



TSX Venture – MAH

New York OTCQB Venture Marketplace – MKSEF

MANAGEMENT'S DISCUSSION AND ANALYSIS

Q2 Report

Three and Nine Months ended September 30, 2021

This Management's Discussion and Analysis ("MD&A") for Marksman Energy Inc. and its wholly owned subsidiary Marksman Energy, USA Inc. ("Marksman or the Company") is for the three and nine months ended September 30, 2021, and was prepared with information available up to November 24, 2021, and should be read in conjunction with Marksman Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2020. All values in this MD&A are in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksman 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 Marksman are disclosed in the consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates.

Non-IFRS

This MD&A includes the following 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:

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 Marksman's principal business activities before the consideration of how such activities are financed.

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 also calculated on a boe basis. Operating netback is useful in calculating field performance for internal management purposes.

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.

Covid-19 Pandemic

The COVID-19 pandemic impact is beginning to moderate. Office functions have become more adaptive, and there are less travel restrictions but there continues to be supply chain disruptions making some commodities more difficult to obtain in a timely manner. In Ohio, service providers of the oil and gas industry are struggling to find staff and other resources to allow their businesses to operate efficiently. For Marksmen, it has resulted in higher well shut-in days and lost production.

Annual Information Form (“AIF”)

Marksmen has prepared an AIF for the year ended December 31, 2020. The AIF was filed on SEDAR in conjunction with the Company’s 2020 year-end filings on April 29, 2021.

Oil and Gas Reserves

Marksman's oil and gas reserves were evaluated as of December 31, 2020, in a report prepared by Trimble Engineering Associates Ltd. in accordance with National Instrument 51-101 ("NI 51-101"). The reserves report was filed in conjunction with the Company's 2020 year-end filings on April 29, 2021.

Annual General and Special Meeting of Shareholders ("AGM")

Marksman will hold its AGM on December 9, 2021, to receive the 2020 audited financial statements, fix the number of directors, elect the board of directors, appoint the audit firm of the corporation and to approve the stock option plan.

Introduction

Marksman Energy Inc. engages in the acquisition, exploration, development and production of oil and gas properties, primarily located in Ohio, USA.

Oil and natural gas commodity prices in 2021 have improved compared to 2020. In 2020 WTI prices ranged from a low of under \$20 per barrel to a high in the mid \$40 range. In 2021 the WTI oil price has improved to approximately \$59 per barrel in Q1, \$67 in Q2, \$70 in Q3 and is currently in the \$78 per barrel range. This has resulted in a resurgence of interest in drilling oil and gas wells both with our existing partners and with other oil and gas companies in Ohio.

The Covid-19 Pandemic plus low commodity prices has impacted service company's operational readiness and availability for both manpower and equipment in central and western Ohio. This is especially true for shallow to mid-depth drilling and service rigs and continues to result in slower progress on drilling activities and workovers.

In August of 2021, Marksman, as operator and a 75% working interest partner, drilled an offset well, Davis Holbrook #2 ("DH2") to Marksman's best well, Davis Holbrook #1 ("DH1") located in Pickaway County, Ohio. DH2 was drilled to a depth of 2,479 feet in August of 2021. Subsequently in mid-October 2021, the well was completed, acidized, swabbed, and then put on production. In the last half of October, DH2 averaged 106 bbls of oil production per day. Currently, the well's reservoir and production profile are being technically evaluated to ensure the production rate is optimized over the long term. With the success of the DH2 well it validates the additional development of three or four additional offset wells. Additionally, Marksman is pleased to have the opportunity in Q4 of 2021 to participate in an exciting oil and gas joint venture opportunity in Ohio.

Marksman completed two private placements in the first nine months of 2021 for total net proceeds of \$805,480 and subsequently in November of 2021 has raised an additional amount of \$947,224. To complete capital projects, the Company has relied on additional equity by way of private placements. Now, with the added production from the DH2 well, Marksman's funds generated from operations are expected to be sufficient to cover all operating and administrative costs plus it will also allow the Company to internally fund some of its capital projects.

Quarterly Financial Information

The following is a summary of selected quarterly information:

	90	90	90	92	92	91	90	92
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly Information	2021	2021	2021	2020	2020	2020	2020	2019
Oil Production - bbls	1,233	1,918	1,596	2,337	2,018	1,060	1,327	824
Natural Gas - boe (6 mcf = 1 bbl)	-	-	94	412	-	-	-	-
Boe	1,233	1,918	1,690	2,749	2,018	1,060	1,327	824
Production - boe/day	13.7	21.3	18.8	29.9	21.9	11.6	14.7	9.0
Revenue - Petroleum	\$ 106,318	\$ 156,269	\$ 113,617	\$ 136,369	\$ 107,613	\$ 43,389	\$ 81,393	\$ 59,295
Royalties	\$ (13,925)	\$ (21,763)	\$ (14,842)	\$ (17,338)	\$ (15,045)	\$ (5,870)	\$ (10,781)	\$ (7,910)
Operating Costs (excluding workovers)	\$ (15,077)	\$ (54,623)	\$ (28,366)	\$ (29,277)	\$ (18,052)	\$ (12,727)	\$ (12,203)	\$ (35,283)
Workovers / extraordinary expenses	\$ (14,705)	\$ (13,520)	\$ (60,520)	\$ (20,644)	\$ -	\$ -	\$ -	\$ (54,983)
Income (loss) from operations	\$ 62,611	\$ 66,363	\$ 9,889	\$ 69,110	\$ 74,516	\$ 24,792	\$ 58,409	\$ (38,881)
(Impairment) / recovery	\$ -	\$ -	\$ -	\$ (1,231,152)	\$ -	\$ 25,972	\$ -	\$ (2,777,427)
Net profit (Loss)	\$ (180,395)	\$ (158,381)	\$ (174,289)	\$ (1,187,233)	\$ (107,115)	\$ 20,767	\$ (359,908)	\$ (3,230,836)
Total assets	\$ 3,596,250	\$ 3,007,118	\$ 3,235,092	\$ 2,941,520	\$ 4,147,678	\$ 4,285,644	\$ 4,238,388	\$ 4,111,593
Total liabilities	\$ 2,160,780	\$ 1,813,526	\$ 1,965,649	\$ 1,999,766	\$ 1,987,832	\$ 2,321,139	\$ 2,271,287	\$ 2,232,667
Total shareholder's equity	\$ 1,435,470	\$ 1,193,592	\$ 1,269,443	\$ 941,754	\$ 2,159,846	\$ 1,964,505	\$ 2,012,101	\$ 1,878,926
Total liabilities and equity	\$ 3,596,250	\$ 3,007,118	\$ 3,235,092	\$ 2,941,520	\$ 4,147,678	\$ 4,285,644	\$ 4,283,388	\$ 4,111,593

Operating Netback – Ohio USA in \$USD

\$USD	Three Months Ended				Nine Months Ended			
	Sep. 30 2021	Sep. 30 2020	Change	% Change	Sep. 30 2021	Sep. 30 2020	Change	% Change
Oil and Gas Production								
Oil - bbls	1,233	2,018	(785)	(39)	4,742	4,405	337	8
Natural Gas - boe (6 mcf = 1 bbl)	-	-	-	-	94	-	94	
Boe	1,233	2,018	(785)	(39)	4,836	4,405	431	10
Boe /day	13.7	22.4	(8.7)	(39)	26.9	24.5	2.4	10
Operations								
Revenue	\$ 84,222	\$ 80,214	\$ 4,008	5	\$ 300,651	\$ 171,623	\$ 129,028	75
Royalties	\$ (11,027)	\$ (11,211)	\$ 184	(2)	\$ (40,382)	\$ (23,408)	\$ (16,974)	73
Operating Costs (routine)	\$ (9,899)	\$ (10,820)	\$ 921	(9)	\$ (42,043)	\$ (26,573)	\$ (15,470)	58
Workovers and extraordinary costs	\$ (11,752)	\$ -	\$ (11,752)		\$ (102,787)	\$ -	\$ (102,787)	
Income from operations	\$ 51,544	\$ 58,183	\$ (6,639)	(11)	\$ 115,439	\$ 121,642	\$ (6,203)	(5)
Revenue /boe	\$ 68.31	\$ 39.75	\$ 28.56	72	\$ 62.17	\$ 38.96	\$ 23.21	60
Royalties / boe	\$ (8.94)	\$ (5.56)	\$ (3.39)	61	\$ (8.35)	\$ (5.31)	\$ (3.04)	57
Operating costs (routine) / boe	\$ (8.03)	\$ (5.36)	\$ (2.67)	50	\$ (8.69)	\$ (6.03)	\$ (2.66)	44
Workovers and extraordinary costs / boe	\$ (9.53)	\$ -	\$ (9.53)		\$ (21.26)	\$ -	\$ (21.26)	
Operating netback	\$ 41.80	\$ 28.83	\$ 12.97	45	\$ 23.87	\$ 27.61	\$ (3.74)	(14)

Production – In the third quarter was 785 boe less than in the third quarter of 2020. The DH1 well was down for a number of days in Q3 waiting on a service rig to repair broken rods and to replace a down hole pump. The total production in the first nine months of 2021 was 4,742 boe an increase of 8 percent over the same period in 2020. Production improvements for the year to date are a result of added production from a recompleted well in Portage County, Ohio, two shut-in wells brought back on production in Pickaway County and the workover of the DH1 well.

Revenue – Increased by \$129,028 in the nine-month period ended September 30, 2021, compared to the same period in 2020, resulting from improved production plus oil commodity prices increasing \$23 per boe over the first nine-months of 2021 compared to the same period in 2020. Revenue is paid to Marksmen directly by the oil marketing companies and is based on their monthly pricing schedules derived from the daily posted West Texas Intermediate oil (“WTI”) prices.

Routine Operating Expenses – During the first nine-months of 2021, the routine operating expenses were \$15,470 higher compared to the same period of 2020. The increase is due to three additional wells on production compared to the same period in 2020.

Workovers and other extraordinary costs – In 2020, Marksmen’s water disposal well became inoperable and required extensive downhole remedial work that began in Q1 of 2021 and has totaled \$47,615. In Q2 of 2021, the water disposal line to Marksmen’s water disposal facility failed resulting in a line replacement and environmental clean-up of brine water at a total cost of \$32,578. There was \$7,535 of workover costs to bring the Strittmatter and BJ78 #11 well back on production. The DH1 well required a pump change and sucker rod replacement for a total of \$15,059. Workovers and extraordinary items totalled \$102,787 in the first nine months of 2021.

Well Information

In 2020, Marksmen participated in the recompleat of a well at Portage County, Ohio and it was put on production in June. One, non-economic well (due to high operating costs for water disposal), in Hocking County, was converted from a working interest to an overriding royalty interest well under the terms of a settlement agreement. Two wells in Pickaway County that were previously shut-in were brought back on production in December of 2020. A new well, Davis Holbrook #2, was brought on-line in October 2021.

Well Information	Q3 2021		Q3 2020	
	Wells	Net Marksmen %	Wells	Net Marksmen %
Production testing	-	-	1.0	60.0
Overriding royalty Interest	1.0	3.0	-	-
Producing wells	5.0	71.0	2.0	60.0
Water injection well	1.0	100.0	1.0	100.0
Shut-in wells	-	-	2.0	75.0

Production Improvement and Optimization Plans for 2021

- The DH2 well was drilled in August of 2021 and put on production in the middle of October 2021. In the last half of October, it has averaged 106 bbls of oil production per day. Currently, the well’s reservoir and production profile are being technically evaluated to ensure the production rate is optimized over the long term. With the success of the DH2 it validates the additional development of three to four additional offset wells.
- In Q3 of 2021, a workover at the DH1 well that included installing a larger bottom hole pump has increased production by approximately five barrels of oil per day.
- The Strittmatter #1 well has an upper zone that has not been completed and discussions are on-going with our partner to complete this zone. Estimates of incremental production range from 5 to 10 barrels per day and the cost of completing this new zone is \$15,000.
- There are up to twenty potential drilling locations on offset locations to Marksmen’s existing wells or on land covered by the Company’s existing proprietary 3D seismic.

Commodity Prices

Marksman is paid from for its oil production from oil marketing companies, ARG and Ergon, and is based on their pricing schedules derived from the daily posted West Texas Intermediary (“WTI”) oil prices. Natural gas is paid based on daily prices posted at Henry Hub. There has been a positive improvement of oil and gas prices in Q3 2021, and it continues into Q4.

	Q1		Q2		Q3		Q4		Q1		Q2		Q3 2021					
	2020		2020		2020		2020		2021		2021		Jul	Aug	Sep			
WTI	\$	45.76	\$	27.81	\$	40.89	\$	42.45	\$	59.29	\$	67.05	\$	72.49	\$	67.73	\$	71.65
Henry Hub (spot)	\$	1.91	\$	1.71	\$	2.00	\$	2.53	\$	3.56	\$	2.94	\$	3.84	\$	4.07	\$	5.16

Alberta

Marksman’s wells at Alder Flats 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. Equipment salvage operations from the abandoned wells was completed in 2018.

There were \$2,160 of operating costs related to surface leases charged to wells in Alder Flats, Alberta during Q3, 2021 and \$5,584 year to date.

In May 2020, the federal government, in conjunction with the Department of Energy in Alberta announced a site reclamation program (“SRP”) to facilitate job creation in the western Canadian oil and gas industry. Marksman has applied to participate in this program and has been approved for \$242,000 in SRP funding. At Alder Flats, work on the abandonment of a well under this program was partially completed by our SRP contractor in the first quarter and \$135,000 of the Company’s liabilities were settled through this program. The abandonment of this well was completed in Q2 of 2021. Subsequently, two wells in the Penhold area were abandoned in October 2021.

Operating Netback in \$CAD

\$CAD	Three Months Ended				Nine Months Ended			
	Sep. 30 2021	Sep. 30 2020	Change	% Change	Sep. 30 2021	Sep. 30 2020	Change	% Change
Oil and Gas Production								
Oil - bbls	1,233	2,018	(785)	(39)	4,742	4,405	337	8
Natural Gas - boe (6 mcf = 1 bbl)	-	-	-	-	94	-	94	
Boe	1,233	2,018	(785)	(39)	4,836	4,405	431	10
Boe /day	13.7	22.4	(8.7)	(39)	26.9	24.5	2.4	10
Operations								
Revenue	\$ 106,313	\$ 107,613	\$ (1,300)	(1)	\$ 376,204	\$ 232,396	\$ 143,808	62
Royalties	\$ (13,925)	\$ (15,045)	\$ 1,120	(7)	\$ (50,530)	\$ (31,696)	\$ (18,834)	59
Operating Costs	\$ (29,782)	\$ (18,052)	\$ (11,730)	65	\$ (186,811)	\$ (42,982)	\$ (143,829)	335
Income from operations	\$ 62,606	\$ 74,516	\$ (11,910)	(16)	\$ 138,863	\$ 157,718	\$ (18,855)	(12)
Revenue /boe	\$ 86.22	\$ 53.33	\$ 32.90	62	\$ 77.80	\$ 52.76	\$ 25.04	47

General and Administrative Expenses

	Three Months Ended				Nine Months Ended			
	Q3 2021	Q3 2020	Change	% Change	Q3 2021	Q3 2020	Change	% Change
Employee compensation	\$ 31,101	\$ 1,586	\$ 29,515	1,861	\$ 92,239	\$ 57,260	\$ 34,979	61.1
Management consulting services	\$ 33,500	\$ 32,700	\$ 800	2	\$ 96,200	\$ 95,500	\$ 700	0.7
Professional fees	\$ 5,210	\$ 4,811	\$ 399	8	\$ 25,278	\$ 40,688	\$ (15,410)	(37.9)
Investor relations	\$ 9,318	\$ 10,413	\$ (1,095)	(11)	\$ 13,369	\$ 16,634	\$ (3,265)	(19.6)
Filing and listing fees	\$ 3,191	\$ 7,566	\$ (4,375)	(58)	\$ 24,514	\$ 21,057	\$ 3,457	16.4
Ohio management and administration	\$ 3,203	\$ 4,076	\$ (873)	(21)	\$ 12,044	\$ 8,892	\$ 3,152	35.4
Insurance	\$ 7,869	\$ 5,180	\$ 2,689	52	\$ 18,847	\$ 18,748	\$ 99	0.5
Computer software and support	\$ 4,404	\$ 5,010	\$ (606)	(12)	\$ 12,970	\$ 14,274	\$ (1,304)	(9.1)
Office and storage	\$ 12,525	\$ 12,525	\$ -	-	\$ 37,575	\$ 37,575	\$ -	-
General and administrative - other	\$ 3,194	\$ 3,451	\$ (257)	(7)	\$ 11,237	\$ 10,398	\$ 839	8.1
	\$ 113,515	\$ 87,318	\$ 26,197	30	\$ 344,273	\$ 321,026	\$ 23,247	7.2

General and Administrative costs increased by \$23,247 or 7% in the first nine months of 2021 compared to the same period in 2020. The Company has categorized its administrative expenses as follows:

Employee Compensation – This compensation represents payments of salaries and wages to one full-time management employee and two part-time administrative support personnel. In the first nine months of 2021 Marksmen did not meet the criteria of lower revenues compared to the same period in 2020 and therefore was not eligible for the Canadian Emergency Wage Subsidy from the federal government that amounted to approximately \$30,000 in 2020. This resulted in \$34,979 higher costs in the first nine months of 2021.

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. For the first nine-months of 2021 the management costs were basically the same as in the same period of 2020. This executive has consistently invested in all the private placements of the Company.

Professional Fees – Consist of legal fees, reserve engineering, audit, and accounting services in Canada, as well as fees for legal, engineering, geology and land consulting in Ohio, USA. Professional fees decreased in the first nine months of 2021 by \$15,410 compared to the same period in 2020.

Investor Relations – Are costs incurred to raise capital for the Company's drilling opportunities in Ohio. Expenses relate to travel, investor conferences, and use of investment consultants throughout North America. These costs decreased by \$3,265 in the first nine months of 2021 compared to the same period in 2020.

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, New York, provincial securities commissions, and a stock transfer agent. These costs increased by \$3,457 in the first nine months of 2021 compared to the same period in 2020.

Ohio Management and Administrative Expenses – Marksmen's business activities in 2020 continue to be focused on developing its oil and gas operations in Ohio. There was an increase of \$3,152 in the first nine months 2021 compared to the same period in 2020.

Insurance – In the first nine months of 2021, insurance costs were similar to the same period in 2020. This insurance coverage in Canada and the USA includes director and officer, property, general liability, and control of well insurance.

Computer software and Support – Includes fees charged by the Company’s accounting software provider plus technical support for computer systems. The costs for the first nine months of 2021 were \$1,304 less than the same period in 2020.

Office and Storage – The cost of office space remained constant in the first nine months of 2021 compared to the same period in 2020.

General and Administrative Expenses – These expenses are the other G&A costs associated with normal day to day costs of running the Company. These expenditures decreased by \$839 in the first nine months of 2021 compared to the same period in 2020.

Selected Other Expenses

Interest Expense – During the first nine months of 2021, the Company’s interest costs related to a secured debenture were \$112,500, the same as in the first nine months of 2020.

Depletion and Site Reclamation Plan – In the first nine months of 2021 depletion on 4,836 boe of production totalled \$110,666 or \$22.80 per boe compared to the same period in 2020 where 4,405 boe were produced with depletion of \$100,138 or \$22.70 per boe. The depletion in 2021 was offset by funding of the abandonment of a well at Alder Flats via a sub-contractor under the Site Rehabilitation Plan (“SRP”) of \$135,000 resulting in a credit balance for depletion expense of \$23,718 for the first nine months of 2021.

Impairment – As of September 30, 2021, there were no indications of impairment of the company’s oil and gas asset.

Financial Position – Highlights

	Sep. 30, 2021	Dec 31, 2020	Change	% Change
Assets				
Current assets	\$ 674,972	\$ 263,558	\$ 411,414	156
Exploration and evaluation assets	\$ 1,389,324	\$ 1,388,576	\$ 748	0
Property and equipment	\$ 1,531,954	\$ 1,289,386	\$ 242,568	19
	\$ 3,596,250	\$ 2,941,520	\$ 654,730	22
Liabilities				
Accounts payable and accruals	\$ 456,657	\$ 331,460	\$ 125,197	(38)
Secured debentures	\$ 1,222,299	\$ 1,207,660	\$ 14,639	(1)
Loans - Govt. and short term loan	\$ 108,376	\$ 30,969	\$ 77,407	(250)
Decommissioning liabilities	\$ 373,448	\$ 429,676	\$ (56,228)	13
	\$ 2,160,780	\$ 1,999,765	\$ 161,015	(8)
Equity				
Share capital, contributed surplus & other	\$ 28,431,825	\$ 27,425,045	\$ 1,006,780	4
Deficit	\$ (26,996,355)	\$ (26,483,290)	\$ (513,065)	(2)
	\$ 1,435,470	\$ 941,755	\$ 493,715	52
Liabilities and equity	\$ 3,596,250	\$ 2,941,520	\$ 654,730	(22)

Assets – Current assets increased by \$411,414 in the first nine months of 2021 compared to year end 2020 primarily related to funds received under private placements in February and September of 2021. Property and Equipment assets increased by \$338,000 related to capital expenditures on the DH2 well. This equates to \$242,568 net of depletion.

Liabilities – Increased by \$161,015 in the first nine months of 2021 compared to year end 2020 due to an increase in payables related to capital expenditures of \$125,197, and short-term bridge loan of \$74,000 (paid in full in Q4, 2021). There was a decrease in decommissioning liabilities of \$56,228 related to the abandonment of a well at Alder Flats, Alberta, under the SRP program.

Equity – In the first nine months of 2021 the Company’s share capital and contributed surplus increased by \$1,006,780 compared to year end 2020 primarily due to funds raised in a two private placement. The deficit increased in the first nine months of 2021 by the amount of the Company’s net loss or \$513,670.

Oil and Gas Assets

Exploration and Evaluation (E&E)	Sep 30, 2021	Dec 31, 2020
Balance, beginning of period	\$ 1,388,576	\$ 1,901,306
Impairment of E&E assets	\$ -	\$ (503,830)
Foreign currency adjustment	\$ 748	\$ (8,900)
Balance, end of year	\$ 1,389,324	\$ 1,388,576

Impairment - E&E assets consist of the Company’s exploration projects that are pending the determination of technological feasibility and commercial viability. These assets were assessed for impairment, and it was determined that there was no impairment in the first nine months of 2021 compared to \$503,830 at year end 2020.

Property Plant and Equipment (PP&E)	Sep 30, 2021	Dec 31, 2020
Balance beginning of period	4,222,691	4,132,122
Expenditures on property and equipment	338,347	263,451
Disposal of Property and equipment	-	(86,323)
Change in estimate of decommissioning liabilities	16,609	(15,424)
Foreign currency adjustment	2,617	(71,136)
Balance, end of year	4,580,264	4,222,691

Accumulated Depletion and Impairment	Sep 30, 2021	Dec 31, 2020
Balance, beginning of period	(2,935,536)	(2,127,553)
Depletion	(110,666)	(175,328)
Impairment Expense	-	(709,321)
Foreign Currency Translation	(3,723)	76,665
	(3,049,925)	(2,935,536)

Net Carrying Amount - PPE	\$ 1,530,339	\$ 1,287,155
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There were \$338,347 in capital expenditures on oil and gas assets in the first nine months of 2021 compared to \$263,451 at year end 2020.

There was no indication of impairment in the first nine months of 2021 compared to \$709,321 at year end 2020.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be \$373,448 (December 31, 2020 - \$429,675). The present value of the decommissioning liability considered to be current is \$151,261 (December 31, 2020 - \$234,636). The total undiscounted amount of estimated future cash flows is \$383,172 (December 31, 2020 - \$452,345). These payments are expected to be made over the next 10 years. The obligations on the properties have been calculated using an inflation rate of 2% (December 31, 2020 – 2%) and a discount factor, being the average risk-free rate related to the liability, of between 0.52% and 1.92% (December 31, 2020 – between 0.20% and 0.55%). The Company recorded an abandonment loss of \$60,867 as the estimated capitalized abandonment costs were previously impaired. This loss of \$60,867 is included in the “change in estimates” line item above.

On May 1, 2020, the Alberta Department of Energy initiated the Site Rehabilitation Program (“SRP”) whereby it will provide funding in the form of grant payments to the oil field services sector to abandon and/or reclaim upstream oil and gas infrastructure. Pursuant to the SRP, the Company was approved for up to \$242,000 in SRP funding. To date the Company has received \$135,000 in SRP resulting in a reduction of the decommissioning liability, with an off-setting credit to depletion, depreciation, and amortization in the consolidated statement of loss and comprehensive loss. (See note 9, Decommissioning liabilities, in the Company’s consolidated financial statements as of September 30, 2021, for additional details).

Secured Debenture

The Company currently has a non-convertible secured debenture with a third party for \$1,250,000 with a maturity date of December 31, 2022, an interest rate of 12% and with 1,800,000 share purchase warrants exercisable at \$0.075 per share. The Company has paid interest totalling \$75,000 in June of 2021 and has accrued interest payable for the third quarter of 2021 for \$37,500 under the terms of the debenture agreement. The next interest payment of \$75,000 is due on December 31, 2021. (See note 10, Secured debentures, in the Company’s consolidated financial statements as of September 30, 2021, for additional details).

Government Loan

During the year ended December 31, 2020, the Company was approved and received two loans totalling \$60,000 through ATB Financial under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA loan is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2022. If 75% of the CEBA loan is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA loan will be forgiven. If on December 31, 2022, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining. (See note 11, Government Loan, in the Company’s consolidated financial statements as of September 30, 2021, for additional details).

Share Capital

The chart below is a summary of the Company's common shares, share purchase warrants, stock options and broker warrants. It includes transactions for the first nine months of 2021 and subsequently to November 24, 2021. (See note 12, Share Capital, in the Company's consolidated financial statements as of September 30, 2021, for additional details).

	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2020	126,427,870	9,909,000	24,264,280	32,000
Private placement - February 9, 2021	12,575,000			
Warrants issued February 9, 2021			12,575,000	
Stock options granted - February 9, 2021		3,985,000		
Stock options exercised - March 19, 2021	170,000	(170,000)		
Warrants expired - February 27, 2021			(1,507,500)	
Warrants expired - March 28, 2021			(432,500)	
Broker warrants issued - Feb 9, 2021				862,000
Broker warrants exercised March 19, 2021	32,000			(32,000)
Broker warrants exercised March 31, 2021	30,000			(30,000)
Balance at March 31, 2021	139,234,870	13,724,000	34,899,280	832,000
Warrants exercised - June 24, 2021	1,000,000		(1,000,000)	
Warrants expired - June 28, 2021			(2,200,000)	
Stock options exercised - April 9, 2021	140,000	(140,000)		
Stock options exercised - May 18, 2021	169,000	(169,000)		
Stock options Expired - May 18, 2021		(790,000)		
Balance June 30, 2021	140,543,870	12,625,000	31,699,280	832,000
Private Placement - September 29, 2021	5,920,000		5,920,000	
Broker Warrants - September 29, 2021				304,000
Warrants Expired - August 16, 2021			(640,000)	
Balance September 30, 2021	146,463,870	12,625,000	36,979,280	1,136,000
Private Placement - November 5, 2021	15,835,063			
Warrants issued - November 5, 2021			15,835,063	
Broker Warrants - November 5, 2021				969,733
Stock Options issued - November 5, 2021		2,920,000		
Warrants expired - November 22, 2021			(4,010,000)	
Balance November 24, 2021	162,298,933	15,545,000	48,804,343	2,105,733

Private Placements

The private placements in the first nine months of 2021 are detailed below.

Date	Price	Private Placement Units			Warrants		Broker Warrants		
		Issued	Gross Proceeds	Broker Commissions	Net Proceeds	Issued	Exercise Price	Issued	Exercise Price
Q1 2021									
Feb 09	\$ 0.04	12,575,000	\$ 503,000	\$ 34,480	\$ 468,520	12,575,000	\$ 0.07	862,000	\$ 0.05
Q3 2021									
Sep 29	\$ 0.06	5,920,000	\$ 355,200	\$ 18,240	\$ 336,960	5,920,000	\$ 0.09	304,000	\$ 0.06
		18,495,000	\$ 858,200	\$ 52,720	\$ 805,480	18,495,000		1,166,000	

The attributed value using the Black-Scholes pricing model for the shares in the above private placements is \$209,822 and for the warrants is \$648,378 totaling \$858,200.

Subsequent to September 30, 2021, there was an additional private placement detailed below.

Private Placement Units						Warrants		Broker Warrants	
Date	Price	Issued	Gross Proceeds	Broker Commissions	Net Proceeds	Issued	Exercise Price	Issued	Exercise Price
Q4 2021									
Nov 5	\$ 0.06	14,913,330	\$ 894,800	\$ 2,880	\$ 891,920	14,913,330	\$ 0.09	921,733	\$ 0.06
Nov 5	\$ 0.06	921,733	\$ 55,304	\$ -	\$ 55,304	921,733	\$ 0.09	48,000	\$ 0.06
		15,835,063	\$ 950,104	\$ 2,880	\$ 947,224	15,835,063		969,733	

Share-based Payments

During the nine months ended September 30, 2021, the Company granted 3,985,000 stock options (nine months ended September 30, 2020 – nil), 479,000 stock options were exercised, 790,000 stock options expired, and there were no stock options cancelled due to forfeiture. The options granted are exercisable at \$0.05 per option and expire 5 years after their respective grant date. One third of the stock options vest immediately and the remaining stock options granted vest one third on each of the first and second anniversary of the grant date. The forfeiture rates are based on historical data and managements estimates.

The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

	As at September 30, 2021
Risk-free interest rate	0.17%
Expected life	2.5 years
Expected volatility	151.79%
Fair value per option	\$0.04
Forfeiture rate	0.00%
Dividend yield	-

Share-based payments expense recognized during the three and nine months ended September 30, 2021, was \$23,280 and \$107,815, respectively (three and nine months ended September 30, 2020 - \$19,930 and \$85,110, respectively), all of which has been recorded in the statement of loss and comprehensive loss and has been recorded as an offsetting credit to contributed surplus.

Related party transactions

Related party transactions during the three months ended September 30, 2021, not disclosed elsewhere in these consolidated financial statements are as follows:

- A total of \$33,500 (September 30, 2020 - \$32,700) in consulting fees and \$7,500 (September 30, 2020 - \$7,500) for costs associated with office space, storage space, and various administrative support costs were paid, either directly or indirectly, to a director and officer of the Company. The Director, in turn, participated in the September 29, 2021, private placement for an amount totaling \$18,000 (September 2020 - \$57,500).
- Aggregate legal fees of \$nil (September 30, 2020 - \$14,869) were charged by a law firm in which a director of the Company is a partner, of which \$nil (September 30, 2020 - \$1,575) were expensed as general and administrative expenses and \$nil (September 30, 2020 - \$13,294) were charged to share capital as share issue costs.
- Fees of \$3,210 (September 30, 2020 - \$4,015) were paid to a USA based company in which a director and officer of Marksmen Energy Inc. is an owner.

Related party transactions during the nine months ended September 30, 2021, not disclosed elsewhere in these consolidated financial statements are as follows:

- A total of \$96,200 (September 30, 2020 - \$98,479) in consulting fees and \$22,500 (September 30, 2020 - \$22,500) for costs associated with office space, storage space, and various administrative support costs were paid, either directly or indirectly, to a director and officer of the Company. The Director, in turn, participated in the Company's February 9, 2021, and September 29, 2021, private placements for an amount totaling \$64,000 (September 2020 – \$71,000).
- Aggregate legal fees of \$21,858 (September 30, 2020 - \$29,134) were charged by a law firm in which a director of the Company is a partner, of which \$12,262 (September 30, 2020 - \$9,164) were expensed as general and administrative expenses and \$9,496 (September 30, 2020 - \$19,970) were charged to share capital as share issue costs.
- Fees of \$13,183 (September 30, 2020 - \$11,239) were paid to a USA based company in which a director and officer of Marksmen Energy Inc. is an owner.
- As of September 30, 2021, the Company has accounts payable and accrued liabilities totaling \$21,729 (December 31, 2020 – \$45,063) owing to related parties relating to the above transactions.

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

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, 2021		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	376,204	376,204
Depletion and depreciation	(134,384)	110,666	(23,718)
Net loss (income)	523,424	(10,359)	513,065
Exploration and evaluation assets	-	1,389,324	1,389,324
Property, plant and equipment	(115,918)	1,647,871	1,531,954
Total liabilities	1,769,009	391,771	2,160,780
	For the nine months ended September 30, 2020		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	232,395	232,395
Depletion and depreciation	207	99,931	100,138
Net loss (income)	509,237	(62,982)	446,255
Exploration and evaluation assets	-	1,940,471	1,940,471
Property, plant and equipment	918	1,922,685	1,923,603
Total liabilities	1,769,637	218,195	1,987,832

Going Concern

On September 30, 2021, the Company had not yet achieved profitable operations, had accumulated a deficit of \$26,996,355 (December 31, 2020 - \$26,483,290) a negative working capital of \$6,946 (December 31, 2020 – negative \$302,539), 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, 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 2021 budget and on management's estimate of expenditures expected to be incurred beyond 2021.

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 of September 30, 2021, 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.

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.

On September 30, 2021, included in deposits and prepaid expenses is an amount of \$41,790 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2020 - \$41,633). The AER has indicated that a higher deposit may be required. However, since all wells are abandoned or shut-in and considering certain changes to government programs such as the Site Rehabilitation Program that will potentially assist Marksmen in completing the abandonments and reclamation of its wells in Alberta. Marksmen will negotiate with the AER on an as required basis.

The Surface Rights Board ("SRB") – 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 was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections and as of September 30, 2021, the Judgement totals \$127,077 (December 31, 2020 - \$97,848) related to unpaid surface leases on properties that were sold by Marksmen to a third-party company in August of 2010.

The Company 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. Upon the sale of the properties, the Company did agree to retain a nominal 1% working interest in the sold properties and function as the operator of the wells on the 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.

On April 4, 2019, SRB ruled and agreed that the third-party company is also an Operator, but they did not agree that Marksmen should be removed as an Operator. Therefore, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface lease 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 Marksmen's statement of loss and comprehensive loss. The Company remains dissatisfied with SRB's position and will continue discussions regarding this matter with the AER, the Alberta Department of Energy, Service Alberta and the SRB.

Subsequent Events

In mid-October 2021, the DH2 well was completed, acidized, swabbed, and then put on production. In the last half of October, it has averaged 106 bbls of oil production per day. Currently, the well's reservoir and production profile are being technically evaluated to ensure the production rate is optimized over the long term. With the success of the DH2 it validates the additional development of three to five additional offset wells.

On November 5, 2021, the Company closed a private placement issuing a total of 14,913,330 units for aggregate proceeds of \$894,800. 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 \$0.09 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 \$58,184, of which \$55,304 was paid by the issuance of 921,733 units. The Company also issued 969,733 broker warrants.

On November 5, 2021, the Company granted stock options to purchase 2,920,000 common shares to directors, officers, employees, and consultants. The stock options were issued with an exercise price of \$0.06 per share, vest as to one-third immediately and one-third on each of the first and second anniversaries of the grant date and have a five-year term from the date of issuance.

Off Balance Sheet Arrangements

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

Financial Risk Management

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 debenture was calculated using an estimate of the market rate for similar debentures without warrants.

Credit risk – Is the 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 of September 30, 2021, the Company had cash of \$501,101 (December 31, 2020 - \$135,627), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As of September 30, 2021, the Company's accounts receivable consisted of \$97,064 receivable from oil and natural gas marketing companies (December 31, 2020 - \$34,713), \$11,548 receivable from joint venture working interest owners (December 31, 2020 - \$25,529) and \$3,050 related to goods and service tax owing from the Government of Canada (December 31, 2020 - \$5,660).

Liquidity risk – is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities. The Company prepares operating, and capital cash management projections on a regular basis.

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. Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks.

Commodity price risk - is the risk that future cash flows will fluctuate because 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. 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. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed appropriate.

Foreign currency exchange risk - is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company regularly converts Canadian and United States currencies as operations and capital expenditures require. The Company currently sells oil or natural gas in USD. As of September 30, 2020, the Company had no forward exchange rate contracts in place.

The Company had the following financial instruments denominated in USD:

	September 30, 2021	December 31, 2020
Cash	481,883	101,886
Trade and other receivables	102,612	60,242
Accounts payable and accrued liabilities	179,173	24,614

Interest rate risk – is the risk that future cash flows will fluctuate because 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 of 12%. The Company has no interest rate swaps or financial contracts in place during the first nine months of 2021 or for the same period in 2020.

Outlook

Marksman is pleased with the recent increase in the price of WTI oil in 2021 to where it is currently in the \$77 per barrel range. This has resulted in a resurgence of interest in drilling oil and gas wells both with our existing partners and also with other oil and gas companies in Ohio.

In August of 2021, Marksman, as operator and a 75% working interest partner, drilled an offset well, Davis Holbrook #2 ("DH2") to Marksman's best well, Davis Holbrook #1 ("DH1") located in Pickaway County, Ohio. Subsequently in mid-October 2021, the well was completed, acidized, swabbed, and then put on production. In the last half of October, it has averaged 106 barrels of oil production per day. Currently, the well's reservoir and production profile are being technically evaluated to ensure the production rate is optimized over the long term. With the success of the DH2 it validates the additional development of three to five additional offset wells. Additionally, Marksman is pleased to have the opportunity in Q4 of 2021 to participate in another exciting oil and gas joint venture opportunity in Ohio.

Marksman completed two private placements in the first nine months of 2021 for total net proceeds of \$805,480 and subsequently in November of 2021 has raised an additional amount of \$947,224. To complete capital projects, the Company has relied on additional equity by way of private placements. Now, with the added production from the DH2 well, Marksman's funds generated from operations is expected to be sufficient to cover all operating and administrative costs plus it will also allow the Company to internally fund some of its capital projects.

Other

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