



TSX Venture – MAH

New York OTC Venture Marketplace – MKSEF

**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**Report for Q3**  
**Three and Nine Months Ended September 30, 2025**

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, 2025. It has been prepared with information available up to November 27, 2025 and should be read in conjunction with Marksmen Energy Inc.’s consolidated audited financial statements for the year-ended, December 31, 2024. 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 Note 3 of the audited 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 measures that are from time to time used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

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

**“Operating netback”** - Operating netbacks are calculated by deducting royalties and operating costs, including transportation costs, from revenues.

**“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 primarily in Ohio, USA.

Production in Ohio in the first nine month of 2025 has been lower compared to the same period in 2024. This is primarily due to three wells being shut-in for much of the time waiting on the availability of a service rig and funding of the required workovers. This is discussed in greater detail in various sections of this MD&A.

Marksman's management team is continuing to review and assess new oil and gas projects in Canada the USA.

## Quarterly Financial Information in \$CAD

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly Information	2025	2025	2025	2024	2024	2024	2024	2023
Light oil - bbls	176	406	216	725	784	1,140	918	1,620
Natural Gas Liquids - bbls	-	-	-	-	-	-	-	9
Natural Gas - boe (6 mcf : 1 bbl)	-	-	-	-	-	-	-	-
Barrels of oil equivalent (boe)	176	406	216	725	784	1,140	918	1,629
West Texas reference price/barrel \$USD	\$ 65.74	\$ 64.63	\$ 71.84	\$ 70.69	\$ 76.24	\$ 82.00	\$ 78.00	\$ 78.41
Petroleum and natural gas sales	\$ 10,741	\$ 25,613	\$ 20,776	\$ 70,506	\$ 80,035	\$ 123,806	\$ 97,073	\$ 175,609
Royalties	\$ (1,381)	\$ (3,202)	\$ (2,665)	\$ (9,041)	\$ (10,244)	\$ (15,826)	\$ (12,143)	\$ (23,090)
Operating Costs	\$ (12,994)	\$ (25,677)	\$ (71,540)	\$ (47,249)	\$ (39,468)	\$ (66,880)	\$ (45,215)	\$ (82,347)
Income (loss) from operations	\$ (3,634)	\$ (3,266)	\$ (53,429)	\$ 14,216	\$ 30,323	\$ 41,100	\$ 39,715	\$ 70,172
Net income (Loss)	\$ (141,041)	\$ (160,118)	\$ (160,118)	\$ (1,264,030)	\$ (152,979)	\$ (134,376)	\$ (117,953)	\$ (3,848,389)
Total assets	\$ 552,161	\$ 541,199	\$ 568,956	\$ 627,119	\$ 1,855,592	\$ 1,901,481	\$ 1,879,741	\$ 1,966,325
Total liabilities	\$ 2,812,434	\$ 2,659,417	\$ 2,532,515	\$ 2,429,899	\$ 2,399,628	\$ 2,474,900	\$ 2,330,073	\$ 2,337,088
Total shareholder's equity	\$ (2,260,273)	\$ (2,118,218)	\$ (1,963,559)	\$ (1,802,780)	\$ (544,036)	\$ (573,419)	\$ (450,332)	\$ (370,763)
Total liabilities and equity	\$ 552,161	\$ 541,199	\$ 568,956	\$ 627,119	\$ 1,855,592	\$ 1,901,481	\$ 1,879,741	\$ 1,966,325
Common shares outstanding	211,398,380	211,398,380	211,398,380	211,398,380	211,398,380	192,073,380	192,073,380	211,398,380

## Production – Ohio

Production	Nine Months Ended September 30, 2025				Nine Months Ended September 30, 2024			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
Barrels of oil	216.0	406.0	176.0	798.0	918.0	1,140.0	784.0	2,842.0
Natural Gas - Mcf	-	-	-	-	-	-	-	-
Natural Gas (barrels of oil equivalent)	-	-	-	-	-	-	-	-
Barrels of oil equivalent (Boe)	216.0	406.0	176.0	798.0	918.0	1,140.0	784.0	2,842.0

- In Q1 of 2025 production was impeded by freezing weather resulting in a total shut down of all wells for approximately one month.
- In Q2 there was lower production due to heavy rains and lightning storms resulting in 15 days of shut-in wells with two or less wells operating. There were two wells operating for part of the quarter; however, another well was shut that requires a work over.
- In the third quarter of 2025 there was one well producing. There was nil oil sold in August as the total oil available for sale was only a partial load (less than 150 barrels) and the refinery did not have the truck capacity to pick up a smaller load that month.
- Three out of four wells are shut-in awaiting workovers. This is a function of service rig availability exercising prudent fiscal management.

## Operations Summary – Ohio \$USD

Operations	Nine Months Ended September 30, 2025				Nine Months Ended September 30, 2024			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
Revenue - Oil	\$ 14,476	\$ 25,613	\$ 10,741	\$ 50,830	\$ 70,315	\$ 90,621	\$ 58,626	\$ 219,562
Revenue - Natural Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ 14,476	\$ 25,613	\$ 10,741	\$ 50,830	\$ 70,315	\$ 90,621	\$ 58,626	\$ 219,562
Royalty expense	\$ (1,857)	\$ (3,202)	\$ (1,381)	\$ (6,440)	\$ (8,996)	\$ (11,583)	\$ (7,504)	\$ (28,083)
Net Revenue after Royalties	\$ 12,619	\$ 22,411	\$ 9,360	\$ 44,390	\$ 61,319	\$ 79,038	\$ 51,122	\$ 191,479
Operating Cost - routine	\$ (22,280)	\$ (19,536)	\$ (12,994)	\$ (54,810)	\$ (27,444)	\$ (39,745)	\$ (28,909)	\$ (96,098)
Operating Costs - workovers	\$ (27,569)	\$ (6,141)	\$ -	\$ (33,710)	\$ (4,681)	\$ (9,250)	\$ -	\$ (13,931)
	\$ (49,849)	\$ (25,677)	\$ (12,994)	\$ (88,520)	\$ (32,125)	\$ (48,995)	\$ (28,909)	\$ (110,029)
Income (loss) from Field Operations	\$ (37,230)	\$ (3,266)	\$ (3,634)	\$ (44,130)	\$ 29,194	\$ 30,043	\$ 22,213	\$ 81,450

- Current production is less than 5 barrels per day. In order to have positive income at the field level there must be at least 10 barrels per day with no major workovers. Fixed operating costs including a contract pumper, (field Operator), electrical costs, insurance and administrative allocations, require higher production volumes to have a positive field income from operations, in comparing to the three previous quarters in 2024.
- Variable costs are mainly maintenance and supplies and are not excessive.
- Revenue net of royalties for the first nine months of 2025 was \$44,390, compared to \$191,479 in the same period of 2024, related to lower production as noted above and lower commodity prices for WTI oil. WTI prices dropped an average of \$13.35 to \$63.71 per barrel in the first nine months of 2025 from an average of \$77.26 per barrel in the first nine months of 2024.
- Royalties and state taxes are approximately 12.5 % of revenue.
- Netbacks in 2024 averaged \$38.96 in 2024 but with lower production in 2025 netbacks were negative.
- A single well workover, at the end of Q1 and beginning of Q2 of 2025 resulted in a cost overrun of \$27,569 for the service rig and \$6,141 for acid and chemicals. On average, the workover costs of approximately \$5,000 where this workover was over six times of what was expected. Additional downhole work was performed including rod and tubing replacements, clean-outs and recirculating the well.
- Wherever possible Marksmen will consider an alternative service rig provider who is also now a partner in some of our wells.
- Marksmen recovers, insurance costs and admin fees of \$150 and \$188 per month respectively from each well offsetting credit to General and Administration.

## Alberta Canada

Marksmen's wells at Alder Flats have been shut-in since 2010 and all of these wells have been abandoned and partially reclaimed.

The wells at Penhold (not owned by Marksmen) have been shut-in since 2014. Marksmen took a lead role to have all the equipment removed and the pipelines abandoned under the Site Reclamation Program. This was at nil cost to the Company.

Alberta Energy Regulator ("AER") and the Orphan Well Association ("OWA") – Negotiations with the AER have been on-going over many years that resulted in an agreement to transfer all of Marksmen's wells in Alberta to the OWA.

As of October 7, 2024 all of Marksmen's wells, some at Alder Flats in Wetaskiwin County and the remainder at Penhold in Red Deer County have been transferred from AER to OWA. The OWA is in full control and is currently responsible for sole care and custody, management, insurance and abandonment and reclamation of these wells. The OWA is in

full control and of all of Marksmen’s well files. Marksmen will continue to provide any information and assistance that the OWA may require.

### **General and Administrative Expenses**

	Nine Months Ended September 30, 2025				Nine Months Ended September 30, 2024			
	Q1	Q2	Q3	Total	Q1	Q2	Q3	Total
General and Administrative Costs	\$ 61,942	\$ 96,002	\$ 139,031	\$ 296,975	\$ 121,925	\$ 106,682	\$ 121,833	\$ 350,440

General and administrative costs in the first nine months of 2025 are lower by \$70,663 compared to the same period in 2024.

- In Q3, an amount of \$64,000 was included to reflect unpaid management fees to a senior officer of Marksmen in 2024 and 2025 with the offsetting entry to accrued liabilities.
- Legal fees were \$11,737 higher in the first nine-months of 2025 compared to the same period in 2024. These fees were related to costs of a the previously announce reverse takeover transaction that was terminated on September 2, 2025.
- Filing and registration fees were lower by \$3,085 in the first nine-months of 2025 compared to the same period in 2024.
- Consulting fees were \$16,500 lower in 2025 compared to the same period in 2024 due to reduced requirements for an operations consultant.

### **Selected Other Expenses (not included elsewhere in this MD&A)**

**Interest Expense** – During the three and nine-months ended September 30, 2025, the Company recorded interest expense related to a secured debenture and a promissory note, of \$46,952 and \$128,836, respectively (September 30, 2024 - \$37,500 and \$112,500, respectively) The portion related to the promissory note equaled \$9,452 in the three-months ended September and \$16,336 for the nine-months ended September 30, 2025 (three- and nine-months as of September 30 was \$nil).

**Government Loan** – A government loan of \$60,000 maturing in December of 2026 has resulted in \$3,218 of interest in the first nine months of 2025 compared to \$3,643 in the same period of 2024.

**Depletion Expense** – For the first nine-months of 2025 the company recorded depletion costs of \$12,981 compared to \$45,137 in the same period of 2024.

## Financial Position – Highlights in \$CAD

	Sep. 30, 2025	Dec. 31, 2024
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 54,907	\$ 88,795
Trade and other Receivables	\$ 15,079	\$ 41,210
Deposits and Prepaid Expenses	\$ 70,361	\$ 69,934
	<u>\$ 140,347</u>	<u>\$ 199,939</u>
Exploration and evaluation assets	\$ -	\$ -
Property and equipment	\$ 411,814	\$ 427,180
	<u>\$ 411,814</u>	<u>\$ 427,180</u>
<b>Total Assets</b>	<u>\$ 552,161</u>	<u>\$ 627,119</u>
<b>Liabilities</b>		
Accounts payable and accruals	\$ 757,022	\$ 622,124
Promissory Note	\$ 250,000	\$ -
Decommissioning liabilities	\$ 495,412	\$ 497,775
Government loan	\$ 60,000	\$ 60,000
Secured debentures	\$ 1,250,000	\$ 1,250,000
Total Liabilities	<u>\$ 2,812,434</u>	<u>\$ 2,429,899</u>
<b>Equity</b>		
Share capital	\$ 23,304,876	\$ 23,304,876
Warrants	\$ 69,477	\$ 139,198
Contributed surplus	\$ 8,275,401	\$ 8,205,680
Accumulated other comprehensive Income	\$ 835,654	\$ 837,774
Deficit	\$ (34,745,681)	\$ (34,290,308)
	<u>\$ (2,260,273)</u>	<u>\$ (1,802,780)</u>
<b>Total liabilities and Shareholders' (Deficit)</b>	<u>\$ 552,161</u>	<u>\$ 627,119</u>

**Assets** – Current assets, namely cash and receivables, decreased by \$59,592 as of September 30, 2025 compared to year end 2024. Deposits include \$48,163 on deposit at AER, a bond of \$20,948 (in \$CAD) on deposit for the Ohio Department of Natural Resources and \$1,250 office rent deposit.

**Exploration and evaluation assets** - were fully impaired in 2024 based on IFRS guidelines and input from the Company's auditors. See information related to the Property and Equipment section later in this MD&A

**Property and Equipment** – Property and Equipment total \$411,814 (see further discussion under Property and Equipment PPE later in this MD&A).

**Liabilities** – Liabilities increased by \$382,535 in the first nine-months of 2025 compared to year-end 2024, primarily related to an increase in accounts payable (table below) and promissory note related to funds received from the Company's debenture holder.

**Equity** – In the first six months of 2025 the Company's total equity decreased by \$495,7493 compared to year-end 2024. This was primarily related to the net loss for the period and the expiration of warrants.

<b>Accounts Payable Breakdown</b>	<b>Sep. 30, 2025</b>	<b>Dec. 31, 2024</b>
Accounts Payable Trade - Canada	\$ 125,639	\$ 166,260
Accounts Payable Trade - USA (in \$CAD)	\$ 128,140	\$ 119,920
Interest owed to Debenture holder	\$ 187,500	\$ 75,000
Land and Property Rights Tribunal (SRB)	\$ 155,233	\$ 155,233
Non Op Joint Venture	\$ 10,209	\$ 16,312
Accrued Liabilities	\$ 148,216	\$ 88,710
Master Card	\$ 2,085	\$ 690
	<b>\$ 757,022</b>	<b>\$ 622,125</b>

- Canada Trade Payables – There is approximately \$55,000 is owed to two Alberta counties for property taxes. On-going negotiations centering on the transfer of wells from the control of AER to OWA has resulted in those counties reviewing their position that may result in decisions on their part to write down all or part the amount owing.
- US Trade Payables – Two vendors, totalling approximately \$75,000 have agreed to payment terms related to payment for their services over several months, subject to Marksmen management approval.
- Interest to the Debenture holder – The secured debenture and Promissory note plus interest to the debenture holder is currently being negotiated and may result in a new arrangement with the Debenture holder including interest.
- It is Marksmen’s position that the payable to the Land and Property Rights Tribunal (“LPRT”) relates to wells in the Penhold area of Alberta and should be one percent (1%) of the current payable. The recent decision by AER related to the orphan confirm the Marksmen ownership of 1% that supports our position. Discussions remain and are ongoing.
- Accrued liabilities relates primarily to unpaid executive fees and payroll for parts of 2024 and 2025.

### **Exploration and Evaluation Assets (“E&E”)**

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

	<b>As at</b>		<b>Year End</b>
<b>Exploration and evaluation assets (E&amp;E)</b>	<b>Sep. 30, 2025</b>		<b>Dec. 31, 2024</b>
Balance, beginning of year	\$	-	\$ 1,022,721
Expenditures on exploration and evaluation	\$	-	\$ -
Impairment of E&E assets	\$	-	\$ (1,058,987)
Foreign currency adjustment	\$	-	\$ 36,266
<b>Balance, end of year</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

During the year-ended December 31, 2024, the Company and its auditors completed an impairment review of its E&E assets in accordance with International Financial Reporting Standards (“IFRS”). This resulted in E&E assets totaling a \$1,058,987 being impaired. There were no E&E expenditures in the first nine-months of 2025.

### **Pickaway County Oil and Gas Lease Disposition**

On August 21, 2025, the Company signed an agreement (the “Agreement”) with a third-party pursuant to which the Company agreed to the sale of certain oil and gas leases in Pickaway County, Ohio, for total proceeds of \$40,000 USD. A gain on the disposition of \$40,000 USD was recognized in the statement of loss and other comprehensive loss for the nine-months ended September 30, 2025 as the assets had previously been written down to a \$nil value. Included in the Agreement, the Company will receive a 5% overriding royalty on all future production from wells drilled on the leases.

### **Property and Equipment – Petroleum and Natural Gas Assets (“PPE”)**

Petroleum and natural gas assets consist of wells and facilities that are commercially viable. All costs directly associated with the development of oil and gas reserves are capitalized. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

	As at		Year End
	Sep. 30, 2025		Dec. 31, 2024
<b>Petroleum and natural gas assets</b>			
Balance beginning of year	\$	6,622,671	\$ 6,309,682
Expenditures on property and equipment	\$	13,698	\$ 58,343
Change in estimate of decommissioning liabilities	\$	(2,305)	\$ (25,046)
Dispositions	\$	-	\$ (226,793)
Foreign currency adjustment	\$	(197,394)	\$ 506,484
Balance, end of year (before depletion)	\$	6,436,670	\$ 6,622,671
<b>Accumulated depletion and impairment</b>			
Balance at beginning of year	\$	(6,196,776)	\$ (5,671,502)
Depletion	\$	(12,603)	\$ (58,214)
Impairment Expense	\$	-	\$ (12,605)
Dispositions	\$	-	\$ -
Foreign currency translation	\$	183,616	\$ (454,455)
Balance, end of year	\$	(6,025,763)	\$ (6,196,776)
<b>Net Carrying Amount</b>	\$	410,906	\$ 425,895

The expenditures on property and equipment of \$13,698 in the first nine-months of 2025 relate to abandonment and reclamation costs associated with a well drilled in southeast Ohio.

### **Decommissioning Liabilities**

The Company has estimated the net present value of the decommissioning liabilities to be \$495,412 (December 31, 2024 - \$497,775). The present value of the decommissioning liability considered to be current is \$419,644 (December 31, 2024 - \$395,144). The total undiscounted amount of estimated future cash flows is \$544,547 (December 31, 2024 - \$557,170). 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, 2024 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 2.47% (December 31, 2024 – 2.92% - 3.32%).

The transfer of wells in October of 2024 from the AER to the OWA will be abandoned and reclaimed at the sole discretion of the OWA. At year-end, the Company will consult with the auditors to re-evaluate the split between current and non-current liabilities.

### **Secured Debenture and Promissory Note (both held by Conex Services Inc.)**

On December 31, 2024, the Company received an extension of the maturity date of the secured debenture to December 31, 2026. All other terms of the Debenture remained the same and the extension did not result in any modification to the Debenture. Interest on the debenture remains at 12% and has been recorded as an interest expense of \$112,500 for the first nine-months of 2025.

The promissory note supports a loan of \$250,000 that was negotiated in April of 2025 with a maturity date of December 31, 2025 and an interest rate of 15%. During the three- and-nine months of 2025 the company accrued interest expense of \$9,452 in Q3 of 2025, totaling \$16,336 for Q2 and Q3 combined.

### **Government Loan**

During the year ended December 31, 2020, the Company was approved and received a \$60,000 CEBA loan 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 terms of the CEBA loan were such that if 75% of the CEBA loan principle was repaid on or before December 31, 2023, the repayment of the remaining 25% of such CEBA loan shall be forgiven. The Company did not repay 75% of the principal balance on December 31, 2023, and has therefore exercised an option for a 3-year extension on the \$60,000 principal balance, maturing December 31, 2026. In previous quarters, Marksmen indicated that the maturity date was December 31, 2025, however, the Company’s financial institution acknowledged an error and now the correct date December 31, 2026 with interest rate of 5% during the term extension term.

### **Share Capital**

The chart below is a summary of the Company’s common shares, stock options, share purchase warrants, and broker warrants. (See note 11 in the Company’s financial statements for more detailed information).

	<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>During Year 2024</b>				
Private Placement - August 23, 2024	19,325,000	-	19,325,000	-
Expiry of Stock options	-	(2,925,000)	-	-
Grant of Warrants	-	-	-	-
Grant of Broker Warrants	-	-	-	(56,000)
Warrants expired unexercised	-	-	(1,500,000)	-
<b>Balance at December 31, 2024</b>	<b>211,398,380</b>	<b>10,810,000</b>	<b>22,015,000</b>	<b>-</b>
<b>Transactions in first six months of 2025</b>				
Expiry of Warrants Q3, 2025	-	-	(2,490,000)	-
<b>Balance at September 30, 2025</b>	<b>211,398,380</b>	<b>10,810,000</b>	<b>19,525,000</b>	<b>-</b>

## **Share based Payments**

During the three and-nine months ended September 30, 2025, the Company granted nil stock options (December 31, 2024 – nil), there were no options exercised, and no options expired unexercised (December 31, 2024 – nil and 2,925,000, respectively). The options granted during 2023 are exercisable at an average \$0.075 per option, vested immediately and 1,900,000 and 4,205,000 of the options granted expire 1 and 5 years, respectively, after their grant date. The remaining stock options outstanding of 4,705,000 vested 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.

Share-based payments expense recognized during the three and nine-months ended September 30, 2025 was \$nil (September 30, 2024 - \$nil).

## **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 three and-nine months ended September 30, 2025, compared to the same period in 2024, as noted below:

	Relationship	Three months ended		Nine months ended	
		September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Executive management fees - Canada	Chief Executive Officer and Director	39,690	15,500	55,548	81,450
Executive management fees - USA	VP Operations and Director	-	-	-	4,612
Office space and storage	Chief Executive Officer and Director	2,500	7,500	10,000	22,500
		<b>42,190</b>	<b>23,000</b>	<b>65,548</b>	<b>108,562</b>

As at September 30, 2025, included in the related party information the Company has included an accrual of \$64,000 for unpaid Executive management fees-Canada split equally between 2024 and 2025.

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 being the acquisition, exploration for, and development of petroleum and natural gas.

Geographical segmentation is as follows:

	For the nine months ended September 30, 2025		
	Canada	United States	Total
Petroleum and natural gas sales	-	71,102	71,102
Depletion and depreciation	378	12,603	12,981
Net loss	449,834	5,540	455,374
Total assets	59,701	492,460	552,161
Total liabilities	2,358,760	453,674	2,812,434

In the US, the Company derives its revenue from the sale of oil and natural gas directly from one refinery.

## **Going Concern**

At September 30, 2025, the Company had not yet achieved profitable operations, had accumulated a deficit of \$34,745,681, a negative working capital of \$1,286,319, 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 any additional capital and operating expenditures is based on the Company's 2025 budget and on management's estimate of expenditures expected to be incurred beyond 2025. These events and conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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, 2025, 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 improving 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 License Liability Rating ("LLR"). 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, 2025, included in deposits and prepaid expenses is an amount of \$48,163 on deposit with the AER that is associated with the Company's operated wells in Alberta (December 31, 2024 - \$47,032).

As of October 7, 2024, the Company successfully concluded negotiations with the AER whereby all Alberta wells have been transferred to the OWA. The responsibility and timing regarding abandoning and reclamation of these well now rests solely with the OWA. Marksmen has sent all its well files to the OWA and will continue to cooperate with OWA as required.

**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 was served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections with a balance at September 30, 2025 of \$155,233 (December 31, 2024 - \$155,233) related to unpaid surface leases on these wells, all in the Penhold area of Red Deer County. These wells and surface land rights were sold by Marksmen to a third-party company in August of 2010. Marksmen has an Agreement for Sale and 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 did make 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 Marksmen should be removed as an operator or changed to a 1% owner. Therefore, the Company has accrued for these surface rights obligations and on-going discussions remain with the LPRT.

## **Off Balance Sheet Arrangements**

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

## **Financial Risk Management**

**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.

**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, 2025, the Company had cash of \$54,907 (December 31, 2024 - \$88,795) all of which were deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As at September 30, 2025, the Company's accounts receivable consisted of \$10,203 receivable from an oil refinery company (December 31, 2024 - \$34,794), a \$2,503 receivable from joint venture working interest partner (December 31, 2024 - \$1,176) and a \$2,373 receivable related to goods and service tax owing from the Government of Canada (December 31, 2024 - \$5,240). As at September 30, 2025, 68% (December 31, 2024 - 67%) of the Company's receivable (US) are held with one oil refining company and is therefore subject to concentration risk. The Company has not experienced collection issues.

**Liquidity risk** – is the risk that the Company will not be able to meet its financial obligations as they fall due. At September 30, 2025, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of \$757,022 (December 31, 2024 - \$622,124), the promissory note of \$250,000 (December 31, 2024 - \$nil) of which are all due over the next 12 months. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities.

**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. 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 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. 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.

**Foreign currency exchange risk** - is the risk that future cash flows will fluctuate as a result 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 in \$USD. As at September 30, 2025 and December 31, 2024, the Company had no forward exchange rate contracts in place.

**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 debenture and promissory note have fixed interest rates.

## **Outlook**

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

Production in Ohio in the first nine months of 2025 has been lower compared to the same period in 2024. This is primarily due to three wells being shut-in for much of the time waiting on the availability of a service rig and funding of the required workovers.

Marksman is pleased to announce that it has engaged the services of Mr. Greg T. Busby, as Corporate Lead Advisor, Regulatory Compliance and Business Development. Mr. Busby is an accomplished independent businessman and professional Landman with over 34 years of executive oil and gas experience. He brings extensive experience in structuring and negotiating corporate transactions for both public and private energy companies, domestic and international. His expanded career includes a solid track record in executive leadership, raising capital and the execution of successful mergers, acquisitions and joint ventures with industry partners. Mr. Busby has also played a pivotal role in restructuring and refinancing distressed energy companies.

In his new capacity, Mr. Busby will be working with the board of directors to review the overall structure of the company, including all compliance and regulatory matters that the Company is currently involved with. Mr. Busby will be involved in evaluating new oil and gas opportunities and projects, including the acquisition of existing production as well as prospects for future drilling development in Alberta and Saskatchewan, Canada. He will be materially involved in the overview and technical due diligence process that may add considerable value to the company and our shareholders.

Marksman looks forward to working with Mr. Busby along with the support of the board of directors to assist and facilitate Marksman a new path forward in becoming a successful and prosperous oil and gas company.

## **Other**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or email [info@marksmen.ca](mailto:info@marksmen.ca). Marksman Energy Inc. is listed on the TSX Venture Exchange under the symbol "MAH" and on the OTC Venture Marketplace under the symbol "MKSEF".