



ANNUAL INFORMATION FORM

For the year ended December 31, 2020

Dated April 28, 2021

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ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	Mcf/d	thousand cubic feet per day
boepd	barrels of oil equivalent per day	MMcf/d	million cubic feet per day
Mboe	thousand boe	GJ	gigajoule
NGL	natural gas liquids		
MMBtu	million British thermal units		

CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Thousand cubic metres ("10 ³ m ³ ")	0.0282
Thousand cubic metres	Mcf	35.494
bbl	Cubic metres ("m ³ ")	0.159
Cubic metres	bbl	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

DEFINITIONS

"**ABCA**" means *Business Corporations Act* (Alberta);

"**AIF**" means this Annual Information Form;

"**AFE**" means authorization for expenditures;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Corporation**" or "**Marksmen**" means Marksmen Energy Inc., and any reference to Marksmen or the Corporation shall include Marksmen USA;

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange Inc.;

"**Marksmen Shares**" means the common shares in the capital of the Corporation;

"**Marksmen USA**" means the Corporation's wholly owned subsidiary, Marksmen Energy USA, Inc.;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**NI 51-102**" means National Instrument 51-102 - *Continuous Disclosure Obligations*;

"**Options**" means options to purchase Marksmen Shares issued pursuant to the Corporation's stock option plan;

"**Tax Act**" means the *Income Tax Act* (Canada);

"**Trimble**" means Trimble Engineering Associates Ltd., an independent oil and natural gas reserves evaluator;

"**Trimble Report**" means the independent engineering evaluations prepared by Trimble evaluating the natural gas and crude oil reserves of Marksmen and Marksmen USA dated March 31, 2021 and effective as at December 31, 2020; and

"**United States**" or "**U.S.**" or "**USA**", means the United States of America.

Certain other terms used herein but not defined herein are defined in NI 51-101 or in the Glossary of NI 51-101 (contained in Canadian Securities Administrators Staff Notice 51-324 ("**CSA Notice 51-324**")) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or in CSA Notice 51-324, as applicable. CSA Notice 51-324 incorporates by reference certain definitions set out in the COGE Handbook.

Unless otherwise specified, information in this AIF is as at the end of the Corporation's most recently completed financial year, being December 31, 2020.

CURRENCY

In this AIF, all dollar amounts are expressed in Canadian currency, unless otherwise noted.

FORWARD LOOKING STATEMENTS

This AIF contains certain forward-looking statements and forward-looking information which are based on the Corporation's current internal expectations, estimates, projections, assumptions and beliefs, including, among other things, assumptions with respect to production, future capital expenditures and cash flow, based on information available at the time the assumption was made. Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "plan", "should", "believe" and similar expressions are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements or information. The Corporation believes that the expectations reflected in those forward-looking statements and information are reasonable but no assurance can be given that these expectations, or the assumptions underlying these expectations, will prove to be correct and such forward-looking statements and information included in this AIF should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this AIF and the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

In particular, this AIF contains forward-looking statements which include, but are not limited to, statements and information pertaining to the following:

- oil, natural gas liquids ("NGLs") and natural gas production levels;
- the performance characteristics of the Corporation's properties and assets;
- the size of oil, NGL and natural gas reserves attributable to the Corporation's properties;
- the quality of and future net revenues from the Corporation's reserves;
- planned development of the Corporation's oil and gas properties;
- capital expenditure programs and other expenditures;
- commodity prices, United States currency exchange rates and interest rates;
- supply and demand for oil, NGLs and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

The forward-looking statements contained in this AIF are based on and have been developed with reference to certain factors and assumptions which include, but are not limited to, the following:

- the ability of Marksmen to add production and reserves at a consistent rate;
- that commodity prices will not deteriorate significantly;
- the ability of Marksmen to obtain financing on acceptable terms;
- the ability of Marksmen to engage drilling and other service contractors and to obtain and transport equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out exploration, development and exploitation activities;
- the ability of Marksmen to market and transport its oil, NGL and natural gas;
- prevailing governmental and other regulatory regimes and tax, environmental and other laws;
- the timely receipt of regulatory approvals and the terms and conditions of such approvals;
- the ability of the Corporation to realize drilling success consistent with management's expectations; and

- financial information including expected funds flow from operations, production numbers, future capital expenditures, debt levels, expenses and cash flows.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including the risk factors set forth under "Risk Factors" in this AIF and those set forth below:

- risks associated with the exploration for and development of oil and natural gas reserves;
- operational risks and liabilities that are not covered by insurance;
- volatility in market prices for oil, NGLs and natural gas;
- the ability of the Corporation to fund its substantial capital requirements and operations;
- risks associated with ensuring title to the Corporation's properties;
- uncertainties associated with estimating oil, NGL and natural gas reserves;
- incorrect assessments of the value of acquisitions and exploration and development programs and the failure to realize the anticipated benefits of acquisitions;
- geological, technical, drilling and processing problems;
- changes in environmental or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental and other laws;
- uncertainties associated with estimating reserves;
- the Corporation's success at acquisition, exploitation and development of reserves;
- the Corporation's reliance on key operational and management personnel;
- the ability of the Corporation to obtain and maintain all of its required permits and licenses;
- competition for, among other things, capital, drilling equipment and services, acquisitions of reserves, undeveloped lands and skilled personnel;
- variations in United States exchange rates and interest rates;
- equipment and technology risks;
- geo-political risks;
- changes in general economic, market and business conditions in the United States and Canada;
- actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws and incentive programs and royalties relating to the oil and gas industry; and
- the global public health crises in respect of the outbreak of the novel coronavirus (COVID-19), including volatility and disruptions in the supply and demand for oil and natural gas, global supply chains and financial markets, as well as declining trade and market sentiment, reduced mobility of people and interruptions and delays to the Corporation's oil and gas operations.

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors should not be construed as exhaustive. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement. Except as required under applicable securities laws, the Corporation undertakes no obligation to publicly update or revise any forward-looking statements.

THE CORPORATION

Corporate Structure

Name and Incorporation

Marksmen was incorporated on March 14, 1997 as 731616 Alberta Ltd. under the *Business Corporations Act* (Alberta) and changed its name to Marksmen Resources Ltd. on June 27, 1997. On June 5, 2002 Marksmen Resources Ltd. amended its articles to consolidate its common shares on a five to one basis. On October 11, 2005 Marksmen Resources Ltd. entered a plan of arrangement which resulted in the creation of Signet Minerals Inc. On January 1, 2008 Marksmen Resources Ltd. filed articles of amalgamation in respect of an amalgamation with RXO Energy Inc. Marksmen Resources Ltd. changed its name to Marksmen Energy Inc. on August 11, 2010 and concurrently consolidated its common shares on a ten to one basis.

Marksmen's principal office is located at Suite 500, 400 - 3rd Ave. S.W., Calgary, Alberta, T2P 4H2 and its registered office is located at 1600, 333 – 7th Avenue S.W., Calgary, Alberta, T2P 2Z1.

The Marksmen Shares trade on the TSXV under the symbol "MAH" and on the New York OTCQB Venture Marketplace under the symbol "MKSEF".

Intercompany Relationships

Marksmen currently has one wholly owned subsidiary, Marksmen Energy USA, Inc., incorporated under the laws of Delaware.

Business of the Corporation

Marksmen is a Calgary-based oil and natural gas company engaged in the acquisition, development and production of crude oil from properties located in Ohio, USA and Alberta, Canada.

In 2012, Marksmen made a strategic corporate decision to exploit the shallow, light oil resources in Central and Western Ohio, U.S.A., which management believes offers superior economics compared to other parts of North America. To achieve this goal, Marksmen created Marksmen USA and secured the expertise of a technical team in Columbus, Ohio.

In Alberta, Marksmen has six oil and gas properties located at Alder Flats that are all shut-in. Five of these wells have been abandoned and one is currently in the abandonment process with funding provided by the federal government under the Site Reclamation Program ("SRP"). The reclamation of all the Alder Flats wells is awaiting a funding decision under the SRP.

Three Year History

2018

On April 13, 2018, the Corporation completed the first closing of its previously announced non-brokered private placement for 2,026,981 units of Marksmen at a price of \$0.21 per unit for aggregate gross proceeds of \$425,666. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.42 expiring two (2) years from the date of the closing of the private placement.

On April 27, 2018, the Corporation completed the second and final closing of its previously announced non-brokered private placement for 1,431,428 units of Marksmen at a price of \$0.21 per unit for aggregate gross proceeds of \$300,600. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.42 expiring two (2) years from the date of the closing of the private placement.

On November 2, 2018, the Corporation completed the first closing of its previously announced non-brokered private placement for 2,393,335 units of Marksmen at a price of \$0.12 per unit for aggregate gross proceeds of \$287,200. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.24 expiring two (2) years from the date of the closing of the private placement.

On November 16, 2018, the Corporation completed the second and final closing of its previously announced non-brokered private placement for 731,667 units of Marksmen at a price of \$0.12 per unit for aggregate gross proceeds of \$87,800. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.24 expiring two (2) years from the date of the closing of the private placement.

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

2019

On January 31, 2019, the Corporation completed the closing of its previously announced non-brokered financing to replace an outstanding debenture by issuing a non-convertible secured debenture of Marksmen in the amount of \$1,250,000 and 1,800,000 share purchase warrants of the Corporation. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.24 per share if the non-convertible secured debenture is paid in full by April 30, 2019 and at \$0.22 per share thereafter, expiring on December 31, 2019. The non-convertible secured debenture was issued to replace the outstanding \$1,250,000 debenture which expired December 31, 2018 and issued pursuant to offerings announced by the Corporation on July 3, 2013 and June 3, 2015, respectively. The debenture bears interest at 12% per annum and matures on December 31, 2019. The terms of the debenture, other than the maturity date, are the same as the debenture to which it replaces.

On February 27, 2019, the Corporation completed the first closing of its previously announced non-brokered private placement for 3,015,000 units of Marksmen at a price of \$0.10 per unit for aggregate gross proceeds of \$301,500. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.20 expiring two (2) years from the date of the closing of the private placement.

On March 28, 2019, the Corporation completed the second and final closing of its previously announced non-brokered private placement for 865,000 units of Marksmen at a price of \$0.10 per unit for aggregate gross proceeds of \$86,500. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.20 expiring two (2) years from the date of the closing of the private placement.

On April 4, 2019, Marksmen announced the granting of stock options to purchase 1,030,000 common shares of the Corporation pursuant to its stock option plan. The options, subject to regulatory and TSX Venture

Exchange approval, were issued with an exercise price of \$0.10 per share, vest as to one-third (1/3) immediately and one-third (1/3) on each of the first and second anniversaries of the grant date and have a five-year term from the date of issuance.

On June 28, 2019, the Corporation completed the first closing of its previously announced non-brokered private placement for 5,900,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$295,000. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.10 expiring two (2) years from the date of the closing of the private placement.

On June 28, 2019, the Corporation also announced that it had issued a non-convertible secured debenture for gross proceeds of \$1,250,000 and issued 1,800,000 share purchase warrants of the Corporation. Each whole warrant entitled the holder thereof to purchase one Marksmen Share for \$0.10 per share expiring on December 31, 2020. The non-convertible secured debenture was issued to replace the outstanding \$1,250,000 debenture which expired December 31, 2019, bore interest at 12% per annum and matured on December 31, 2020. The terms of the non-convertible secured debenture, other than the maturity date, were the same as the debenture that was replaced.

On August 15, 2019, the Corporation completed the second and final closing of its previously announced non-brokered private placement for 1,280,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$64,000. The units were comprised of (1) Marksmen Share and one-half of one (1/2) share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Marksmen Share for \$0.10 expiring two (2) years from the date of the closing of the private placement.

On September 12, 2019, the Corporation entered into a joint venture agreement with a private oil and gas company in Ohio to recomplete up to 40 oil and gas wells in the Clinton Sandstone Formation. The first recompletion is scheduled for latter part of May of 2020 followed by additional wells every one to two months subject to productive success and capital availability.

In October of 2019, the Leaman #1 well horizontal well transitioned from a capital project to an operating or producing well. The production results were poor relative to the capital costs resulting in most of the capital cost being impaired in fiscal year ended December 31, 2019. The Corporation was in a legal dispute with the operator of the Leaman #1 horizontal well. See "*Legal Proceedings and Regulatory Actions*".

On November 22, 2019, the Corporation completed the first closing of its previously announced non-brokered private placement for 4,010,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$200,500. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.10 expiring two (2) years from the date of the closing of the private placement.

On December 13, 2019, the Corporation completed the second and final closing of its previously announced non-brokered private placement for 484,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$24,200. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.10 expiring two (2) years from the date of the closing of the private placement.

2020

On March 20, 2020, the Corporation completed the closing of its previously announced non-brokered private placement for 3,880,280 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$194,014. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each

warrant entitles the holder thereof to purchase one Marksmen Share for \$0.10 expiring two (2) years from the date of the closing of the private placement. In addition, Marksmen paid a cash commission to a qualified non-related party of \$1,600 and issued 32,000 broker warrants entitling the holder to acquire one Marksmen Share at a price of \$0.05 per share for a period of one (1) year from the date of issuance.

On June 29, 2020, the Corporation announced that it reached an understanding with the holder of a non-convertible secured debenture in the principal amount of \$1,250,000 to amend the expiry date of the non-convertible secured debenture and modify the warrant exercise price and extend the expiry date on 1,800,000 warrants issued in connection with the non-convertible secured debenture. Pursuant to an amending agreement dated effective July 1, 2020, the debenture holder extended its non-convertible secured debenture that would expire on December 31, 2020 to expire on December 31, 2022 and modified the warrant exercise price on 1,800,000 warrants issued in connection with the non-convertible secured debenture from \$0.10 to \$0.075 and extended the expiry date of the warrants to December 31, 2022. All other terms of the non-convertible secured debenture and warrants remained the same.

On July 17, 2020, the Corporation completed the first closing of its previously announced non-brokered private placement for 3,270,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$163,500. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.075 expiring two (2) years from the date of the closing of the private placement.

On July 27, 2020, the Corporation completed the second closing of its previously announced non-brokered private placement for 3,150,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$157,500. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.075 expiring two (2) years from the date of the closing of the private placement.

On August 4, 2020, the Corporation announced that it had defended a legal claim initiated by Hocking Hills Energy and Well Services LLC ("**HHE**") of Ohio, operator of the Leaman #1 Clinton Sandstone Horizontal well drilled in Hocking County, Ohio, of which Marksmen was a 60% working interest partner. A settlement agreement (the "**Agreement**") was reached effective June 23, 2020. Pursuant to the Agreement, HHE agreed to dismiss all claims against Marksmen including its claim for approximately \$190,800 USD. Marksmen also received \$80,000 USD as part of the settlement and agreed to convert its 60% working interest into a 3% gross override.

On September 4, 2020, the Corporation completed the third and final closing of its previously announced non-brokered private placement for 465,000 units of Marksmen at a price of \$0.05 per unit for aggregate gross proceeds of \$23,250. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.075 expiring two (2) years from the date of the closing of the private placement.

On December 29, 2020, the Corporation completed the first closing of its previously announced non-brokered private placement for 2,425,000 units of Marksmen at a price of \$0.04 per unit for aggregate gross proceeds of \$97,000. The units were comprised of (1) Marksmen Share and one (1) share purchase warrant. Each warrant entitles the holder thereof to purchase one Marksmen Share for \$0.07 expiring two (2) years from the date of the closing of the private placement.

Significant Acquisitions

During the fiscal year ended December 31, 2020, the Corporation did not complete any significant acquisitions as defined in NI 51-102.

DESCRIPTION OF THE BUSINESS

General

The primary business of Marksmen is the acquisition, development, and production of crude oil from properties located in Ohio, USA. Marksmen may also assess from time to time other opportunities in Western Canada and the United States.

In Alberta at Alder Flats, Marksmen abandoned five wells in 2015 and one remaining well is shut-in. The remaining shut-in well is currently being abandoned under the SRP funded by the federal government. Some reclamation work was undertaken in 2019 and 2020, will be on-going in 2021 and is awaiting additional SRP funding approval. There has been no production in Alberta since 2010.

In 2012, Marksmen made a strategic corporate decision to exploit the shallow, light oil resources in Central and Western Ohio, USA, which management believes offers superior economics compared to other parts of North America. To achieve this goal, Marksmen created a subsidiary, Marksmen Energy USA, Inc. and secured the expertise of a technical team in Columbus, Ohio.

Competition

The oil and natural gas industry is competitive in all its phases. Marksmen competes with numerous other participants in the acquisition, exploration and development of oil and natural gas assets, the securing of labour and services and the marketing of oil and natural gas. Marksmen's competitors include resource companies which have greater financial resources, staff and facilities than those of Marksmen. The Corporation believes that its competitive position in the Ohio area is generally equivalent to that of other oil and natural gas producers of similar size and at a similar stage of development.

Seasonal Factors

The Corporation's business is generally not cyclical. The development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations, including freeze-up and break-up, and crop growing seasons affect access in certain circumstances.

United States Operations

Marksmen's wholly owned subsidiary, Marksmen Energy USA, Inc. holds properties and operates in the State of Ohio. See "*Statement of Reserves Data and Other Information*" for more information regarding the oil and natural gas reserves of Marksmen's USA in Ohio.

Personnel

As at the date of this AIF, Marksmen has 1 full-time employee, 2 part-time employees and 3 consultants. The Corporation engages other consultants on an as required basis.

INDUSTRY CONDITIONS

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry. All current legislation is a matter of public record and Marksmen is unable to predict what additional legislation or amendments may be enacted.

Government Regulation

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of Marksmen in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and Marksmen is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing of Crude Oil and Natural Gas

In the United States, producers of crude oil negotiate sales contracts directly with crude oil purchasers. Agreements are generally linked to West Texas Intermediate (WTI) oil prices, which are set on a daily basis. These prices are primarily based on worldwide fundamentals of supply and demand. Specific prices depend, in part, on crude oil quality, prices of competing fuels, distance to the markets, the value of refined products, the supply/demand balance and other contractual terms. Since mid-2014, crude oil and natural gas prices experienced significant price fluctuations in response to a variety of factors including, among others, the worldwide changes in supply and demand for crude oil. See "*Risk Factors – Commodity Prices*".

Royalties and Incentives

In addition to federal regulations, each province in Canada and each U.S. state has legislation and regulations which govern oil and gas holdings and land tenure, royalties, production rates, environmental protection and other matters. In all Canadian jurisdictions, producers of oil and natural gas are required to pay annual rental payments and royalties in respect of Crown leases, and royalties and freehold production taxes in respect of oil and natural gas produced from Crown and freehold lands, respectively. In all U.S. jurisdictions, producers of oil and natural gas are typically required to pay annual rental payments in respect of federal, state and freehold leases until production begins. Upon commencement of production, royalties and production taxes are paid in respect of oil and natural gas produced from federal, state and freehold lands. Royalty and production tax regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown-owned lands in Canada and federal and state lands in the U.S. are determined by negotiations between the freehold mineral owner and the lessee. Crown royalties in Canada and federal, U.S. Indian and state royalties and production taxes in the U.S. are determined by government regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are from time to time carved out of the working interest owner's interest through private transactions. These are often referred to as overriding royalties, gross overriding royalties or net profits or net carried interests.

From time to time, the federal and provincial governments in Canada and the federal and state governments in the U.S. have established incentive programs which have included royalty rate or production tax reductions (including for specific wells), royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. If applicable, oil and natural gas royalty

holidays, reductions and tax credits would effectively reduce the amount of royalties paid by oil and gas producers to the applicable governmental entities.

Land Tenure

Crude oil and natural gas located in Canadian provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences and permits for varying periods and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned, and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated with the private owner.

Crude oil and natural gas located in the U.S. is predominantly owned by private owners. The Federal Government Bureau of Land Management ("BLM"), and the state in which the minerals are located also may hold ownership to such rights. These owners, from governmental bodies to private individuals, grant rights to explore for and produce oil and gas pursuant to leases, licenses and permits for varying periods and on conditions including requirements to perform specific work or make payments. As to those rights held by private owners, all terms and conditions may be negotiated. For those rights held by governmental agencies, typically the terms and conditions of the oil and gas lease have been predetermined by each governing or regulatory body. Substantially all of the leaseholds currently owned by the Corporation in the U.S. have been granted through private owners.

Environmental Protection Requirements

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of United States and Canadian conventions and federal, provincial, state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association with oil and natural gas operations, requirements with respect to oilfield waste handling and storage, habitat protection, and minimum setbacks of oil and gas activities from fresh water bodies. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Environmental laws may impose remediation obligations and costs on "persons responsible" with respect to contaminated property, including persons responsible for the substance causing the contamination, persons responsible for the release, past and present owners of the property, and occupiers of the property. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material, and in the suspension or revocation of necessary licenses and approvals, as well as civil liability for damage caused by pollution. Certain environmental protection legislation may subject Marksmen to statutory strict liability in the event of an accidental spill or discharge from a licensed facility, meaning that fault need not be established by claimants affected by such a spill or discharge.

Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability, and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas, or other pollutants into the air, soil or water may give rise to liabilities to third parties and may require Marksmen to incur costs to remedy any such discharge not covered by Marksmen's insurance. Although Marksmen maintains insurance, which in part covers liabilities associated with discharges, it is not certain that such insurance will cover all possible environmental events, foreseeable or otherwise, or whether changing regulatory requirements or emerging jurisprudence may render such insurance of little benefit. Further, Marksmen expects incremental future compliance costs in light of

increasingly more complex environmental protection requirements, some of which may require the installation of emissions monitoring and measuring devices and the verification of emissions data.

Marksmen believes it is in material compliance at this time with environmental legislation in Alberta and Ohio in which it carries on operations. Marksmen is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Marksmen's financial condition, results of operations or prospects. See *"Risk Factors - Abandonment and Reclamation Costs"*, *"Risk Factors - Environmental Risks and Regulations"* and *"Risk Factors - Regulatory"*.

Social or Environmental Policies

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of significant importance to Marksmen. Marksmen endeavours to conduct its operations through the utilization of professionals and experienced qualified contractors and consultants in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards, particularly relating to the environment, health and safety;
- operations consistent with industry codes, practices and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;
- engage contractors who are committed to ensuring compliance with corporate safety and environmental rules and procedures; and
- communicating openly with members of the public regarding its activities.

RISK FACTORS

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in Marksmen's other public filings before making an investment decision. The risks below are not an exhaustive description of all the risks associated with oil and natural gas exploration.

Covid-19 Pandemic

The COVID-19 pandemic has negatively impacted global economic conditions, including the demand for oil and gas and the Corporation's financial results and stock price. It has resulted in a prolonged period of travel, commercial and other similar restrictions affecting the Corporation's personnel, contractors, and suppliers. In both Canada and the USA, effective vaccines are currently being administered based on plans outlined by each province or state (more quickly in the USA). Once the vaccinations reach a certain level known as 'herd immunity', the economies of Canada and the USA are expected to begin to return to normal. In Ohio, the oil and gas industry is considered an essential service and operations and capital projects, although somewhat less efficient and constrained by the pandemic, are still on-going.

Stage of Development

An investment in the Corporation's securities is subject to certain risks related to its early stage of development. There are numerous factors which may affect the success of the Corporation's business which are beyond the Corporation's control including local, national and the United States economic and political conditions. The Corporation's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The inability of the Corporation to deal with future growth could have a material adverse impact on its business, operations and prospects.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any of its properties, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to locate and continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. It is difficult to project the costs of implementing an exploratory or development drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Corporation currently has access to a limited number of specifically identified exploration and development prospects. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory resource properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and natural gas exploration or development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, completion and operations costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include but are not limited to delays in obtaining governmental approvals or consents, shut-ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal oilfield operating conditions cannot be eliminated and can be expected to adversely affect revenue, cash flow and financial condition levels to varying degrees.

United States Operations

Presently, substantially all of Marksmen's oil and gas operations and assets are located in the United States. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes in energy policies modification of contract rights, currency fluctuations, royalty and tax increases, and other risks arising out of each of the federal and state governmental sovereignty over the areas in which the Corporation's operations are conducted. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's United States operations may also be adversely affected by laws and policies of Canada as they pertain to United States trade, taxation and investment.

In the event of a dispute arising in connection with its United States operations, the Corporation may be subject to the exclusive jurisdiction of United States courts or may not be successful in subjecting United States persons to the jurisdiction of courts in Canada or enforcing Canadian judgments in United States jurisdictions. In addition, Marksmen's existing joint ventures and its subsidiaries were formed pursuant to, and their operations are governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Corporation's United States activities could be substantially affected by factors beyond the Corporation's control, any of which could have a material adverse effect on the Corporation.

Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated significantly in the past and since mid-2014 have fallen dramatically. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries ("OPEC"), governmental regulation, political stability in the Middle East and elsewhere, the United States supply and demand of oil and natural gas, the price of United States imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of any reserves, borrowing capacity, revenues, profitability and cash flows from operations.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, although the Corporation does not have any borrowing or lines of credit in place with any bank, bank borrowings if available to the Corporation may in part be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of any potential bank debt of the Corporation be repaid.

Substantial Capital Requirements

The Corporation is required to make substantial capital expenditures for the exploration, development, production and acquisition of oil and natural gas reserves. There can be no assurance that debt or equity financing or cash generated by future operations will be available or sufficient to meet these requirements

or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and/or its results of operations.

Additional Financing Requirements and Dilution of Investment

It may take a number of years and substantial capital expenditures to pursue successfully or otherwise, the exploration and development of the Corporation's existing properties and opportunities. From time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's future revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. The availability of equity or debt financing is affected by many factors, including world and regional economic conditions; the state of United States relations; the stability and the legal, environmental, regulatory, fiscal and tax policies of various governments in areas of operation; fluctuations in the world and regional price of oil and gas and in interest rates; the outlook for the oil and gas industry in general and in areas in which the Corporation has or intends to have operations; and competition for funds from possible alternative investment projects. The terms of any such equity financing may be dilutive to holders of Marksmen Shares. Potential investors and lenders will be influenced by their evaluations of the Corporation and its projects, including their technical difficulty, and comparison with available alternative investment opportunities. If adequate funds are not available, the Corporation may be required to scale back or even relinquish certain projects. If additional financing is raised by the issuance of shares from treasury, control of the Corporation may change and existing shareholders may suffer dilution. In addition, the Corporation may make future property or corporate acquisitions or enter into other transactions involving the issuance of securities of the Corporation which may also be dilutive.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties. These third parties generally have objectives and interests that may not coincide with the Corporation's interests and may conflict with the Corporation's interests. Unless the parties are able to compromise these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated.

In certain circumstances, the concurrence of co-venturers may be required for various actions. Other parties influencing the timing of events may have priorities that differ from the Corporation's, even if they generally share the Corporation's objectives. Demands by or expectations of governments, co-venturers, customers, and others may affect the Corporation's strategy regarding its various projects. Failure to meet such demands or expectations could adversely affect the Corporation's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability

to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of the Corporation.

Markets and Marketing

The marketability and price of oil and natural gas that is acquired or discovered by the Corporation is affected by numerous factors beyond its control. The Corporation may also be affected by deliverability uncertainties related to processing facilities and related to operational problems with such facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of the Corporation's reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in net production revenue of the Corporation causing a reduction in its oil and gas acquisition, development and exploration activities.

Project Risks

Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the supply of and demand for oil and natural gas;
- the effects of inclement weather;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

As a result of the foregoing factors, the Corporation may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of United States and Canadian conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be operated, maintained, abandoned and reclaimed to the

satisfaction of applicable authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of fines and penalties which may be material. Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. No assurance can be given that environmental legislation will not result in a curtailment of production or a material increase in the costs of exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects. See also "*Industry Conditions - Environmental Protection Requirements*", "*Risk Factors - Regulatory*" and "*Risk Factors - Abandonment and Reclamation Costs*".

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. The Corporation's operations may require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

The U.S. is currently reviewing its federal policies to establish targets for the reduction of or limits on the emission of greenhouse gases ("**GHG**") in line with the climate change Paris accord. The United States Environmental Protection Agency may continue to promulgate regulations concerning the reporting and control of GHG emissions.

The Corporation is unable to predict the total impact of these potential regulations upon its business. It is possible the Corporation could face increases in operating costs in order to comply with this legislation which could have the impact of curtailing exploration and development by oil and natural gas producers which in turn, could negatively affect the Corporation's operations.

Abandonment and Reclamation Costs

The Corporation will be responsible for compliance with terms and conditions of environmental and regulatory approvals and all laws and regulations regarding abandonment and reclamation in respect of its properties, which abandonment and reclamation costs may be substantial. A breach of such legislation or regulations may result in the imposition of fines and penalties, including an order for cessation of operations at the site until satisfactory remedies are made.

Variations in United States Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. Marksmen's financial results are expressed in Canadian dollars and the future value of reserves data are generally expressed in U.S. dollars. Marksmen is paid for its U.S. based oil production in U.S. dollars.

Future fluctuations in the Canadian/United States United States exchange rate may adversely impact Marksmen's financial results, the future value of Marksmen's reserves as determined by independent evaluators and the cost in Canadian dollars of servicing and repaying the senior unsecured notes.

To the extent that Marksmen engages in risk management activities related to United States exchange rates, there is a credit risk associated with counterparties with which the Corporation may contract. An increase in interest rates could result in a significant increase in the amount Marksmen pays to service debt, which could negatively impact the market price of the Marksmen Shares.

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular states or provinces where such activities will be conducted. Demand for such equipment may affect the availability of such equipment to the Corporation and may delay exploration and development activities. Where the Corporation is not the operator of its oil and natural gas properties, the Corporation is dependent on such operators for the timing of activities related to such properties and may be unable to direct or control the activities of the operators.

Reliance on Operators and Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect. The contributions of these individuals to the immediate operations of the Corporation are of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is high and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

Reliance on Industry Partners

The Corporation relies on industry partners with respect to the evaluation, acquisition and development of, and future production from, its properties and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas and other petroleum products. The Corporation's competitors include independent oil and gas companies, some of which have greater financial, technical and other resources than the Corporation. The Corporation's ability to increase its reserves will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. There is no assurance that the Corporation will be able to successfully compete against its competitors. However, the Corporation strives to be competitive by maintaining a strong financial position and by using its network of contacts and relationships to source and secure appropriate investment opportunities.

Expiration of Leases or Licenses

The Corporation's property interests are generally held in the form of licenses that are Crown or State, and freehold leases that are held by production. If the Corporation or the holder of its interests fails to meet the specific requirement(s) of a particular interest, the interest may terminate or expire. There can be no assurance that any of the obligations required to maintain each interest will be met. The termination or expiration of a Corporation's particular interest may have a material adverse effect on the Corporation's financial condition and/or its results of operations.

Title to Properties

Although title reviews are done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation. Title to oil and natural gas interests is often not fully determinable without incurring substantial expense. In accordance with industry practice, the Corporation conducts such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of the Corporation in certain properties may vary from its records.

Reserve Replacement

The Corporation's future oil and natural gas reserves, production, if any, and cash flows to be derived therefrom are entirely dependent on the Corporation successfully acquiring or discovering and developing new reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. Establishment of the Corporation's reserves will depend not only on the Corporation's ability to develop any properties its existing properties, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. Reserve and associated cash flow information has been prepared by Trimble, a qualified reserve evaluation company in Calgary, Alberta. The reserve report compiled by Trimble represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. Estimates of proved reserves that may be developed or produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas are estimated by experience and analogy to similar producing pools. For these reasons, any estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, if any, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof, including those contained in the Report, and such variations could be material.

Assessments of Value of Acquisitions

Acquisitions of oil and natural gas companies and oil and natural gas assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing

life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of, and markets for, oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that the Corporation uses for its year-end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may offset the return on and value of the Marksmen Shares.

Acquisition Risks

Although the Corporation performs a review of properties prior to acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual property involved in each acquisition. Generally, the Corporation focuses its due diligence efforts on higher valued properties and samples the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. The Corporation may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interest in properties on an "as is" basis.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling the Corporation obtains, as a matter of course, insurance to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation or to the operator, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

Alternatives to and Changing Demand for Petroleum Products

Conservation measures, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Financial Instruments and Hedging

The Corporation may enter into agreements to receive fixed prices on such production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Issuance of Debt and Borrowing

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness, from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis, impairing its ability to take advantage of business opportunities that may arise.

Additionally, debt financing may involve granting security to lenders over a portion of, or substantially all of the assets of the Corporation. The Corporation has currently issued \$1,250,000 non-convertible secured debentures to a third party which matures on December 31, 2022. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, the lender may foreclose on or sell some or potentially all of the Corporation's properties. The proceeds of any such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

Third Party Credit Risk

The Corporation is exposed to third party credit risk through its contractual arrangements with joint venture partners, with marketers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners of the Corporation may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Income Taxes

The Corporation files all required income tax returns and believes that it is in full compliance with the provisions of the Tax Act, the equivalent legislation in the United States and all applicable state and provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of

exploration and development expenditures or otherwise, such reassessment may have an impact on current and future taxes payable.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and oil, increase costs and may have a material adverse impact on the Corporation. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of the United States. Development of reserves and rates of return are also susceptible to changes in national fiscal policy. There can be no assurance that the Corporation will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its properties. It is not expected that any of these controls or regulations will affect the operation of the Corporation in a manner materially different than they would affect other oil and natural gas companies of similar size.

Development of the Corporation's properties requires the approval of applicable regulatory authorities of the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or to have material conditions imposed by such authority in connection with the approval may materially affect the prospects of the Corporation.

Changes in Legislation

The return on an investment in securities of the Corporation is subject to changes in Canadian federal and provincial tax laws, the United States federal and state tax laws, and government incentive programs and there can be no assurance that such laws or programs will not be changed in a manner that adversely affects the Corporation or the holding or disposing of the securities of the Corporation.

Legal Proceedings

In the normal course of the Marksmen's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. Potential litigation may develop in relation to personal injuries (including resulting from exposure to hazardous substances, property damage, property taxes, land and access rights, environmental issues, including claims relating to contamination or natural resource damages and contract disputes). The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse effect on the Corporation's financial condition.

Conflicts of Interest

Certain directors and officers of the Corporation are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts,

if any, will be subject to the procedures and remedies of the ABCA. See "*Interest of Management and Others in Material Transactions*".

Share Price Volatility

The market price of the Marksmen Shares could be subject to wide fluctuations in response to the Corporation's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

Absence of Cash Dividends

The Corporation has not paid any cash dividends to date on the Marksmen Shares and there are no plans for such dividend payments in the foreseeable future.

RESERVES DATA AND OTHER INFORMATION

In accordance with NI 51-101, Marksmen retained Trimble to prepare the Trimble Report. For disclosure relating to the oil and gas reserves attributable to Marksmen as of December 31, 2020, please see Marksmen's Form 51-101F1 – *Statement of Reserves Data and other Oil and Gas Information of Marksmen Energy Inc.*, Marksmen's Form 51-101F2 – *Report of Reserves Data by Independent Qualified Reserves Evaluator* and Marksmen's Form 51-101F3 – *Report of Management and Directors on Reserves Data and Other Information*, all of which can be found on SEDAR at www.sedar.com under Marksmen's profile and are hereby incorporated by reference into this AIF.

DIVIDENDS

The Corporation has not paid any dividends on its Marksmen Shares. It is the present intention of the board of directors of the Corporation to retain any earnings to finance the growth and development of the Corporation's business and therefore the Corporation does not anticipate paying any dividends in the immediate or foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Marksmen Shares and an unlimited number of preferred shares, issuable in series.

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Marksmen Shares and preferred shares.

Marksmen Shares

Marksmen is authorized to issue an unlimited number of Marksmen Shares. The holders of Marksmen Shares are entitled to receive notice of and one vote per share at all meetings of shareholders of Marksmen. The holders of Marksmen Shares are entitled to dividends in such amounts as the board of directors of Marksmen may from time to time declare and, in the event of liquidation, dissolution or winding-up of Marksmen, are entitled to share pro rata in the assets of Marksmen. As at April 28, 2021, there were 139,374,870 Marksmen Shares issued and outstanding.

Preferred Shares

Marksmen is also authorized to issue an unlimited number of preferred shares, issuable in series. The preferred shares rank in priority to the Marksmen Shares as to the payment of dividends and as to the

distribution of assets in the event of liquidation, dissolution or winding-up of Marksmen. As at April 28, 2021, there are no preferred shares issued and outstanding.

Marksmen Options

As of April 28, 2021, Marksmen has 13,069,000 outstanding Options exercisable into Marksmen Shares at exercise prices ranging from \$0.05 to \$0.22 with expiry dates ranging from May 18, 2021 to February 9, 2026.

Marksmen Warrants

As of April 28, 2021, Marksmen has 34,899,281 outstanding warrants entitling the holders thereof to purchase one Marksmen Share for prices ranging from \$0.07 to \$0.10 with expiry dates ranging from June 28, 2021 to February 9, 2023.

MARKET FOR SECURITIES

Trading Price and Volume of Marksmen Shares

The Marksmen Shares are listed and posted for trading on the TSXV under the symbol "MAH". The following table sets forth the high and low trading prices and the aggregate volume of trading of the Marksmen Shares on the TSXV for the periods indicated (as quoted by the TSXV):

	Price Range		Volume
	High (\$)	Low (\$)	
2020			
January	0.06	0.04	183,040
February	0.06	0.04	147,625
March	0.045	0.02	1,109,083
April	0.045	0.02	440,686
May	0.04	0.025	135,900
June	0.06	0.04	528,278
July	0.055	0.04	158,656
August	0.045	0.035	249,926
September	0.04	0.03	476,500
October	0.035	0.025	314,100
November	0.035	0.025	348,552
December	0.03	0.025	706,500
2021			
January	0.04	0.03	462,539
February	0.10	0.04	2,531,281
March	0.10	0.075	739,585
April 1 to 27	0.08	0.06	135,177

Prior Sales

During the year ended December 31, 2020 and up to April 28, 2021, Marksmen issued the following securities which are outstanding but are not listed or traded on a marketplace.

<u>Date of Issuance</u>	<u>Number and Type of Securities</u>	<u>Issue/ Exercise Price Per Security</u>
March 20, 2020	3,880,280 warrants to purchase Marksmen Shares	\$0.10
March 20, 2020	32,000 broker warrants to purchase Marksmen Shares	\$0.05
July 17, 2020	3,270,000 warrants to purchase Marksmen Shares	\$0.075
July 27, 2020	3,150,000 warrants to purchase Marksmen Shares	\$0.075
September 4, 2020	465,000 warrants to purchase Marksmen Shares	\$0.075
December 29, 2020	2,425,000 warrants to purchase Marksmen Shares	\$0.07
February 9, 2021	12,575,000 warrants to purchase Marksmen Shares	\$0.07
February 9, 2021	862,000 broker warrants to purchase Marksmen Shares	\$0.05
February 9, 2021	3,985,000 Options to purchase Marksmen Shares	\$0.05

DIRECTORS AND EXECUTIVE OFFICERS

The name, municipality of residence, principal occupation for the past five years and number of Marksmen Shares owned, controlled or directed, directly or indirectly, by each of the directors and executive officers of Marksmen are as follows:

<u>Name, Municipality of Residence and Office</u>	<u>Present Occupation and Positions Held During the Last Five Years</u>	<u>Director Since⁽¹⁾</u>	<u>Number and Percentage of Marksmen Shares owned, controlled or directed, directly or indirectly⁽²⁾</u>
Archibald J. Nesbitt ⁽³⁾ Calgary, AB President, Chief Executive Officer and Director	President and Chief Executive Officer of the Corporation. Member of the Law Society of Alberta since 1978. Previously, a director of Channel Resources Ltd. from January 2012 until March 2014 and Margaux Resources Ltd. from January 2011 to June 2013.	August 11, 2010	12,649,697 ⁽⁶⁾ (9.08%) ⁽⁹⁾
John Niedermaier ⁽³⁾⁽⁵⁾ Calgary, AB Director	Chief Executive Officer of Mi Casa Rentals Inc. (private). Director of CMX Gold & Silver Corp. (CSE) since July 2012. Previously a director of Tyvan Oils Ltd. (private) until March 2013.	June 21, 2007	3,991,239 ⁽⁷⁾ (2.86%) ⁽⁹⁾
V.E. Dale Burstall ⁽⁴⁾ Calgary, AB Director	Partner at Burstall LLP since 1994.	December 5, 2012	3,202,778 ⁽⁸⁾ (2.30%) ⁽⁹⁾
Donald Jones ⁽³⁾ Calgary, Alberta Director	Manager and Partner of ALW Partners LLP since 1981.	April 27, 2018	100,000 (0.07%) ⁽⁹⁾
Christopher Maxwell ⁽⁴⁾⁽⁵⁾ Okotoks, Alberta Director	SR Project Controls Specialist of Inter Pipeline since August 2018. Previously SR Project Controls Lead at TransCanada Pipelines from September 2009 to August 2018.	December 17, 2018	1,445,261 (1.04%) ⁽⁹⁾
Martin Shumway ⁽⁴⁾⁽⁵⁾ Worthington, Ohio Director	Technical Director, Locus Bio-Energy Solutions since March 2016. Owner of Shumway Resources LLC from June 2014 through present. Director of Marksmen Energy USA, Inc. January 2016 through present. Certified Petroleum Geologist (AAPG) and Professional Engineer (Ohio).	December 18, 2020	217,000 (0.16%) ⁽⁹⁾
John McIntyre Calgary, Alberta Chief Financial Officer	Chief Financial Officer of Marksmen since 2008.	N/A	1,267,330 (0.91%) ⁽⁹⁾

Notes:

- (1) The directors of Marksmen shall hold office until the next annual meeting of the shareholders of Marksmen or until their respective successors have been duly elected or appointed.
- (2) The information as to shares owned, controlled or directed, directly or indirectly, not being within the knowledge of the Corporation, has been furnished by the respective directors.
- (3) Member of the Audit Committee, of which Mr. Jones is the Chairman.
- (4) Member of the Corporate Governance and Compensation Committee, of which Mr. Burstall is the Chairman.
- (5) Member of the Reserves Committee, of which Mr. Niedermaier is the Chairman.
- (6) 9,442,167 of these Common Shares are held indirectly through Archibald J. Nesbitt & Company Ltd., a company controlled by Mr. Nesbitt.
- (7) 1,370,000 of these Common Shares are held indirectly through LL&S Holdings Ltd., a company controlled by Mr. Niedermaier.
- (8) 3,032,778 of these Common Shares are held indirectly through Lost In Space, Inc., a company controlled by Mr. Burstall.
- (9) As at April 28, 2021.

The directors and executive officers of Marksmen, as a group, owned, controlled or directed, directly or indirectly, 22,873,305 Marksmen Shares, representing approximately 16.41% of the total number of Marksmen Shares issued and outstanding as of the date hereof. The information not being within the knowledge of Marksmen as to the beneficial ownership of such Marksmen Shares has been furnished by the directors and executive officers of Marksmen individually. In addition, the directors and executive officers held Options entitling them as a group to acquire an additional 9,849,000 Marksmen Shares as of the date hereof.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, no director or executive officer: (i) is, or has been in the last 10 years, a director, chief executive officer or chief financial officer of an issuer (including Marksmen) that, (a) while that person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "order"), (b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer, chief financial officer and resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) while that person was acting in the capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has, within the last ten (10) years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromises with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets; or (iii) has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Cease Trade Orders

Mr. Burstall is a director of Composite Alliance Group Inc. (formerly CanAsia Financial Inc. ("**Composite**")) since March 25, 2015. On or about May 5, 2016, the Alberta Securities Commission and other jurisdictions cease traded Composite for failing to file annual audited financial statements, annual management's discussion and analysis and certification of annual filings for the year ended December 31, 2015 and subsequent periods. On or about September 27, 2017, the Alberta Securities Commission and other jurisdictions revoked Composite's cease trade order.

On or about April 2, 2014, the Alberta Securities Commission cease traded QSolar Limited ("QSolar") based on the fact that the entire board of directors and all of the executive officers resigned and QSolar discontinued operations. Pursuant to a court order dated on or about April 17, 2015, V. E. Dale Burstall, along with three other individuals, was appointed a director of QSolar in order to try to preserve the assets of QSolar. Mr. Burstall resigned as a director of QSolar effective June 18, 2015.

Bankruptcies

No proposed director or executive officer of the Corporation is, as of the date hereof, or has been within the past ten years, a director or executive officer of a company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The compensation program of the Corporation consists of base salary and Option grants and is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation's corporate objectives and increase shareholder value. The main objective of the compensation program is to recognize the contribution of the executive officers to the overall success and strategic growth of the Corporation. The compensation program is designed to reward management performance by aligning a component of the compensation with the Corporation's business performance and share value. The Corporation sets the total compensation amounts for management based on internal consideration of the amounts necessary to attract and retain executive talent. The purpose of executive compensation is to reward the executives for their contributions to the achievements of the Corporation on both an annual and long term basis.

The compensation program provides incentives to its management and directors to achieve long term objectives through grants of Options under the Corporation's stock option plan. Increasing the value of the Marksmen Shares increases the value of the Options. This incentive closely links the interests of the Named Executive Officers (as defined below) and directors to shareholders of the Corporation.

Base Salary

Base salary is compensation for discharging job responsibilities and reflects the level of skills and capabilities demonstrated by the executive. Annual salary adjustments take into account the market value of the role and the executive's demonstration of capability during the year. In establishing base salaries, the Compensation and Corporate Governance Committee (or the Board of Directors as a whole) reviews general market salary levels for individuals in positions with similar responsibilities and experience. Generally, the Compensation and Corporate Governance Committee targets base salaries at levels approximating those holding similar positions in comparably sized companies in the industry and hopes to achieve targeted total compensation levels through the fixed and variable components. Comparable corporations are chosen based on their being in the industry and having a comparable asset base and/or revenues in a particular financial year. Comparable positions are identified based on publicly available information on such corporations.

Option-based Awards

Options are granted to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation. The purpose of the stock option plan is to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation and to attract and retain persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Options are also used as a means to promote the long-term retention of individuals. The Corporation awards Options to its executive officers and directors based upon the recommendation of the Compensation and Corporate Governance Committee (or the Board of Directors as a whole), which recommendation is based upon the committee's review of proposals from the Chief Executive Officer. Previous grants of Options are taken into account when considering new grants.

The allocation of the number of Options granted among the directors and officers of the Corporation is determined by the Board of Directors. See *"Incentive Plan Awards"* below and *"Director Compensation - Incentive Plan Awards"* below.

Summary Compensation Table

The following table sets forth all annual and long term compensation for the years ended December 31, 2020, 2019 and 2018 for services in all capacities to the Corporation and its subsidiaries, if any, in respect of individual(s) who were acting as, or were acting in a capacity similar to, a chief executive officer or chief financial officer and the three most highly compensated executive officers whose total compensation exceeded \$150,000 per annum (the **"Named Executive Officers"**).

Name and Principal Position	Year Ended December 31	Salary (\$)	Share Based Awards ⁽¹⁾ (\$)	Option Based Awards ⁽²⁾⁽³⁾ (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation ⁽⁴⁾ (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long- Term Incentive Plans			
Archibald J. Nesbitt President and Chief Executive Officer	2020	Nil	Nil	24,356	Nil	Nil	Nil	133,000	157,356
	2019	Nil	Nil	61,236	Nil	Nil	Nil	171,957	233,193
	2018	Nil	Nil	67,615	Nil	Nil	Nil	179,000	246,615
John McIntyre Chief Financial Officer	2020	90,000	Nil	16,455	Nil	Nil	Nil	Nil	106,455
	2019	90,000	Nil	39,010	Nil	Nil	Nil	Nil	129,010
	2018	90,000	Nil	41,262	Nil	Nil	Nil	Nil	131,262

Notes:

- (1) **"Share-Based Award"** means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) **"Option-Based Award"** means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The Options were granted for a period of five years and vest as to 1/3 on the issue dates of April 1, 2015, December 2, 2015, May 18, 2016, April 24, 2017, December 12, 2017, April 27, 2018, November 22, 2018, December 21, 2018, April 4, 2019 and December 31, 2019. There were no options granted during the year ended December 31, 2020. The stock options vest as to 1/3 immediately upon grant and 1/3 on each of the first and second anniversary dates. The estimated fair value of each grant was calculated at the time the options were granted using Black-Scholes.
- (4) The amounts are comprised of payments made to Archibald J Nesbitt Professional Corporation for consulting services to the business in Ohio, investor relations in Canada and the USA, corporate finance activities, and reimbursement for the provision of corporate offices and office administration. Additionally, Archibald J Nesbitt Professional Corporation invested cash into private placements of Marksmen in 2018 by purchasing 435,000 Marksmen Shares, in 2019 by purchasing 1,974,000 Marksmen Shares and in 2020 by purchasing 1,970,000 Marksmen Shares.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Named Executive Officer of the Corporation as of December 31, 2020, including awards granted before the 2020 financial year.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiry Date	Value of Unexercised in-the-money Options ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share Based Awards that have not vested (\$)
Archibald J. Nesbitt	165,000	0.15	April 1, 2020	Nil	N/A	N/A
	235,000	0.08	December 2, 2020	Nil		
	355,000	0.05	May 18, 2021	Nil		
	125,000	0.10	April 24, 2022	Nil		
	300,000	0.20	December 12, 2022	Nil		
	350,000	0.22	April 27, 2023	Nil		
	290,000	0.13	November 22, 2023	Nil		
	275,000	0.10	April 4, 2024	Nil		
	675,000	0.05	December 31, 2024	Nil		
John McIntyre	120,000	0.15	April 1, 2020	Nil	N/A	N/A
	205,000	0.08	December 2, 2020	Nil		
	305,000	0.05	May 18, 2021	Nil		
	100,000	0.10	April 24, 2022	Nil		
	200,000	0.20	December 12, 2022	Nil		
	210,000	0.22	April 27, 2023	Nil		
	200,000	0.13	November 22, 2023	Nil		
	185,000	0.10	April 4, 2024	Nil		
	475,000	0.05	December 31, 2024	Nil		

Notes:

- (1) Unexercised "in-the-money" Options refer to the Options in respect of which the market value of the underlying securities as at December 31, 2020 exceeds the exercise or base price of the Option.
- (2) The aggregate of the difference between the closing price of the Marksmen Shares as at December 31, 2020, the last day the Marksmen Shares traded in fiscal 2020, being \$0.025 per Marksmen Share, and the exercise price of the Options.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year (2020) for each Named Executive Officer.

Name	Option-Based Awards - Value vested during the year ⁽¹⁾ (\$)	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
Archibald J. Nesbitt	Nil	Nil	Nil
John McIntyre	Nil	Nil	Nil

Note:

- (1) Based upon the difference between the exercise price of the Options and the market price of the Marksmen Shares on the date such Options vested.

Pension Plan Benefits

The Corporation does not have in place any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

Termination and Change of Control Benefits

The Corporation is not a party to any contract, agreement, plan or arrangement that provides for payments to a current Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Corporation, its subsidiaries or affiliates or a change in a Named Executive Officer's responsibilities.

DIRECTOR COMPENSATION

As at the year ended December 31, 2020, the Corporation had six (6) directors, one (1) of which (Archibald J. Nesbitt) was also a Named Executive Officer. For a description of the compensation paid to the Named Executive Officer of the Corporation who also acts as a director of the Corporation, see "*Executive Compensation*".

Director Compensation Table

The following table sets forth all compensation provided to directors who are not also Named Executive Officers ("**Outside Directors**") of the Corporation for the financial year ended December 31, 2020.

Name	Fees Earned (\$)	Share- Based Awards (\$) ⁽¹⁾	Option- Based Awards (\$) ⁽²⁾⁽³⁾	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
John Niedermaier	Nil	Nil	6,465	Nil	Nil	Nil	6,465
Dale Burstall	Nil	Nil	7,247	Nil	Nil	Nil	7,247
Dr. Peter Klaus Geib ⁽⁴⁾	Nil	Nil	7,405	Nil	Nil	Nil	7,405
Donald Jones	Nil	Nil	6,047	Nil	Nil	Nil	6,047
Christopher Maxwell	Nil	Nil	2,819	Nil	Nil	Nil	2,819
Martin Shumway ⁽⁵⁾	Nil	Nil	16,654	Nil	Nil	Nil	16,664

Notes:

- (1) "**Share-Based Award**" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.
- (2) "**Option-Based Award**" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.
- (3) The Options were granted for a period of five years and vest as to 1/3 on the issue dates of April 1, 2015, December 2, 2015 and May 18, 2016, April 24, 2017, December 12, 2017, April 27, 2018, November 22, 2018, December 21, 2018, April 4, 2019, and December 31, 2019. There were no stock options granted during the year ended December 31, 2020. The options granted under the stock option plan vest as to 1/3 immediately and 1/3 on each of the first and second anniversary dates. The estimated fair value was calculated at the time the options were granted using Black-Scholes.
- (4) Dr. Peter Klaus Geib did not stand for re-election at the annual and special meeting, of the shareholders of Marksmen held on December 18, 2020.
- (5) Mr. Shumway was elected to the board of directors of the Corporation by the shareholders of Marksmen at the annual and special meeting of shareholders held on December 18, 2020. Prior thereto, Mr. Shumway was a consultant of Marksmen.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth details of all awards outstanding for each Outside Director as of December 31, 2020, including awards granted before the 2020 financial year.

Name	Option-Based Awards				Share-Based Awards	
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiry Date	Value of Unexercised in-the-money Options ⁽¹⁾⁽²⁾ (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share Based Awards that have not vested (\$)
John Niedermaier	220,000	0.08	December 2, 2020	Nil	N/A	N/A
	140,000	0.05	May 18, 2021	Nil		
	125,000	0.20	December 12, 2022	Nil		
	50,000	0.22	April 27, 2023	Nil		
	100,000	0.13	November 22, 2023	Nil		
	75,000	0.10	April 4, 2024	Nil		
	200,000	0.05	December 31, 2024	Nil		
Dale Burstall	100,000	0.08	December 2, 2020	Nil	N/A	N/A
	100,000	0.05	May 18, 2021	Nil		
	50,000	0.22	April 27, 2023	Nil		
	100,000	0.13	November 22, 2023	Nil		
	125,000	0.10	April 4, 2024	Nil		
	200,000	0.05	December 31, 2024	Nil		
Dr. Peter Klaus Geib ⁽³⁾	300,000	0.10	April 24, 2022	Nil	N/A	N/A
	50,000	0.20	December 12, 2022	Nil		
	50,000	0.22	April 27, 2023	Nil		
	100,000	0.13	November 22, 2023	Nil		
	75,000	0.10	April 4, 2024	Nil		
	250,000	0.05	December 31, 2024	Nil		
Donald Jones	125,000	0.22	April 27, 2023	Nil	N/A	N/A
	100,000	0.13	November 27, 2023	Nil		
	40,000	0.10	April 4, 2024	Nil		
	150,000	0.05	December 31, 2024	Nil		
Christopher Maxwell	100,000	0.185	December 21, 2023	Nil	N/A	N/A
	40,000	0.10	April 4, 2024	Nil		
	150,000	0.05	December 31, 2024	Nil		
Martin Shumway ⁽⁴⁾	240,000	\$0.20	December 12, 2022	Nil	N/A	N/A
	225,000	\$0.22	April 27, 2023	Nil		
	150,000	\$0.13	November 22, 2023	Nil		
	650,000	\$0.05	December 31, 2024	Nil		

Notes:

- (1) Unexercised "in-the-money" Options refer to the Options in respect of which the market value of the underlying securities as at December 31, 2020 exceeds the exercise or base price of the Option.
- (2) The aggregate of the difference between the closing price of the Marksmen Shares as at December 31, 2020, the last day the Marksmen Shares traded in fiscal 2020, being \$0.025 per Marksmen Share, and the exercise price of the Options.
- (3) Dr. Klaus did not stand for re-election at the annual and special meeting of the shareholders of Marksmen held on December 18, 2020.
- (4) Mr. Shumway was elected to the board of directors of the Corporation by the shareholders of Marksmen at the annual and special meeting of shareholders held on December 18, 2020. Prior thereto, Mr. Shumway was a consultant of Marksmen.

Incentive Plan Awards - Value Vested or Earned During the Year

The following table sets forth the value of option-based awards and share-based awards which vested or were earned during the most recently completed financial year (2020) for Outside Directors of the Corporation.

Name	Option-Based Awards - Value vested during the year⁽¹⁾ (\$)	Share-Based Awards - Value vested during the year (\$)	Non-Equity Incentive Plan Compensation - Value earned during the year (\$)
John Niedermaier	Nil	N/A	N/A
Dale Burstall	Nil	N/A	N/A
Dr. Peter Klaus Geib ⁽²⁾	Nil	N/A	N/A
Donald Jones	Nil	N/A	N/A
Christopher Maxwell	Nil	N/A	N/A
Martin Shumway ⁽³⁾	Nil	N/A	N/A

Notes:

- (1) Based upon the difference between the exercise price of the Options and the market price of the Marksmen Shares on the date such Options vested.
- (2) Dr. Klaus did not stand for re-election at the annual and special meeting of the shareholders of Marksmen held on December 18, 2020.
- (3) Mr. Shumway was elected to the board of directors of the Corporation by the shareholders of Marksmen at the annual and special meeting of shareholders held on December 18, 2020. Prior thereto, Mr. Shumway was a consultant of Marksmen.

Other Compensation

Other than as set forth herein, the Corporation did not pay any other compensation to executive officers or directors (including personal benefits and securities or properties paid or distributed which compensation was not offered on the same terms to all full time employees) during the last completed financial year (2020) other than benefits and perquisites which did not amount to \$10,000 or greater per individual.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth securities of the Corporation that are authorized for issuance under equity compensation plans as at December 31, 2020.

Plan Category	Number of securities to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)
Equity compensation plans approved by securityholders ⁽¹⁾	9,909,000	\$0.1125	2,733,787

Plan Category	Number of securities to be issued upon exercise of outstanding Options	Weighted-average exercise price of outstanding Options	Number of securities remaining available for future issuance under equity compensation plans (excluding outstanding securities reflected in Column 1)
Equity compensation plans not approved by securityholders	Nil	N/A	Nil

Note:

- (1) The stock option plan is currently the only equity compensation plan of the Corporation, and all securities listed in the table above were issued under the stock option plan.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which some of the directors, senior officers and executive officers of Marksmen will be subject in connection with the operations of Marksmen. Situations may arise where some of the business activities of the directors and officers will be in direct competition with Marksmen. In particular, certain directors of Marksmen are involved in managerial or director positions with other oil and gas companies, whose operations may, from time to time, be in direct competition with those of Marksmen or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Marksmen. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

V.E. Dale Burstall, a director of Marksmen, is a partner of Burstall LLP, which provides legal services to Marksmen on a fee for services basis.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the third quarter of 2019, Marksmen withheld payment of disputed invoices from HHE subject to the results of a joint venture audit by Marksmen. In November of 2019, before the audit was completed, HHE initiated a legal claim against Marksmen for payment of the disputed invoices related to a well drilled in Hocking County, Ohio. The claim was for approximately \$190,800 USD.

A settlement agreement (the "**Agreement**") was reached effective June 23, 2020. Pursuant to the Agreement, HHE agreed to dismiss all claims against Marksmen including its claim for \$190,800 USD. Marksmen also received \$80,000 USD as part of the settlement and agreed to convert its 60% working interest into a 3% gross override.

In Canada, there are writs of enforcement filed at the Personal Property Registry in Alberta totaling \$97,848 related to Surface Rights Board recovery matters. There is also a Notice of Proceedings for \$3,300 in Alberta related to unpaid surface leases. Marksmen is disputing both these amounts.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than Option grants, no director or executive officer of the Corporation or a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of voting securities of the Corporation, or any associate or affiliate of any such person, has had any material

interest, direct or indirect, in any transaction within the most recently completed financial year or the current financial year that has materially affected or is reasonable expected to materially affect the Corporation.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The auditors of Marksmen are MNP LLP, Chartered Accountants, located at 1500, 640 – 5th Avenue S.W., Calgary, Alberta.

The transfer agent and registrar for the Marksmen Shares is Computershare Trust Company of Canada, located at 800, 324 – 8th Avenue S.W., Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, Marksmen has not entered into any material contracts during its most recently completed financial year, or before its most recently completed financial year but are still in effect.

INTERESTS OF EXPERTS

The Corporation's auditors are MNP LLP, Chartered Accountants, who have prepared an independent auditors' report in respect of the Corporation's financial statements with accompanying notes for the year ended December 31, 2020. MNP LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Trimble is responsible for the report on the Corporation's resources. Trimble has advised that the partners and associates of Trimble had no direct or indirect beneficial interest in any securities or other property of the Corporation or its associates or affiliates at the time when such report was prepared, nor have they received after such time or are to receive any such interest. No director, officer or employee of Trimble is or is expected to be elected, appointed or employed as a director, officer or employee of Marksmen or any of its associates or affiliates.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") is a committee of the Board established for the purpose of overseeing the accounting and financial reporting process of the Corporation and annual external audits of the financial statements. The Audit Committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the Corporation's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are set out below in the Corporation's audit committee mandate. The Board has developed a written audit committee charter (the "**Charter**"). A copy of the Charter is attached hereto as Appendix "A" to this Annual Information Form.

Composition

The Audit Committee consists of Donald Jones (Chairman), Archibald J. Nesbitt and John Niedermaier, all of whom are financially literate within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") of the CSA. Messrs. Jones and Niedermaier are independent under NI 52-110 and Mr. Nesbitt is

not considered to be independent under NI 52-110 as a result of being the President and Chief Executive Officer of the Corporation.

Relevant Education and Experience

Donald Jones

Mr. Jones, a chartered professional accountant and chartered accountant, has current experience on the audit committee of a private Canadian oil and gas service company and past experience as a director of a Canadian public technology company. He was appointed Chairman of the Audit Committee on May 29, 2018.

Archibald J. Nesbitt

Mr. Nesbitt is currently the President and Chief Executive Officer of the Corporation. Mr. Nesbitt holds a Bachelor of Commerce with Honours from Queen's University and a Bachelor of Laws from the University of Western Ontario. Mr. Nesbitt has been a founder, director and senior officer of several public and private companies, and has held the positions of President, CEO and CFO.

John Niedermaier

Mr. Niedermaier is a professional engineer and has over 40 years of oil industry experience. In that time, he has built several successful companies, including Badger Drilling, Derrick Drilling and Petro Well Services. Mr. Niedermaier is a director of several other oil and gas corporations, both private and public. Mr. Niedermaier is familiar with the audit process and the financial reporting process of both public and private companies.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110. However, the Corporation is relying upon the exemption in section 6.1 of NI 52-110, the exemption for venture issuers in relation to the requirement that every audit committee member be independent.

Pre-Approval of Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Charter under the subheading "*External Auditors*".

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and other fees are as follows.

	Year Ended Dec. 31 2020 (\$)	Year Ended Dec. 31 2019 (\$)
Audit fees ⁽¹⁾	40,000	43,000
Audit-related fees ⁽²⁾	Nil	Nil
Tax fees ⁽³⁾	6,000	6,000
All other fees ⁽⁴⁾	Nil	Nil
Total ⁽⁵⁾ :	46,000	49,000

Notes:

- (1) Audit fees were for profession services rendered by the auditors for the audit of the Corporation's annual consolidated financial statements as well as services provided in connection with statutory and regulatory filings.
- (2) Audit-related fees are for services related to performance of limited procedures performed by the Corporation's auditors related to interim reports.
- (3) Tax fees are for tax compliance, tax advice and tax planning.
- (4) All other fees for services performed by the Corporation's auditors and other accounting services.
- (5) These fees only represent professional services rendered and do not include any out-of-pocket disbursements or fees associated with filings made on the Corporation's behalf.

Exemption

As the Corporation is listed on the Exchange, it is a "venture issuer" and may avail itself of exemptions from the requirements of Part 3 Composition of the Audit Committee and Part 5 Reporting Obligations of NI 52-110, which require the independence of each member of an audit committee and the disclosure of audit committee information in an annual information form, respectively. The Corporation has relied on the exemption in Part 3 because not all members of its audit committee are independent.

ADDITIONAL INFORMATION

Additional information regarding the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plan is contained in the Corporation's information circular for the annual and special meeting of shareholders held on December 18, 2020, which is available for viewing on SEDAR at www.sedar.com under the Corporation's profile.

Additional financial information is provided in the Corporation's consolidated financial statements for the year ended December 31, 2020, together with the accompanying report of the auditor and management's discussion & analysis filed on SEDAR and available for viewing at www.sedar.com under the Corporation's profile.

APPENDIX "A"

MARKSMEN ENERGY INC.

AUDIT COMMITTEE CHARTER

I. Mandate

The primary function of the audit committee (the "**Audit Committee**") is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

II. Composition

The Audit Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSXV.

At least one member of the Audit Committee shall have accounting or related financial management expertise. It is the goal of the Corporation that all members of the Committee are financially literate. All members of the Audit Committee that are not financially literate are expected to work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Corporation's Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

III. Meetings

The Audit Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with management and the external auditors in separate sessions.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

1. Review and update this Charter annually.
2. Review the Corporation's financial statements, MD&A and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

1. Require the external auditors to report directly to the Audit Committee.
2. Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Corporation.
3. Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
4. Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
5. Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
6. Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
7. Review with management and the external auditors the terms of the external auditors' engagement letter.
8. At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
9. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
10. Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
11. Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (a) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;

- (b) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (c) such services are promptly brought to the attention of the Audit Committee by the Corporation and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee.

Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

Financial Reporting

1. In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
2. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
3. Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
4. Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
5. Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
6. Review any significant disagreement among management and the external auditors regarding financial reporting.
7. Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
8. Review certification process.
9. Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

1. Review any related-party transactions.

V. Authority

The Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.