



TSX Venture – MAH

New York OTCQB Venture Marketplace – MKSEF

MANAGEMENT'S DISCUSSION AND ANALYSIS
Report for Q3
Three and Nine Months ended September 30, 2023

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, 2023, and was prepared with information available to November 29, 2023, and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2022. 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 are 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 is no longer impactful to Marksmen’s operations in Ohio. Supply chain issues do remain and have resulted in higher prices for goods and services. Drilling and service rigs are in short supply and contractors are struggling with manpower shortages. The impact is slower than hoped completion of projects and at increasing prices.

Introduction

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

Workovers and optimization work related to upgrading the water transfer from wells to Marksmen's water disposal facility coupled with the replacement of some downhole pumps took place in the quarter ended September 30, 2023. This resulted in wells being shut-in for a considerable number of days resulting in lower production volumes and lower revenues.

A Cambrian Knox well drilled by Marksmen in late 2022, encountered an exciting upper zone. A subsequent production test of this formation was encouraging as it proved the presence of this strategically important zone. Further seismic work is necessary to better define the reservoir before a step-out well is drilled sometime in 2024.

Marksmen has entered into a strategic partnership with EMF Geoscience to expand Marksmen's drilling opportunities into other areas of Ohio. EMF has access to proprietary 3D seismic covering lands adjacent to some of the most prolific oilfields in Ohio.

Capital projects are contingent on available cashflow from operations, equity raised through private placements or other capital markets.

Quarterly Financial Information in \$CAD

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly Information	2023	2023	2023	2022	2022	2022	2022	2021
Light oil and liquids Production - bbls	1,369	2,360	2,894	2,210	2,281	2,899	2,308	4,739
Natural Gas - boe (6 mcf : 1 bbl)	11	163	97	101	9	83	32	11
Barrels of oil equivalent (boe)	1,380	2,523	2,991	2,311	2,290	2,982	2,340	4,750
Production - boe/day	15.3	28.0	33.2	25.7	25.4	33.1	26.0	52.8
West Texas reference price/barrel \$USD	\$ 82	\$ 74	\$ 76	\$ 83	\$ 93	\$ 109	\$ 94	\$ 83
Petroleum and natural gas sales	\$ 147,456	\$ 229,768	\$ 292,099	\$ 251,524	\$ 275,260	\$ 398,581	\$ 278,508	\$ 466,113
Royalties	\$ (18,650)	\$ (30,714)	\$ (40,642)	\$ (33,981)	\$ (35,057)	\$ (50,801)	\$ (35,780)	\$ (58,286)
Operating Costs - routine	\$ (42,443)	\$ (57,541)	\$ (53,500)	\$ (87,576)	\$ (29,114)	\$ (30,822)	\$ (30,973)	\$ (39,375)
Operating Costs - workovers	\$ (59,378)	\$ (4,727)	\$ -	\$ -	\$ -	\$ (2,203)	\$ (8,780)	\$ (34,985)
Income from operations	\$ 26,985	\$ 136,786	\$ 197,957	\$ 129,967	\$ 211,089	\$ 314,755	\$ 202,975	\$ 333,467
Net income (Loss)	\$ (205,386)	\$ (326,516)	\$ (464,624)	\$ (242,907)	\$ (256,533)	\$ (89,617)	\$ (58,514)	\$ (132,129)
Total assets	\$ 5,699,905	\$ 5,679,310	\$ 5,978,517	\$ 5,970,355	\$ 6,022,891	\$ 4,448,829	\$ 4,259,725	\$ 4,452,513
Total liabilities	\$ 2,196,203	\$ 2,210,461	\$ 2,213,910	\$ 2,801,268	\$ 3,041,817	\$ 1,996,412	\$ 2,047,416	\$ 2,160,770
Total shareholder's equity	\$ 3,503,702	\$ 3,468,849	\$ 3,764,607	\$ 3,169,087	\$ 2,981,074	\$ 2,452,417	\$ 2,212,309	\$ 2,291,743
Total liabilities and equity	\$ 5,699,905	\$ 5,679,310	\$ 5,978,517	\$ 5,970,355	\$ 6,022,891	\$ 4,448,829	\$ 4,259,725	\$ 4,452,513
Common shares o/s	191,873,380	189,383,380	187,483,380	177,222,666	172,010,933	165,481,286	163,098,933	163,098,933

Oil and Gas Production - Ohio

Production - Ohio	Three months Ended			Nine Months Ended		
	Sep 30, 2023	Sep 30, 2022	Change	Sep 30, 2023	Sep 30, 2022	Change
Barrels of oil	1,370.0	2,281.0	(911.0)	5,815.0	7,488.0	(1,673.0)
Natural Gas - Mcf	67.0	54.0	13.0	635.0	169.0	466.0
Natural Gas (barrels of oil equivalent)	11.2	9.0	2.2	105.8	28.2	77.7
Barrels of oil equivalent (Boe)	1,381.2	2,290.0	(908.8)	5,920.8	7,516.2	(1,595.3)
Boe / day	15.3	25.4	(10.1)	21.9	27.8	(5.9)

The wells at Pickaway County, Ohio have encountered higher water volumes than anticipated, impeding oil production. Larger bottom hole pumps have been installed as well as larger capacity water transfer tanks and pumps. This optimization program began in the second quarter and is still in progress.

There have been approximately 35% fewer days on production in Q3, 2023 compared to the same period in 2022, resulting in lower production.

Oil and Gas Production - Alberta

Production - Alberta	Three months Ended			Nine Months Ended		
	Sep 30, 2023	Sep 30, 2022	Change	Sep 30, 2023	Sep 30, 2022	Change
Barrels of oil	78.0	-	78.0	796.0	-	796.0
Natural Gas Liquids	1.0	-	1.0	26.0	-	26.0
Natural Gas - Mcf	67.0	-	67.0	987.0	-	987.0
Natural Gas (barrels of oil equivalent)	11.2	-	11.2	164.5	-	164.5
Barrels of oil equivalent (Boe)	90.2	-	90.2	986.5	-	986.5
Boe / day	1.0	-	1.0	3.7	-	3.7

Marksmen is a 24.5% working interest partner in a well near St. Albert, Alberta. The well was shut-in for most of July and August waiting on a service rig and parts delivery before a workover could be completed. Since this well has been prone to sand infiltration issues resulting in frequent workovers, the operator, in consultation with Marksmen, determined that a complete redesign of the bottom hole assembly was necessary to extend the life of the well between workovers. This work has been completed and initial results are positive. Production to Marksmen could increase to 400 barrels of oil plus some natural gas and liquids per quarter.

Oil and Gas Production - Combined

Production - Combined	Three months Ended			Nine Months Ended		
	Sep 30, 2023	Sep 30, 2022	Change	Sep 30, 2023	Sep 30, 2022	Change
Barrels of oil	1,448.0	2,281.0	(833.0)	6,611.0	7,488.0	(877.0)
Natural Gas Liquids	1.0	-	1.0	25.0	-	25.0
Natural Gas - Mcf	134.0	54.0	80.0	1,622.0	169.0	1,453.0
Natural Gas (barrels of oil equivalent)	22.3	9.0	13.3	270.3	28.2	242.2
Barrels of oil equivalent (Boe)	1,471.3	2,290.0	(818.7)	6,906.3	7,516.2	(609.8)
Boe / day	16.3	25.4	(9.1)	25.6	27.8	(2.3)

Overall production is down by 9.1 boe per day in Q3 of 2022 compared to the same period in 2023. The overall production for nine months ended September 30, 2023 was down 2.3 boe per day compared to the same period in 2022. Marksmen is confident that on-going optimization work in both Ohio and Alberta will result in increased production.

Operating Results and Netback – Ohio Wells - \$USD

\$USD	Three Months Ended			Nine Months Ended		
	Sep 30, 2023	Sep 30, 2022	Change	Sep 30, 2023	Sep 30, 2022	Change
	2023	2022	Change	2023	2022	Change
Oil and Gas Production						
Oil - bbls	1,370	2,281	(911)	5,815	7,488	(1,673)
Natural Gas - boe (6 mcf = 1 bbl)	11	9	2	106	169	(63)
Boe	1,381	2,290	(909)	5,921	7,657	(1,736)
Boe /day	15.3	25.4	(10.1)	21.9	28.4	(6.4)
WTI price per barrel reference	\$ 77.38	\$ 93.18		\$ 77.00	\$ 103.46	
Operations						
Revenue	\$ 104,109	\$ 209,885	\$ (105,776)	\$ 439,861	\$ 742,398	\$ (302,537)
Royalties	\$ (13,287)	\$ (26,729)	\$ 13,442	\$ (57,193)	\$ (94,823)	\$ 37,630
	\$ 90,822	\$ 183,156	\$ (92,334)	\$ 382,668	\$ 647,575	\$ (264,907)
Operating costs - routine	\$ (27,831)	\$ (20,864)	\$ (6,967)	\$ (88,130)	\$ (62,155)	\$ (25,975)
Operating Costs - Workovers	\$ (31,148)	\$ -	\$ (31,148)	\$ (43,237)	\$ (8,697)	\$ (34,540)
	\$ (58,979)	\$ (20,864)	\$ (38,115)	\$ (131,367)	\$ (70,852)	\$ (60,515)
Income from Operations	\$ 31,843	\$ 162,292	\$ (130,449)	\$ 251,301	\$ 576,723	\$ (325,422)
Revenue /boe	\$ 75.38	\$ 91.65	\$ (16.28)	\$ 74.29	\$ 96.96	\$ (22.67)
Royalties / boe	\$ (9.62)	\$ (11.67)		\$ (9.66)	\$ (12.38)	
Operating Costs - routine / boe	\$ (20.15)	\$ (9.11)	\$ (11.04)	\$ (14.88)	\$ (8.12)	\$ (6.77)
Operating costs - workovers / boe	\$ (22.55)	\$ -	\$ (22.55)	\$ (7.30)	\$ (1.14)	\$ (6.17)
Operating Netback / boe	\$ 23.06	\$ 70.87	\$ (47.81)	\$ 42.44	\$ 75.32	\$ (32.88)

Operations – Netbacks were \$23.06 per barrel for the third quarter of 2023 compared to \$70.87 in the same period of 2022. This can be attributed to WTI oil prices being lower by \$15.80 per barrel. Production in the third quarter of 2023 was down by over 900 barrels due to wells being shut-in for extensive amounts of time for workovers.

Revenue – Decreased \$105,776 in Q3 2023 compared to the same period in 2022 due to shut-in wells, lower production and lower WTI oil prices.

Operating Expenses and Workovers – Routine operating costs were marginally higher in the third quarter of 2023, but workover costs were \$31,148 compared to nil in the same period of 2022. This is due to the ongoing water system improvements and bottom hole pump workovers.

Alberta well \$CAD

Marksman is a partner in one producing well in Alberta. Lower than expected production in Q3 of 2023 generated \$7,530 of revenue and the total for nine-months is \$77,403 of revenue. Operating expenses were \$22,194 in Q3 of which \$17,461 were workover costs and the total for nine months is \$37,019 of which \$23,084 were related to workovers.

Marksman's wells at Alder Flats have been shut-in since 2010. These well have been abandoned and much of the reclamation work has been completed. There are approximately \$4,500 of lease and property tax expenses in the nine-months ending September 30, 2023.

General and Administrative Expenses

General & Administrative Expenses	Three Months Ended			Nine Months Ended		
	Sep 30, 2023	Sep 30, 2022	Change	Sep 30, 2023	Sep 30, 2022	Change
Employee compensation	\$ 39,510	\$ 41,991	\$ (2,481)	\$ 116,468	\$ 119,901	\$ (3,433)
Consulting and professional fees	\$ 34,775	\$ 145,868	\$ (111,093)	\$ 138,655	\$ 149,700	\$ (11,045)
Investor Awareness and filing fees	\$ 46,298	\$ 11,408	\$ 34,890	\$ 310,103	\$ 205,618	\$ 104,485
Ohio G&A	\$ 8,249	\$ 19,298	\$ (11,049)	\$ 55,362	\$ 40,246	\$ 15,116
Other G&A and director/officer insurance	\$ 14,061	\$ 29,856	\$ (15,795)	\$ 60,255	\$ 93,784	\$ (33,529)
	\$ 142,892	\$ 248,421	\$ (105,529)	\$ 680,842	\$ 609,249	\$ 71,593

Employee compensation – represents payments of salaries and wages to one full-time officer of the Company and two part-time administrative support personnel.

Consulting and professional fees – are fees paid to a professional corporation of a senior executive for services related to the management of the Company and to firms providing, accounting/audit, legal, reserve engineering, and geological consulting services.

Investor awareness and filing fees – are costs incurred to raise capital for exploration and development opportunities, and marketing; as well as various fees paid to stock exchanges, securities commissions, and share transfer agents.

Ohio G&A – are costs related to office costs and professional and administrative services in Ohio.

Other G&A and director and officer insurance – include software fees, communication costs, office rent, director, and officer insurance as well as other routine administrative costs.

Selected Other Expenses

Interest Expense – During the first nine months of 2023, the Company paid \$112,500 of interest related to a secured debenture. The next interest payment of \$37,500 is due December 31, 2023.

Depletion and Depreciation – In the nine months ended September 30, 2023 depletion and depreciation totaled \$181,564 or \$26.29 per boe compared to \$253,812 or \$33.76 per boe in the same period of 2022.

Financial Position – Highlights

	Sep 30, 2023	Dec. 31, 2022	Change
Assets			
Current assets	\$ 394,480	\$ 568,518	\$ (174,038)
Exploration and evaluation assets	\$ 1,476,453	\$ 1,464,934	\$ 11,519
Property and equipment	\$ 3,828,972	\$ 3,936,903	\$ (107,931)
	\$ 5,699,905	\$ 5,970,355	\$ (270,450)
Current Liabilities			
Accounts payable and accruals	\$ 361,371	\$ 994,220	\$ (632,849)
Decommissioning liabilities	\$ 254,325	\$ 252,183	\$ 2,142
Government loan	\$ 38,774	\$ 35,069	\$ 3,705
Secured debentures	\$ -	\$ -	\$ -
	\$ 654,470	\$ 1,281,472	\$ (627,002)
Long Term Liabilities			
Decommissioning liabilities	\$ 326,467	\$ 322,595	\$ 3,872
Secured debenture	\$ 1,215,266	\$ 1,197,201	\$ 18,065
	\$ 2,196,203	\$ 2,801,268	\$ (605,065)
Equity			
Share capital	\$ 23,209,795	\$ 21,867,453	\$ 1,342,342
Warrants	\$ 604,788	\$ 1,004,616	\$ (399,828)
Contributed surplus	\$ 7,637,867	\$ 7,246,436	\$ 391,431
Accumulated other comprehensive Income	\$ 823,834	\$ 826,638	\$ (2,804)
Deficit	\$ (28,772,582)	\$ (27,776,056)	\$ (996,526)
	\$ 3,503,702	\$ 3,169,087	\$ 334,615
Total liabilities and equity	\$ 5,699,905	\$ 5,970,355	\$ (270,450)

Assets – Cash decreased by \$174,038 at September 30, 2023, compared to year end at December 31, 2022. Property and Equipment decreased by \$107,931.

Liabilities – Accounts payable decreased by \$632,849 at September 30, 2023, compared to year end 2022.

Equity – In the first nine months of 2023 share capital increased by \$1,342,342 by the addition of a private placement and the net impact of the exercise and expiry of warrants and stock options. Total equity of the Company increased by \$334,615 at September 30, 2023, compared to year end 2022.

Exploration and Evaluation - E&E Assets

E&E assets consist of the Company's exploration projects that are pending the determination of technological feasibility and commercial viability. This includes seismic, land leases and wells and facilities that have not been completed and put on production. There were \$13,520 of expenditures on E&E assets for minor land acquisition related costs in the first nine months of 2023. There were no additions in the third quarter of 2023.

	As at Sep. 30, 2023	As at Dec. 31, 2022
Exploration and evaluation assets (E&E)		
Balance, beginning of period	\$ 1,464,934	\$ 1,384,105
Expenditures on exploration and evaluation	\$ 13,520	\$ 9,133
Foreign currency adjustment	\$ (2,001)	\$ 71,696
Balance, end of year	\$ 1,476,453	\$ 1,464,934

Property and Equipment – Petroleum and Natural Gas Assets

Petroleum and natural gas assets consist of wells and facilities that are commercially viable. In the first nine months of 2023 there were \$88,641 related to the addition of new well site water transfer tanks and improved bottom hole pumps. There was no asset impairment in the first nine months of 2023 and there were no additions in the third quarter of 2023.

	As at Sep. 30, 2023	As at Dec. 31, 2022
Petroleum and natural gas assets		
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	\$ (9,225)	\$ 120,871
Foreign currency adjustment	\$ (11,286)	\$ 282,203
Balance, end of year (before depletion)	\$ 6,975,988	\$ 6,907,858
Accumulated depletion and impairment		
Balance at beginning of period	\$ (2,971,876)	\$ (2,515,481)
Depletion	\$ (181,005)	\$ (307,975)
Foreign currency translation	\$ 3,512	\$ (148,420)
Balance, end of year	\$ (3,149,369)	\$ (2,971,876)
Net Carrying Amount	\$ 3,826,619	\$ 3,935,982

Decommissioning Liabilities

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%).

Secured Debenture

The Company currently has a non-convertible secured debenture in place with a third party for \$1,250,000 with a maturity date of December 31, 2024, an interest rate of 12% and 1,500,000 share purchase warrants exercisable at \$0.13 per share. The Company has paid interest totalling \$112,500 in the first six months of 2023 as per the terms of the debenture agreement. The Company may, at any time, repay the principle and any accrued interest of the Debenture without notice or penalty.

Government Loan

During the year ended December 31, 2020, the Company was approved and received a \$60,000 CEBA loan with the ATB 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.

Share Capital

The chart below is a summary of the Company's common shares, share purchase warrants, stock options and broker warrants. It includes transactions to September 30, 2023.

	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2022	177,222,666	12,315,000	33,330,063	-
Q1 2023				
Exercise of Warrants	10,260,714		(10,260,714)	
Warrants expired unexercised			(814,286)	
Grant of Stock options		6,105,000		
Balance at March 31, 2023	187,483,380	18,420,000	22,255,063	-
Q2 2023				
Expiry of Stock options		(1,300,000)		
Exercise of stock options	1,900,000	(1,900,000)		
Balance at June 30, 2023	189,383,380	15,220,000	22,255,063	-
Q3 2023				
Private Placement	2,490,000	-	-	-
Grant of Warrants	-	-	2,490,000	-
Warrants expired unexercised	-	-	(4,920,000)	-
Grant of Broker Warrants	-	-	-	40,000
Balance at September 30, 2023	191,873,380	15,220,000	19,825,063	40,000
Subsequent to September 30, 2023				
Private Placement	200,000	-	-	-
Expiry of Stock options	-	(1,095,000)	-	-
Grant of Warrants	-	-	200,000	-
Grant of Broker Warrants	-	-	-	16,000
Warrants expired unexercised	-	-	(15,835,063)	-
Balance at November 29, 2023	192,073,380	14,125,000	4,190,000	56,000

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	-	-

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.

Related party transactions

Related parties include the 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	<u>Three months ended</u>		<u>Nine months ended</u>	
		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

The board member in Canada participates in all of the capital funding in the Company.

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.

Segmented Information

The Company's primary operations are limited to a single industry, 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.

Going Concern

Marksman 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.

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, 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). The AER has indicated that a higher deposit may be required. Since all wells are either abandoned, and partially reclaimed Marksmen will negotiate with the AER on an as required basis.

Land and Property Rights Tribunal (formally the Surface Rights Board) (“SRB”) - The (“SRB”) is a quasi-judicial tribunal in Alberta that has a dispute resolution process to resolve issues of non-payment of surface leases to landowners by oil and gas companies. On September 18, 2018, Marksmen was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections with a balance on 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.

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 previously 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 Land and Property Rights Tribunal.

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 12, Financial Risk Management, in the Company’s consolidated financial statements as of September 30, 2023, 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, 2023, 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 three months ended September 30, 2023.

Outlook

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

A Cambrian Knox well drilled by Marksman in late 2022, encountered an exciting upper zone. A subsequent production test of this zone was encouraging as it proved the presence of this strategically important zone. Further seismic work is necessary to define the reservoir before a step-out well is drilled sometime in mid 2024.

Marksman has entered into a strategic alliance or partnership with EMF Geoscience to expand Marksman's drilling opportunities into other areas of Ohio. EMF has access to proprietary 3D seismic covering 35 square miles of lands adjacent to an analogous field that has produced over 2.5 million barrels of oil and 23 Billion cubic feet of natural gas. A well is in the planning stages to be drilled with EMF in early 2024.

Capital projects are contingent on available cashflow from operations, equity raised through private placements or other capital markets.

Other

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