



TSX Venture – MAH

New York OTC Venture Marketplace – MKSEF

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Report for Q3

Three and Nine Months ended September 30, 2024

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, 2024, and was prepared with information available to November 29, 2024, and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year ended, December 31, 2023. 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.

## Introduction

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

Marksman has previously conducted two detailed 3D seismic acquisition programs in Pickaway County and based on these the company acquired leases and established numerous drilling targets. Marksman is currently negotiating with joint venture partners in respect to farming in and drilling at their costs, some of these wells in the next few months. Marksman is expected to have a carried working interest position in the wells and the resulting production of light oil.

The Company is continuing to evaluate its existing Ohio wells with our operations technical team and the Company is confident that there is room for production improvement. Additionally, Marksman has been actively discussing joint venture and working interest opportunities with oil and gas companies in Alberta.

Marksman is pleased with the progress being made to determine the best path forward for Marksman.

## Quarterly Financial Information in \$CAD

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly Information	2024	2024	2024	2023	2023	2023	2023	2022
Light oil - bbls	784	1140	918	1,620	1,368	2,350	2,894	2,210
Natural Gas Liquids - bbls	0	0	0	9	1	10	15	-
Natural Gas - boe (6 mcf : 1 bbl)	0	0	0	-	11	163	97	101
Barrels of oil equivalent (boe)	784	1140	918	1,629	1,380	2,523	3,006	2,311
Production - boe/day	8.7	12.7	10.2	18.1	15.3	28.0	33.4	25.7
West Texas reference price/barrel \$USD	\$ 76	\$ 82	\$ 78	\$ 78	\$ 82	\$ 74	\$ 76	\$ 83
Petroleum and natural gas sales	\$ 80,035	\$ 123,806	\$ 97,073	\$ 175,609	\$ 147,456	\$ 229,768	\$ 292,099	\$ 251,524
Royalties	\$ (10,244)	\$ (15,826)	\$ (12,143)	\$ (23,090)	\$ (18,650)	\$ (30,714)	\$ (40,642)	\$ (33,981)
Operating Costs	\$ (39,468)	\$ (66,880)	\$ (45,215)	\$ (82,347)	\$ (101,821)	\$ (62,268)	\$ (53,500)	\$ (87,576)
Income from operations	\$ 30,323	\$ 41,100	\$ 39,715	\$ 70,172	\$ 26,985	\$ 136,786	\$ 197,957	\$ 129,967
Gain on disposal of assets	\$ -	\$ -	\$ 29,185	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment - E&E assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment/reversal PPE assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (Loss)	\$ (152,979)	\$ (134,376)	\$ (117,953)	\$ (3,848,389)	\$ (205,386)	\$ (326,516)	\$ (464,624)	\$ (242,907)
Total assets	\$ 1,855,592	\$ 1,901,481	\$ 1,879,741	\$ 1,966,325	\$ 5,699,905	\$ 5,679,310	\$ 5,978,517	\$ 5,970,355
Total liabilities	\$ 2,399,628	\$ 2,474,900	\$ 2,330,073	\$ 2,337,088	\$ 2,196,203	\$ 2,210,461	\$ 2,213,910	\$ 2,801,268
Total shareholder's equity	\$ (544,036)	\$ (573,419)	\$ (450,332)	\$ (370,763)	\$ 3,503,702	\$ 3,468,849	\$ 3,764,607	\$ 3,169,087
Total liabilities and equity	\$ 1,855,592	\$ 1,901,481	\$ 1,879,741	\$ 1,966,325	\$ 5,699,905	\$ 5,679,310	\$ 5,978,517	\$ 5,970,355
Common shares o/s	211,398,380	192,073,380	192,073,380	192,073,380	191,873,380	189,383,380	187,483,380	177,222,666

## Oil Production – Ohio

Oil Production - Ohio	Nine Months Ended September 30, 2024				Nine Months Ended September 30, 2023			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
Barrels	918	1,140	784	2,842	2,498	2,026	1,291	5,815
Days	90	90	90	270	90	90	90	270
Barrels per day	10.20	12.67	8.71	10.53	27.76	22.51	14.34	21.54

Some wells in Pickaway county require workovers, including acidizing, to cleanup perforations, and to inspect and repair bottom hole pumps. Each workover would cost between \$5,000 and \$7,500 and will improve production.

## Alberta

There is no production in Alberta in 2024.

## Operating Results and Netback – Ohio Wells - \$USD

\$USD	Three Months Ended			Nine Months Ended		
	September 2024	September 2023	Change	September 2024	September 2023	Change
<b>Oil and Gas Production</b>						
Oil - bbls	784	1,370	(586)	2,842	5,815	(2,973)
Natural Gas - boe (6 mcf = 1 bbl)	-	11	(11)	-	106	(106)
Boe	784	1,381	(597)	2,842	5,921	(3,079)
<b>Boe /day</b>	<b>8.7</b>	<b>15.3</b>	<b>(6.6)</b>	<b>10.5</b>	<b>21.9</b>	<b>(11.4)</b>
<b>Operations</b>						
Revenue	\$ 60,027	\$ 104,109	\$ (44,082)	\$ 225,686	\$ 439,861	\$ (214,175)
Royalties	\$ (7,683)	\$ (13,287)	\$ 5,604	\$ (28,659)	\$ (57,193)	\$ 28,534
	\$ 52,344	\$ 90,822	\$ (38,478)	\$ 197,027	\$ 382,668	\$ (185,641)
Operating costs - routine	\$ (29,624)	\$ (27,831)	\$ (1,793)	\$ (113,673)	\$ (88,130)	\$ (25,543)
Operating Costs - Workovers	\$ -	\$ (31,148)	\$ 31,148	\$ -	\$ (43,237)	\$ 43,237
	\$ (29,624)	\$ (58,979)	\$ 29,355	\$ (113,673)	\$ (131,367)	\$ 17,694
<b>Income from Operations</b>	<b>\$ 22,720</b>	<b>\$ 31,843</b>	<b>\$ (9,123)</b>	<b>\$ 83,354</b>	<b>\$ 251,301</b>	<b>\$ (167,947)</b>
Revenue /boe	\$ 76.57	\$ 75.39	\$ 1.18	\$ 79.41	\$ 74.29	\$ 5.12
Royalties / boe	\$ (9.80)	\$ (9.62)	\$ (0.18)	\$ (10.08)	\$ (9.66)	\$ (0.42)
Operating Costs - routine / boe	\$ (37.79)	\$ (20.15)	\$ (17.63)	\$ (40.00)	\$ (14.88)	\$ (25.11)
Operating costs - workovers / boe	\$ -	\$ (22.55)	\$ 22.55	\$ -	\$ (7.30)	\$ 7.30
<b>Operating Netback / boe</b>	<b>\$ 28.98</b>	<b>\$ 23.06</b>	<b>\$ 5.92</b>	<b>\$ 29.33</b>	<b>\$ 42.44</b>	<b>\$ (13.11)</b>

**Operations** – Netbacks were \$28.98 per barrel for the third quarter of 2024 compared to \$23.06 in the same period of 2023. Workovers on some of the wells in Pickaway County are needed to improve production and well revenue.

**Revenue** – Decreased by \$44,082 in Q3 2024 compared to the same period in 2023 due lower production.

**Operating Expenses and Workovers** – were lower by \$29,355 the third quarter of 2024 compared to the same period of 2023 primarily due to no but workover costs.

## General and Administrative Expenses

General & Administrative Expenses	Three Months Ended			Nine Months Ended		
	Sep 30, 2024	Sep 30, 2023	Change	Sep 30, 2024	Sep 30, 2023	Change
Employee compensation	\$ 36,744	\$ 39,510	\$ (2,766)	\$ 113,454	\$ 116,468	\$ (3,014)
Consulting and professional fees	\$ 19,596	\$ 34,775	\$ (15,179)	\$ 119,451	\$ 138,655	\$ (19,204)
Investor Awareness and filing fees	\$ 27,271	\$ 46,298	\$ (19,027)	\$ 40,362	\$ 310,103	\$ (269,741)
Ohio G&A	\$ 8,888	\$ 8,248	\$ 640	\$ 13,992	\$ 55,362	\$ (41,370)
Other G&A and director/officer insurance	\$ 29,333	\$ 14,061	\$ 15,272	\$ 63,180	\$ 60,254	\$ 2,926
	\$ 121,833	\$ 142,892	\$ (21,059)	\$ 350,439	\$ 680,842	\$ (330,403)

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

**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 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 2024, the Company has accounted for \$112,500 of interest related to a secured debenture. The next interest payment of \$37,500 is due December 31, 2024.

**Depletion and Depreciation** – In the nine months ended September 30, 2024 depletion and depreciation totaled \$45,137 compared to \$181,564 in the same period of 2023.

### Financial Position – Highlights

	September 30, 2024	Dec 31, 2023	Change
<b>Assets</b>			
Cash	\$ 18,436	\$ 88,938	\$ (70,502)
Trade and other receivables	\$ 49,288	\$ 57,981	\$ (8,693)
Deposits and prepaid expenses	\$ 89,095	\$ 65,922	\$ 23,173
Assets held for sale	\$ -	\$ 90,416	\$ (90,416)
Exploration and evaluation Assets	\$ 1,043,824	\$ 1,022,721	\$ 21,103
Property and equipment	\$ 654,950	\$ 640,347	\$ 14,603
	<b>\$ 1,855,593</b>	<b>\$ 1,966,325</b>	<b>\$ (110,732)</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accruals	\$ 488,507	\$ 485,181	\$ 3,326
Decommissioning liabilities	\$ 292,544	\$ 290,021	\$ 2,523
		<b>\$ 775,202</b>	<b>\$ 5,849</b>
Government loan	\$ 60,000	\$ 60,000	\$ -
Decommissioning liabilities - long term	\$ 316,264	\$ 280,158	\$ 36,106
Secured debentures	\$ 1,242,313	\$ 1,221,728	\$ 20,585
	<b>\$ 2,399,628</b>	<b>\$ 2,337,088</b>	<b>\$ 62,540</b>
<b>Equity</b>			
Share capital	\$ 23,230,828	\$ 23,193,653	\$ 37,175
Warrants	\$ 266,044	\$ 121,107	\$ 144,937
Contributed surplus	\$ 8,152,851	\$ 8,152,881	\$ (30)
Accumulated other comprehensive Income	\$ 832,239	\$ 782,567	\$ 49,672
Deficit	\$ (33,026,028)	\$ (32,620,971)	\$ (405,057)
	<b>\$ (544,066)</b>	<b>\$ (370,763)</b>	<b>\$ (173,303)</b>
<b>Total liabilities and equity</b>	<b>\$ 1,855,562</b>	<b>\$ 1,966,325</b>	<b>\$ (110,763)</b>

**Assets** – Cash decreased by \$70,502 at September 30, 2024, compared to year end at December 31, 2023. Overall assets decreased by \$110,732.

**Liabilities** – increased by a total of \$68,389 in the first nine months of 2024 compared to year end 2023.

**Equity** – In the first nine months of 2024 share capital increased by \$173,303 compared to year end 2023. The deficit for the same period increased by the net loss for the Company of \$405,057.

**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.

	As at September 30, 2024	As at December 31, 2023
Balance, beginning of year	1,022,721	1,464,934
Expenditures on exploration and evaluation assets	20,000	13,226
Impairment of exploration and evaluation assets	-	(430,832)
Foreign exchange translation	1,103	(24,607)
<b>BALANCE, END OF PERIOD</b>	<b>1,043,824</b>	<b>1,022,721</b>

There were \$20,000 of expenditures on E&E assets for costs associated with abandoning a well in the first nine months of 2024.

**Property and Equipment – Petroleum and Natural Gas Assets**

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

<b>COST</b>	As at September 30, 2024	As at December 31, 2023
Balance, beginning of year	6,309,682	6,907,858
Expenditures on property and equipment	-	227,712
Change in estimate of decommissioning liabilities (note 8)	-	(8,925)
Assets held for sale (note 4)	-	(667,464)
Foreign currency translation	-	(149,499)
<b>BALANCE, END OF PERIOD</b>	<b>6,309,682</b>	<b>6,309,682</b>

**ACCUMULATED DEPLETION**

Balance, beginning of year	(5,671,502)	(2,971,876)
Depletion	(44,779)	(310,724)
Impairment expense (note 6)	-	(3,051,672)
Assets held for sale (note 4)	-	550,936
Foreign currency translation	59,740	111,835
<b>BALANCE, END OF PERIOD</b>	<b>(5,656,541)</b>	<b>(5,671,502)</b>

Net Carrying Amount of corporate assets	1,809	2,167
<b>NET CARRYING AMOUNT, END OF PERIOD</b>	<b>654,950</b>	<b>640,347</b>

**Expenditures** - In the first nine months of 2024 there were no expenditures on property and equipment.

### **Decommissioning Liabilities**

The Company has estimated the net present value of the decommissioning liabilities to be \$608,808 at September 30, 2024 (December 31, 2023 - \$570,179). The present value of the decommissioning liability considered to be current is \$292,544 (December 31, 2023 - \$290,021). The total undiscounted amount of estimated future cash flows is \$642,645 (December 31, 2023 - \$647,320). 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, 2023 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 3.42% - 4.02% (December 31, 2023 – 3.05% - 3.91%).

### **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, agreed to be extended to December 31, 2026, an interest rate of 12% and 1,500,000 share purchase warrants exercisable at \$0.13 per share. Interest on the debenture as of September 30, 2024 totals \$112,500. 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. The Company did not repay 75% of the principal balance on December 31, 2023, and has therefore exercised the option for a 2-year extension on the \$60,000 principal balance. An interest rate of 5% 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 as of September 30, 2024.

	<b>Common Shares</b>	<b>Stock Options</b>	<b>Warrants</b>	<b>Broker Warrants</b>
<b>Balance December 31, 2023</b>	<b>192,073,380</b>	<b>13,735,000</b>	<b>4,190,000</b>	<b>56,000</b>
<b>Six Months Ended June 30, 2024</b>				
Private placement	-	-	-	-
Stock options expired	-	(875,000)	-	-
Grant of Stock options	-	-	-	-
<b>Balance at June 30, 2024</b>	<b>192,073,380</b>	<b>12,860,000</b>	<b>4,190,000</b>	<b>56,000</b>
Private placement - August 2024	19,325,000	-	19,325,000	-
Exercise of stock options	-	-	-	-
<b>Balance at September 30, 2024</b>	<b>211,398,380</b>	<b>12,860,000</b>	<b>23,515,000</b>	<b>56,000</b>

### **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 provided.

In the three months ended September 30, 2024, a total of \$23,000 (includes \$7,500 related to office and storage space) was paid to an officer and director of Marksmen and a total of \$103,950 (includes \$22,500 related to office and storage space) was paid in the first nine months of 2024. This is compared to \$36,250 and \$121,150 paid in the respective periods of 2023. This officer and director participates in all of the capital fund raising in the Company.

As at September 30, 2024, the Company has accounts payable and accrued liabilities totaling \$nil compared to \$22,267 owing at December 31, 2023 to related parties relating to the above transactions.

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

### **Going Concern**

At September 30, 2024, the Company had not yet achieved profitable operations, had accumulated a deficit of \$33,026,028 (December 31, 2023 - \$32,620,971) a negative working capital of \$642,232 (December 31, 2023 - \$471,945), 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, sale of assets, 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 2024 budget and on management's estimate of expenditures expected to be incurred beyond 2024.

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, 2024, 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, 2024, included in deposits and prepaid expenses is an amount of \$46,532 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2023 - \$44,769). 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, 2024, of \$155,233

(December 31, 2023 - \$155,233) 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 13, Financial Risk Management, in the Company's consolidated financial statements as of September 30, 2024, 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, 2024, 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 nine months ended September 30, 2024.

## **Outlook**

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

Marksman has previously conducted two detailed 3D seismic acquisition programs in Pickaway County and based on these the company acquired leases and established numerous drilling targets. Marksman is currently negotiating with joint venture partners in respect to farming in and drilling at their costs, some of these wells in the next few months. Marksman is expected to have a carried working interest position in the wells and the resulting production of light oil.

The Company is continuing to evaluate its existing Ohio wells with our operations technical team and the Company is confident that there is room for production improvement. Additionally, Marksman has been actively discussing joint venture and working interest opportunities with oil and gas companies in Alberta.

Marksman is pleased with the progress being made to determine the best path forward for Marksman.

## **Other**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or email [ajnesbitt@marksmenenergy.com](mailto:ajnesbitt@marksmenenergy.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.