



TSX Venture – MAH

New York OTC Venture Marketplace – MKSEF

MANAGEMENT'S DISCUSSION AND ANALYSIS
Report for the year ended December 31, 2021

This Management's Discussion and Analysis ("MD&A") for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. ("Marksmen or the Company") is for the year ended December 31, 2021. It has been prepared with information available up to April 28, 2022 and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year-ended, December 31, 2021. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

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

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates.

Non-IFRS

This MD&A includes the following measures that are from time to time used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

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

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

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

Barrel of Oil Equivalent

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

Forward-Looking Statements

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

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

World Events

The COVID-19 pandemic, now with fewer restrictions in Canada and the USA, is becoming less impactful to Marksmen. Office and field activities are approaching normal levels and there are far fewer travel restrictions.

The war in Ukraine and the general world supply and demand for oil is keeping upward pressure on oil and gas commodity prices. This has increased exploration activity in North America. In Ohio, drilling rigs and service rigs are in very short supply, Russian supplied tubulars goods are no longer available due to sanctions, and the cost of most oil industry goods and services are showing signs of inflationary pressure.

Financial Statements and the MD&A

The information and tables presented in this MD&A should be read in conjunction with the December 31, 2021, and 2020 audited consolidated financial statements of Marksmen Energy Inc.

Introduction

Marksmen Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas properties, primarily in Ohio, USA.

Oil and natural gas commodity prices in 2021 have improved compared to 2020. In 2020, West Texas Intermediate ('WTI') prices ranged from a low of under \$20 per barrel to a high in the \$40 USD range. In 2021, the WTI oil prices have ranged from \$55 to \$75 per barrel and averaged \$69 per barrel for the year. In the first quarter of 2022 the prices paid to Marksmen range from \$80 in January to \$107 in March. 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.

Worldwide supply chain disruptions, demand for drilling and other services, inflationary pressures, and sanctions on Russian supplied commodities such as tubulars has impacted service companies' availability and costs.

In August of 2021, Marksmen, as operator and a 75% working interest partner, drilled an offset well, Davis Holbrook #2 ("DH2") to Marksmen's best well, Davis Holbrook #1 ("DH1") in Pickaway County, Ohio. DH2 was put on production in mid-October 2021, produced over 4,500 gross barrels of oil in the fourth quarter with initial or flush production close to 100 barrels per day and an average of over 60 barrels per day.

With the success of the DH2 well it validates the development of additional offset wells and expanding our exploration program in 2022. In February of 2022 Marksmen entered into an agreement with its joint venture partner, Houghton Investments, to drill four Cambrian Knox formation wells. Work is currently underway to survey, unitize and permit these locations with the first well planned to be drilled in May of 2022. Also, in late March of 2022 the DH1 and DH2 each had an upper zone completed. Marksmen also plans to recomplete the Strittmatter well and possibly other wells in Pickaway County. Additionally, Marksmen is evaluating other areas in Pickaway County, such as at our DeLong Davis location, for drilling opportunities. In Portage County, Marksmen is planning on the recompletion of three or more Clinton Sandstone formation wells.

To complete capital projects, the Company normally relies on additional equity financing by way of private placements. In 2022, with existing cash on hand and funds generated from operations it is expected that Marksmen will be able to internally fund some of its capital projects.

Selected Annual Information in \$CAD

	Year Ended Dec 31, 2021	Year Ended Dec 31, 2020	Year Ended Dec 31, 2019
Light Oil - bbls	9,640	6,742	7,374
Natural Gas - Boe (6 mcf= 1 bbl of oil equivalent)	108	412	-
Boe	9,749	7,154	7,374
Petroleum revenue	\$ 842,317	\$ 368,764	\$ 542,388
Royalties	\$ (108,816)	\$ (49,034)	\$ (71,227)
Production and operating expenses	\$ (261,171)	\$ (92,903)	\$ (183,621)
Income from operations	\$ 472,330	\$ 226,827	\$ 287,540
Revenue per Boe	\$ 86.40	\$ 51.55	\$ 73.55
Net Loss before Impairment and other expenses	\$ (668,889)	\$ (420,337)	\$ (1,101,963)
Impairment of exploration and evaluation assets	\$ (639,097)	\$ (503,831)	\$ (2,777,427)
Impairment reversal of property and equipment assets	\$ 662,791	\$ (709,321)	\$ -
Net loss	\$ (645,195)	\$ (1,633,489)	\$ (3,879,390)
Currency translation adjustment	\$ (15,290)	\$ (21,635)	\$ (222,496)
Net loss and comprehensive loss	\$ (660,485)	\$ (1,655,124)	\$ (4,101,886)
Cash-flow provided by (used in) operating activities	\$ (621,700)	\$ (293,898)	\$ (466,348)
Cash-flow used in investing activities	\$ (704,608)	\$ (332,522)	\$ (573,954)
Cash-flow provided by financing activities	\$ 1,822,925	\$ 672,915	\$ 1,044,226
Cash on hand end of year	\$ 621,413	\$ 135,627	\$ 113,203
Exploration and evaluation assets	\$ 1,384,105	\$ 1,388,576	\$ 1,901,306
Property and equipment assets	\$ 2,160,387	\$ 1,289,386	\$ 2,005,697
	\$ 3,544,492	\$ 2,677,962	\$ 3,907,003
Total assets	\$ 4,452,513	\$ 2,941,520	\$ 4,111,593
Total liabilities	\$ 2,160,770	\$ 1,999,766	\$ 2,232,667
Total shareholder's equity	\$ 2,291,743	\$ 941,754	\$ 1,878,926
Total liabilities and equity	\$ 4,452,513	\$ 2,941,520	\$ 4,111,593
Common shares outstanding - basic	163,098,933	126,427,870	113,237,590
Common shares outstanding - weighted average	142,455,765	119,262,918	104,085,992

The year over year comparisons indicate positive improvements in production, revenue, income from operations, and an improvement in net loss. Total assets have increase, liabilities are marginally higher, and shareholder's equity has increased.

Quarterly Financial Information in \$CAD

Quarterly Information	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Light oil Production - bbls	4,739	1,404	1,905	1,592	2,337	2,018	1,060	1,327
Natural Gas - boe (6 mcf : 1 bbl)	11	67	15	16	412	-	-	-
Boe	4,750	1,471	1,920	1,608	2,749	2,018	1,060	1,327
Production - boe/day	60.2	16.3	21.3	17.9	30.5	22.4	11.8	14.7
Petroleum and natural gas sales	\$ 466,113	\$ 106,318	\$ 156,269	\$ 113,617	\$ 136,369	\$ 107,613	\$ 43,389	\$ 81,393
Royalties	\$ (58,286)	\$ (13,925)	\$ (21,763)	\$ (14,842)	\$ (17,338)	\$ (15,045)	\$ (5,870)	\$ (10,781)
Operating Costs (excl. workovers)	\$ (39,375)	\$ (15,077)	\$ (54,623)	\$ (28,366)	\$ (29,277)	\$ (18,052)	\$ (12,727)	\$ (12,203)
Workovers	\$ (34,985)	\$ (14,705)	\$ (13,520)	\$ (60,520)	\$ (20,644)	\$ -	\$ -	\$ -
Income from operations	\$ 333,467	\$ 62,611	\$ 66,363	\$ 9,889	\$ 69,110	\$ 74,516	\$ 24,792	\$ 58,409
Gain on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ 254,371	\$ -	\$ -	\$ -
Impairment - E&E assets	\$ (639,097)	\$ -	\$ -	\$ -	\$ (503,831)	\$ -	\$ -	\$ -
Impairment/reversal PPE assets	\$ 662,791	\$ -	\$ -	\$ -	\$ (709,321)	\$ -	\$ -	\$ -
	\$ 23,694	\$ -	\$ -	\$ -	\$ (958,781)	\$ -	\$ -	\$ -
Net Loss	\$ (132,130)	\$ (180,395)	\$ (158,381)	\$ (174,289)	\$ (1,187,233)	\$ (107,115)	\$ 20,767	\$ (359,908)
Total assets	\$ 4,452,513	\$ 3,596,250	\$ 3,007,118	\$ 3,235,092	\$ 2,941,520	\$ 4,147,678	\$ 4,285,644	\$ 4,238,388
Total liabilities	\$ 2,160,770	\$ 2,160,780	\$ 1,813,526	\$ 1,965,649	\$ 1,999,766	\$ 1,987,832	\$ 2,321,139	\$ 2,271,287
Total shareholder's equity	\$ 2,291,743	\$ 1,435,470	\$ 1,193,592	\$ 1,269,443	\$ 941,754	\$ 2,159,846	\$ 1,964,505	\$ 2,012,101
Total liabilities and equity	\$ 4,452,513	\$ 3,596,250	\$ 3,007,118	\$ 3,235,092	\$ 2,941,520	\$ 4,147,678	\$ 4,285,644	\$ 4,283,388
Common shares o/s	163,098,933	146,463,870	140,543,870	139,234,870	126,427,870	124,002,870	117,117,870	117,117,870

Operating Results and Netback – Ohio Wells - \$USD

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Total 2020	Change	% Change
Production								
Oil - bbls	1,592.0	1,905.0	1,226.0	4,588.0	9,311.0	6,742	2,569	38%
Natural Gas - boe (6 mcf = 1 bbl)	16.0	15.0	15.0	11.0	57.0	412	(355)	-86%
Boe	1,608.0	1,920.0	1,241.0	4,599.0	9,368.0	7,154	2,214	31%
Boe/day	17.9	21.3	20.7	58.5	25.7	19.6	6.1	31%
Operations								
Revenue - Petroleum	\$ 89,745	\$ 126,682	\$ 84,222	\$ 348,329	\$ 648,978	\$ 274,889	\$ 374,089	136%
Royalty expense	\$ (11,724)	\$ (17,631)	\$ (11,026)	\$ (45,103)	\$ (85,484)	\$ (36,551)	\$ (48,933)	134%
	\$ 78,021	\$ 109,051	\$ 73,196	\$ 303,226	\$ 563,494	\$ 238,338	\$ 325,156	136%
Operating Costs - routine	\$ (22,310)	\$ (42,410)	\$ (9,900)	\$ (19,568)	\$ (94,188)	\$ (34,960)	\$ (59,228)	169%
Operating Costs - workovers	\$ (47,616)	\$ (10,843)	\$ (11,751)	\$ (17,263)	\$ (87,473)	\$ (22,977)	\$ (64,496)	281%
	\$ (69,926)	\$ (53,253)	\$ (21,651)	\$ (36,831)	\$ (181,661)	\$ (57,937)	\$ (123,724)	214%
Income from Field Operations	\$ 8,095	\$ 55,798	\$ 51,545	\$ 266,395	\$ 381,833	\$ 180,401	\$ 201,432	112%
Revenue / bbl	\$ 55.81	\$ 65.98	\$ 67.87	\$ 75.74	\$ 69.28	\$ 40.77	\$ 28.50	70%
Royalties / bbl	\$ (7.29)	\$ (9.18)	\$ (8.88)	\$ (9.81)	\$ (9.13)	\$ (5.42)	\$ (3.70)	68%
Operating costs - routine / bbl	\$ (13.87)	\$ (22.09)	\$ (7.98)	\$ (4.25)	\$ (10.05)	\$ (3.41)	\$ (6.65)	195%
Operating costs - workovers	\$ (29.61)	\$ (5.65)	\$ (9.47)	\$ (3.75)	\$ (9.34)	\$ (3.21)	\$ (6.13)	191%
Operating Netback /bbl								
Including workovers	\$ 5.03	\$ 29.06	\$ 41.54	\$ 57.92	\$ 40.76	\$ 25.22	\$ 15.54	62%
Excluding workover costs	\$ 34.65	\$ 34.71	\$ 51.00	\$ 61.68	\$ 50.10	\$ 28.43	\$ 21.67	76%

Netbacks excluding workovers were \$50.10 per barrel in 2021 compared to \$28.43 in 2020. Non-routine workover costs were \$87,473 in 2021 due to repairs or replacement of bottom hole pumps and repairs to the Company's water disposal system and facility.

The DH2 well, was put on production in mid-October of the fourth quarter of 2021 and resulted in a production increase of 31% in 2021 compared to 2020. The production in the fourth quarter increased to 58.5 boe/day compared to 19.6 boe/day for the full year 2020. Production and revenue in the fourth quarter of 2021 were greater than the first three quarters combined.

Subsequent to December 31, 2021, Marksmen is very pleased to see that the DH2 well achieved a very quick payout in mid-February of 2022 or approximately 120 days.

Alberta

Marksmen'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 \$8,971 of operating costs related to surface leases charged to wells in Alder Flats, Alberta during 2021 compared to \$15,180 in 2020.

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. Marksmen 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 completed by our SRP contractor with expenditures of approximately \$135,000 of the Company's liabilities were settled through this program. Further SRP work will be undertaken in 2022.

Acquisition of a well in Alberta - On August 1, 2021, Marksmen closed an acquisition whereby a related party assigned its working interest in one producing well in the Morinville area of Alberta, Canada. The consideration paid for the acquisition was one dollar. The effective date of the transaction was May of 2019 and Marksmen is entitled to collect outstanding receivables totalling \$68,953 from that date from the well's operator. Due to the age of the receivables outstanding, Marksmen has accounted in its financial statements for receivables of \$24,741 equal to the amount actually paid by the operator to Marksmen in the first quarter of 2022. Marksmen will continue to work with the operator to collect on the full amount owing of accounts receivables. Marksmen has assumed and accounted for their share of the decommissioning liability associated with this well and the acquisition has also been included in the reserve report evaluation of Marksmen's Canadian oil and gas assets.

From August of 2021 to year end, the well operated only partial months due to restrictions imposed by the Alberta Energy Regulator on the flaring of natural gas. It produced, net to Marksmen 321 barrels of oil and 50 boe of natural gas and liquids and generated \$27,400 in revenue. Royalties and operating costs totalled \$24,718, of which approximately half of the operating cost or \$12,000 was related to a workover. The resulting net income was \$2,682. These amounts have been included in the Company's financial statements.

This well is currently shut-in awaiting approval from the Alberta Energy Regulator for a refrigeration unit that has been installed to process natural gas and liquids from this and other wells in the area, thus eliminating the need for flaring. It is expected that the well will be back on production in May of 2022 with approximately five to seven boe/day of oil and associated natural gas and liquids to Marksmen.

Combined Operating Results in \$CAD

Combined USA and Canada \$ CAD	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021	Total 2020	Change	% Change
Petroleum production								
Barrels of oil Equivalent (Boe)	1,608	1,920	1,471	4,750	9,749	7,154	2,595	36%
Boe/day	17.9	21.3	16.3	60.2	26.7	19.6	7.1	36%
Revenue - Petroleum	\$ 113,617	\$ 156,269	\$ 106,318	\$ 466,113	\$ 842,317	\$ 368,764	\$ 473,553	128%
Royalty expense	\$ (14,842)	\$ (21,763)	\$ (13,925)	\$ (58,286)	\$ (108,816)	\$ (49,034)	\$ (59,782)	122%
	\$ 98,775	\$ 134,506	\$ 92,393	\$ 407,827	\$ 733,501	\$ 319,730	\$ 413,771	129%
Operating Costs - routine	\$ (29,366)	\$ (54,589)	\$ (15,094)	\$ (40,954)	\$ (140,003)	\$ (72,259)	\$ (67,744)	94%
Operating Costs - workovers	\$ (59,520)	\$ (13,554)	\$ (14,689)	\$ (33,406)	\$ (121,168)	\$ (20,644)	\$ (100,524)	487%
	\$ (88,886)	\$ (68,143)	\$ (29,783)	\$ (74,360)	\$ (261,171)	\$ (92,903)	\$ (168,268)	181%
Income from Field Operations	\$ 9,889	\$ 66,363	\$ 62,610	\$ 333,467	\$ 472,330	\$ 226,827	\$ 245,503	108%
Revenue / bbl	\$ 70.66	\$ 81.39	\$ 72.26	\$ 98.13	\$ 86.40	\$ 51.55	\$ 34.85	68%
Royalties / bbl	\$ (9.23)	\$ (11.33)	\$ (9.46)	\$ (12.27)	\$ (11.16)	\$ (6.85)	\$ (4.31)	63%
Operating costs - routine / bbl	\$ (18.26)	\$ (28.43)	\$ (10.26)	\$ (8.62)	\$ (14.36)	\$ (10.10)	\$ (4.26)	42%
Operating costs - workovers / bbl	\$ (37.01)	\$ (7.06)	\$ (9.98)	\$ (7.03)	\$ (12.43)	\$ (2.89)	\$ (9.54)	331%
Operating Netback /bbl								
Including workover costs	\$ 6.15	\$ 34.56	\$ 42.55	\$ 70.20	\$ 48.45	\$ 31.71	\$ 16.74	53%
Excluding workover costs	\$ 43.16	\$ 41.62	\$ 52.54	\$ 77.24	\$ 60.88	\$ 34.59	\$ 26.28	76%

Oil Revenue - for the year ended December 31, 2021, total revenue increased by 128% due to increase production of 2,595 boe and oil prices increasing by \$34.50 CAD. The revenue in Q4 of 2021, is greater than the first three quarters combined and greater than all of 2020.

Royalties – are paid by on a percentage of revenue, approximately 12.5%.

Operating Expenses – for the year ended December 31, 2021, increased due to high workover costs in both the USA and Canada totalling \$121,168 or almost five times that of 2020. The routine operating costs in 2021 compared to 2020 increased by 94% or \$67,744 partly due to two additional wells.

Well Information

In 2021, Marksmen drilled a Davis Holbrook offset well in mid-October. Additionally, a well in Alberta was acquired in August of 2021 bringing the total number of producing wells to seven. One, non-economic well was converted in 2020 from a working interest to an overriding royalty under the terms of a settlement agreement.

Well Information	2021		2020	
	Wells	Net Marksmen %	Wells	Net Marksmen %
Overriding royalty Interest	1.0	3.0	1.0	3.0
Producing wells	7.0	65.0	5.0	60.0
Water injection well	1.0	100.0	1.0	100.0
Shut-in wells	2.0	75.0	2.0	75.0

Well Name	County Location	Operated by	Other Information
Leaman #1	Hocking, Ohio	Hocking Hills	Three percent overriding royalty
Davis Holbrook #1	Pickaway, Ohio	Marksmen	complete upper zone in 2022
Davis Holbrook #2	Pickaway, Ohio	Marksmen	Complete upper zone in 2022
Delong Davis #1	Pickaway, Ohio	Chuck Henry	Working interest
Strittmatter #1	Pickaway, Ohio	Marksmen	potential for recomplete in 2022
BJ 78 #11	Pickaway, Ohio	Marksmen	potential for recomplete in 2022
Meredith #1	Portage, Ohio	PEP	Working interest
13-22-54-25W4	Sturgeon, Alberta	MAGA Energy	Working interest
BJ 78#6	Pickaway, Ohio	Marksmen	Water Injection well and facility
BJ 78 #8	Pickaway, Ohio	Marksmen	Shut-in, recomplete or abandon in 2022
BJ 78#10	Pickaway, Ohio	Marksmen	Shut-in, recomplete or abandon in 2022

General and Administrative Expenses

	2021	2020	Change	% Change
Employee compensation	\$ 124,898	\$ 110,117	\$ 14,781	13%
Canadian emergency wage subsidy grant	\$ -	\$ (33,856)	\$ 33,856	n/a
Management consulting services	\$ 136,700	\$ 133,000	\$ 3,700	3%
Professional fees	\$ 119,846	\$ 106,553	\$ 13,293	12%
Investor relations	\$ 20,957	\$ 35,466	\$ (14,509)	-41%
Filing and listing fees	\$ 48,164	\$ 45,868	\$ 2,296	5%
Ohio management and administration	\$ 19,883	\$ 17,876	\$ 2,007	11%
Insurance	\$ 24,289	\$ 27,181	\$ (2,892)	-11%
Computer software and support	\$ 20,713	\$ 20,418	\$ 295	1%
Office and storage	\$ 50,100	\$ 50,100	\$ -	0%
General and administrative - other	\$ 15,840	\$ 14,994	\$ 846	6%
	<u>\$ 581,390</u>	<u>\$ 527,717</u>	<u>\$ 53,673</u>	<u>10%</u>

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

CEWS – The Canadian Emergency Wage Subsidy is a Covid-19 federal government relief program. Marksmen did not qualify for this subsidy in 2021.

Management Consulting Fees – are paid to a professional corporation of a senior executive for services related to the overall management of the Company including some administrative costs. There was a 3% increase in charges in 2021 compared to 2020. This executive has consistently invested in all the private placements of the Company.

Professional Fees – Fees consist of legal fees, reserve engineering, audit, and accounting services in Canada, as well as fees for legal, engineering, geology and land consulting in Ohio, USA. Professional fees are 12% higher in 2021 compared to 2020.

Investor Relations – Are related to costs incurred to raise capital for exploration opportunities. Expenses relate to travel, investor conferences, and use of investment consultants throughout North America. Travel between Canada and the USA was curtailed by restrictions related to the Covid-19 pandemic and resulted in a 41% decrease.

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. They are 5% greater in 2021.

Ohio Management and Administrative Expenses – Costs of Marksmen's business activities in Ohio for 2021 increased by 11%.

Insurance – In 2021 insurance is 11% less than in the same period of 2020. This insurance coverage in Canada and the USA includes director and officer, property, and general liability as well as 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 in 2021 were similar to 2020.

Office and Storage – the cost of office space remained constant year over year.

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 were 6% greater in 2021 compared to 2020.

Selected Other Expenses

Interest Expense – During the year ended December 31, 2021, the Company paid interest related to a secured debenture of \$150,000, the same as in 2020.

Depletion and Depreciation – In 2021 depletion and depreciation totaled \$215,375 or \$22.09 per barrel of oil produced compared to \$176,006 or \$24.60 per barrel of oil produced in 2020.

Impairment Expense – E&E assets - In 2021 an uneconomic well drilled in Washington County Ohio in 2021 resulted in the cost of the well or \$639,097 well being impaired.

Impairment reversal – PPE assets – In 2021, the commodity prices increased compared to 2020 as reflected in the Company's reserve report to allow an increase the value of its assets. Therefore, a reversal of \$619,720 of impairment took place in 2021.

Gain on Acquisition – there is gain of \$24,741 less consideration of \$1, attributable to the acquisition of a well in Alberta. (See also Note 6 in the 2021 financial statements of the Company and acquisition of a well above under Alberta).

Other Income – includes \$135,000 settled through the Site Rehabilitation Program (SRP) less \$36,263 of additional costs related to 2021 commitments associated with judgements from Service Alberta on behalf of the Surface Rights Board, (now called Land and Property Rights Tribunal). (See also notes 10 and 11 in the 2021 financial statements of the Company).

Financial Position – Highlights in \$CAD

	Year Ended Dec. 31, 2021	Year Ended Dec. 31, 2020	Change	% Change
Assets				
Current assets	\$ 908,021	\$ 263,558	\$ 644,463	245%
Exploration and evaluation assets	\$ 1,384,105	\$ 1,388,576	\$ (4,471)	0%
Property and equipment	\$ 2,160,387	\$ 1,289,386	\$ 871,001	68%
	\$ 4,452,513	\$ 2,941,520	\$ 1,510,993	51%
Liabilities				
Accounts payable and accruals	\$ 464,668	\$ 331,461	\$ 133,207	40%
Decommissioning liabilities	\$ 433,106	\$ 429,676	\$ 3,430	1%
Government Loan	\$ 35,596	\$ 30,969	\$ 4,627	
Secured debentures	\$ 1,227,400	\$ 1,207,660	\$ 19,740	2%
	\$ -	\$ -	\$ -	0%
	\$ 2,160,770	\$ 1,999,766	\$ 161,004	8%
Equity				
Share capital, contributed surplus & other	\$ 29,420,227	\$ 27,425,044	\$ 1,995,183	7%
Deficit	\$ (27,128,484)	\$ (26,483,290)	\$ (645,194)	2%
	\$ 2,291,743	\$ 941,754	\$ 1,349,989	143%
Total liabilities and equity	\$ 4,452,513	\$ 2,941,520	\$ 1,510,993	51%

Assets – increased by \$1,510,993 or 51% in 2021 compared to the year ended December 31, 2020, due to increased cash of \$485,786 and an increase in property and equipment of \$871,001.

Liabilities – increased by 8% or \$161,004 in 2021 compared to 2020 primarily due to an increase in accounts payables and accruals.

Equity – In the year ended December 31, 2020, the Company’s share capital and contributed surplus increased by \$1,995,183 or 7% compared to 2020 as a result of funds raised in private placements. The deficit at year end 2021 increased by the amount of the net loss of the Company of \$645,194.

Exploration and Evaluation - E&E Assets

E&E assets consist of the Company’s exploration projects that are pending the determination of technological feasibility and commercial viability. This includes seismic, land leases and wells and facilities that have not been completed and put on production.

Exploration and evaluation assets (E&E)	Year End Dec. 31, 2021	Year End Dec. 31, 2020
Balance, beginning of year	\$ 1,388,576	\$ 1,901,307
Expenditures on exploration and evaluation	\$ 639,097	\$ -
Impairment of E&E assets	\$ (639,097)	\$ (503,830)
Foreign currency adjustment	\$ (4,471)	\$ (8,900)
Balance, end of year	\$ 1,384,105	\$ 1,388,576

Expenditures and Impairment - E&E assets - During the year ended December 31, 2021, the Company participated in the drilling of a well in Ohio at a cost of \$639,097 that is included in E&E assets. The well was drilled to total depth and was logged and tested. It was determined to be uneconomic by the well operator, other partners, and Marksmen. Therefore, the Company has included an equal offsetting cost as impairment in 2021.

Property and Equipment – Petroleum and Natural Gas Assets

Petroleum and natural gas assets consist of wells and facilities that are commercially viable.

Petroleum and natural gas assets	Year End Dec. 31, 2021	Year End Dec. 31, 2020
Balance beginning of year	\$ 4,222,691	\$ 4,132,123
Expenditures on property and equipment	\$ 390,386	\$ 263,451
Disposals	\$ -	\$ (86,323)
Change in estimate of decommissioning liabilities	\$ 77,072	\$ (15,424)
Foreign currency adjustment	\$ (15,691)	\$ (71,136)
Balance, end of year (before depletion)	\$ 4,674,458	\$ 4,222,691
Accumulated depletion and impairment		
Balance at beginning of year	\$ (2,935,535)	\$ (2,127,553)
Depletion and depreciation	\$ (214,554)	\$ (175,328)
(Impairment) and reversal of impairment	\$ 619,720	\$ (709,321)
Foreign currency translation	\$ 14,888	\$ 76,667
	\$ (2,515,481)	\$ (2,935,535)
Net Carrying Amount	\$ 2,158,977	\$ 1,287,156

Expenditures - In 2021 there were \$390,386 of expenditures related to the drilling and recompleting of wells in Ohio.

Impairment of property and equipment assets - An evaluation report of the Company's proved and probable oil and gas reserves was prepared by Trimble Engineering Associates Ltd. as of December 31, 2021. This report was used to assess the Company's property and equipment assets for impairment. In 2020 the reserves values did not exceed the carrying value of the assets resulting in an impairment of \$709,321. In 2021 the commodity prices used for the reserves report improved to allow the Company to reverse \$619,720 of impairment.

Settlement Agreement

On June 23, 2020, the Company reached a settlement agreement (the "Agreement") with an Operator of a well in Ohio. Marksmen was a 60% working interest partner in the well. During 2019, Marksmen held back payment of certain amounts owing to the Operator totaling \$241,784 USD, pending a joint venture audit of the Operator. The Operator did not wait for the audit to be completed and filed a statement of claim for this amount against the Company. Marksmen filed a counter claim and was successful in achieving an Ohio court arbitrated settlement. Pursuant to the Agreement, the Operator agreed to dismiss all claims against the Company for the full \$241,784 USD. Marksmen also received \$80,000 USD as additional compensation. Marksmen agreed to convert its 60% working interest in this non-economic well (very high operating costs) into a 3% overriding royalty.

Annual Information Form ("AIF")

Marksmen has prepared an AIF for the year ended December 31, 2021, and effective as of April 30, 2022. The document will be filed on SEDAR in conjunction with the Company's 2021 year-end filings.

Oil and Gas Reserves

Marksmen's oil and gas reserves have been evaluated at December 31, 2021, in a report prepared by Trimble Engineering Associates Ltd. in accordance with National Instrument 51-101 ("NI 51-101"). The reserves report was presented to the reserves committee and approved on April 13, 2022. The reserve data will be posted on SEDAR under the following referenced documents:

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

Decommissioning Liabilities

The Company's business activities require an estimate for the future cost of decommissioning and reclaiming well sites and/or facilities at the end of their life cycle. The Company measures these liabilities at the present value, using estimates that include costs to abandon, risk-free rate and expected timing of the abandonments. The Company has estimated the net present value of the decommissioning liabilities to be \$433,106 as at December 31, 202 (2020 - \$429,676).

In May 2020, the federal government, in conjunction with the Department of Energy, Alberta has implemented a Site Reclamation Program ("SRP") to abandon and reclaim un-economic oil and gas wells and facilities. One of Marksmen's wells at Alder Flats was abandoned under this program. Marksmen has applied for its remaining wells at Alder Flats to be partially reclaimed under this program. To date the Company has received approximately \$135,000 in SRP funding resulting in a reduction of the decommissioning liability with an off-setting credit to other income in consolidated statement of loss and comprehensive loss.

(See note 9, Decommissioning liabilities, in the Company's year ended December 31, 2021, audited financial statements for additional details).

Secured Debenture

The Company currently has a non-convertible secured debenture in place with a third party for \$1,250,000 with a maturity date of December 31, 2022, an interest rate of 12% and 1,800,000 share purchase warrants. The share purchase warrants were exercised in June and December of 2021 at \$0.075 per share. The Company paid interest totalling \$150,000 in two payments of \$75,000 each in June and December of 2021. **(See note 10, Secured debentures, in the Company's year ended December 31, 2021, audited financial statements for additional details).**

Government Loan

During the year ended December 31, 2020, the Company was approved for and received two loans of \$40,000 and \$20,000 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 first loan and 50% of the second loan is repaid on or before December 31, 2022, the repayment of the remaining \$20,000 of the 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.

Share Capital

The chart below is a summary of the Company's common shares, stock options, share purchase warrants, and broker warrants. It includes transactions to April 28, 2021. (See note 12, Share Capital, in the Company's year ended December 31, 2021, audited financial statements for additional details).

	Date	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2020		126,427,870	9,909,000	24,264,280	32,000
Q1 2021					
Private Placment with warrants	2021-02-09	12,575,000		12,575,000	
Broker warrants issued	2021-02-09				862,000
Stock options granted	2021-02-09		3,985,000		
Stock options exercised	2021-03-19	170,000	(170,000)		
Broker warrants exercised	2021-03-19	32,000			(32,000)
Broker warrants exercised	2021-03-21	30,000			(30,000)
Warrants expired	2021-09-27			(1,507,500)	
Warrants expired	2021-03-28			(432,500)	
Balance at March 31, 2021		139,234,870	13,724,000	34,899,280	832,000
Q2 2021					
Stock options exercised	2021-04-09	140,000	(140,000)		
Stock options exercised	2021-05-18	169,000	(169,000)		
Stock options expired	2021-05-21		(790,000)		
Warrants exercised	2021-06-24	1,000,000		(1,000,000)	
Warrants expired	2021-06-28			(2,200,000)	
Balance June 30, 2021		140,543,870	12,625,000	31,699,280	832,000
Q3 2021					
Private Placment with warrants	2021-09-29	5,920,000		5,920,000	
Broker Warrants	2021-09-29				304,000
Warrants Expired	2021-08-16			(640,000)	
Balance September 30, 2021		146,463,870	12,625,000	36,979,280	1,136,000
Q4 2021					
Private Placment with warrants	2021-11-05	14,913,330		14,913,330	
Private Placment with warrants to broker	2021-11-05	921,733		921,733	
Broker Warrants	2021-11-05				969,733
Stock Options - cancelled	2021-12-31		(825,000)		
Stock Options granted	2021-11-05		2,920,000		
Warrants expired	2021-11-22			(4,010,000)	
Warrants expired	2021-12-21			(484,000)	
Warrants exercised	2021-12-31	800,000		(800,000)	
Balance at December 31, 2021		163,098,933	14,720,000	47,520,343	2,105,733
Subsequent to Year End					
Broker warrants expired	2022-02-09				(862,000)
Warrants expired	2022-03-20			(3,880,780)	
Stock options expired	2022-04-24		(215,000)		
Balance at April 28, 2022		163,098,933	14,505,000	43,639,563	1,243,733

Share based Payments

During the year ended December 31, 2021, the Company granted 6,905,000 stock options (2020 – nil), there were 479,000 options exercised and 1,615,000 expired unexercised (2020 – nil and 1,165,000, respectively). The options granted during 2021 are exercisable at an average \$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 December 31, 2021
Risk-free interest rate	0.63%
Expected life	2.5 years
Expected volatility	153.55%
Fair value per option	\$0.04
Forfeiture rate	0.00%
Dividend yield	-

Share-based payments expense recognized during the year ended December 31, 2021, was \$187,548 (2020 - \$105,040), all of which has been recorded in net loss (2020 - \$105,040), with an offsetting credit to contributed surplus.

Tax

Tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 23.0% (2020 – 23.9%) to income before taxes as follows:

	As at December 31, 2021	As at December 31, 2020
Net loss before taxes	(645,195)	(1,655,124)
Combined federal and provincial tax rate	23%	23.9%
Computed “expected” tax	(148,395)	(395,575)
Tax rate differential between Canada and US	1,421	28,634
Share-based payments	43,136	25,105
Other items	132,215	-
Deferred tax asset not recognized	28,377	(341,836)
	-	-

The statutory tax rate declined from 27% to 26.5% due to a reduction in the Alberta corporate tax rate on July 1, 2019.

Details of deferred tax assets (liabilities) are as follows:

	As at December 31, 2021	As at December 31, 2020
Oil and gas properties	(273,825)	(273,450)
Debentures - Canada	(5,198)	(10,119)
Decommissioning liability - USA	58,021	46,614
Non-capital loss available for future periods - Canada	5,198	10,119
Non-capital loss available for future periods - USA	215,803	226,836
Net deferred tax asset (liability)	-	-

Details of the unrecognized deductible temporary differences are as follows:

	As at December 31, 2021	As at December 31, 2020
Decommissioning tax assets (liabilities)	180,841	234,670
Capital losses - Canada	2,059,000	2,059,000
Non-capital losses - Canada	9,183,589	8,783,609
Non-capital losses - USA	2,746,544	3,383,312
Oil and Gas properties - Canada	498,673	511,455
Share issue costs - Canada	204,163	61,299
Other - Canada	134,111	97,076
	15,006,921	15,130,421

At this stage of the Company's development, it cannot be reasonably estimated that there will be future taxable profits, accordingly there were no deferred income tax assets recognized.

The accumulated non-capital loss carry-forwards expires between 2029 and 2041.

Related Party Transactions

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

- a) A total of \$136,700 (2020 - \$133,000) in consulting fees and \$30,000 (2020 - \$30,000) 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 private placements in 2021 totaling \$110,500 (2020 - \$93,000).
- b) Aggregate legal fees of \$58,194 (2020 - \$36,056) were charged by a law firm in which a director of the Company is a partner, of which \$18,968 (2020 - \$15,306) were expensed as general and administrative expenses and \$39,226 (2020 - \$20,750) were charged to share capital as share issue costs.
- c) Fees of \$19,972 (2020 - \$14,887) were paid to a USA based company in which a director and officer of Marksmen Energy Inc. is an owner.
- d) As at December 31, 2021, the Company has accounts payable and accrued liabilities totaling \$17,685 (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.

Key management compensation - Key management includes the Company's executive management of Chief Executive Officer, VP of Operations and Chief Financial Officer.

	As at December 31, 2021	As at December 31, 2020
Compensation	226,700	223,000
Share based payments	65,453	40,811
TOTAL	292,153	263,811

A portion of the key management compensation of \$136,700 (2020 - \$133,000) has been paid through consulting fees, which are included above.

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 year ended December 31, 2021		
	Canada	Unites States	Total
Petroleum and natural gas sales	28,822	813,495	842,317
Depletion and depreciation	3,963	211,412	215,375
Net loss	574,084	71,111	645,195
Exploration and evaluation assets	334,512	1,049,593	1,384,105
Property, plant and equipment	18,355	2,142,032	2,160,387
Total liabilities	1,717,697	443,073	2,160,770

	For the year ended December 31, 2020		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	368,764	368,764
Depletion and depreciation	678	175,328	176,006
Net loss (income)	646,101	987,388	1,633,489
Exploration and evaluation assets	-	1,388,576	1,388,576
Property, plant and equipment	(115,301)	1,404,687	1,289,386
Total liabilities	1,780,112	219,654	1,999,766

Subsequent Events

In February of 2022, Marksmen entered into an agreement with its joint venture partner, Houghton Investments, to drill four Cambrian Knox formation wells. Work is currently underway to survey, unitize and permit these locations with the first well planned to be drilled in May of 2022. In March of 2022, Marksmen perforated and completed two upper zones of the Davis Holbrook #1 and Davis Holbrook #2 wells. Offset wells to the DeLong Davis well are currently being evaluated to determine the viability of drilling one or more wells on Marksmen leases.

Since year end of December, 31, 2021 and up to April 28, 2022 there have been 3,880,780 share purchase warrants and 215,000 stock options and 862,000 broker warrants that expired, unexercised.

Going Concern

At December 31, 2021, the Company had not yet achieved profitable operations, had accumulated a deficit of \$27,128,485 (2020 - \$26,483,290) a negative working capital of \$980,394 (2020 - \$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 2022 budget and on management's estimate of expenditures expected to be incurred beyond 2022.

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 December 31, 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.

Marksmen successfully completed three private placements during the year ended December 31, 2021. To achieve its intended development, management is committed to raising additional capital and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

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 December 31, 2021, included in deposits and prepaid expenses is an amount of \$41,772 on deposit with the AER associated with the Company’s operated wells in Alberta (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 the Site Reclamation Program that has assisted Marksmen in completing the abandonments and reclamation of its wells in Alberta, Marksmen is continuing negotiations with the AER.

The Surface Rights Board (“SRB”) – The Surface Rights Board (“SRB”), now called the Land and Property Rights Tribunal, 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. Marksmen has been served with Judgement(s) from the Alberta Government’s Service Alberta Crown Debt Collections with a balance at December 31, 2021, of \$134,111, (2020 - 97,848) related to unpaid surface leases. These properties were sold by Marksmen to a third-party company in August of 2010 and therefore Marksmen disputes this claim.

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 act 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.

The SRB has ruled and agrees that the third-party company is also an Operator, but they did not agree that the Company should be removed as an Operator. Therefore, 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.

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 debentures was calculated using an estimate of the market rate for similar debentures.

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. Marksmen manages its credit risk on a regular basis. As at December 31, 2021, the Company had cash of \$621,413 (2020 - \$135,627), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal. As at December 31, 2021, the Company's accounts receivable consisted of \$159,718 receivable from oil and natural gas marketing companies (2020 - \$34,713), \$90,111 receivable from joint venture working interest owners (2020 - \$25,529) and \$16,215 related to goods and service tax owing from the Government of Canada (2020 - \$5,660). Payment terms with customers vary. Standard payment terms are 30 days from invoice date. The Company's aged trade and other receivable at December 31, 2021, and 2020, excluding any impaired accounts, are as follows:

Days outstanding	As at December 31, 2021	As at December 31, 2020
0-30 days	169,695	51,359
31-60 days	10,506	14,543
61-90 days	35,238	-
Greater than 90 days	9,074	-
Trade and other receivables, net of allowance	224,512	65,902

The Company assessed the credit loss risk as \$nil at December 31, 2021, and 2020 based on historical data and future expectations and there was no allowance recorded against the accounts receivable.

Liquidity risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At December 31, 2021, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of \$464,668, the government loan of \$35,596 (note 12) and the secured debenture of \$1,227,400, which are all due over the next twelve months. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities.

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 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. 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 as a result 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 primarily in USD. As at December 31, 2021, the Company had no forward exchange rate contracts in place.

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 debentures bear a fixed interest rate of 12%. The Company has no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2020, and 2019.

Outlook

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

Oil and natural gas commodity prices in 2021 have improved compared to 2020. In 2020, West Texas Intermediate ('WTI') prices ranged from a low of under \$20 per barrel to a high in the \$40 USD range. In 2021, the WTI oil price have ranged from \$55 to \$75 per barrel and averaged \$69 per barrel for the year. In the first quarter of 2022, the prices paid to Marksman range from \$80 in January to \$107 in March. 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.

Worldwide supply chain disruptions, demand for drilling and other services, inflationary pressures, and sanctions on Russian supplied commodities such as tubulars has impacted service companies' availability and costs.

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") in Pickaway County, Ohio. DH2 was put on production in mid-October 2021, produced over 4,500 gross barrels of oil in the fourth quarter with initial or flush production close to 100 barrels per day and an average of over 60 barrels per day.

The success of the DH2 well validates the development of additional offset wells and expanding our exploration program in 2022. In February of 2022 Marksman entered into an agreement with its joint venture partner, Houghton Investments, to drill four Cambrian Knox formation wells. Work is currently underway to survey, unitize and permit these locations with the first well planned to be drilled in May of 2022. Also, in late March of 2022 the DH1 and DH2 each had an upper zone completed. Marksman also plans to recomplete the Strittmatter well and possibly other wells in Pickaway County. Additionally, Marksman is evaluating other areas in Pickaway County, such as at our Delong Davis location, for drilling opportunities. In Portage County, Marksman is planning on the recompletion of three or more Clinton Sandstone formation wells.

To complete capital projects, the Company normally relies on additional equity financing by way of private placements. In 2022, with existing cash on hand and funds generated from operations it is expected that Marksman will be able to internally fund some of its capital projects.

Comparing 2021 to 2020 financial indicators, Marksman has experienced improvements in most categories including assets, equity, revenue, expenses, and net loss. Marksman looks forward to continuing this trend with an exciting and positive 2022, by successfully completing our drilling and workover programs and evaluating other opportunities that become available.

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.