TSX Venture – MAH **New York OTC Venture Marketplace – MKSEF**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Report for Q2

Three and Six Months ended June 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 six months ended June 30, 2024, and was prepared with information available to August 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 Barrels of Oil (boe) basis. Operating netback is useful in calculating field performance for management and shareholder 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

Marksmen Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas properties in Canada and the USA, and with a focus to be primarily in Alberta, Canada.

Marksmen is continuing to evaluate its Ohio wells with our well site operators and consultants to improve production at our wells in Ohio. The Company is confident that there is room for production improvement. Production in our Ohio operations in the six months ended June 30, 2024 has been less than expected. In the first quarter there was winter weather that shut down operations for 30 out of 90 operating days. In the second quarter there was well optimization testing and wells down for repair that resulted in the shut in of wells for approximately 25 of 90 operating days.

In Ohio, Marksmen is in discussions with an existing working interest partner to drill a well on a Marksmen lease. The partner would pay 100% of the costs to drill the well to earn a working interest, to be determined, in the well after payout. Marksmen would retain the remaining working interest. Depending on the success of this well there are other Marksmen owned leases that could be attractive to this partner.

Marksmen has been actively looking at possible working interest opportunities with oil and gas companies in Alberta. The technical review and due diligence phases are close to complete, and the Company is pleased with the progress being made to determine the best path forward for Marksmen. One project that the Company is focusing on is a low-risk project in partnership with an energy company in Alberta. Marksmen would be a non-operator, working interest partner. The project involves restarting or recompleting existing wells with no drilling required. It includes a number of wells, existing pipeline infrastructure and a gas processing facility.

Subsequent to June 30, 2024 Marksmen closed a private placement on August 23, 2024 with 19,325,000 shares issued at $0.01 per share for gross proceeds of $193,250.

Marksmen continues to evaluate other joint venture opportunities that are available to them in both Ohio and Alberta.

Quarterly Financial Information in $CAD

Quarterly Information	**Q2 2024**	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Light oil - bbls	**1140**	918	1,620	1,368	2,350	2,894	2,210	2,281
Natural Gas Liquids - bbls	**0**	0	9	1	10	15	-	-
Natural Gas - boe (6 mcf : 1 bbl)	**0**	0	-	11	163	97	101	9
Barrels of oil equivalent (boe)	**1140**	918	1,629	1,380	**2,523**	**3,006**	**2,311**	2,290
Production - boe/day	**12.7**	10.2	18.1	15.3	28.0	33.4	25.7	25.4
West Texas reference price/barrel $USD	**$ 82**	$ 78	$ 78	$ 82	$ 74	$ 76	$ 83	$ 93
Petroleum and natural gas sales	**$ 123,806**	$ 97,073	$ 175,609	$ 147,456	$ 229,768	$ 292,099	$ 251,524	$ 275,260
Royalties	**$ (15,826)**	$ (12,143)	$ (23,090)	$ (18,650)	$ (30,714)	$ (40,642)	$ (33,981)	$ (35,057)
Operating Costs	**$ (66,880)**	$ (45,215)	$ (82,347)	$ (101,821)	$ (62,268)	$ (53,500)	$ (87,576)	$ (29,114)
Income from operations	**$ 41,100**	$ 39,715	$ 70,172	$ 26,985	$ 136,786	$ 197,957	$ 129,967	$ 211,089
Net income (Loss)	**$ (134,376)**	$ (117,953)	$ (3,848,389)	$ (205,386)	$ (326,516)	$ (464,624)	$ (242,907)	$ (256,533)
Total assets	**$ 1,901,481**	$ 1,879,741	$ 1,966,325	$ 5,699,905	$ 5,679,310	$ 5,978,517	$ 5,970,355	$ 6,022,891
Total liabilities	**$ 2,474,900**	$ 2,330,073	$ 2,337,088	$ 2,196,203	$ 2,210,461	$ 2,213,910	$ 2,801,268	$ 3,041,817
Total shareholder's equity	**$ (573,419)**	$ (450,332)	$ (370,763)	$ 3,503,702	$ 3,468,849	$ 3,764,607	$ 3,169,087	$ 2,981,074
Total liabilities and equity	**$ 1,901,481**	$ 1,879,741	$ 1,966,325	$ 5,699,905	$ 5,679,310	$ 5,978,517	$ 5,970,355	$ 6,022,891
Common shares o/s	**192,073,380**	192,073,380	192,073,380	191,873,380	189,383,380	187,483,380	177,222,666	172,010,933

Oil Production – Ohio

	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
	Q1	**Q2**	**Total**	**Q1**	**Q2**	**Total**
Barrels	918	1,140	**2,058**	2,499	2,025	**4,524**
Days	90	90	**180**	90	90	**180**
Barrels Per Day	10.2	**12.7**	**11.4**	**27.8**	**22.5**	**25.1**

Oil production in Ohio in the first quarter of 2024 was curtailed for a number of days by cold weather, resulting in the shut-in of Marksmen's water disposal facility and therefore all the wells in Pickaway County. The actual days on production was approximately 60 days compared to a normal quarter of 90 days. On a production day basis production would be 15.3 barrels per day.

Oil production in the second quarter was lower due to wells being shut-in for technical evaluation and for wells waiting on repairs. This resulted in the production days of approximately 65 rather than 90 days for the quarter. On a production day basis production would be 17.5 barrels per day.

Alberta

Marksmen is a 24.5% partner in one well at Morinville Albera. This well produced 28 barrels in Q1 2024 of oil before it was shut-in due to down hole sanding issues. The operator's engineering team are evaluating various options to bring the well back on production.

Operating Results and Netback – Ohio Wells - $USD

	Three Months Ended			Six Months Ended		
$USD	**June 30 2024**	**June 30 2023**	Change	**June 30 2024**	**June 30 2023**	Change
Oil and Gas Production						
Oil - bbls	**1,140**	2,026	(886)	**2,058**	4,524	(2,466)
Natural Gas - boe (6 mcf = 1 bbl)	-	53	(53)	-	106	(106)
Boe	**1,140**	2,079	(939)	**2,058**	4,630	(2,572)
Boe /day	**12.7**	23.1	(10.4)	**11.4**	25.7	(14.3)
Operations						
Revenue	**$ 90,621**	$ 147,559	$ (56,938)	**$ 160,935**	$ 335,751	$ (174,816)
Royalties	**$ (11,583)**	$ (19,202)	$ 7,619	**$ (20,579)**	$ (43,638)	$ 23,059
	$ 79,038	$ 128,357	$ (49,319)	**$ 140,356**	$ 292,113	$ (151,757)
Operating costs - routine	**$ (39,745)**	$ (33,524)	$ (6,221)	**$ (67,190)**	$ (68,550)	$ 1,360
Operating Costs - Workovers	**$ (9,250)**	$ (3,528)	$ (5,722)	**$ (13,930)**	$ (3,538)	$ (10,392)
	$ (48,995)	$ (37,052)	$ (11,943)	**$ (81,120)**	$ (72,088)	$ (9,032)
Income from Operations	**$ 30,043**	$ 91,305	$ (61,262)	**$ 59,236**	$ 220,025	$ (160,789)
Revenue /boe	**$ 79.49**	$ 70.97	$ 8.53	**$ 78.20**	$ 72.52	$ 5.68
Royalties / boe	**$ (10.16)**	$ (9.23)	$ (0.93)	**$ (10.00)**	$ (9.43)	$ (0.57)
Operating Costs - routine / boe	**$ (34.86)**	$ (16.12)	$ (18.74)	**$ (32.65)**	$ (14.81)	$ (17.84)
Operating costs - workovers / boe	**$ (8.11)**	$ (1.70)	$ (6.42)	**$ (6.77)**	$ (0.76)	$ (6.00)
Operating Netback / boe	**$ 26.35**	$ 43.91	$ (17.56)	**$ 28.78**	$ 47.52	$ (18.74)

Revenue after royalties – decreased $151,757 in the first six months of 2024 compared to the same period in 2023 due to lower oil production. Additionally, revenue also decreased by approximately $55,000 related to the sale of oil and gas production effective January 1, 2024.

Operating Expenses and Workovers – Total operating costs during the first six months of 2024 were $81,120 or $9,032 higher than the same period in 2023. Included in the operating cost for the first six months of 2024 is $13,930 in tank leak repairs and related site work, plus workover costs to repair parted rods in a well.

Operating Income – Operating income was $59,236 or $160,789 lower in the first six months of 024 compared to the same period in 2023, resulting from lower oil production.

Alberta Operations - $CAD

Marksmen's wells at Alder Flats, Alberta have been shut-in since 2010. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. The remaining well was abandoned under the federal and Alberta government sponsored site reclamation program in 2022. Some reclamation work was completed under this program that ended at year end 2022. In the first six months of 2024 there was $2,233 of revenue and $1,885 of expenses for a well income of $339.

Well Information

In Q2 2024 there are 8 wells operating in Ohio with an average working ownership to Markmen of 80%. Three wells are shut-in and planned for abandonment. In Alberta, one well is currently shut in awaiting a viable long term workover solution by the operator.

General and Administrative Expenses

	Three Months Ended			Six Months Ended		
General & Administrative Expenses	**June 30, 2024**	**June 30, 2023**	Change	**June 30 2024**	June 30, 2023	**Change**
Employee compensation	**37,526**	**38,464**	(938)	**76,710**	**76,959**	(249)
Consulting and professional fees	**40,886**	**52,360**	(11,474)	**90,854**	**106,710**	(15,856)
Investor Awareness and filing fees	**6,535**	**203,868**	(197,333)	**18,884**	**260,914**	(242,030)
Ohio G&A	**2,042**	**26,510**	(24,468)	**4,650**	**47,193**	(42,543)
Other G&A and director/officer insurance	**19,693**	**22,912**	(3,219)	**37,509**	**45,775**	(8,266)
	106,682	**344,113**	**(237,431)**	**228,607**	**537,550**	**(308,943)**

Overall, the G&A costs in the first six months of 2024 were $308,943 lower than in the same period in 2023.

Employee compensation – represents payments of salaries and wages to one full-time officer of the Company and one 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 legal, engineering, geological consulting, audit, and accounting services. For the first six months of 2024 these costs were $15,856 lower than in the same period of 2023.

Investor awareness and filing fees – are costs incurred to raise capital for exploration and development opportunities, as well as various fees paid to stock exchanges, securities commissions, and transfer agent fees. In the first six months of 2024 these costs were $18.884, compared to $260,914 in the same period in 2023 (in 2023 there were one-time costs of approximately $225,000 related to marketing fees, OTC Market fees, and fees to qualify for the Depository Trust and Clearing eligibility.

Ohio G&A – In the first six months of 2024, G&A costs in Ohio were reduced by $42,543 due to lower engineering fees and lower travel related costs.

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. In the first six months of 2024 these other costs were lower by $8,266 compared to the same period in 2023.

Selected Other Expenses

Interest Expense – During the first six months of 2024, the Company paid or recorded $75,000 of interest related to a secured debenture. The Company was given an extension by the debenture holder to pay the debenture interest and as of August 23, 2024 it was fully paid.

Depletion and Depreciation – In the first six months of 2024 depletion and depreciation totaled $34,094 or $16.57 per barrel.

Financial Position – Highlights

		June 30, 2024		Dec. 31, 2023		Change
Assets						
Cash	**$**	**28,917**	$	88,938	$	(60,021)
Trade Receivables, deposits and prepaids	**$**	**168,508**	$	123,903	$	44,605
Assets held for Sale	**$**	**-**	$	90,416	$	(90,416)
Exploration and evaluation assets	**$**	**1,058,367**	$	1,022,721	$	35,646
Property and equipment	**$**	**645,689**	$	640,347	$	5,342
	$	**1,901,481**	**$**	**1,966,325**	**$**	**(64,844)**
Liabilities						
Accounts payable and accruals	**$**	**568,126**	$	485,181	$	82,945
Decommissioning liabilities (current and non current)	**$**	**611,411**	$	570,179	$	41,232
Government loan	**$**	**60,000**	$	60,000	$	-
Secured debenture	**$**	**1,235,363**	$	1,221,728	$	13,635
	$	**2,474,900**	**$**	**2,337,088**	**$**	**137,812**
Equity						
Share capital	**$**	**23,193,653**	$	23,193,653	$	-
Warrants	**$**	**121,107**	$	121,107	$	-
Contributed surplus	**$**	**8,152,881**	$	8,152,881	$	-
Accumulated other comprehensive Income	**$**	**832,239**	$	782,567	$	49,672
Deficit	**$**	**(32,873,299)**	$	(32,620,971)	$	(252,328)
	$	**(573,419)**	**$**	**(370,763)**	**$**	**(202,656)**
Total liabilities and equity	**$**	**1,901,481**	**$**	**1,966,325**	**$**	**(64,844)**

Assets – In the first six months assets decreased by $64,844 compared to year end 2023. Cash decreased by $60,021 while trade receivables and deposits increased by $44,605. There was an increase o $40,988 of exploration and evaluation, and property and equipment assets.

On December 31, 2023, the Company signed an agreement to sell Marksmen's working interests to an operator of certain wells in Ohio. The transaction was effective January 1, 2024 and the total net proceeds were $90,000 USD. At December 31, 2023, the carrying value of the assets of $129,464 less decommissioning liability of $39,048 or $90,416 was included in assets held for sale on the consolidated statement of financial position. At January 1, 2024, the assets held for sale were removed and a gain on the sale of the assets of $29,185 was recognized in the statement of loss and comprehensive loss for the six months ended June 30, 2024.

Liabilities – In the first six months of 2024 compared to year end 2023, accounts payable increased by $82,945, decommissioning liabilities increased by $41,232 due to a change in estimate, accretion and foreign currency translation. The Accounts payable amount includes $155,233 payable to the surface rights board that is under dispute.

Equity – In the first six months of 2024 compared to year end 2023, the deficit increased by the net loss of $252,328. There was a gain in other comprehensive income of $49,672 due to a positive currency translation for the period.

Property and Equipment

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

	As at	As at
COST	June 30, 2024	December 31, 2023
Balance, beginning of period	6,309,682	6,907,858
Expenditures on property and equipment	-	227,712
Change in estimate of decommissioning liabilities (note 8)	17,888	(8,925)
Assets held for sale (note 4)	-	(667,464)
Foreign currency translation	200,853	(149,499)
BALANCE, END OF PERIOD	**6,528,423**	**6,309,682**
ACCUMULATED DEPLETION		
Balance, beginning of period	(5,671,502)	(2,971,876)
Depletion	(33,655)	(310,724)
Impairment expense (note 6)	-	(3,051,672)
Assets held for sale (note 4)	-	550,936
Foreign currency translation	(179,305)	111,835
BALANCE, END OF PERIOD	(5,884,461)	(5,671,502)
NET CARRYING AMOUNT, END OF PERIOD	**643,961**	**638,180**

There were no capital expenditures in the first six months of 2024. Also, there were no indicators of changes to impairment recorded at year end 2023.

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 June 30, 2024	As at December 31, 2023
Balance, beginning of period	1,022,721	1,464,934
Expenditures on exploration and evaluation assets	-	13,226
Impairment of exploration and evaluation assets	-	(430,832)
Foreign exchange translation	35,646	(24,607)
BALANCE, END OF PERIOD	**1,058,367**	**1,022,721**

There were no expenditures on E&E assets during the first six months of 2024. Also, there were no indicators of changes to impairment recorded at year end 2023.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $611,411 (December 31, 2023 - $570,179). The present value of the decommissioning liability considered to be current is $293,839 (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 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 $17,500 in the first quarter of 2023 and has been granted an extension from the Secured Debenture holder to pay the remaining Q1 2024 interest of $20,000 and Q2 interest of $37,500. As of August 31, the company paid its full amount owning of $57,500. 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 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, stock options, share purchase warrants and broker warrants as of June 30, 2024. Subsequent to the end of the second quarter there was a closing of a private placement on August 23, 2024 comprised of common shares and warrants as outlined below.

	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2023	**192,073,380**	**13,735,000**	**4,190,000**	**56,000**
Six Months Ended June 30, 2024				
Private placement	-	-	-	-
Stock options expired	-	(875,000)	-	-
Grant of Stock options	-	-	-	-
Balance at June 30, 2024	**192,073,380**	**12,860,000**	**4,190,000**	**56,000**
Subsequent to June 30, 2023				
Private placement (Common Shares and Warrants)	19,325,000	-	19,325,000	-
Expiry of Stock options	-	-	-	-
Exercise of stock options	-	-	-	-
Balance at August 29, 2023	**211,398,380**	**12,860,000**	**23,515,000**	**56,000**

Share-based Payments

During the six months ended June 30, 2024, the Company granted nil stock options (December 31, 2023 – 6,105,000), nil options were exercised and 875,000 expired unexercised (December 31, 2023 – 1,900,000 and 2,785,000, respectively). The options granted during 2023 were exercisable at an average $0.075 per option, vest 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 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.

Share-based payments expense recognized during the three and six months ended June 30, 2024 was $nil (June 30, 2023 - $4,856 and $345,839, respectively), all of which has been recorded in net loss, with an offsetting credit to contributed surplus.

Related party transactions

Related parties include Board of Directors of the Company and enterprises which they are associated with that provide services to the Company. Related party transactions not disclosed elsewhere in these consolidated financial statements include the renumeration of these directors for services provided.

In the three months ended June 30, 2024 a total of $43,400 was paid to officers and directors of Marksmen and a total of $85,562 was paid in the first six months of 2024. This is compared to $68,557 paid to officers and directors in the three months ended June 30, 2023 and a total of $129,101 paid in the first six months of 2023.

An officer and director always offsets his renumeration by participating in the Company's private placements including the one that closed as of August 23, 2024.

As at June 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.

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

Subsequent Events

A private placement closed on August 23, 2024 with 19,325,000 shares issued at $0.01 per share for gross proceeds of $193,250.

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 in Ohio, USA and Alberta Canada.

Geographical segmentation is as follows:

		For the six months ended June 30, 2024	
	Canada	United States	Total
Petroleum and natural gas sales	2,233	218,646	220,879
Depletion and depreciation	569	33,525	34,094
Net loss	331,578	(79,462)	252,116
Total assets	105,358	1,796,123	1,901,481
Total liabilities	2,025,443	449,457	2,474,900

		For the six months ended June 30, 2023	
	Canada	United States	Total
Petroleum and natural gas sales	69,376	452,492	521,868
Depletion and depreciation	4,828	137,723	142,551
Net loss	806,640	(15,500)	791,140
Total assets	444,803	5,234,507	5,679,310
Total liabilities	1,708,980	501,481	2,210,461

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

At June 30, 2024, the Company had not yet achieved profitable operations, had accumulated a deficit of $32,873,299 (December 31, 2023 - $32,620,971) a negative working capital of $1,899,903 (December 31, 2023 - $1,693,673), 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 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 June 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 June 30, 2024, included in deposits and prepaid expenses is an amount of $45,961 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 ("LPRT") (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 June 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, LPRT ruled and agreed that the third-party company is also has joint responsibility as Operator, but they did not agree that Marksmen should be removed as an Operator. Therefore, the Company has accrued for these surface rights obligations. Although the third-party company has agreed they are responsible for the surface lease payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment has been recorded as a bad debt item in Marksmen's statement of loss and comprehensive loss. The Company remains dissatisfied with SRB's position and will continue discussions regarding this matter with the AER, the Alberta Department of Energy, and the 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

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

The Company actively manages its capital structure which includes shareholders' equity and debt. In order to maintain or adjust its capital structure, the Company may from time-to-time issue shares and adjust its capital spending to manage current and projected debt levels. As part of the capital management program the Company monitors its working capital ratio. The Company's objective is to maintain a working capital ratio of greater than 1:1 defined as the ratio of current assets divided by current liabilities. At June 30, 2024, the working capital ratio was 0.09:1 (December 31, 2023 – 0.15:1) (note 1). The Board of Directors has not established quantitative return on capital criteria for management, but rather promotes conservative capital management. The Company is not subject to any externally imposed capital requirements.

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 it 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 an at least monthly 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 in USD. As of June 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 six months ended June 30, 2024.

Outlook

Marksmen Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas properties in Canada and the USA, and with a focus to be primarily in Alberta, Canada.

Marksmen is continuing to evaluate its Ohio wells with our well site operators and consultants to improve production at our wells in Ohio. The Company is confident that there is room for production improvement. Also, in Ohio, Marksmen is in discussions with an existing working interest partner to drill a well on a Marksmen lease. The partner would pay 100% of the costs to drill the well to earn a working interest, to be determined, in the well after payout. Marksmen would retain the remaining working interest. Depending on the success of this well there are other Marksmen owned leases that could be attractive to this partner.

Marksmen has been actively looking at possible working interest opportunities with oil and gas companies in Alberta. The technical review and due diligence phase are close to complete, and the Company is pleased with the progress being made to determine the best path forward for Marksmen. One project that the Company is focusing on is a low-risk project in partnership with an energy company in Alberta. Marksmen would be a non-operator, working interest partner. The project involves restarting or recompleting existing wells with no drilling required. It includes a number of wells, existing pipeline infrastructure and a gas processing facility.

Marksmen continues to evaluate other joint venture opportunities that are available to them in both Ohio and Alberta.

Other

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