

Marksmen Energy Inc.

Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW In accordance with National Instrument 51-102 Section 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited Interim Consolidated Financial Statements for the three and nine months ended September 30, 2023 and 2022.

Marksmen Energy Inc.

Consolidated Statements of Financial Position

For the periods ended:

(Canadian \$)	September 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Cash	256,188	338,319
Trade and other receivables (note 12(b))	72,509	165,947
Deposits and prepaid expenses (note 13(a))	65,783	64,252
Total Current Assets	394,480	568,518
Exploration and evaluation assets (note 4)	1,476,453	1,464,934
Property and equipment (note 5)	3,828,972	3,936,903
TOTAL ASSETS	5,699,905	5,970,355
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 12(c))	361,371	994,220
Decommissioning liabilities (note 7)	254,325	252,183
Government loan (note 9)	38,774	35,069
Total Current Liabilities	654,470	1,281,472
Decommissioning liabilities (note 7)	326,467	322,595
Secured debentures (note 8)	1,215,266	1,197,201
	2,196,203	2,801,268
SHAREHOLDERS' EQUITY		
Share capital (note 10(b))	23,209,795	21,867,453
Warrants (note 10(e))	604,788	1,004,616
Contributed surplus (note 10(g))	7,637,867	7,246,436
Accumulated other comprehensive income	823,834	826,638
Deficit	(28,772,582)	(27,776,056)
	3,503,702	3,169,087
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,699,905	5,970,355

Going concern (note 1)

Commitments (note 13)

Subsequent events (note 16)

Approved by the Board of Directors:

Signed "John Niedermaier"

John Niedermaier

Signed "Archie J. Nesbitt"

Archie Nesbitt

The notes are an integral part of these consolidated financial statements

Marksmen Energy Inc.

Consolidated Statements of Net Loss and Comprehensive Loss For the three and nine months ended:

(Canadian \$)	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
REVENUE				
Petroleum and natural gas sales (note 14)	147,456	275,260	669,323	952,349
Royalties	(18,650)	(35,057)	(90,006)	(121,638)
	128,806	240,203	579,317	830,711
EXPENSES				
Production and operating expenses	101,821	29,114	217,499	101,892
Depletion and depreciation (note 5)	39,013	104,867	181,564	253,812
General and administrative	142,892	248,421	680,442	609,249
Share-based payments (note 10(d))	4,856	68,361	350,695	133,455
Loss from operations	(159,776)	(210,560)	(850,883)	(267,697)
FINANCE EXPENSE				
Interest expense (note 8)	37,500	37,500	112,500	112,500
Accretion of secured debentures (note 8)	6,237	5,841	18,065	16,759
Accretion of decommissioning liabilities (note 7)	5,159	1,273	15,511	3,773
Other finance expense (note 9)	1,235	1,359	3,705	3,935
	(50,131)	(45,973)	(149,781)	(136,967)
OTHER (EXPENSES) INCOME				
Loss on abandonment estimates (note 7)	-	-	(383)	-
Forgiveness of debt	4,521	-	4,521	-
	4,521	-	4,138	-
NET LOSS	(205,386)	(256,533)	(996,526)	(404,664)
Other comprehensive income (loss) that may subsequently be transferred to net loss				
Currency translation adjustment	112,883	238,009	(2,804)	294,221
NET LOSS AND COMPREHENSIVE LOSS	(92,503)	(18,524)	(999,330)	(110,443)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
Weighted average number of common shares outstanding during the period	190,168,272	168,747,979	187,239,723	165,045,304

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Marksmen Energy Inc.

Consolidated Statements of Changes in Equity

(Canadian \$)	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
BALANCE AS AT DECEMBER 31, 2022	21,867,453	1,004,616	7,246,436	(27,776,056)	826,638	3,169,087
Loss for the period	-	-	-	(996,526)	-	(996,526)
Translation differences on foreign subsidiaries	-	-	-	-	(2,804)	(2,804)
Private placement (note 10(b)(i))	38,190	86,310	-	-	-	124,500
Cash share issue costs (note 10(b)(i))	(613)	(1,387)	-	-	-	(2,000)
Broker warrants issued (note 10(b)(i))	(280)	(632)	912	-	-	-
Warrants exercised (note 10(e))	718,250	-	-	-	-	718,250
Reallocation of warrant fair value on exercise	341,889	(341,889)	-	-	-	-
Warrants expired (note 10(e))	-	(217,763)	217,763	-	-	-
Expiry of warrant share issue costs (note 10(e))	-	75,533	(75,533)	-	-	-
Stock options exercised (note 10(d))	142,500	-	-	-	-	142,500
Reallocation of stock option fair value on exercise	102,406	-	(102,406)	-	-	-
Share-based payments (note 10(d))	-	-	350,695	-	-	350,695
BALANCE AS AT SEPTEMBER 30, 2023	23,209,795	604,788	7,637,867	(28,772,582)	823,834	3,503,702
BALANCE AS AT DECEMBER 31, 2021	20,314,512	1,379,021	7,143,059	(27,128,485)	583,635	2,291,742
Loss for the period	-	-	-	(404,664)	-	(404,664)
Translation differences on foreign subsidiaries	-	-	-	-	294,221	294,221
Stock options exercised (note 10(d))	169,600	-	-	-	-	169,600
Reallocation of stock option fair value on exercise	72,798	-	(72,798)	-	-	-
Warrants exercised (note 10(e))	478,000	-	-	-	-	478,000
Reallocation of warrant fair value on exercise	219,521	(219,521)	-	-	-	-
Broker warrants exercised (note 10(f))	18,720	-	-	-	-	18,720
Reallocation of broker warrant fair value on exercise	9,812	-	(9,812)	-	-	-
Warrants expired (note 10(e))	-	(111,906)	111,906	-	-	-
Expiry of warrant share issue costs (note 10(e))	-	11,828	(11,828)	-	-	-
Share-based payments (note 10(d))	-	-	133,455	-	-	133,455
BALANCE AS AT SEPTEMBER 30, 2022	21,282,963	1,059,422	7,293,982	(27,533,149)	877,856	2,981,074

The notes are an integral part of these consolidated financial statements

Marksmen Energy Inc.

Consolidated Statements of Cash Flows

(Canadian \$)	Nine Months	
	September 30, 2023	September 30, 2022
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(996,526)	(404,664)
ITEMS NOT AFFECTING CASH:		
Depletion and depreciation (note 5)	181,564	253,812
Accretion of decommissioning liabilities (note 7)	15,511	3,773
Accretion of secured debentures (note 8)	18,065	16,759
Loss on abandonment estimates (note 7)	383	-
Other finance expense (note 9)	3,705	3,935
Share-based payments (note 10(d))	350,695	133,455
Change in trade and other receivables	93,438	26,248
Change in deposits and prepaid expenses	(1,531)	(2,017)
Change in accounts payable and accrued liabilities	3,266	153,259
CASH FLOW USED IN OPERATING ACTIVITIES	(331,430)	184,560
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation (note 4)	(13,520)	-
Expenditure on property and equipment (note 5)	(90,631)	(1,321,511)
Change in non-cash working capital	(636,116)	553,023
CASH FLOW USED IN INVESTING ACTIVITIES	(740,267)	(768,488)
FINANCING ACTIVITIES		
Proceeds from private placements, net of cash issue costs (note 12(b))	122,500	-
Proceeds from exercise of warrants (note 10(b))	718,250	478,000
Proceeds from exercise of stock options (note 10(b))	142,500	169,600
Proceeds from exercise of broker warrants (note 12(f))	-	18,720
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	983,250	666,320
Foreign exchange effect on cash	6,316	73,184
(Decrease) Increase in cash	(82,131)	155,576
Cash, beginning of period	338,319	621,413
CASH, END OF PERIOD	256,188	776,989

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Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

1. Reporting entity and going concern

Marksmen Energy Inc. (the “Company”) is involved in the exploration, development and production of petroleum and natural gas properties in Ohio, USA and Alberta, Canada. The Company was incorporated in Canada under the laws of the Alberta Business Corporations Act on March 14, 1997. The Company is listed on the TSX Venture Exchange under the symbol “MAH.V” and on the OTCQB Venture Marketplace under the symbol “MKSEF”. The Company’s registered office is located at Suite 1600 Dome Tower, 333-7th Avenue SW, Calgary, Alberta, Canada, T2P 2Z1.

At September 30, 2023, the Company had not yet achieved profitable operations, had accumulated a deficit of \$28,772,582 (December 31, 2022 - \$27,776,056) a negative working capital of \$259,990 (December 31, 2022 - \$712,954), 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 2023 budget and on management’s estimate of expenditures expected to be incurred beyond 2023.

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, 2023, 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.

The consolidated financial statements have been prepared on a basis which asserts that the Company will continue to have the ability to realize its assets and discharge its liabilities and commitments in a planned manner with consideration to expected possible outcomes. Conversely, if the assumption made by management is not appropriate and the Company is unable to meet its obligations as they fall due the preparation of these consolidated financial statements on a going concern basis may not be appropriate and adjustments to the carrying amounts of the Company’s assets, liabilities, revenues, expenses, and financial position classifications may be necessary and such adjustments could be material.

2. Basis of presentation

a) Statement of compliance:

The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as issued by the International Accounting Standards Board as disclosed in the Company’s audited annual consolidated financial statements for the year ended December 31, 2022. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2022 and exclude certain disclosures required to be included in the annual financial statements. The Board of Directors approved the consolidated financial statements on November 29, 2023.

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

b) Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Marksmen Energy USA, Inc. The subsidiary is fully consolidated from the date of acquisition, being the date of which the Company obtained control, and continues to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent, using consistent accounting policies. Any balances, unrealized gains and losses, or income and expenses from intra-company transactions are fully eliminated upon consolidation.

c) Basis of measurement:

These financial statements have been prepared on the historical cost basis, except for the revaluation to fair value of certain financial assets and financial liabilities, as required under IFRS. The financial statements are measured and presented in Canadian dollars as the functional currency of the Company.

All accounting policies and methods of computation followed in the preparation of these financial statements are consistent with those in the December 31, 2022 audited consolidated financial statements, except for income taxes. Income taxes for interim periods are accrued using the income tax rate that would be applicable to the expected annual net income (loss).

d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. Marksmen Energy USA Inc.'s functional currency is United States Dollars.

e) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in NOTE 2 of the December 31, 2022 audited consolidated financial statements.

Changes in Accounting Policies and Disclosures

Amendments to IAS 12 *Income Taxes*

IAS 12 has been amended to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments are effective for periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 12, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions and did not have a material impact on the financial statements.

Amendments to IAS 1 *Presentation of Financial Statements*

The Company plans to adopt the following amendments to accounting standards, issued by the IASB. Each is not expected to have a material impact on the financial statements.

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2024.

In October 2022, the IASB issued amendments to IAS 1, which specify the classification and disclosure of a liability with covenants. This will be effective on January 1, 2024.

Marksman Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

3. Equity investment

During 2012, the Company's share of the US Private Company ("US PrivateCo.") losses were in excess of Company's interest and accordingly at September 30, 2023 the investment was valued at \$nil (December 31, 2022 - \$nil).

4. Exploration and evaluation

	As at September 30, 2023	As at December 31, 2022
Balance, beginning of period	1,464,934	1,384,105
Expenditures on exploration and evaluation assets	13,520	9,133
Foreign exchange translation	(2,001)	71,696
BALANCE, END OF PERIOD	1,476,453	1,464,934

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of technological feasibility and commercial viability. As at September 30, 2023, the Company has \$1,476,453 in E&E assets (December 31, 2022 - \$1,464,934). During the nine months ended September 30, 2023, there were additions of \$13,520 (December 31, 2022 - \$9,133). Additions represent the acquisition of undeveloped land, seismic activity and the costs associated with wells that have not reached technical feasibility and commercial viability within Ohio, USA. E&E was assessed for indicators of impairment as at September 30, 2023 and it was determined there were no indicators (December 31, 2022 – no indicators).

5. Property and equipment

	As at September 30, 2023	As at December 31, 2022
COST		
Balance, beginning of period	6,907,858	4,674,458
Expenditures on property and equipment	88,641	1,830,326
Change in estimate of decommissioning liabilities (note 7)	(9,225)	120,871
Foreign currency translation	(11,287)	282,203
BALANCE, END OF PERIOD	6,975,988	6,907,858
ACCUMULATED DEPLETION		
Balance, beginning of period	(2,971,876)	(2,515,481)
Depletion	(181,005)	(307,975)
Foreign currency translation	3,512	(148,420)
BALANCE, END OF PERIOD	(3,149,369)	(2,971,876)
NET CARRYING AMOUNT, END OF PERIOD	3,826,619	3,935,982

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

Corporate assets

	As at September 30, 2023	As at December 31, 2022
COST		
Balance, beginning of period	22,167	22,167
Additions	1,990	-
BALANCE, END OF PERIOD	24,157	22,167
ACCUMULATED DEPRECIATION		
Balance, beginning of period	(21,245)	(20,758)
Depreciation	(559)	(487)
BALANCE, END OF PERIOD	(21,804)	(21,245)
NET CARRYING AMOUNT, END OF PERIOD	2,353	922

At September 30, 2023, future development costs of \$353,246 (December 31, 2022 - \$355,530) are included in costs subject to depletion. The Company currently has two CGU's, Ohio, USA and Alberta, Canada.

6. Impairment

Property and equipment ("PP&E") was assessed for indicators of impairment as at September 30, 2023 and it was determined there were no indicators

At December 31, 2022, the Company assessed and noted indicators of impairment of its property and equipment, and accordingly, impairment testing was performed. The Company prepared estimates of future cash flows to determine the recoverable amounts of the respective CGU's. Recoverable amounts for the Company's oil and gas assets were estimated based on FVLCD, calculated using the present value of the CGUs' expected future cash flows. The primary source of cash flow information was derived from a report on the Company's oil and gas reserves which was prepared by an independent qualified reserve evaluator. Impairment losses can be reversed in future period if the estimated recoverable amount of the CGU exceeds its carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

The projected cash flows reflect current market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates. Cash flow forecasts are also based on past experience, historical trends and an evaluation of the Company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Production profiles, reserves volumes, operating costs, capital expenditures are consistent with the estimates approved through the Company's annual reserves evaluation process. Based on the impairment assessment performed, there was no impairment at December 31, 2022. The FVLCD estimates are categorized as level 2 according to the IFRS 13 fair value hierarchy.

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

7. Decommissioning liabilities

	As at September 30, 2023	As at December 31, 2022
Balance, beginning of period	574,778	433,106
Liabilities incurred	-	90,777
Change in estimate	(8,843)	28,586
Accretion expense	15,511	5,079
Foreign currency translation	(653)	17,230
BALANCE, END OF PERIOD	580,792	574,778
Current	254,325	252,183
Non-current	326,467	322,595

The Company has estimated the net present value of the decommissioning liabilities to be \$580,792 (December 31, 2022 - \$574,778). The present value of the decommissioning liability considered to be current is \$254,325 (December 31, 2022 - \$252,183). The total undiscounted amount of estimated future cash flows is \$687,282 (December 31, 2022 - \$677,865). These payments are expected to be made over the next 10 years. The obligations on the properties have been calculated using an inflation rate of 2% (December 31, 2022 - 2%) and a discount factor, being the average risk-free rate related to the liability, of 3.88% - 4.83% (December 31, 2022 - 3.27% - 4.02%).

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

8. Secured debentures

	Secured debentures
Balance, December 31, 2021	1,227,400
Accretion of Debenture	22,600
Warrants issued pursuant to Debenture	(52,799)
Balance, December 31, 2022	1,197,201
Accretion of Debenture	18,065
Balance, September 30, 2023	1,215,266

On December 29, 2022, the maturity date of the Debenture was extended to December 31, 2024 (the "Extension"). The interest rate remains at 12% per annum and is payable on the unpaid balance of the Debenture on each of March 31, June 30, September 30, and December 31. During the three and nine months ended September 30, 2023, the Company recorded interest expense of \$37,500 and \$112,500, respectively (September 30, 2022 - \$37,500 and \$112,500, respectively).

The Company granted 1,500,000 share purchase warrants upon the Extension. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.13 per share until the expiry date of December 31, 2024. The Company valued the warrant feature of the Debenture using the residual method. The liability component was valued at \$1,197,201 and the equity residual value attributed to the warrant feature was \$52,799.

The Company may, at any time, repay the principle and any accrued interest of the Debenture without notice or penalty. If the Company is in default of the requirements included in the Debenture agreement, the Debenture holder may demand repayment of the Debenture or accelerate the date for payment. Security for the Debenture includes a

Marksman Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

general security agreement against the Company's present and after-acquired personal property and all proceeds thereof. As at September 30, 2023, the Company is in compliance with all requirements pursuant to the Debenture.

9. Government loan

During the year ended December 31, 2020, the Company was approved and received a \$60,000 CEBA loan with the bank under the Canada Emergency Business Account ("CEBA") program funded by the Government of Canada. The CEBA loan is non-interest bearing, can be repaid at any time without penalty. On October 11, 2022, the maturity date of the CEBA loan was extended from December 31, 2022 until December 31, 2023. If 75% of the CEBA loan is repaid on or before December 31, 2023, the repayment of the remaining 25% of such CEBA loan shall be forgiven. If on December 31, 2023, the Company exercises the option for a 3-year term extension, 5% interest during the term extension period will apply on any balance remaining.

The Company recognized the forgivable portion ("interest benefit") of the CEBA loan in other income at December 31, 2020 in the amount of \$11,889 and an additional amount of \$4,931 in other income on the October 11, 2022 extension. The Company used an effective interest rate of 14.47% to calculate the interest benefit. During the three and nine months ended September 30, 2023, accretion expense of \$1,235 and \$3,705, respectively, has been recorded as other expense in the consolidated statement of loss and comprehensive loss (three and nine months ended September 30, 2022 - \$1,359 and \$3,935, respectively).

10. Share capital

a) Authorized

Unlimited number of common shares with voting rights, at par value
Unlimited number of preferred shares, issuable in series, at par value

b) Issued

	Number	Amount
Balance, December 31, 2021	163,098,933	20,314,512
Shares issued pursuant to stock option exercise	2,485,000	221,100
Fair value reclass pursuant to stock option exercise	-	116,315
Shares issued pursuant to warrant exercise	10,365,000	772,750
Fair value reclass pursuant to warrant exercise	-	327,125
Shares issued pursuant to broker warrant exercise	1,273,733	76,424
Fair value reclass pursuant to broker warrant exercise	-	39,227
Balance, December 31, 2022	177,222,666	21,867,453
Shares issued pursuant to private placement (i)	2,490,000	38,190
Share issue costs (i)	-	(893)
Shares issued pursuant to warrant exercise	10,260,714	718,250
Fair value reclass pursuant to warrant exercise	-	341,889
Shares issued pursuant to stock option exercise	1,900,000	142,500
Fair value reclass pursuant to stock option exercise	-	102,406
Balance, September 30, 2023	191,873,380	23,209,795

(i) On September 1, 2023, the Company closed a private placement issuing a total of 2,490,000 units (the "Unit") for aggregate proceeds of \$124,500. Each Unit consisted of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for \$0.05 per common share for a period of 24 months from issuance, which was valued at \$86,310 (note 10(e)(i)). In connection with the private placement, the Company incurred cash share issue costs of \$2,000, and issued 40,000 broker warrants valued at \$912. Each broker warrant entitled the holder thereof to purchase one common share

Marksman Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

of the Company at a price of \$0.05 per common share for a period of 12 months from issuance (note 10(f)). Share issue costs of \$893 were allocated to share capital and \$2,019 were allocated to warrants.

c) Stock options

The Company has established a stock option plan (the "Plan") for the benefit of the directors, officers, employees and consultants of the Company. The maximum number of options available under the Plan is limited to 10% of the issued and outstanding common shares on the date the option is granted, with the maximum number of options available to an individual director, officer, employee or consultant not exceeding 5% or 2%, respectively, of the issued and outstanding shares. Such options will be exercisable for a period of up to 5 years from the date of grant, at an exercise price and vesting period as determined by the Board of Directors.

A summary of the status of the Company's stock option plan and changes during the period is as follows:

	As at September 30, 2023		As at December 31, 2022	
	Number	Weighted Average Exercise Price (\$)	Number	Weighted Average Exercise Price (\$)
Balance, beginning of period	12,315,000	0.08	14,720,000	0.08
Granted	6,105,000	0.08	1,760,000	0.09
Exercised	(1,900,000)	(0.08)	(2,485,000)	(0.09)
Expired	(1,300,000)	(0.22)	(1,680,000)	0.16
BALANCE, END OF PERIOD	15,220,000	0.07	12,315,000	0.08

Exercise Price (\$)	Options Outstanding	Weighted Average Remaining Term (Years)	Weighted Average Exercise Price (\$)	Options Exercisable	Weighted Average Exercise Price (\$)
0.00 - 0.09	13,210,000	3.00	0.06	12,236,667	0.07
0.10 - 0.19	2,010,000	0.31	0.12	2,010,000	0.12

As at September 30, 2023, the Company had 14,246,667 exercisable options and 973,333 options granted but not yet vested (December 31, 2022 – 10,046,667 and 2,268,333, respectively). The weighted average exercise price of the exercisable options is \$0.07 (December 31, 2022 - \$0.09).

d) Share-based payments

During the nine months ended September 30, 2023, the Company granted 6,105,000 stock options (December 31, 2022 – 1,760,000), 1,900,000 options exercised and 1,300,000 expired unexercised (December 31, 2022 – 2,485,000 and 1,680,000, respectively). The options granted during 2023 are exercisable at an average \$0.075 per option (December 31, 2022 - \$0.085), vest immediately and expire 5 years after their respective grant date (December 31, 2022 – vest immediately and expire 1 year after respective grant date). The remaining stock options outstanding vest(ed) one-third immediately upon grant and 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, 2023	As at December 31, 2022
Risk-free interest rate	4.30%	3.09%
Expected life	2.5 years	1 year
Expected volatility	150.37%	170.67%
Fair value per option	\$0.05	\$0.03
Forfeiture rate	0.00%	0.00%
Dividend yield	-	-

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

Share-based payments expense recognized during the three and nine months ended September 30, 2023 was \$4,856 and \$350,695, respectively (September 30, 2022 - \$68,361 and \$133,455, respectively), all of which has been recorded in net loss, with an offsetting credit to contributed surplus.

e) Warrants

	Number of Warrants	Weighted Average Exercise Price (\$)	Amount(\$)	Weighted Average Expiry Date
Balance, December 31, 2021	47,520,343	0.08	1,379,021	1.11
Warrants issued pursuant to Debenture (note 8)	1,500,000	0.13	52,799	2.00
Exercise of warrants	(10,365,000)	0.08	(327,125)	-
Expiry of warrants	(5,325,280)	0.09	(111,906)	-
Expiry of warrant share issue costs	-	-	11,827	-
Balance, December 31, 2022	33,330,063	0.09	1,004,616	0.64
Warrants issued pursuant to private placement (i)	2,490,000	0.07	86,310	1.92
Share issue costs (i)	-	-	(2,019)	-
Exercise of warrants	(10,260,714)	0.07	(341,889)	-
Expiry of warrants	(5,734,286)	0.07	(217,763)	-
Expiry of warrant share issue costs	-	-	75,533	-
Balance, September 30, 2023	19,825,063	0.08	604,788	0.14

- (i) As part of the units issued in the private placement that closed on September 1, 2023 (note 10(b)(i)), subscribers received one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.05 for a period of 24 months from the date of closing. A value of \$86,310 (\$0.03 per warrant) has been attributed to the warrants issued. Share issue costs incurred on the private placement of \$2,019 have been allocated to the warrants issues (note 10(b)(i))

	As at September 30, 2023
Risk-free interest rate	4.59%
Expected life	2 years
Expected volatility	140.25%
Fair value per warrant	\$0.03

f) Broker warrants

	Number of Warrants	Weighted Average Exercise Price (\$)	Amount(\$)	Weighted Average Expiry Date
Balance, December 31, 2021	2,105,733	0.06	64,437	0.54
Broker warrants exercised	(1,273,733)	(0.06)	(39,227)	-
Broker warrants expired	(832,000)	(0.05)	(25,210)	-
Balance December 31, 2022	-	-	-	-
Broker warrants issued pursuant to private placement (note 10(b)(i))	40,000	0.05	912	0.92
Balance, September 30, 2023	40,000	0.05	912	0.92

- (i) As part of the private placement that closed on September 1, 2023, the Company issued 40,000 (note 10(b)(i)) broker warrants. Each broker warrant granted entitles the holder to purchase one common share at a price of \$0.05 per common share for a period of 1 year from the date of closing. The broker warrants were valued at \$912 and recorded as share issue costs.

Marksman Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

g) Contributed surplus

	As at September 30, 2023	As at December 31, 2022
Balance, beginning of period	7,246,436	7,143,059
Share-based payments (note 10(d))	350,695	158,839
Expiry of warrants (note 10(e))	217,763	111,906
Expiry of warrant share issue costs (note 10(e))	(75,533)	(11,827)
Exercise of stock options (note 10(d))	(102,406)	(116,315)
Issuance of broker warrants (note 10(f))	912	-
Exercise of broker warrants (note 10(f))	-	(39,227)
BALANCE, END OF PERIOD	7,637,867	7,246,436

11. Related party transactions

Related parties include Board of Directors of the Company and enterprises which they are associated with that provide services to the Company. Related party transactions not disclosed elsewhere in these consolidated financial statements include the remuneration of these directors for services for the nine months ended September 30, 2023, and compared to the same period in 2022, as noted below:

	Relationship	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Executive management fees - Canada	Chief Executive Officer and Director	28,750	46,750	98,650	102,350
Executive management fees - USA	VP Operations and Director	8,709	2,574	39,936	22,500
Legal fees	Director and Corporate Secretary	-	8,867	12,974	19,119
Office space and storage	Chief Executive Officer and Director	7,500	7,500	22,500	22,500
		44,959	65,691	174,060	166,469

As at September 30, 2023, the Company has accounts payable and accrued liabilities totaling \$5,790 (December 31, 2022 – \$27,285) owing to related parties relating to the above transactions.

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

12. Financial risk management

(a) Fair values:

The fair value of cash, trade and other receivables, and accounts payable and accrued liabilities approximates their carrying value due to their short term nature. The fair value of the debentures were calculated using an estimate of the market rate for similar debentures without warrants, which is a level 2 input.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

(b) Credit risk:

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

As at September 30, 2023, the Company had cash of \$256,188 (December 31, 2022 - \$338,319), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

Marksman Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

As at September 30, 2023, the Company's accounts receivable consisted of \$45,282 receivable from oil and natural gas marketing companies (December 31, 2022 - \$103,854), \$7,997 receivable from joint venture working interest owners (December 31, 2022 - \$46,792) and \$19,230 related to goods and service tax owing from the Government of Canada (December 31, 2022 - \$15,301). As at September 30, 2023, 43% (December 31, 2022 - 44%) of the Company's receivable are held with one oil and natural gas marketing company and is therefore subject to concentration risk. Receivables from oil and natural gas marketing companies are typically collected within one month of delivery of product and historically the Company has not experienced collection issues with its marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued and cash call receivables are usually provided to the operator at least 30 days in advance of drilling. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner pre-approval of significant capital expenditures. In certain circumstances, the Company may request an operating advance, cash call a partner in advance of capital expenditures being incurred or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. The Company does not typically obtain collateral from oil and natural gas marketers or joint ventures; however, the Company does have the ability to withhold production from joint ventures in the event of non-payment.

Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date. The Company's aged trade and other receivable at September 30, 2023 and December 31, 2022, excluding any impaired accounts, are as follows:

	As at September 30, 2023	As at December 31, 2022
Days outstanding		
0-30 days	40,607	127,413
31-60 days	19,230	7,501
61-90 days	6,124	15,886
Greater than 90 days	6,548	15,147
Trade and other receivables, net of allowance	72,509	165,947

The Company assessed the credit loss risk as \$nil at September 30, 2023 and December 31, 2022 based on historical data and future expectations and there was no allowance recorded against the accounts receivable.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2023, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of \$361,371 and the government loan of \$38,774 (note 9), both of which are all due over the next twelve months. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities.

The Company prepares annual capital expenditure budgets, which are regularly updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

(d) Market risk:

Market risk is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income (loss) or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks. If in the future management determines market risk warrants the use of financial derivatives or physical delivery sales contracts any such transactions would be approved by the Board of Directors.

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

(i) Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and natural gas prices are impacted by world economic events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed appropriate. The Company did not have any commodity price contracts in place as at or during the periods ended September 30, 2023 and December 31, 2022. A 20% change in price per bbl in commodity process would impact petroleum and natural gas sales by approximately \$115,000.

(ii) Foreign currency risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company regularly converts Canadian currency into United States currency to provide funds for its Ohio based projects. The Company currently sells oil or natural gas in foreign currencies and the underlying market prices in Canada for oil and natural gas fluctuate with changes in the exchange rate between the Canadian and the United States dollar, thus exposing the Company to foreign currency exchange risk. A hypothetical change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash during the period would impact cash by approximately \$27,000.

As at September 30, 2023 and December 31, 2022, the Company had no forward exchange rate contracts in place.

The Company had the following financial instruments denominated in USD:

	September 30, 2023	December 31, 2022
Cash	215,647	278,650
Trade and other receivables	58,483	138,257
Accounts payable and accrued liabilities	(93,980)	(649,849)

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have short or long term interest bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debentures bear a fixed interest rate (note 8).

The Company had no interest rate swaps or financial contracts in place as at or during the periods ended September 30, 2023 and December 31, 2022.

13. Commitments

- a) 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, 2023, included in deposits and prepaid expenses is an amount of \$44,188 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2022 - \$42,625).

- b) The Land and Property Rights Tribunal ("LPRT") (previously Surface Rights Board) 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 has been served with a Judgement from the Alberta

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

Government – Service Alberta – Crown Debt Collections with a balance at September 30, 2023 of \$134,111 (December 31, 2022 - \$134,111) related to unpaid surface leases on properties that were sold by Marksmen to a third-party company in August of 2010. Marksmen 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 and agrees they are responsible for the payment of surface leases. The third-party made a partial payment to Service Alberta in November 2018.

On April 4, 2019, LPRT ruled and agreed that the third-party company is also an operator, but they did not agree that the Company should be removed as an operator. Therefore, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment have been previously recorded as bad debt expense. The Company will continue to review its options and continue discussions with LPRT regarding an appeal of these rulings.

The Company agreed to retain a nominal 1% working interest in the sold properties and act as the operator of the wells on the behalf of the third-party company. The Company's position on this judgement is that the assignment of Surface Rights agreements takes precedent while the LPRT asserts that the provincial laws governing the LPRT places the responsibility on the operator as defined by Alberta law governing LPRT and the Alberta Energy Regulator.

14. 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, 2023		
	Canada	Unites States	Total
Petroleum and natural gas sales	77,403	591,920	669,323
Depletion and depreciation	5,553	176,011	181,564
Net loss (income)	1,068,457	(71,931)	996,526
Exploration and evaluation assets	334,512	1,141,941	1,476,453
Property, plant and equipment	13,935	3,815,037	3,828,972
Total liabilities	1,704,967	491,236	2,196,203

	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

In the US, the Company derives its revenue from the sale of oil and natural gas directly from two refineries and a joint venture partner. In Canada, oil and natural gas is sold on the Company's behalf by a joint interest partner.

15. Capital management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business.

The Company actively manages its capital structure which includes shareholders' equity and debt. In order to maintain or adjust its capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. As part of the capital management program the Company monitors its working capital ratio. The Company's objective is to maintain a working capital ratio of greater than 1:1 defined as the ratio of current assets divided by current liabilities. At September 30, 2023, the working capital ratio was 0.60:1 (December 31, 2022 – 0.44:1) (note 1). The Board of Directors has not established quantitative return on capital criteria

Marksmen Energy Inc.

Notes to the Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

for management, but rather promotes conservative capital management. The Company is not subject to any externally imposed capital requirements.

At September 30, 2023 and December 31, 2022, the Company remains in compliance with all terms of the Debenture and based on current available information, management expects to comply with all terms during the subsequent 12-month period.

16. Subsequent Events

On October 30, 2023, the Company completed the second and final closing of the private placement (note 10(b)(i)) issuing a total of 200,000 units (the "Unit") for aggregate proceeds of \$10,000. Each Unit consisted of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for \$0.05 per common share for a period of 24 months from issuance.