



TSX Venture – MAH

New York OTCQB Venture Marketplace – MKSEF

MANAGEMENT'S DISCUSSION AND ANALYSIS

Report for Q3

Three and Nine Months ended September 30, 2022

This Management's Discussion and Analysis ("MD&A") for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. ("Marksmen or the Company") is for the three and nine months ended September 30, 2022, and was prepared with information available to November 29, 2022, and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2021. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

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

Application of Accounting Estimates

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

Non-IFRS

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

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

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

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

Barrel of Oil Equivalent

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

Forward-Looking Statements

This Management’s Discussion and Analysis may contain “forward-looking information” within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “proposed”, “is expected”, “budgets”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company’s current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

World Events

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

Supply chain issues are resulting in higher prices for goods and services. Drilling rigs and service rigs are in short supply and are struggling with manpower shortages. The result is slower than hoped completion of capital projects at higher prices.

Financial Statements and the MD&A

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

Introduction

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

In the first nine months of 2022 compared to the same period of 2021, production increased by 2,746 barrels of oil, the price of oil was \$34.79 USD higher, and revenue increased \$576,145 CAD. It is expected, that with added production from new wells, the year end results and onward into 2023 will show further increases in production and revenue.

In Portage County, Marksmen, with its partner PEP Drilling LLC, (“PEP”) has recompleted a Clinton Sandstone formation well. It has been hydraulically stimulated, swabbed, and was put on production in late August of 2022. There are a number of recomplete opportunities available to Marksmen in conjunction with PEP. Additionally, the Marksmen and PEP technical teams are collaborating on the evaluation of drilling a Rose Run well(s) where the preliminary data is positive.

During the quarter ended September 30, 2022, Marksmen drilled three wells in Pickaway County. All three wells were drilled into the known, prolific, Cambrian Knox formation and have been logged and swab tested. These wells are analogous to Marksmen’s other locations at Davis Holbrook 1 and 2. The wells are now equipped with pumpjacks, production tanks and have been tied into existing water disposal facilities. Final electrical power will be hooked up at the end of November and the three wells will then be put on production.

The start of production of the new wells in Pickaway County coupled with other projects that Marksmen’s team are evaluating will result in a busy and exciting conclusion to 2022 and into 2023. With existing cash on hand, funds generated from operations and the exercise of outstanding share purchase warrants and stock options, Marksmen has been able to fund much of its 2022 drilling program.

Quarterly Financial Information in \$CAD

| | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Light oil Production - bbls | 2,281 | 2,899 | 2,308 | 4,595 | 1,233 | 1,918 | 1,592 | 2,337 |
| Natural Gas - boe (6 mcf : 1 bbl) | 54 | 83 | 32 | 10 | - | 45 | 49 | 412 |
| Barrels of oil equivalent (boe) | 2,335 | 2,982 | 2,340 | 4,605 | 1,233 | 1,963 | 1,641 | 2,749 |
| Production - boe/day | 25.9 | 33.1 | 26.0 | 51.2 | 13.7 | 21.8 | 18.2 | 30.5 |
| Petroleum and natural gas sales | \$ 275,260 | \$ 398,581 | \$ 278,508 | \$ 466,113 | \$ 106,318 | \$ 156,269 | \$ 113,617 | \$ 136,369 |
| Royalties | \$ (35,057) | \$ (50,801) | \$ (35,780) | \$ (58,286) | \$ (13,925) | \$ (21,763) | \$ (14,842) | \$ (17,338) |
| Operating Costs - routine | \$ (29,114) | \$ (30,822) | \$ (30,973) | \$ (39,375) | \$ (15,077) | \$ (54,623) | \$ (28,366) | \$ (29,277) |
| Operating Costs - workovers | \$ - | \$ (2,203) | \$ (8,780) | \$ - | \$ (14,705) | \$ (13,520) | \$ (60,520) | \$ (20,644) |
| Income from operations | \$ 211,089 | \$ 314,755 | \$ 202,975 | \$ 368,452 | \$ 62,611 | \$ 66,363 | \$ 9,889 | \$ 69,110 |
| Gain on disposal of assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 254,371 |
| Impairment - E&E assets | \$ - | \$ - | \$ - | \$ (639,097) | \$ - | \$ - | \$ - | \$ (503,831) |
| Impairment/reversal PPE assets | \$ - | \$ - | \$ - | \$ 619,720 | \$ - | \$ - | \$ - | \$ (709,321) |
| | \$ - | \$ - | \$ - | \$ (19,377) | \$ - | \$ - | \$ - | \$ (958,781) |
| Net income (Loss) | \$ (256,533) | \$ (89,617) | \$ (58,514) | \$ (132,129) | \$ (180,395) | \$ (158,381) | \$ (174,289) | \$ (1,187,233) |
| Total assets | \$ 6,022,891 | \$ 4,448,829 | \$ 4,259,725 | \$ 4,452,513 | \$ 3,596,250 | \$ 3,007,118 | \$ 3,235,092 | \$ 2,941,520 |
| Total liabilities | \$ 3,041,817 | \$ 1,996,412 | \$ 2,047,416 | \$ 2,160,770 | \$ 2,160,780 | \$ 1,813,526 | \$ 1,965,649 | \$ 1,999,766 |
| Total shareholder's equity | \$ 2,981,074 | \$ 2,452,417 | \$ 2,212,309 | \$ 2,291,743 | \$ 1,435,470 | \$ 1,193,592 | \$ 1,269,443 | \$ 941,754 |
| Total liabilities and equity | \$ 6,022,891 | \$ 4,448,829 | \$ 4,259,725 | \$ 4,452,513 | \$ 3,596,250 | \$ 3,007,118 | \$ 3,235,092 | \$ 2,941,520 |
| Common shares o/s | 172,010,933 | 165,481,286 | 163,098,933 | 163,098,933 | 146,463,870 | 140,543,870 | 139,234,870 | 126,427,870 |

Operating Results and Netback – Ohio Wells - \$USD

| \$USD | Three Months Ended | | | | Nine Months Ended | | | |
|-----------------------------------|--------------------|----------------|-------------|----------|-------------------|----------------|-------------|----------|
| | Sep 30 2022 | Sep 30 2021 | Change | % Change | Sep 30 2022 | Sep 30 2021 | Change | % Change |
| Oil and Gas Production | | | | | | | | |
| Oil - bbls | 2,281 | 1,233 | 1,048 | 85 | 7,488 | 4,742 | 2,746 | 58 |
| Natural Gas - boe (6 mcf = 1 bbl) | 54 | - | 54 | 109 | 169 | 94 | 75 | 80 |
| Boe | 2,335 | 1,233 | 1,102 | 194 | 7,657 | 4,836 | 2,821 | 58 |
| Boe /day | 25.9 | 13.7 | 12.2 | 89.4 | 28.4 | 26.9 | 1.5 | 5.6 |
| Operations | | | | | | | | |
| Revenue | \$ 209,885 | \$ 84,222 | \$ 125,663 | 149 | \$ 742,398 | \$ 300,651 | \$ 441,747 | 147 |
| Royalties | \$ (26,729) | \$ (11,027) | \$ (15,702) | 142 | \$ (94,823) | \$ (40,382) | \$ (54,441) | 135 |
| | \$ 183,156 | \$ 73,195 | \$ 109,961 | 150 | \$ 647,575 | \$ 260,269 | \$ 387,306 | 149 |
| Operating costs - routine | \$ 20,864 | \$ (9,899) | \$ 30,763 | (311) | \$ (62,155) | \$ (42,043) | \$ (20,112) | 48 |
| Operating Costs - Workovers | \$ - | \$ (11,752) | \$ 11,752 | (100) | \$ (8,697) | \$ (102,787) | \$ 94,090 | (92) |
| | \$ 20,864 | \$ (21,651) | \$ 42,515 | (196) | \$ (70,852) | \$ (144,830) | \$ 73,978 | (51) |
| Income from Operations | \$ 204,020 | \$ 51,544 | \$ 152,476 | 296 | \$ 576,723 | \$ 115,439 | \$ 461,284 | 400 |
| Revenue /boe | \$ 89.89 | \$ 68.31 | \$ 21.58 | 31.59 | \$ 96.96 | \$ 62.17 | \$ 34.79 | 55.96 |
| Royalties / boe | \$ (11.45) | \$ (8.94) | | | \$ (12.38) | \$ (8.35) | | |
| Operating Costs - routine / boe | \$ 8.94 | \$ (8.03) | \$ 16.96 | (211.30) | \$ (8.12) | \$ (8.69) | \$ 0.58 | (6.63) |
| Operating costs - workovers / boe | \$ - | \$ (9.53) | \$ 9.53 | (100.00) | \$ (1.14) | \$ (21.25) | \$ 20.12 | (94.66) |
| Operating Netback / boe | \$ 87.37 | \$ 41.80 | \$ 45.57 | 109 | \$ 75.32 | \$ 23.87 | \$ 51.45 | 216 |

Operations – Netbacks were \$87.37 per barrel in the third quarter of 2022 compared to \$41.80 in the same period of 2021 and in the first nine months of 2022 the netbacks were \$75.32 compared to \$23.87, all attributable to increase production, higher commodity prices and lower workover costs.

Production in the third quarter of 2022 was 2,335 boe compared to 1,233 boe in the same period of 2021 and the first nine months of 2022 production totalled 7,657 barrels compared to 4,836 or an increase of 2,821 boe.

Revenue – Total revenue for the nine months ended September 30, 2022 was \$742,398, an increase of \$441,747 over the same period of 2021 due to increased production and improved commodity price increase of \$34.79 per boe.

Operating Expenses and Workovers – Total operating costs during the first nine months of 2022 were \$70,852 or \$73,978 lower than the same period of 2021 due primarily to a reduction in workover costs of \$94,090.

Alberta

Marksman's wells at Alder Flats have been shut-in since 2010. Of these wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. In May 2020, the federal government, in conjunction with the Department of Energy in Alberta announced a site reclamation program ("SRP") to facilitate job creation in the western Canadian oil and gas industry. Marksman is participating in this program and the final abandonment of Alder Flats wells was completed. There remains some reclamation work at Alder Flats. Further SRP reclamation work of well sites and pipelines in the Penhold area will be undertaken in the fourth quarter of 2022.

Acquisition of a well in Alberta - On August 1, 2021, Marksman closed an acquisition whereby a related party assigned its working interest in one producing well in the Morinville area of Alberta, Canada. The consideration paid for the acquisition was one dollar. The effective date of the transaction was May of 2019 and Marksman is entitled to collect outstanding receivables from that date from the well's operator.

This well has been shut-in awaiting approval from the Alberta Energy Regulator for a refrigeration unit that has been installed to process natural gas and liquids from this and other wells in the area. The approval has been granted and the well was put back on production in November of 2022 and is expected to produce five to seven boe/day of oil and associated natural gas and liquids net to Marksmen. There were \$1,785 of well operating expenses in the first nine months of 2022 related to this well.

Combined Operating Results in \$CAD

| \$CAD | Three Months Ended | | | | Nine Months Ended | | | |
|-----------------------------------|--------------------|------------------|-------------------|------------|-------------------|-------------------|-------------------|------------|
| | Sep 30 2022 | Sep 30 2021 | Change | % Change | Sep 30 2022 | Sep 30 2021 | Change | % Change |
| Oil and Gas Production | | | | | | | | |
| Oil - bbls | 2,281 | 1,233 | 1,048 | 85 | 7,488 | 4,742 | 2,746 | 58 |
| Natural Gas - boe (6 mcf = 1 bbl) | 54 | - | 54 | 109 | 169 | 94 | 75 | 338 |
| Boe | 2,335 | 1,233 | 1,102 | 194 | 7,657 | 4,836 | 2,821 | 396 |
| Boe /day | 25.9 | 13.7 | 12.2 | 89 | 28.4 | 26.9 | | |
| Operations | | | | | | | | |
| Revenue | \$ 275,260 | \$ 106,318 | \$ 168,942 | 159 | \$ 952,349 | \$ 376,204 | \$ 576,145 | 153 |
| Royalties | \$ (35,057) | \$ (13,925) | \$ (21,132) | 152 | \$ (121,638) | \$ (50,530) | \$ (71,108) | 141 |
| | \$ 240,203 | \$ 92,393 | \$ 147,810 | 160 | \$ 830,711 | \$ 325,674 | \$ 505,037 | 155 |
| Operating Costs - routine | \$ (29,114) | \$ (29,782) | \$ 668 | (2) | \$ (89,787) | \$ (97,356) | \$ 7,569 | (8) |
| Operating Costs - Workovers | \$ - | \$ - | \$ - | | \$ (12,105) | \$ (89,455) | \$ 77,350 | (86) |
| | \$ (29,114) | \$ (29,782) | \$ 668 | (2) | \$ (101,892) | \$ (186,811) | \$ 84,919 | (45) |
| Income From Operations | \$ 211,089 | \$ 62,611 | \$ 148,478 | 237 | \$ 728,819 | \$ 138,863 | \$ 589,956 | 425 |
| Revenue /boe | \$ 117.88 | \$ 86.23 | \$ 31.66 | 37 | \$ 124.38 | \$ 77.79 | \$ 46.59 | 60 |
| Royalties / boe | \$ (15.01) | \$ (11.29) | \$ (3.72) | 33 | \$ (15.89) | \$ (10.45) | \$ (5.44) | 52 |
| Operating costs - routine / boe | \$ (12.47) | \$ (24.15) | \$ 11.69 | (48) | \$ (11.73) | \$ (20.13) | \$ 8.41 | (42) |
| Operating costs - workovers / boe | - | - | \$ - | | (1.58) | (18.50) | \$ 16.92 | |
| Operating netback | \$ 90.40 | \$ 50.78 | \$ 134.73 | 265 | \$ 95.19 | \$ 28.71 | \$ 209.14 | 728 |

The chart above is a restatement in \$CAD of the Operating Results in Ohio plus the addition of Alberta operating costs of \$1,785 in the third quarter of 2022 and \$11,004 for nine months ending September 30, 2022. There was no revenue in Alberta during the first nine months of 2022. Subsequent to September 30, 2022, one shut in well in Alberta has been put back on production.

Well Information

In the third quarter of 2022 Marksmen recompleted one well in Portage County, Ohio, and drilled three wells in Pickaway County, Ohio. The three wells in Pickaway County will be put on production in late November or early December of 2022.

| | Q3 2022 | | Q3 2021 | |
|-----------------------------|---------|----------------|---------|----------------|
| | Wells | Net Marksmen % | Wells | Net Marksmen % |
| Overriding royalty Interest | 1.0 | 3.0 | 1.0 | 3.0 |
| Producing wells | 7.0 | 76.0 | 7.0 | 65.0 |
| Drilled and completed | 3.0 | 92.0 | - | - |
| Water injection well | 1.0 | 100.0 | 1.0 | 100.0 |
| Shut-in wells | 3.0 | 75.0 | 2.0 | 75.0 |

The two shut-in wells in Ohio are planned to be abandoned and Marksmen will recover casing, tubing, rods, and some surface equipment that can be transferred to new wells in the Company's drilling program. One shut-in well in Alberta has been returned to production in November of 2022.

General and Administrative Expenses

| | Three Months Ended | | | | Nine Months Ended | | | |
|------------------------------------|--------------------|-------------|------------|----------|-------------------|-------------|------------|----------|
| | Sep 30 2022 | Sep 30 2021 | Change | % Change | Sep 30 2022 | Sep 30 2021 | Change | % Change |
| Employee Compensation | \$ 41,991 | \$ 31,101 | \$ 10,890 | 35 | \$ 119,901 | \$ 92,239 | \$ 27,662 | 30 |
| Management consulting services | \$ 46,750 | \$ 33,500 | \$ 13,250 | 40 | \$ 102,350 | \$ 96,200 | \$ 6,150 | 6 |
| Consulting fees | \$ 77,500 | \$ - | \$ 77,500 | | \$ 170,916 | \$ - | \$ - | |
| Professional fees | \$ 21,618 | \$ 5,210 | \$ 16,408 | 176 | \$ 47,350 | \$ 25,278 | \$ 22,072 | 87 |
| Investor relations | \$ 9,568 | \$ 9,318 | \$ 250 | 8 | \$ 15,054 | \$ 13,369 | \$ 1,685 | 13 |
| Filing and listing fees | \$ 1,840 | \$ 3,191 | \$ (1,351) | (42) | \$ 19,648 | \$ 24,514 | \$ (4,866) | (20) |
| Ohio management and administration | \$ 19,298 | \$ 3,203 | \$ 16,095 | 205 | \$ 40,245 | \$ 12,044 | \$ 28,201 | 234 |
| Insurance | \$ 9,109 | \$ 7,869 | \$ 1,240 | 28 | \$ 26,563 | \$ 18,847 | \$ 7,716 | 41 |
| Computer software and support | \$ 4,556 | \$ 4,404 | \$ 152 | 1 | \$ 17,477 | \$ 12,970 | \$ 4,507 | 35 |
| Office and storage | \$ 12,525 | \$ 12,525 | \$ - | - | \$ 37,575 | \$ 37,525 | \$ 50 | 0 |
| General and administrative - other | \$ 3,666 | \$ 3,194 | \$ 472 | 0 | \$ 12,170 | \$ 11,237 | \$ 933 | 8 |
| | \$ 248,421 | \$ 113,515 | \$ 134,906 | 119 | \$ 609,249 | \$ 344,223 | \$ 265,026 | 77 |

General and Administrative costs increased by \$265,026 in the first nine months of 2022 compared to the same period in 2021. The Company has categorized its administrative expenses as follows:

Employee Compensation – This compensation represents payments of salaries and wages to one full-time management employee and two part-time administrative support personnel. There was an increase of \$27,662 in the first nine months of 2022 compared to the same period in 2021, as government grants were not applicable in 2022 plus performance awards.

Management Consulting Fees – are paid to a professional corporation of a senior executive for services related to the overall management of the Company including some administrative costs. There was a 6% increase in charges in the first nine months of 2022 compared to the same period in 2021. This executive has consistently invested in all the private placements of the Company.

Consulting Fees – were paid to firm to provide marketing expertise to promote the Company's progress in Ohio. This firm paid an offsetting amount to exercise stock options of Marksmen.

Professional Fees – Fees consist of legal fees, reserve engineering, audit, and accounting services in Canada, as well as fees for legal, engineering, geology and land consulting in Ohio, USA. Professional fees are 87% higher in the first nine months of 2022 compared to the same period in 2021, due primarily to increased geological evaluation work in Ohio.

Investor Relations – Are related to costs incurred to raise capital for exploration opportunities. Expenses relate to travel, investor conferences, and investor meetings in Canada and the USA and are \$1,685 higher in the first nine months of 2022 compared to the same period in 2021.

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

Ohio Management and Administrative Expenses – Costs of Marksmen’s business activities in Ohio have increased by \$28,201 in the first nine months of 2022 compared to the same period in 2021, due to higher management and engineering and geology costs in Ohio.

Insurance – In the first nine months of 2022, insurance fees are 41 % higher than in the same period of 2021. Some of these costs will be reallocated to new wells the fourth quarter. This insurance coverage in Canada and the USA includes director and officer, property, and general liability as well as control of well insurance.

Computer Software and Support – includes fees charged by the Company’s accounting software provider plus technical support for computer systems. The costs in the first nine months of 2022 are higher by \$4,507 due to new website and presentation design services.

Office and Storage – The cost of office and storage space in Calgary did not change in the first nine months of 2022 compared to the same period in 2021.

General and Administrative Expenses – These expenses are the other G&A costs associated with normal day to day costs of running the Company.

Selected Other Expenses

Interest Expense – During the first nine months of 2022, the Company paid interest related to a secured debenture of \$75,000 as of June 30, 2022 and accrued an additional \$37,500 for the third quarter of 2022, the same as for the same period in 2021. The debenture holder does exercise warrants at June and December that offsets the payment amounts.

Depletion and Depreciation – In the nine months of 2022, depletion and depreciation totaled \$253,812 or \$28.54 per boe of oil and gas.

Financial Position – Highlights

| | Sep 30, 2022 | Dec 31, 2021 | Change | % Change |
|--------------------------------------------|---------------------|---------------------|---------------------|-----------|
| Assets | | | | |
| Cash | \$ 776,989 | \$ 621,413 | \$ 155,576 | 25 |
| Receivables and deposits | \$ 262,377 | \$ 286,608 | \$ (24,231) | (8) |
| Exploration and evaluation assets | \$ 1,469,297 | \$ 1,384,105 | \$ 85,192 | 6 |
| Property and equipment | \$ 3,514,228 | \$ 2,160,387 | \$ 1,353,841 | 63 |
| | \$ 6,022,891 | \$ 4,452,513 | \$ 1,570,378 | 35 |
| Liabilities | | | | |
| Accounts payable and accruals | \$ 1,170,951 | \$ 464,669 | \$ 706,282 | 152 |
| Secured debentures | \$ 1,244,159 | \$ 1,227,400 | \$ 16,759 | 1 |
| Government Loan | \$ 39,530 | \$ 35,596 | \$ 3,934 | 11 |
| Decommissioning liabilities | \$ 587,177 | \$ 433,106 | \$ 154,071 | 36 |
| | \$ 3,041,817 | \$ 2,160,771 | \$ 881,046 | 41 |
| Equity | | | | |
| Share capital, contributed surplus & other | \$ 30,514,223 | \$ 29,420,226 | \$ 1,093,997 | 4 |
| Deficit | \$ (27,533,149) | \$ (27,128,484) | \$ (404,665) | 1 |
| | \$ 2,981,074 | \$ 2,291,742 | \$ 689,332 | 30 |
| Liabilities and equity | \$ 6,022,891 | \$ 4,452,513 | \$ 1,570,378 | 35 |

Assets – Cash increased by \$155,576 at September 30, 2022 and receivables decreased by \$24,231 compared to year end 2021. The increase of \$85,192 in E&E assets is attributable to an increase in foreign exchange translation while the increase in PP&E is primarily the result of capital expenditures for wells drilled in the third quarter of 2022.

Liabilities – Accounts payable and accruals increased by \$706,282 at September 30, 2022 due to capital expenditures incurred in the third quarter of 2022 but not paid until the fourth quarter.

Equity – At September 30, 2022, the share capital increased by \$1,093,997 compared to year end 2021 as a result of exercises of stock options, warrants and broker warrants in the first nine months of 2022. The deficit increased by the net loss in the first nine months of 2022 of \$404,655.

Exploration and Evaluation - E&E Assets

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

| Exploration and Evaluation (E&E) | Sep 30, 2022 | Dec 31, 2021 |
|---------------------------------------------|---------------------|---------------------|
| Balance, beginning of period | \$ 1,384,105 | \$ 1,388,576 |
| Expenditures on exploration and evaluation | \$ - | \$ 639,097 |
| Impairment of E&E assets | \$ - | \$ (639,097) |
| Foreign currency adjustment | \$ 85,192 | \$ (4,471) |
| Balance, end of year | \$ 1,469,297 | \$ 1,384,105 |

There were no expenditures or impairment of E&E assets in the first nine months of 2022.

Property and Equipment – Petroleum and Natural Gas Assets

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

| Property Plant and Equipment (PP&E) | Sep 30, 2022 | Dec 31, 2021 |
|---------------------------------------------------|-----------------------|-----------------------|
| Balance beginning of period | \$ 4,674,458 | \$ 4,222,691 |
| Expenditures on property and equipment | \$ 1,321,511 | \$ 390,386 |
| Change in estimate of decommissioning liabilities | \$ 129,652 | \$ 77,073 |
| Foreign currency adjustment | \$ 335,319 | \$ (15,693) |
| Balance, end of year | \$ 6,460,940 | \$ 4,674,458 |
| Accumulated Depletion and Impairment | Sep 30, 2022 | Dec 31, 2021 |
| Balance, beginning of period | \$ (2,515,481) | \$ (2,935,535) |
| Depletion | \$ (253,447) | \$ (214,554) |
| Impairment Reversal | \$ - | \$ 619,720 |
| Foreign Currency Translation | \$ (178,829) | \$ 14,887 |
| Balance, end of year | \$ (2,947,757) | \$ (2,515,481) |
| Net Carrying Amount - PPE | \$ 3,513,184 | \$ 2,158,977 |

Expenditures - in the first nine months of 2022 were \$1,321,511 related primarily to capital costs of one recomplete well and three newly drilled wells in the third quarter of 2022. There was no impairment or reversal of impairment of PP&E assets in the first nine months of 2022.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be \$587,177 (December 31, 2021 - \$433,106). The present value of the decommissioning liability considered to be current is \$253,283 (December 31, 2021 - \$160,750). The total undiscounted amount of estimated future cash flows is \$683,841 (December 31, 2021 - \$452,910). These payments are expected to be made over the next 10 years. The obligations on the properties have been calculated using an inflation rate of 2% (2020 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 3.09% - 3.19% (December 31, 2021 – 0.91%-1.33%).

On May 1, 2020, the Alberta Department of Energy initiated the Site Rehabilitation Program (“SRP”) whereby it will provide funding in the form of grant payments to the oil field services sector to abandon and/or reclaim upstream oil and gas infrastructure. Pursuant to the SRP, the Company was approved for up to \$242,000 in SRP funding. As at September 30, 2022 the Company has received \$135,000 (December 31, 2021 - \$135,000) in SRP resulting in a reduction of the decommissioning liability, with an off-setting credit to other income in the consolidated statement of loss and comprehensive income (loss).

Secured Debenture

(See note 9, Secured debentures, in the Company’s consolidated financial statements as of September 30, 2021, for additional details).

The Company currently has a non-convertible secured debenture in place with a third party for \$1,250,000 with a maturity date of December 31, 2022, an interest rate of 12%. The Company has paid \$75,000 interest as of June 30, 2022 and accrued an additional \$37,500 in September 2022. The debenture holder does exercise warrants at June and December that offsets the interest payment amounts.

Government Loan

During the year ended December 31, 2020, the Company was approved for and received two loans of \$40,000 and \$20,000 totaling \$60,000 through ATB Financial under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. There is a provision in the loan agreements that if \$40,000 is paid at December 31, 2022 the remaining \$20,000 of the loans will be forgiven. If on December 31, 2022, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

Subsequent to September 30, 2022, the Government of Canada extended the maturity date of the CEBA loan to December 31, 2023.

Share Capital

(See note 11, Share Capital, in the Company’s consolidated financial statements as of September 30, 2022, for additional details).

The chart below is a summary of the Company’s common shares, stock options, share purchase warrants, and broker warrants. It includes transactions for the first nine months of 2022 and subsequently to November 29, 2022.

| | Common Shares | Stock Options | Warrants | Broker Warrants |
|-----------------------------------------|--------------------------|--------------------------|-------------------|----------------------------|
| Balance December 31, 2021 | 163,098,933 | 14,720,000 | 47,520,343 | 2,105,733 |
| Q1 2022 | | | | |
| Broker Warrants Expired | | | | (832,000) |
| Warrants expired | | | (3,880,280) | |
| Balance at March 31, 2022 | 163,098,933 | 14,720,000 | 43,640,063 | 1,273,733 |
| Q2 2022 | | | | |
| Stock Options Granted | | 1,760,000 | | |
| Stock options exercised | 882,353 | (882,353) | | |
| Stock options expired | | (215,000) | | |
| Warrants exercised | 1,500,000 | | (1,500,000) | |
| Balance June 30, 2022 | 165,481,286 | 15,382,647 | 42,140,063 | 1,273,733 |
| Q3 2022 | | | | |
| Stock Options Exercised | 1,277,647 | (1,277,647) | | |
| Stock Options Forfeited | | (515,000) | | |
| Warrants Exercised | 4,940,000 | | (4,940,000) | |
| Warrants Expired | | | (1,445,000) | |
| Broker Warrants Exercised | 312,000 | | | (312,000) |
| Balance September 30, 2022 | 172,010,933 | 13,590,000 | 35,755,063 | 961,733 |
| Subsequent to September 30, 2022 | | | | |
| Warrants exercised | 1,625,000 | | (1,625,000) | |
| Broker Warrants Exercised | 961,733 | | | (961,733) |
| Stock options exercised | 275,000 | (275,000) | | |
| Balance November 29, 2022 | 174,872,666 | 13,315,000 | 34,130,063 | - |

Share-based Payments

During the nine months ended September 30, 2022, the Company granted 1,760,000 stock options (December 31, 2021 – 6,905,000), there were 2,160,000 options exercised and 730,000 expired unexercised (December 31, 2021 – 479,000 and 1,615,000, respectively). The options granted during 2022 are exercisable at an average \$0.085 per option (2021 - \$0.05) and expire 1 years after their respective grant date (2021 – 5 years after respective grant date). All of the stock options vested immediately (2021 - One third of the stock options vest immediately and the remaining stock options granted vest one third on each of the first and second anniversary of the grant date). The forfeiture rates are based on historical data and managements estimates. The fair value of the options granted is estimated as at the grant date using the Black-Scholes option pricing model.

| | As at September 30, 2022 | As at December 31, 2021 |
|-------------------------|-----------------------------|----------------------------|
| Risk-free interest rate | 3.09% | 0.63% |
| Expected life | 1 year | 2.5 years |
| Expected volatility | 170.67% | 153.55% |
| Fair value per option | \$0.03 | \$0.04 |
| Forfeiture rate | 0.00% | 0.00% |
| Dividend yield | - | - |

Share-based payments expense recognized during the three and nine months ended September 30, 2022 was \$68,361 and \$133,455, respectively (three and nine months ended September 30, 2021 - \$23,280 and \$107,815, respectively), all of which has been recorded in net loss with an offsetting credit to contributed surplus.

Related party transactions

Related parties include Board of Directors of the Company and enterprises which are controlled by these individuals. The remuneration of these directors relate to executive management services, office and storage space and legal services for the three and nine months ended September 30, 2022, and compared to the same periods in 2021, as noted below:

| | Three Months Ended | | Nine Months Ended | |
|------------------------------|--------------------|----------------|-------------------|----------------|
| | Sep 30 2022 | Sep 30 2021 | Sep 30 2022 | Sep 30 2021 |
| Management services - Canada | \$ 46,750 | \$ 33,500 | \$ 102,350 | \$ 96,200 |
| Office space and storage | \$ 7,500 | \$ 7,500 | \$ 22,500 | \$ 22,500 |
| Legal Fees | \$ 8,867 | \$ - | \$ 19,119 | \$ 21,858 |
| Management services - USA | \$ 16,421 | \$ 3,210 | \$ 36,347 | \$ 13,183 |

As at September 30, 2022, the Company has accounts payable and accrued liabilities totaling \$7,231 (December 31, 2021 – \$17,685) owing to related parties relating to the above transactions. All of the above related party transactions are in the normal course of business.

Segmented Information

The Company's primary operations are limited to a single industry being the acquisition, exploration for, and development of petroleum and natural gas.

Geographical segmentation is as follows:

| | For the nine months ended September 30, 2022 | | |
|-----------------------------------|----------------------------------------------|---------------|-----------|
| | Canada | Unites States | Total |
| Petroleum and natural gas sales | - | 952,349 | 952,349 |
| Depletion and depreciation | 365 | 253,447 | 253,812 |
| Net loss | 824,137 | (419,473) | 404,664 |
| Exploration and evaluation assets | 334,512 | 1,134,785 | 1,469,297 |
| Property, plant and equipment | 15,707 | 3,498,521 | 3,514,228 |
| Total liabilities | 1,720,357 | 1,321,460 | 3,041,817 |

| | For the nine months ended September 30, 2021 | | |
|-----------------------------------|----------------------------------------------|---------------|-----------|
| | Canada | Unites States | Total |
| Petroleum and natural gas sales | - | 376,204 | 376,204 |
| Depletion and depreciation | (134,384) | 110,666 | (23,718) |
| Net loss and comprehensive loss | 523,424 | (10,359) | 513,065 |
| Exploration and evaluation assets | - | 1,389,324 | 1,389,324 |
| Property, plant and equipment | (115,918) | 1,647,871 | 1,531,953 |
| Total liabilities | 1,769,009 | 391,771 | 2,160,780 |

Going Concern

At September 30, 2022, the Company had not yet achieved profitable operations, had accumulated a deficit of \$27,533,149 (December 31, 2021 - \$27,128,485) a negative working capital of \$1,668,557 (December 31, 2021 - \$980,394), and may incur further losses in the development of its business. The ability to continue as a going concern is dependent on global commodity markets, obtaining continued financial support by completing public equity financing, and by drilling additional oil and gas wells that will increase cash-flow and oil and gas reserves. The timing and extent of forecast capital and operating expenditures is based on the Company's 2022 budget and on management's estimate of expenditures expected to be incurred beyond 2022.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at September 30, 2022, the availability of additional financing, and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

To achieve its intended development, management is committed to raising additional capital and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

Commitments

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

At September 30, 2022, included in deposits and prepaid expenses is an amount of \$42,241 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2021 - \$41,772). The AER has indicated that a higher deposit may be required.

However, since all wells are abandoned or shut-in and considering certain changes to government programs such as the Site Rehabilitation Program, and assistance from the Orphan Well association, which will potentially assist Marksmen in completing the reclamation of its wells in Alberta, Marksmen will negotiate with the AER on an as required basis.

Land and Property Rights Tribunal (“LPRT”) (formally the Surface Rights Board) – The LPRT is a quasi-judicial tribunal in Alberta that has a dispute resolution process to resolve issues of non-payment of surface leases to landowners by oil and gas companies. On September 18, 2018, Marksmen was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections with a balance at September 30, 2022, of \$134,111 (December 31, 2021 - \$134,111) related to unpaid surface leases on properties that were sold by Marksmen to a third-party company in August of 2010.

The Company has an Assignment of Surface Rights agreement with the third-party, effective August 1, 2010, whereby the responsibility for the payment of surface leases is with the third party. The third-party does not dispute this agreement in any way and agrees they are responsible for the payment of surface leases. Upon the sale of the properties, the Company did agree to retain a nominal 1% working interest in the sold properties and function as the operator of the wells on the behalf of the third-party company. The Company’s position on this judgement is that the assignment of Surface Rights agreements takes precedent while the SRB asserts that the provincial laws governing the SRB places the responsibility on the operator as defined by Alberta law governing SRB and the Alberta Energy Regulator.

On April 4, 2019, SRB ruled and agreed that the third-party company is also an Operator, but they did not agree that Marksmen should be removed as an Operator. Therefore, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface lease payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment has been recorded as a bad debt item in Marksmen’s statement of loss and comprehensive loss. The Company remains dissatisfied with SRB’s position and will continue discussions regarding this matter with the AER, the Alberta Department of Energy, and the SRB.

Off Balance Sheet Arrangements

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

Financial Risk Management

(See note 13, Financial Risk Management, in the Company’s consolidated financial statements as of September 30, 2022, for additional details).

Fair values - The fair value of cash, trade and other receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. The fair value of the debentures was calculated using an estimate of the market rate for similar debentures without warrants.

Credit risk - is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and trade and other receivables represents the maximum credit exposure. Marksmen manages its credit risk on a regular basis.

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

Market risk – is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income or the value of financial instruments. Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks.

Commodity price risk - is the risk that future cash flows will fluctuate because of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties. Prices received by the Company for its production are largely beyond the Company's control as oil and natural gas prices are impacted by world economic events. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed appropriate.

Foreign currency exchange risk - is the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Company regularly converts Canadian and United States currencies as operations and capital expenditures require. The Company currently sells oil and natural gas in USD. As of September 30, 2022, the Company had no forward exchange rate contracts in place.

Interest rate risk – is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company does not have short or long-term interest-bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debentures bear a fixed interest rate of 12%. The Company has no interest rate swaps or financial contracts in place as at or during the periods ended September 30, 2022 and December 31, 2021.

Outlook

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

In the first nine months of 2022 compared to the same period of 2021, production increased by 2,746 barrels of oil, the price of oil was \$34.79 USD higher, and revenue increased \$576,145 CAD. It is expected, that with added production from new wells, the year end results and onward into 2023 will show further increases in production and revenue.

In Portage County, Marksman, with its partner PEP Drilling LLC, ("PEP") has recompleted a Clinton Sandstone formation well. It has been hydraulically stimulated, swabbed, and was put on production in late August of 2022. There are a number of recomplete opportunities available to Marksman in conjunction with PEP. Additionally, the Marksman and PEP technical teams are collaborating on the evaluation of drilling a Rose Run well(s) where the preliminary data is positive.

During the quarter ended September 30, 2022, Marksman drilled three wells in Pickaway County. All three wells are in the productive Cambrian Knox formation and have been logged and swab tested. These wells are analogous to Marksman's other locations at Davis Holbrook 1 and 2. The wells are now equipped with pumpjacks, production tanks and have been tied into existing water disposal facilities. Final electrical power will be hooked up at the end of November and the three wells will then be put on production.

The start of production of the new wells coupled with other projects that Marksman's team are evaluating will result in a busy and exciting conclusion to 2022 and into 2023.

Marksman is now poised to grow the Company aggressively in 2023 and would like to thank all of its management, staff, directors, and shareholders for their continued support.

Other

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