

## **Marksmen Energy Inc.**

Consolidated Financial Statements

**For the three months ended March 31, 2024 and 2023**

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW In accordance with National Instrument 51-102 Section 4.3(3)(a) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited Interim Consolidated Financial Statements for the three months ended March 31, 2024 and 2023.

# Marksman Energy Inc.

## Consolidated Statements of Financial Position

For the periods ended:

(Canadian \$)	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current Assets		
Cash	27,702	88,938
Trade and other receivables (note 13(b))	77,440	57,981
Deposits and prepaid expenses	67,034	65,922
Assets held for sale (note 4)	-	90,416
Total Current Assets	172,176	303,257
Exploration and evaluation assets (note 5)	1,049,629	1,022,721
Property and equipment (note 6)	657,936	640,347
<b>TOTAL ASSETS</b>	<b>1,879,741</b>	<b>1,966,325</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 13(c))	440,202	485,181
Decommissioning liabilities (note 8)	292,917	290,021
Secured debentures (note 9)	1,228,424	1,221,728
Total Current Liabilities	1,961,543	1,996,930
Decommissioning liabilities (note 8)	308,530	280,158
Government loan (note 10)	60,000	60,000
	<b>2,330,073</b>	<b>2,337,088</b>
<b>SHAREHOLDERS' (DEFICIT)</b>		
Share capital (note 11(b))	23,193,653	23,193,653
Warrants (note 11(e))	121,107	121,107
Contributed surplus (note 11(g))	8,152,881	8,152,881
Accumulated other comprehensive income	820,951	782,567
Deficit	(32,738,924)	(32,620,971)
	<b>(450,332)</b>	<b>(370,763)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT)</b>	<b>1,879,741</b>	<b>1,966,325</b>

Going concern (note 1)

Commitments (note 14)

Approved by the Board of Directors:

Signed "John Niedermaier"

John Niedermaier

Signed "Archie J. Nesbitt"

Archie Nesbitt

The notes are an integral part of these consolidated financial statements

# Marksman Energy Inc.

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

(Canadian \$)	March 31, 2024	March 31, 2023
<b>REVENUE</b>		
Petroleum and natural gas sales	97,073	292,099
Royalties	(12,143)	(40,642)
	84,930	251,457
<b>EXPENSES</b>		
Production and operating expenses	45,215	53,500
Depletion and depreciation (note 6)	15,179	78,047
General and administrative	121,925	193,437
Share-based payments (note 11(d))	-	340,983
<b>Loss from operations</b>	(97,389)	(414,510)
<b>FINANCE EXPENSE</b>		
Interest expense (note 9)	37,500	37,500
Accretion of secured debentures (note 9)	6,696	5,809
Accretion of decommissioning liabilities (note 8)	5,260	5,187
Other finance expense (note 10)	-	1,235
	(49,456)	(49,731)
<b>OTHER (EXPENSES) INCOME</b>		
Loss on abandonment estimates (note 8)	(293)	(383)
Gain on disposition (note 4)	29,185	-
	28,892	(383)
<b>NET LOSS</b>	(117,953)	(464,624)
<b>Other comprehensive (loss) income that may subsequently be transferred to net loss</b>		
Currency translation adjustment	38,384	911
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	(79,569)	(463,713)
Basic and diluted loss per share	(0.00)	(0.00)
Weighted average number of common shares outstanding during the period	191,873,380	182,923,063

The notes are an integral part of these consolidated financial statements

# Marksman Energy Inc.

## Consolidated Statements of Changes in (Deficit) Equity

(Canadian \$)	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
<b>BALANCE AS AT DECEMBER 31, 2023</b>	23,193,653	121,107	8,152,881	(32,620,971)	782,567	(370,763)
Loss for the period	-	-	-	(117,953)	-	(117,953)
Translation differences on foreign subsidiaries	-	-	-	-	38,384	38,384
<b>BALANCE AS AT MARCH 31, 2024</b>	23,193,653	121,107	8,152,881	(32,738,924)	820,951	(450,332)
<b>BALANCE AS AT DECEMBER 31, 2022</b>	21,867,453	1,004,616	7,246,436	(27,776,056)	826,638	3,169,087
Loss for the period	-	-	-	(464,624)	-	(464,624)
Translation differences on foreign subsidiaries	-	-	-	-	911	911
Warrants exercised (note 11(e))	718,250	-	-	-	-	718,250
Reallocation of warrant fair value on exercise	341,889	(341,889)	-	-	-	-
Warrants expired (note 11(e))	-	(27,132)	27,132	-	-	-
Expiry of warrant share issue costs (note 11(e))	-	57,576	(57,576)	-	-	-
Share-based payments (note 11(d))	-	-	340,983	-	-	340,983
<b>BALANCE AS AT MARCH 31, 2023</b>	22,927,592	693,170	7,556,975	(28,240,680)	827,549	3,764,608

The notes are an integral part of these consolidated financial statements

# Marksman Energy Inc.

## Consolidated Statements of Cash Flows

(Canadian \$)	March 31, 2024	March 31, 2023
<b>CASH FLOW PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(117,953)	(464,624)
<b>ITEMS NOT AFFECTING CASH:</b>		
Depletion and depreciation (note 6)	15,179	78,047
Accretion of decommissioning liabilities (note 8)	5,260	5,187
Accretion of secured debentures (note 9)	6,696	5,809
Loss on abandonment estimates (note 8)	293	383
Gain on disposition (note 4)	(29,185)	-
Other finance expense (note 10)	-	1,235
Share-based payments (note 11(d))	-	340,983
Change in trade and other receivables	(19,459)	(12,232)
Change in deposits and prepaid expenses	(1,112)	(464)
Change in accounts payable and accrued liabilities	(44,980)	(2,612)
<b>CASH FLOW USED IN OPERATING ACTIVITIES</b>	<b>(185,261)</b>	<b>(48,288)</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation (note 5)	-	(13,533)
Expenditure on property and equipment (note 6)	-	(22,698)
Proceeds from disposition (note 4)	122,166	-
Change in non-cash working capital	-	(611,860)
<b>CASH FLOW USED IN INVESTING ACTIVITIES</b>	<b>122,166</b>	<b>(648,091)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from exercise of warrants (note 11(b))	-	718,250
<b>CASH FLOW PROVIDED BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>718,250</b>
Foreign exchange effect on cash	1,859	4,733
Decrease in cash	(61,236)	26,603
Cash, beginning of period	88,938	338,319
<b>CASH, END OF PERIOD</b>	<b>27,702</b>	<b>364,922</b>

The notes are an integral part of these consolidated financial statements

# Marksmen Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

---

### 1. Reporting entity and going concern

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

At March 31, 2024, the Company had not yet achieved profitable operations, had accumulated a deficit of \$32,738,924 (December 31, 2023 - \$32,620,971) a negative working capital of \$1,789,367 (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 March 31, 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.

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

### 2. Basis of presentation

#### a) Statement of compliance:

The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board as disclosed in the Company's audited annual consolidated financial statements for the year ended December 31, 2023. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2023 and exclude certain disclosures required to be included in the annual financial statements. The Board of Directors approved the consolidated financial statements on May 29, 2024.

# Marksmen Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

---

### **b) Basis of consolidation:**

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

### **c) Basis of measurement:**

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

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

### **d) Functional and presentation currency:**

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

### **e) Use of estimates and judgments:**

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

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant judgments, estimates and assumptions made by management in these financial statements are outlined in NOTE 2 of the December 31, 2023 audited consolidated financial statements.

## **New Accounting Pronouncements**

### **Amendments to IAS 1 *Presentation of Financial Statements***

The Company adopted the following amendments to accounting standards, issued by the IASB. Each did not have a material impact on the financial statements.

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

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

## **3. Equity investment**

During 2012, the Company's share of the US Private Company ("US PrivateCo.") losses were in excess of Company's interest and accordingly at March 31, 2024 the investment was valued at \$nil (December 31, 2023 - \$nil).

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

### 4. Disposition

On December 31, 2023, the Company signed an agreement (the "Agreement") with the operator (the "Operator") of the Portage County, Ohio assets. Pursuant to the Agreement, the Company agreed to the sale of all Portage County, Ohio assets to the Operator, effective January 1, 2024, for total proceeds of \$90,000 USD. At December 31, 2023, the carrying value of the net assets of \$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 three months ended March 31, 2024.

Included in the Agreement, the Operator agreed to forgive any amounts owing from the Company to the Operator, effective December 31, 2023. The total amount settled was \$53,662 CAD.

Property and equipment	129,464
Decommissioning liability	(39,048)
Foreign exchange	2,565
Carrying value of net assets disposed	92,981
Cash proceeds from disposition	122,166
Gain on disposition	29,185

### 5. Exploration and evaluation

	As at March 31, 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	26,908	(24,607)
<b>BALANCE, END OF PERIOD</b>	<b>1,049,629</b>	<b>1,022,721</b>

E&E assets consist of exploration projects which are pending the determination of technological feasibility and commercial viability. Additions represent the acquisition of undeveloped land, seismic activity and the costs associated with wells that have not reached technical feasibility and commercial viability.

At March 31, 2024, there were no indicators or impairment noted or indicators requiring a reversal of previously recorded impairments. During the year ended December 31, 2023, the Company completed impairment reviews of its E&E assets and determined that E&E assets totaling \$430,832 were not expected to provide future economic benefit to the Company, and therefore an impairment was recognized.



# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

### 6. Property and equipment

	As at March 31, 2024	As at December 31, 2023
<b>COST</b>		
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)	16,407	(8,925)
Assets held for sale (note 4)	-	(667,464)
Foreign currency translation	151,620	(149,499)
<b>BALANCE, END OF PERIOD</b>	<b>6,477,709</b>	<b>6,309,682</b>
<b>ACCUMULATED DEPLETION</b>		
Balance, beginning of period	(5,671,502)	(2,971,876)
Depletion	(14,960)	(310,724)
Impairment expense (note 6)	-	(3,051,672)
Assets held for sale (note 4)	-	550,936
Foreign currency translation	(135,260)	111,835
<b>BALANCE, END OF PERIOD</b>	<b>(5,821,722)</b>	<b>(5,671,502)</b>
<b>NET CARRYING AMOUNT, END OF PERIOD</b>	<b>655,988</b>	<b>638,180</b>

### Corporate assets

	As at March 31, 2024	As at December 31, 2023
<b>COST</b>		
Balance, beginning of period	24,157	22,167
Additions	-	1,990
<b>BALANCE, END OF PERIOD</b>	<b>24,157</b>	<b>24,157</b>
<b>ACCUMULATED DEPRECIATION</b>		
Balance, beginning of period	(21,990)	(21,245)
Depreciation	(220)	(745)
<b>BALANCE, END OF PERIOD</b>	<b>(22,210)</b>	<b>(21,990)</b>
<b>NET CARRYING AMOUNT, END OF PERIOD</b>	<b>1,947</b>	<b>2,167</b>

At March 31, 2024, future development costs of \$40,722 (December 31, 2023 - \$39,678) are included in costs subject to depletion. The Company currently has two CGU's, Ohio, USA and Alberta, Canada.

### 7. Impairment

Property and equipment ("PP&E") was assessed for indicators of impairment as at March 31, 2024 and it was determined there were no indicators

At December 31, 2023, the Company assessed and noted indicators of impairment of its property and equipment, and accordingly, impairment testing was performed. The Company prepared estimates of future cash flows to determine the recoverable amounts of the respective CGU's. Recoverable amounts for the Company's oil and gas assets were estimated based on FVLCD, calculated using the present value of the CGUs' expected future cash flows. The primary source of cash flow information was derived from a report on the Company's oil and gas reserves which was prepared by an independent qualified reserve evaluator. Impairment losses can be reversed in future period if the estimated recoverable amount of the CGU exceeds its carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements

### For the three months ended March 31, 2024

The projected cash flows reflect current market assessments of key assumptions, including long-term forecasts of commodity prices, inflation rates, and foreign exchange rates. Cash flow forecasts are also based on past experience, historical trends and an evaluation of the Company's reserves and resources to determine production profiles and volumes, operating costs, maintenance and future development capital expenditures. Production profiles, reserves volumes, operating costs, capital expenditures are consistent with the estimates approved through the Company's annual reserves evaluation process. An average discount rate of 17.5% was applied in the impairment calculation as at December 31, 2023. A 1% change in the discount rates applied would not have a material impact on the impairment calculation.

Based on the assessment at December 31, 2023, the recoverable amount of the Company's Ohio, USA CGU did not exceed its carrying value, and accordingly, an impairment of the unrecoverable amount of \$3,051,672 was recognized.

#### 8. Decommissioning liabilities

	As at March 31, 2024	As at December 31, 2023
Balance, beginning of period	570,179	574,778
Liabilities incurred	-	-
Change in estimate	16,700	22,905
Accretion expense	5,261	20,904
Assets held for sale (note 4)	-	(39,048)
Foreign currency translation	9,309	(9,360)
<b>BALANCE, END OF PERIOD</b>	<b>601,447</b>	<b>570,179</b>
 <b>Current</b>	 <b>292,917</b>	 <b>290,021</b>
<b>Non-current</b>	<b>308,530</b>	<b>280,158</b>

The Company has estimated the net present value of the decommissioning liabilities to be \$601,447 (December 31, 2023 - \$570,179). The present value of the decommissioning liability considered to be current is \$292,917 (December 31, 2023 - \$290,021). The total undiscounted amount of estimated future cash flows is \$639,002 (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 3.51% - 4.29% (December 31, 2023 - 3.05% - 3.91%). During the three months ended March 31, 2024, \$293 was expensed as a loss on abandonment estimates relating to the change in estimate associated with previously impaired assets.

#### 9. Secured debentures

	Secured debentures
<b>Balance, December 31, 2022</b>	<b>1,197,201</b>
Accretion of Debenture	24,527
<b>Balance, December 31, 2023</b>	<b>1,221,728</b>
Accretion of Debenture	6,696
<b>Balance, March 31, 2024</b>	<b>1,228,424</b>

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

The Company granted 1,500,000 warrants upon the Extension. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.13 per share until the expiry date of December 31, 2024. The Company valued the warrant at \$52,799.

# Marksmen Energy Inc.

## Notes to the Consolidated Financial Statements

### For the three months ended March 31, 2024

The Company may, at any time, repay the principle and any accrued interest of the Debenture without notice or penalty. If the Company is in default of the requirements included in the Debenture agreement, the Debenture holder may demand repayment of the Debenture or accelerate the date for payment. Security for the Debenture includes a general security agreement against the Company's present and after-acquired personal property and all proceeds thereof. As at March 31, 2024, the Company is in compliance with all requirements pursuant to the Debenture.

#### 10. 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 principle balance on December 31, 2023, and has therefore exercised the option for a 2-year extension on the \$60,000 principle balance. An interest rate of 5% during the term extension period will apply on any balance remaining.

The Company recognized the forgivable portion ("interest benefit") of the CEBA loan in other income at December 31, 2020 in the amount of \$11,889 and an additional amount of \$4,931 in other income on the October 11, 2022 extension. The Company used an effective interest rate of 14.47% to calculate the interest benefit. During the year ended December 31, 2023, the Company recorded a finance expense in the consolidated statement of net loss and comprehensive loss in the amount of \$24,931 to increase the amount of the CEBA loan owing from \$40,000 to \$60,000.

#### 11. Share capital

##### a) Authorized

Unlimited number of common shares with voting rights, at par value

Unlimited number of preferred shares, issuable in series, at par value

##### b) Issued

	Number	Amount
<b>Balance, December 31, 2022</b>	<b>177,222,666</b>	<b>21,867,453</b>
Shares issued pursuant to private placement (i)	2,690,000	59,952
Share issue costs (i)	-	(8,476)
Shares issued pursuant to warrant exercise	10,260,714	718,250
Fair value reclass pursuant to warrant exercise	-	341,889
Shares issued pursuant to stock option exercise	1,900,000	142,500
Fair value reclass pursuant to stock option exercise	-	72,085
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>192,073,380</b>	<b>23,193,653</b>

- i) On October 31, 2023, the Company closed a private placement issuing a total of 2,690,000 units (the "Unit") for aggregate proceeds of \$134,500. Each Unit consisted of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for \$0.10 per common share for a period of 24 months from issuance, which was valued at \$74,548 (note 13(e)(i)). In connection with the private placement, the Company incurred cash share issue costs of \$13,699, and issued 56,000 broker warrants valued at \$1,015. Each broker warrant entitled the holder thereof to purchase one common share of the Company at a price of \$0.05 per common share for a period of 12 months from issuance (note 13(f)). Share issue costs of \$8,476 were allocated to share capital and \$6,238 were allocated to warrants.

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

### c) Stock options

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

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

	As at March 31, 2024		As at December 31, 2023	
	Number	Weighted Average Exercise Price (\$)	Number	Weighted Average Exercise Price (\$)
Balance, beginning of period	13,735,000	0.06	12,315,000	0.08
Granted	-	0.08	6,105,000	0.08
Exercised	-	(0.08)	(1,900,000)	(0.08)
Expired	-	(0.16)	(2,785,000)	(0.16)
<b>BALANCE, END OF PERIOD</b>	<b>13,735,000</b>	<b>0.06</b>	<b>13,735,000</b>	<b>0.06</b>

Exercise Price (\$)	Options Outstanding	Weighted Average Remaining Term (Years)	Weighted Average Exercise Price (\$)	Options Exercisable	Weighted Average Exercise Price (\$)
0.00 - 0.09	12,860,000	2.52	0.06	12,860,000	0.06
0.10 - 0.19	875,000	0.01	0.10	875,000	0.10

As at March 31, 2024, the Company had 13,735,000 exercisable options and nil options granted but not yet vested (December 31, 2023 – 13,735,000 and nil, respectively). The weighted average exercise price of the exercisable options is \$0.06 (December 31, 2023 - \$0.06).

### d) Share-based payments

During the three months ended March 31, 2024, the Company granted nil stock options (December 31, 2023 – 6,105,000), and nil options were exercised or 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.

	As at December 31, 2023
Risk-free interest rate	4.30%
Expected life	3.76 years
Expected volatility	150.37%
Fair value per option	\$0.05
Forfeiture rate	0.00%
Dividend yield	-

Share-based payments expense recognized during the three months ended March 31, 2024 was \$nil (three months ended March 31, 2023 - \$340,983), all of which has been recorded in net loss, with an offsetting credit to contributed surplus.

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

### e) Warrants

	Number of Warrants	Weighted Average Exercise Price (\$)	Amount(\$)	Weighted Average Expiry Date
<b>Balance, December 31, 2022</b>	<b>33,330,063</b>	<b>0.09</b>	<b>1,004,616</b>	<b>0.64</b>
Warrants issued pursuant to private placement (i)	2,690,000	0.10	74,548	1.68
Share issue costs (i)	-	-	(6,238)	-
Exercise of warrants	(10,260,714)	0.07	(341,889)	-
Expiry of warrants	(21,569,349)	0.09	(872,687)	-
Expiry of warrant share issue costs	-	-	262,757	-
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>4,190,000</b>	<b>0.11</b>	<b>121,107</b>	<b>1.19</b>

- (i) As part of the units issued in the private placement that closed on October 31, 2023 (note 13(b)(i)), subscribers received one warrant per unit purchased. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 for a period of 24 months from the date of closing. A value of \$74,548 (\$0.03 per warrant) has been attributed to the warrants issued. Share issue costs incurred on the private placement of \$6,238 have been allocated to the warrants issued (note 13 (b)(i)).

The fair value of the warrants issued are estimated as at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used in the calculation are noted below:

	As at December 31, 2023
Risk-free interest rate	4.59%
Expected life	2 years
Expected volatility	140.25%
Fair value per warrant	\$0.03

### f) Broker warrants

	Number of Warrants	Weighted Average Exercise Price (\$)	Amount(\$)	Weighted Average Expiry Date
<b>Balance December 31, 2022</b>	-	-	-	-
Broker warrants issued pursuant to private placement (note 11(b)(i))	56,000	0.05	1,015	0.47
<b>Balance, December 31, 2023 and March 31, 2024</b>	<b>56,000</b>	<b>0.05</b>	<b>1,015</b>	<b>0.47</b>

As part of the private placement that closed on October 31, 2023, the Company issued 56,000 (note 13(b)(i)) broker warrants. Each broker warrant granted entitles the holder to purchase one common share at a price of \$0.05 per common share for a period of 1 year from the date of closing. The broker warrants were valued at \$1,015 and recorded as share issue costs.

The fair value of the broker warrants granted is estimated as at the grant date using the Black-Scholes option pricing model. The assumptions used in the calculation are noted below:

	As at December 31, 2023
Risk-free interest rate	4.62%
Expected life	1 year
Expected volatility	110.03%
Fair value per broker warrant	\$0.02

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements For the three months ended March 31, 2024

### g) Contributed surplus

	As at March 31, 2024	As at December 31, 2023
Balance, beginning of period	8,152,881	7,246,436
Share-based payments (note 13(d))	-	367,585
Expiry of warrants (note 13(e))	-	872,687
Expiry of warrant share issue costs (note 13(e))	-	(262,757)
Exercise of stock options (note 13(d))	-	(72,085)
Issuance of broker warrants (note 13(f))	-	1,015
<b>BALANCE, END OF PERIOD</b>	<b>8,152,881</b>	<b>8,152,881</b>

### 12. 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 months ended March 31, 2024, and compared to the same period in 2023, as noted below:

		<b>Three months ended</b>	
	Relationship	March 31, 2024	March 31, 2023
Executive management fees - Canada	Chief Executive Officer and Director	30,050	41,500
Executive management fees - USA	VP Operations and Director	4,612	11,544
Office space and storage	Chief Executive Officer and Director	7,500	7,500
		<b>42,162</b>	<b>60,544</b>

As at March 31, 2024, the Company has accounts payable and accrued liabilities totaling \$10,710 (December 31, 2023 – \$22,267) owing to related parties relating to the above transactions.

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

### 13. Financial risk management

#### (a) Fair values:

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

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

#### (b) Credit risk:

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

As at March 31, 2024, the Company had cash of \$27,702 (December 31, 2023 - \$88,938), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As at March 31, 2024, the Company's accounts receivable consisted of \$45,448 receivable from oil and natural gas marketing companies (December 31, 2023 - \$41,068), \$27,573 receivable from joint venture working interest owners (December 31, 2023 - \$12,135) and \$4,419 related to goods and service tax owing from the Government of Canada (December 31, 2023 - \$4,778). As at March 31, 2024, 59% (December 31, 2023 - 46%) of the Company's receivable are

# Marksman Energy Inc.

## Notes to the Consolidated Financial Statements

### For the three months ended March 31, 2024

held with one oil and natural gas marketing company and is therefore subject to concentration risk. Receivables from oil and natural gas marketing companies are typically collected within one month of delivery of product and historically the Company has not experienced collection issues with its marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued and cash call receivables are usually provided to the operator at least 30 days in advance of drilling. The Company attempts to mitigate the risk from joint venture receivables by obtaining partner pre-approval of significant capital expenditures. In certain circumstances, the Company may request an operating advance, cash call a partner in advance of capital expenditures being incurred or revoke a non-operating working interest owners take-in-kind rights pursuant to joint operating agreement provisions. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. The Company does not typically obtain collateral from oil and natural gas marketers or joint ventures; however, the Company does have the ability to withhold production from joint ventures in the event of non-payment.

Payment terms with customers vary by contract. Standard payment terms are 30 days from invoice date. The Company's aged trade and other receivable at March 31, 2024 and December 31, 2023, excluding any impaired accounts, are as follows:

	As at March 31, 2024	As at December 31, 2023
<b>Days outstanding</b>		
0-30 days	53,748	14,874
31-60 days	11,173	9,632
61-90 days	2,063	-
Greater than 90 days	10,456	33,475
<b>Trade and other receivables, net of allowance</b>	<b>77,440</b>	<b>57,981</b>

The Company assessed the credit loss risk as \$nil at March 31, 2024 and December 31, 2023 based on historical data and future expectations and there was no allowance recorded against the accounts receivable.

#### (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At March 31, 2024, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of \$440,202 and the secured debenture of \$1,228,424, all of which are all due over the next twelve months. The Company attempts, as far as possible, to have sufficient liquidity to meet its liabilities.

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

#### (d) Market risk:

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

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

#### (i) Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Such prices may also affect the value of exploration and development properties and level of spending for future activities. Prices received by the Company for its production are largely beyond the Company's control as oil and natural gas prices are impacted by world economic events that dictate the levels of supply and demand. Management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when deemed

# Marksmen Energy Inc.

## Notes to the Consolidated Financial Statements

### For the three months ended March 31, 2024

appropriate. The Company did not have any commodity price contracts in place as at or during the three months ended March 31, 2024 or March 31, 2023. A 20% change in price per bbl in commodity process would impact petroleum and natural gas sales by approximately \$17,000.

(ii) Foreign currency risk:

Foreign currency exchange rate risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company regularly converts Canadian currency into United States currency to provide funds for its Ohio based projects. The Company currently sells oil or natural gas in foreign currencies and the underlying market prices in Canada for oil and natural gas fluctuate with changes in the exchange rate between the Canadian and the United States dollar, thus exposing the Company to foreign currency exchange risk. A hypothetical change of 10% to the foreign exchange rate between the US dollar and the Canadian dollar applied to the average level of US denominated cash during the three months ended March 31, 2024 would impact cash by approximately \$2,000.

As at March 31, 2024 and March 31, 2023, the Company had no forward exchange rate contracts in place.

The Company had the following financial instruments denominated in USD:

	March 31, 2024	December 31, 2023
Cash	15,889	74,579
Trade and other receivables	62,245	43,125
Accounts payable and accrued liabilities	(49,303)	(63,856)

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have short or long term interest bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debentures bear a fixed interest rate (note 11).

The Company had no interest rate swaps or financial contracts in place as at or during the three months ended March 31, 2024 or March 31, 2023.

#### 14. Commitments

- a) The Alberta Energy Regulator ("AER") has an industry wide program to measure all operating companies Licensee Liability Rating ("LLR"). The LLR program is established by the AER to prevent the costs to abandon, remediate and reclaim a well or facility from becoming the responsibility of the public of Alberta. The program measures the ratio of deemed well and facility assets divided by deemed well and facility Liabilities and if the ratio is below 1.0 a deposit is required.

At March 31, 2024, included in deposits and prepaid expenses is an amount of \$45,358 on deposit with the AER associated with the Company's operated wells in Alberta (December 31, 2023 - \$44,769).

- b) The Land and Property Rights Tribunal ("LPRT") (previously Surface Rights Board) is a quasi-judicial tribunal in Alberta that has a dispute resolution process to resolve issues of non-payment of surface leases to landowners by oil and gas companies. On September 18, 2018, Marksman has been served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections with a balance at March 31, 2024 of \$155,233 (December 31, 2023 - \$155,233) related to unpaid surface leases on properties that were sold by Marksman to a third-party company in August of 2010. Marksman has an Assignment of Surface Rights agreement with the third-party, effective August 1, 2010 whereby the responsibility for the payment of surface leases is with the third party. The third-party does not dispute this agreement and agrees they are responsible for the payment of surface leases. The third-party made a partial payment to Service Alberta in November 2018.

On April 4, 2019, LPRT ruled and agreed that the third-party company is also an operator, but they did not agree that the Company should be removed as an operator. Therefore, the Company has accrued for these surface rights



# Marksmen Energy Inc.

## Notes to the Consolidated Financial Statements

### For the three months ended March 31, 2024

obligations. Although the third-party company has agreed they are responsible for the surface payments, their ability to reimburse the Company for the costs is unlikely, and accordingly, the accrued payment have been previously recorded as bad debt expense. The Company will continue to review its options and continue discussions with LPRT regarding an appeal of these rulings.

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

#### 15. 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 three months ended March 31, 2024			
	Canada	United States	Total
Petroleum and natural gas sales	2,233	94,840	97,073
Depletion and depreciation	349	14,830	15,179
Net loss	170,762	(52,809)	117,953
Total assets	88,200	1,791,541	1,879,741
Total liabilities	1,898,913	431,160	2,330,073

  

For the three months ended March 31, 2023			
	Canada	United States	Total
Petroleum and natural gas sales	37,552	254,547	292,099
Depletion and depreciation	2,342	75,705	78,047
Net loss	530,555	(65,931)	464,624
Total assets	458,014	5,520,503	5,978,517
Total liabilities	1,688,600	525,310	2,213,910

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

#### 16. 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 March 31, 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.