 12.5% of revenue to the landowners of record as determined by Marksmen. There are no royalties paid to the state of Ohio but rather oil severance taxes of \$0.20 per barrel. Total royalties paid in the third quarter of 2019 were \$22,888 compared to \$40,147 in the third quarter of 2018.

Operating Expenses - during the third quarter of 2019 the operating expenses were lower by \$15,155 compared to the third quarter of 2018 and \$24,360 less over the first three quarters of 2019 compared to the same period in 2018.

General and Administrative Expenses

General & Administrative	Three Months Ended				Nine Months Ended			
	Sep 30 2019	Sep 30 2018	Change	% Change	Sep 30 2019	Sep 30 2018	Change	% Change
Employee Compensation	\$ 30,657	\$ 30,723	\$ (66)	(0)	\$ 92,607	\$ 95,035	\$ (2,428)	(3)
Management consulting services	\$ 34,200	\$ 25,000	\$ 9,200	37	\$ 105,600	\$ 135,600	\$ (30,000)	(22)
Professional fees	\$ 3,241	\$ 13,483	\$ (10,242)	(76)	\$ 37,060	\$ 66,230	\$ (29,170)	(44)
Investor relations	\$ 14,490	\$ 6,504	\$ 7,986	123	\$ 31,535	\$ 85,528	\$ (53,993)	(63)
Filing and listing fees	\$ 18,766	\$ 17,093	\$ 1,673	10	\$ 49,229	\$ 45,036	\$ 4,193	9
Ohio management and administration	\$ 4,350	\$ 5,675	\$ (1,325)	(23)	\$ 11,550	\$ 13,625	\$ (2,075)	(15)
Insurance	\$ 14,648	\$ 10,500	\$ 4,148	40	\$ 38,640	\$ 27,350	\$ 11,290	41
Computer software and support	\$ 4,560	\$ 5,150	\$ (590)	(11)	\$ 13,324	\$ 15,377	\$ (2,053)	(13)
Office and Storage	\$ 12,525	\$ 12,486	\$ 39	0	\$ 37,575	\$ 37,536	\$ 39	0
General and administrative - other	\$ 5,227	\$ 8,942	\$ (3,715)	(42)	\$ 21,511	\$ 24,655	\$ (3,144)	(13)
	\$ 142,664	\$ 135,556	\$ 7,108	5	\$ 438,631	\$ 545,972	\$ (107,341)	(20)

The Company has categorized its administrative expenses as presented above and described below. In 2019 the categories have been expanded to include insurance, computer software and support, as well as office and storage space. This has resulted in the reclassification of some 2018 general and administrative costs for comparative purposes.

Overall, G&A is lower in the first nine months of 2019 by \$107,341 or 20% compared to the same period in 2018.

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 including some administrative costs. The higher costs in the third quarter of 2018 were due to additional fees being charged for increased activities in equity raises and executive involvement in the management of the Leaman #1 well. Overall the compensation for the first three quarters of 2019 is down by \$30,000 or 22%. The executive continues to participate on all of the private placements.

Professional 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.

Investor Relations - are costs related to on-going and new relationships in the investor community to aid in raising capital for drilling and exploration opportunities in Ohio. Expenses related to travel, investor conferences, and use of investment consultants throughout North America were \$53,993 less in the first nine months of 2019, or 63%, compared to the same period in 2018.

Filing and Listing Costs – are directly associated with being a public company in Canada and the USA. They include annual fees and other charges from stock exchanges in Canada and New York, provincial securities commissions, and a stock transfer agent.

Ohio Management and Administrative Expenses – are costs associated with Marksmen’s business activities in Ohio where the Company has office space and contract staff.

Insurance – There has been a general increase of premiums for oil and gas insurance, especially related to operations in the USA. This includes all categories of insurance consisting of director and officer, property and general liability and control of well insurance. At renewal, Marksmen opted to insure its USA and Canadian operations separately. It was challenging finding brokers and insurers that would split the coverage, but the net effect is an overall significant premium reduction beginning in October 2019.

Computer Software and Support – are costs related to a monthly fee for our accounting software package and on-going support of our computer equipment, internet and telephone services.

Office and Storage – are costs associated with offsite storage of files and equipment and rent paid for office space.

General and Administrative Expenses – are normal day to day costs of running the Company.

Selected Other Expenses

Interest Expense – During the third quarter of 2019, the Company incurred interest related to a secured debenture of \$37,808 and a total of \$112,192 for the first nine months of 2019. The Company has met all its semi-annual interest payments. The next payment is scheduled for December 2019.

Depletion – In the third quarter of 2019 depletion totaled \$58,365 or \$24.21 per barrel of oil produced compared to \$82,761 or \$23.92 per barrel in the second quarter of 2018. For the first three quarters of 2019, depletion totaled \$159,245 or \$24.31 per barrel of oil production.

Financial Position – Highlights

	Sep. 30, 2019	Dec. 31, 2018	Change	% Change
Assets				
Current assets	\$ 165,918	\$ 258,604	\$ (92,686)	(36)
Exploration and evaluation assets	\$ 4,857,150	\$ 4,545,574	\$ 311,576	7
Property and equipment	\$ 1,875,132	\$ 2,076,848	\$ (201,716)	(10)
	\$ 6,898,200	\$ 6,881,026	\$ 17,174	0
Liabilities				
Accounts payable and accruals	\$ 478,730	\$ 602,952	\$ (124,222)	(21)
Secured debentures	\$ 1,222,298	\$ 1,250,000	\$ (27,702)	(2)
Decommissioning liabilities	\$ 413,834	\$ 389,000	\$ 24,834	6
	\$ 2,114,862	\$ 2,241,952	\$ (127,090)	(6)
Equity				
Share capital, contributed surplus & other	\$ 26,402,303	\$ 25,609,485	\$ 792,818	3
Deficit	\$ (21,618,965)	\$ (20,970,411)	\$ (648,554)	3
	\$ 4,783,338	\$ 4,639,074	\$ 144,264	3
Liabilities and equity	\$ 6,898,200	\$ 6,881,026	\$ 17,174	0

Assets – Current assets remained approximately the same as of September 30, 2019 as they were at year end 2018. Also, see Capital Expenditures below that outline additions and adjustments for E&E and PP&E assets.

Liabilities – Accounts payable and accruals are lower by \$124,122. This is due partially to the reversal of a year-end accrual of approximately \$190,000 for unbilled exploration and evaluation costs related to the Leaman #1 well. These billings from the well operator were subsequently received in the first quarter of 2019 and the accrual was reversed.

Equity – Share capital increased by \$792,918 net of costs, as a result of a private placements in the first six months of 2019. The deficit increased by \$648,554, equal to the net loss of the Company for the first nine months of 2019.

Capital Expenditures

Exploration and Evaluation (E&E) at Cost	Sep. 30, 2019	Dec. 31, 2018
Balance, beginning of year	\$ 4,545,574	\$ 1,736,032
Expenditures on Exploration and Evaluation	\$ 431,556	\$ 2,693,897
Foreign currency adjustment	\$ (119,981)	\$ 115,644
Balance, end of year	\$ 4,857,150	\$ 4,545,573

There were \$431,556 of additions in E&E assets related to expenditures for the Leaman #1 horizontal well in the first nine months of 2019 as well as a change of \$119,981 related to \$USD currency adjustments, resulting in a net change in E&E assets of \$311,577.

Property Plant and Equipment (PP&E) at Cost	Sep. 30, 2019	Dec. 31, 2018
Balance beginning of Year	\$ 4,089,833	\$ 3,803,559
Additions (Disposals)	\$ -	\$ (21,985)
Change in estimate of decommissioning liabilities	\$ 17,642	\$ 21,395
Foreign currency adjustment	\$ (104,324)	\$ 286,864
Balance, end of year	\$ 4,003,151	\$ 4,089,833

In the first nine months of 2019 there were no additions or disposals, a change of \$17,642 in the estimate of decommissioning liabilities and a \$USD currency adjustment of \$104,324 resulting in an overall reduction of the PP&E assets of \$86,682.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be \$413,834 (December 31, 2018 - \$389,000). The total undiscounted amount of estimated future cash flows is \$441,225 (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 1.59% (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 1.41% (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 will resume in 2020.

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.

On June 28, 2019, the Company closed a private placement of a non-convertible secured debenture to replace the debenture above (January 2019). 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 \$0.10 per share, expiring on December 31, 2020. The previous debenture warrants were cancelled, unexercised. This debenture bears an interest rate of 12% per annum and matures on December 31, 2020. The interest payments are due and payable semi-annually beginning December 31, 2019. All other terms and conditions of this debenture remain the same as the previous debentures. All interest payment obligations as of September 30, 2019 have been met.

Share Capital

For a more detailed explanation of share capital please refer to Note 8, Share Capital, in Marksmen's consolidated financial statements for the three and nine-month period ended September 30, 2019. The chart below is a summary of share capital transactions. It also includes subsequent transactions as of November 27, 2019.

	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2018	96,736,643	9,669,000	7,573,623	133,547
Shares issued - private placements	11,060,000	-	5,530,000	56,000
Stock options exercised	35,000	(35,000)	-	-
Stock options granted	-	1,030,000	-	-
Stock options expired	-	(2,440,000)	-	-
Warrants exercised	50,000	-	(50,000)	-
Warrants issued - debenture	-	-	1,800,000	-
Warrants expired - debenture	-	-	(2,218,750)	-
Broker warrants exercised	111,947	-	-	(111,947)
Broker warrants expired	-	-	-	(13,600)
Balance as of September 30, 2019	107,993,590	8,224,000	12,634,873	64,000
Private Placement - November 22, 2019	4,010,000	-	4,010,000	-
Warrants - Expired October 27, 2019	-	-	(100,000)	-
Balance as of November 27, 2019	112,003,590	8,224,000	16,644,873	64,000

Share-based Payments

The fair value of 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, 2019 was \$49,091 and \$177,405, respectively (September 30, 2018 - \$49,813 and \$281,220, respectively), of which \$45,541 and \$168,777 respectively, has been recorded in the Consolidated Statement of Comprehensive Loss (September 30, 2018 - \$47,262 and \$265,575 respectively) and \$2,550 and \$8,628, respectively has been capitalized as E&E (September 30, 2018 - \$2,551 and \$14,645, respectively), all of which has been recorded as an offsetting credit to contributed surplus.

Subsequent Events

- On October 22, 2019 Marksmen executed a Joint Operating Agreement (“JOA”) with PEP Drilling Inc. to recomplete up to 40 wells in a previously by-passed (not produced) zone, the Clinton Sandstone. The wells are located in Portage County, Ohio. Marksmen has chosen the first four wells to recomplete with the first well planned for December 2019 or January 2020. All of these wells that have been producing from a lower zone and come with the entire necessary infrastructure including surface and downhole equipment. Each well recompletion will take approximately two weeks from start to the beginning of production. In the JOA, Marksmen also has the right of first refusal to participate in the drilling of Clinton Sandstone wells on PEP lands.
- The Company, as a working interest partner, has an on-going business dispute with the Operator of a well in Ohio. The Company has held back paying certain amounts owing contingent on the outcome of a joint venture audit that the Company is currently conducting on the well. The Company has included the held back funds in its accounts payable and accrued liabilities as at September 30, 2019. On November 26, 2019, Marksmen Energy USA, Inc. received a Complaint on Contract issued in Hocking County, Ohio, Common Pleas Court claiming an amount owing pursuant to the operation of the well, in an amount exceeding \$25,000, to be determined at trial. The Company disputes this claim and will file a counterclaim.
- On October 27, 2019, there were 100,000 warrants that expired, unexercised.
- On November 22, 2019, the Company closed a private placement issuing a total of 4,010,000 units for aggregate proceeds of \$200,500. Each unit consisted of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for \$0.10 per common share for a period of 24 months from issuance.

Related Party Transactions

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

During the three months ended September 30, 2019:

An aggregate of \$34,200 (September 30, 2019 - \$25,000) 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, 2018 - \$7,500) for costs associated with office space, storage space, and various administrative support costs.

An aggregate of \$nil USD (September 30, 2018 - \$16,590 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 \$nil (September 30, 2018 - \$15,615) were capitalized as E&E costs.

Aggregate legal fees of \$9,925 (September 30, 2018 - \$nil) were charged by a law firm in which a director of the Company is a partner, of which \$nil (September 30, 2018 - \$nil) were expensed as general and administrative expenses and \$9,925 (September 30, 2018 - \$9,925) were charged to share capital as share issue costs.

During the nine months ended September 30, 2019:

An aggregate of \$105,600 (September 30, 2018 - \$135,600) 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, 2018 - \$22,500) for costs associated with office space, storage space, and various administrative support costs.

An aggregate of \$12,200 USD (September 30, 2018 - \$60,035 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 \$4,561 USD (September 30, 2018 - \$28,806) were capitalized as E&E costs.

Aggregate legal fees of \$37,921 (September 30, 2018 - \$27,968) were charged by a law firm in which a director of the Company is a partner, of which \$20,099 (September 30, 2018 - \$16,150) were expensed as general and administrative expenses and \$17,822 (September 30, 2018 - \$11,818) were charged to share capital as share issue costs.

As at September 30, 2019, the Company has accounts payable and accrued liabilities totaling \$15,883 (September 30, 2018 – \$11,818) owing to related parties relating to the above transactions.

All of 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 2019, included in deposits and prepaid expenses is an amount of \$41,038 on deposit with the AER associated with the Company’s operated wells in Alberta (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.

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 June 30, 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 Marksmen 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.

Financial Risk Management

Going concern – At September 30, 2019, the Company had not yet achieved profitable operations, had accumulated a deficit of \$21,618,965, a negative working capital of \$312,812, 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, 2020, 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 September 30, 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 placements for gross proceeds of \$485,389, completed a private placement subsequent to September 30, 2019 for gross proceeds of \$200,500, has successfully renegotiated the secured debentures that matured on December 31, 2019, and realizing additional cash flows from production 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 - 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 September 30, 2019, the Company had cash of \$54,115 (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 September 30, 2019, the Company's accounts receivable consisted of \$45,323 receivable from oil and natural gas marketing companies (December 31, 2018 - \$65,822), \$nil receivable from joint venture working interest owners (December 31, 2018 - \$11,155) and \$4,327 related to goods and service tax owing from the Government of Canada (December 31, 2018 - \$11,802). As at September 30, 2019, 88% (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 September 30, 2019 and December 31, 2018, excluding any impaired accounts, are as follows:

	As at September 30, 2019	As at December 31, 2018
Days outstanding		
0-30 days	42,215	76,977
31-60 days	4,327	11,802
61-90 days	-	-
Greater than 90 days	3,108	-
Trade and other receivables, net of allowance	49,650	88,779

Liquidity risk – is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2019, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of \$478,730 (December 31, 2018 - \$602,952), which are all due over the next twelve months, and the secured debentures balance of \$1,250,000, which matures on December 31, 2020. The Company attempts 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 - 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 - 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 and nine months ended September 30, 2019 and December 31, 2018. A 20% change in price per bbl in commodity process would impact petroleum and natural gas sales by approximately \$53,400.

Foreign currency 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:

	September 30, 2019	December 31, 2018
Cash	47,322	97,313
Trade and other receivables	45,323	76,977
Accounts payable and accrued liabilities	237,058	423,709

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. The Company has no interest rate swaps or financial contracts in place as at or during the periods ended September 30, 2019 and the year ended December 31, 2018.

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, 201		
	Canada	Unites States	Tot
Petroleum and natural gas sales	-	483,093	483,093
Depletion and depreciation	300	158,945	159,245
Net loss and comprehensive loss (income)	802,449	(153,894)	648,555
Exploration and evaluation assets	-	4,857,150	4,857,150
Property, plant and equipment	1,227	1,873,904	1,875,131
Total liabilities	1,704,905	409,957	2,114,862

	For the nine months ended September 30, 201		
	Canada	Unites States	Tot
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	3,387,511
Property, plant and equipment	1,677	2,062,549	2,185,701
Total liabilities	1,592,596	476,389	2,087,865

Outlook

On October 22, 2019 Marksmen executed a Joint Operating Agreement ("JOA") with PEP Drilling Inc. of Ohio to recomplete up to 40 wells in a higher formation - the Clinton Sandstone, that was previously by-passed and not produced. The wells are located in Portage County, Ohio. Marksmen has chosen the first four wells to recomplete with the first well planned for December 2019 or January 2020. All of these wells that have been producing from a lower zone come with all of the necessary infrastructure including surface and downhole equipment. Each well recompletion will take approximately two weeks from start to the beginning of production. In the JOA, Marksmen also has the right of first refusal to participate in the drilling of Clinton Sandstone wells on PEP lands.

To meet future capital projects, the Company will consider additional equity by way of private placements, other financial instruments and the use of funds generated from operations. Capital projects will be undertaken as funding is available.

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.