Marksmen Energy Inc.

Consolidated Financial Statements
For the years ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Marksmen Energy Inc.:

Opinion

We have audited the consolidated financial statements of Marksmen Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of net loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at the year ended December 31, 2024, the Company has not yet achieved profitable operations and had negative working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

The Impact of Petroleum and Natural Gas Reserves on Oil and Gas Producing (O&G) Assets

Key Audit Matter Description

Refer to Note 3 - Significant accounting policies, and Note 6 - Property and equipment in the consolidated financial statements.

The Company had $427,180 of oil and gas producing assets (O&G assets) as at December 31, 2024 and depletion and depreciation (D&D) expense was $59,095 for the year then ended. The Company depletes O&G assets on a unit-of-production basis over the life of their proved plus probable (2P) reserves. Key assumptions developed by management to determine 2P reserves include forward price estimates, expected future rates of production, the amount and timing of future development expenditures, and engineering data. The Company's reserves are evaluated by an independent qualified reserve evaluator (management's expert).

An indicator of impairment was identified for the Ohio USA cash generating unit ("CGU") as at December 31, 2024 and an impairment test was performed. The Company determined that the recoverable amount of the Ohio USA CGU exceeded its carrying amount. The recoverable amount was determined using fair value less cost of disposal. As at December 31, 2024, there were no indicators noted requiring a reversal of previously recorded impairments for the Alberta Canada CGU. Determining the recoverable amount of a CGU or an individual asset requires the use of estimates and assumptions, which are subject to change as new information becomes available. Changes in reserve estimates impact the financial results of the Company as reserves and estimated future development costs are used to calculate depletion and are also used in measuring fair value less costs of disposal of property, plant and equipment for impairment calculations.

We identified the impact of crude oil, natural gas, and natural gas liquid reserves on O&G assets as a key audit matter due to:

• The significant estimates and judgments used by management, including the use of management's expert, to estimate the 2P reserves;
• The significant auditor judgment required; and
• The effort in performing procedures related to the key assumptions used.

Audit Response

We responded to this matter by performing procedures in relation to the impact of petroleum and natural gas reserves on O&G assets. Our audit work in relation to this included, but was not restricted to, the following:

- Used the work of management’s experts to perform the procedures required to evaluate the reasonableness of the 2P reserves used to determine the depletion charges of the O&G assets.
  (i) We evaluated the competence, capabilities, and independence of management’s expert.
  (ii) Procedures included gaining an understanding of the work performed by management’s expert, testing the data and assumptions used by management’s expert, and evaluating their findings.
- Evaluated the key assumptions used by management in determining 2P reserves and the reasonableness thereof. Procedures included:
  (i) Testing of forward price estimates by comparing to third party industry forecasts;
  (ii) Using the past and current performance of the Company to evaluate expected future rates of production and the timing and amount of future development expenditures; and
  (iii) Assessing whether the estimates used were consistent with audit evidence gathered in other areas of our audit.

- Obtained an understanding of the Company's processes and controls over 2P reserves and D&D.
- Recalculated quarterly D&D expense for the fiscal year ended December 31, 2024.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sergey Fesenko.

Calgary, Alberta

MNP LLP

June 16, 2025

Chartered Professional Accountants

MNP

Marksmen Energy Inc.

Consolidated Statements of Financial Position

For the years ended:

(Canadian $)	December 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash	88,795	88,938
Trade and other receivables (note 14(b))	41,210	57,981
Deposits and prepaid expenses	69,934	65,922
Assets held for sale (note 4)	-	90,416
Total Current Assets	199,939	303,257
Exploration and evaluation assets (note 5)	-	1,022,721
Property and equipment (note 6)	427,180	640,347
TOTAL ASSETS	**627,119**	**1,966,325**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 14(c))	622,124	485,181
Decommissioning liabilities (note 8)	395,144	290,021
Secured debentures (note 9)	-	1,221,728
Government loan (note 10)	60,000	-
Total Current Liabilities	1,077,268	1,996,930
Decommissioning liabilities (note 8)	102,631	280,158
Government loan (note 10)	-	60,000
Secured debentures (note 9)	1,250,000	-
	2,429,899	**2,337,088**
SHAREHOLDERS' (DEFICIT)		
Share capital (note 11(b))	23,304,876	23,193,653
Warrants (note 11(e))	139,198	121,107
Contributed surplus (note 11(g))	8,205,680	8,152,881
Accumulated other comprehensive income	837,774	782,567
Deficit	(34,290,308)	(32,620,971)
	(1,802,780)	**(370,763)**
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT)	**627,119**	**1,966,325**

Reporting entity and going concern (note 1)
Commitments (note 15)
Subsequent events (note 19)

Approved by the Board of Directors:

Signed "John Niedermaier"	Signed "Archie J. Nesbitt"
John Niedermaier	Archie Nesbitt

The notes are an integral part of these consolidated financial statements

Marksmen Energy Inc.

Consolidated Statements of Net Loss and Other Comprehensive Loss

For the years ended:

(Canadian $)	December 31, 2024	December 31, 2023
REVENUE		
Petroleum and natural gas sales	371,420	844,932
Royalties	(47,254)	(113,096)
	324,166	731,836
EXPENSES		
Production and operating expenses	198,812	299,935
Depletion and depreciation (note 6)	59,095	311,469
General and administrative	468,462	899,907
Share-based payments (note 11(d))	-	367,585
Loss from operations	(402,203)	(1,147,060)
FINANCE EXPENSE		
Interest expense (note 9)	150,000	150,000
Accretion of secured debentures (note 9)	28,272	24,527
Accretion of decommissioning liabilities (note 8)	21,234	20,904
Other finance expense (note 10)	-	24,931
	(199,506)	(220,362)
OTHER (EXPENSES) INCOME		
Gain (loss) on abandonment estimates (note 8)	57,480	(32,050)
Forgiveness of debt	-	4,521
Bad debt expense	-	(21,122)
Loss on disposition (note 4)	(53,518)	53,662
Exploration and evaluation impairment (note 5)	(1,058,986)	(430,832)
Property and equipment impairment (note 7)	(12,605)	(3,051,672)
	(1,067,629)	(3,477,493)
NET LOSS	(1,669,338)	(4,844,915)
Other comprehensive income (loss) that may subsequently be transferred to net loss		
Currency translation adjustment	55,207	(44,071)
NET LOSS AND OTHER COMPREHENSIVE LOSS	(1,614,131)	(4,888,986)
Basic and diluted loss per share	(0.01)	(0.03)
Weighted average number of common shares outstanding during the year	198,937,451	188,441,083

The notes are an integral part of these consolidated financial statements

Marksmen Energy Inc.

Consolidated Statements of Changes in Equity

(Canadian $)	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
BALANCE AS AT DECEMBER 31, 2023	23,193,653	121,107	8,152,881	(32,620,971)	782,567	(370,763)
Loss for the year	-	-	-	(1,669,338)	-	(1,669,338)
Translation differences on foreign subsidiaries	-	-	-	-	55,207	55,207
Private placement (note 11(b)(ii))	118,025	75,225	-	-	-	193,250
Cash share issue costs (note 11(b)(ii))	(6,802)	(4,335)	-	-	-	(11,137)
Warrants expired (note 11(e))	-	(52,799)	52,799	-	-	-
BALANCE AS AT DECEMBER 31, 2024	23,304,876	139,198	8,205,680	(34,290,308)	837,774	(1,802,780)

(Canadian $)	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total
BALANCE AS AT DECEMBER 31, 2022	21,867,453	1,004,616	7,246,436	(27,776,056)	826,638	3,169,087
Loss for the year	-	-	-	(4,844,915)	-	(4,844,915)
Translation differences on foreign subsidiaries	-	-	-	-	(44,071)	(44,071)
Private placement (note 11(b)(i))	59,952	74,548	-	-	-	134,500
Cash share issue costs (note 11(b)(i))	(8,130)	(5,569)	-	-	-	(13,699)
Broker warrants issued (note 11(b)(i))	(346)	(669)	1,015	-	-	-
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))	-	(872,687)	872,687	-	-	-
Expiry of warrant share issue costs (note 11(e))	-	262,757	(262,757)	-	-	-
Stock options exercised (note 11(d))	142,500	-	-	-	-	142,500
Reallocation of stock option fair value on exercise	72,085	-	(72,085)	-	-	-
Share-based payments (note 11(d))	-	-	367,585	-	-	367,585
BALANCE AS AT DECEMBER 31, 2023	23,193,653	121,107	8,152,881	(32,620,971)	782,567	(370,763)

The notes are an integral part of these consolidated financial statements

Marksmen Energy Inc.

Consolidated Statements of Cash Flows

(Canadian $)	December 31, 2024	December 31, 2023
CASH FLOW PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(1,669,338)	(4,844,915)
ITEMS NOT AFFECTING CASH:		
Depletion and depreciation (note 6)	59,095	311,469
Impairment of exploration and evaluation (note 5)	1,058,986	430,832
Impairment of property and equipment (note 7)	12,605	3,051,672
Accretion of decommissioning liabilities (note 8)	21,234	20,904
Accretion of secured debentures (note 9)	28,272	24,527
Gain (loss) on abandonment estimates (note 8)	(57,480)	32,050
Loss on disposition (note 4)	53,518	-
Other finance expense (note 10)	-	24,931
Share-based payments (note 11(d))	-	367,584
Change in trade and other receivables	16,771	107,966
Change in deposits and prepaid expenses	(4,012)	(1,670)
Change in accounts payable and accrued liabilities	76,171	127,078
CASH FLOW USED IN OPERATING ACTIVITIES	**(404,178)**	**(347,572)**
INVESTING ACTIVITIES		
Expenditures on exploration and evaluation (note 5)	-	(13,226)
Expenditure on property and equipment (note 6)	(58,343)	(229,702)
Proceeds from disposition (note 4)	220,302	-
Change in non-cash working capital	60,769	(636,117)
CASH FLOW USED IN INVESTING ACTIVITIES	**222,728**	**(879,045)**
FINANCING ACTIVITIES		
Proceeds from private placements, net of cash issue costs (note 11(b))	182,113	120,801
Proceeds from exercise of warrants (note 11(b))	-	718,250
Proceeds from exercise of stock options (note 11(b))	-	142,500
CASH FLOW PROVIDED BY FINANCING ACTIVITIES	**182,113**	**981,551**
Foreign exchange effect on cash	(807)	(4,315)
Decrease in cash	(143)	(249,381)
Cash, beginning of year	88,938	338,319
CASH, END OF YEAR	**88,795**	**88,938**

The notes are an integral part of these consolidated financial statements

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 December 31, 2024, the Company had not yet achieved profitable operations, had accumulated a deficit of $34,290,308, a negative working capital of $877,329, 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 2025 budget and on management’s estimate of expenditures expected to be incurred beyond 2025. These events and conditions indicated 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 December 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.

In 2025, the government of the United States of America has announced tariffs on goods imported from Canada, including a 10% tariff on Canadian energy imports. These tariffs and the Canadian government’s response to them could adversely affect market prices for crude oil and natural gas or demand for the Company’s Canadian production in addition to the cost of goods imported directly or indirectly from the U.S. The impact of these tariffs on the Company’s financial results cannot be quantified at this time.

2. Basis of presentation

a) Statement of compliance:

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) in effect at January 1, 2024. The Board of Directors approved the consolidated financial statements on June 16, 2025.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2(e).

b) Basis of consolidation:
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Marksmen 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:
The consolidated financial statements have been prepared on the historical cost basis.

d) Functional and presentation currency:
These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. Marksmen 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant judgments

Determination of cash-generating units ("CGU")

Property and equipment are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of the Company's CGUs is subject to management's judgment and include consideration of product composition, location, and operational and management monitoring. The Company has identified two CGU's, Ohio USA and Alberta, Canada (2023 – 2 CGU's - Ohio USA and Alberta).

Deferred taxes

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, probability and reversal of temporary differences between accounting and tax bases of assets and liabilities.

Going concern
Management has applied judgment in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended December 31, 2024. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considers a wide range of factors relating to current and expected profitability, debt repayment schedules and potentials source of financing.

Significant estimates and assumptions

Reserves

Oil and gas development and production properties are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with the Society of Petroleum Engineers rules and incorporating the estimated future cost of developing and extracting those reserves. Oil and gas reserves are also used to evaluate impairment of petroleum and natural gas properties. Commercial reserves are determined using estimates of oil and natural gas in place, recovery factors, discount rates and forward future prices. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. There are numerous uncertainties inherent in estimating oil and gas reserves. Estimating reserves is very complex, requiring many judgments based on geological, geophysical, engineering and economic data. These estimates may change, having either a positive or negative impact on net income (loss) as further information becomes available and as the economic environment changes.

Decommissioning liabilities

The Company estimates the decommissioning liabilities for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning liabilities and related accretion expense require estimates regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating costs, future removal technologies in determining the removal costs, and discount rates to determine the present value of these cash flows.

Exploration and evaluation

The accounting for exploration and evaluation requires management to make certain estimates and assumptions as to future events and circumstances as to whether economic quantities of reserves have been found.

Share-based payments

The fair value of stock options and warrants granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the option, the expected volatility of the Company's shares, the expected life of the options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical share price in the publicly traded markets. The expected life of the options is based on historical experience and estimates of the holder's behavior. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that actually vest.

Impairment of non-financial assets

The Company assesses impairment on its assets that are subject to depletion and depreciation when it has determined that a potential indicator of impairment exists. Impairment exists when the carrying value of a non-financial asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Company used the calculation of fair value less costs of disposal to determine the fair value of its CGU's. In determining the fair value less costs of disposal, the amount is most sensitive to the future commodity prices, discount rates, and estimates of proved and probable reserves, to determine an implied fair value of the CGU being tested.

Expected credit losses ("ECL")

The Company's trade and other receivables are typically short-term in nature and the Company recognizes an amount equal to the lifetime ECL on receivables for which there has been a significant increase in credit risk since initial recognition. The Company measures loss allowances based on historical experience and including forecasted economic conditions. The amount of ECLs is sensitive to changes in circumstances of forecast economic conditions.

3. Summary of Material Accounting Policies

Cash

Cash is comprised of cash on hand at Canadian and United States banking institutions.

Financial instruments

Classification and measurement of financial assets and liabilities

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification categories are as follows:

- A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are measured using the effective interest method.
- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the contractual rights to those assets are transferred.

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the Consolidated Statements of Net Loss and Other Comprehensive Loss.
- Financial liabilities measured at fair value through profit or loss: financial liabilities measured a fair value with changes in fair value and interest expense recognized in the Consolidated Statements of Net Loss and Other Comprehensive Loss.

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

Cash and trade and other receivables are classified as financial assets at amortized cost. Accounts payable and accrued liabilities, and secured debentures are classified as financial liabilities at amortized cost.

Impairment of financial assets

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Property and equipment and exploration and evaluation assets

(a) Recognition and measurement:

(i) Exploration expenditures and exploration and evaluation assets ("E&E"):

Pre-license costs are recognized in net loss as incurred. All costs associated with the exploration and evaluation of oil and natural gas reserves are initially capitalized. Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, exploration costs, geological and geophysical costs, exploration and evaluation drilling, and sampling and appraisals.

When an area is determined to be technically feasible and commercially viable the accumulated costs are tested for impairment and the carrying value, net of impairment, if any, is transferred to property and equipment. When an area is determined not to be technically feasible and commercially viable and the Company decides not to continue with its activity, the unrecoverable costs are charged to other comprehensive loss as exploration and evaluation expense. Exploration and evaluation assets are not depreciated or depleted.

(ii) Property and equipment:

All costs directly associated with the development of oil and gas reserves are capitalized on an area-by-area basis. Development costs include expenditures for areas where technical feasibility and commercial viability has been determined. These costs include proved property acquisitions, development drilling, completion, gathering and infrastructure, decommissioning costs and transfers of exploration and evaluation assets.

Costs accumulated within each area are depleted using the unit-of-production method based on proven plus probable reserves, incorporating estimated future prices and costs. Costs subject to depletion include estimated future costs to be incurred in developing proved reserves. Costs of major development projects are excluded from the costs subject to depletion unless they are available for use. Proved plus probable reserves are estimated using independent reserve engineers and represent the estimated quantities of crude oil and natural gas to be recoverable in future years.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other income (expenses)".

(iii) Other property and equipment:

Other property and equipment are carried at cost and depreciated over the estimated useful lives of the assets at various rates per annum calculated on a declining balance basis.

The Company uses the following depreciation rates:

Asset class	Rate
Furniture and fixtures	20%
Computer hardware	45%

(b) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized expensed as incurred.

Impairment

Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are assessed at the CGU level.
The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD"). Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. FVLCD is based on available market information, where applicable. In the absence of such information, FVLCD is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income (loss). Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Share-based payments

The Company issues warrants and stock options to directors, officers and other consultants. The fair value of warrants and options granted is measured at the grant date, using the Black-Scholes option pricing model, and, for options, is recognized over the vesting period. The fair value of warrants are recognized as a reduction to share capital with a corresponding increase to warrants. The fair value of options are recognized as compensation expense with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date based on historical forfeitures and is adjusted to reflect the actual number of options that vest. When stock options are exercised, the fair value of the exercised options are derecognized from contributed surplus and recognized in share capital. When warrants are exercised, the fair value of the exercised warrants are derecognized from warrants and recognized in share capital.

Modification of share purchase warrants

The Company may modify the terms of share purchase warrants originally granted. When modifications exist, the Company will maintain the original fair value of the share purchase warrant.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning liabilities are measured at the present value, using a risk-free rate, of management's best estimate of expenditures required to settle the present obligation at the reporting period date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the discount rate and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows and changes in the discount rate are capitalized and amortized over the same period as the underlying asset. Actual costs incurred upon settlement of the decommissioning liability are charged against the provision to the extent the provision was established.

Revenue

The Company principally generates revenue from the sale of commodities, which include crude oil and natural gas. Revenue associated with the sale of commodities is recognized when control is transferred from the Company to its customers. The Company's commodity sale contracts represent a series of distinct transactions. The Company considers its performance obligations to be satisfied and control to be transferred when all the following conditions are satisfied:

- The Company has transferred title and physical possession of the commodity to the buyer;
- The Company has transferred significant risks and rewards of ownership of the commodity to the buyer; and,
- The Company has the present right to payment.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Company's commodity sales contracts are on the 25th of the month following delivery. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money. Revenue represents the Company's share of commodity sales net of royalty obligations to governments and other mineral interest owners.

The Company enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Company applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

Contract modifications with the Company's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

The Company has applied the practical expedient to recognize revenue in the amount to which the Company has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on provisions, bad debt expense and foreign exchange.

Interest income is recognized as it accrues in net income (loss), using the effective interest method.

Tax

Tax expense comprises current and deferred tax. Tax expense is recognized in net income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share
Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method, by adjusting the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants.
All warrants, broker warrants and stock options have been excluded from the calculation of diluted shares outstanding as they would be anti-dilutive due to the loss position of the Company.

Compound financial instruments
Compound financial instruments issued by the Company are comprised of borrowings that have both a liability and equity component. The liability component of the compound financial instrument is recognized initially at fair value. The equity component is recognized as the difference between the proceeds received from the compound financial instrument and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to the initial recognition.

Foreign currency transactions
Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchanges rates prevailing at the transaction dates. Carrying values of the monetary assets and liabilities are translated into their Canadian dollar equivalents at the exchange rates in effect on the reporting date. Gains and losses on translation or settlement are included in net income (loss) for the current year.
The financial results of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Income and expenditures of foreign operations are translated at the average rate of the exchange for the year. All assets and liabilities are translated at the rate of exchange ruling at the reporting date. Differences arising on translation are recognized as other comprehensive loss.

Borrowing costs
Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the period in which they are incurred.

Jointly controlled operations
A significant portion of the Company’s oil and natural gas development and production activities are conducted through jointly controlled operations with others and accordingly, the accounts reflect only the Company’s interest in such activities.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions with the grant are met. Grants related to assets are recorded as a reduction to the asset’s carrying value and are depreciated over the useful life of the asset. Claims under such government grant programs related to income are recorded as a deduction of the related expense.

Future Accounting Pronouncements

Amendments to IAS 1 *Presentation of Financial Statements*

The Company plans to adopt the following amendments to accounting standards, issued by the IASB. Each is not expected to 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 will be 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 will be effective on January 1, 2024.

4. Dispositions

Pickaway County Disposition

On November 25, 2024, the Company signed an agreement (the "Agreement") with the operator (the "Operator") of the certain Ohio assets. Pursuant to the Agreement, the Company agreed to the sale of certain interests in Pickaway County, Ohio asset to the Operator, effective December 1, 2024, for total proceeds of $67,500 USD. A loss of the disposition of $82,707 was recognized in the statement of loss and other comprehensive loss for the year ended December 31, 2024. Included in the Agreement, the Company will receive a 6% overriding royalty on all future production from the disposed assets.

Property and equipment	226,793
Decommissioning liability	(42,778)
Foreign exchange	(4,189)
Carrying value of net assets disposed	179,826
Cash proceeds from disposition	97,119
Loss on dispostion	82,707

Portage County 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 $29,189 was recognized in the statement of loss and other comprehensive loss for the year ended December 1, 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	3,578
Carrying value of net assets disposed	93,994
Cash proceeds from disposition	123,183
Gain on disposition	29,189

5. Exploration and evaluation

	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	1,022,721	1,464,934
Expenditures on exploration and evaluation assets	-	13,226
Impairment of exploration and evaluation assets	(1,058,986)	(430,832)
Foreign exchange translation	36,265	(24,607)
BALANCE, END OF YEAR	**-**	**1,022,721**

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. During the year ended December 31, 2024, the Company completed impairment review of its E&E assets and determined that E&E assets totaling $1,058,987 (December 31, 2023 - $430,832) were not expected to provide future economic benefit to the Company, and their recoverable amount was $nil. As a result, an impairment was recognized.

6. Property and equipment

COST	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	6,309,682	6,907,858
Expenditures on property and equipment	58,343	227,712
Change in estimate of decommissioning liabilities (note 8)	(25,046)	(8,925)
Dispositions (note 4)	(226,793)	(667,464)
Foreign currency translation	506,484	(149,499)
BALANCE, END OF YEAR	**6,622,670**	**6,309,682**
ACCUMULATED DEPLETION		
Balance, beginning of year	(5,671,502)	(2,971,876)
Depletion	(58,214)	(310,724)
Impairment expense (note 7)	(12,605)	(3,051,672)
Dispostions (note 4)	-	550,936
Foreign currency translation	(454,455)	111,835
BALANCE, END OF YEAR	(6,196,776)	(5,671,502)
NET CARRYING AMOUNT, END OF YEAR	**425,894**	**638,180**

Corporate assets

COST	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	24,157	22,167
Additions	-	1,990
BALANCE, END OF YEAR	**24,157**	**24,157**
ACCUMULATED DEPRECIATION		
Balance, beginning of year	(21,990)	(21,245)
Depreciation	(881)	(745)
BALANCE, END OF YEAR	(22,871)	(21,990)
NET CARRYING AMOUNT, END OF YEAR	**1,286**	**2,167**

At December 31, 2024, future development costs of $16,187 (2023 - $39,678) are included in costs subject to depletion. The Company currently has two CGU's, Ohio, USA and Alberta, Canada.

7. Impairment

At December 31, 2024, 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.

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. The discount rate applied in the impairment calculation as at December 31, 2024 was 15% of proven reserves and 20% of probable reserves.

Based on the assessment at December 31, 2024, the recoverable amount of the Company's Ohio, USA CGU exceeded it carrying value, whereas the recoverable amount of the Company's Alberta, Canada CGU did not exceed its carrying value, and accordingly, an impairment of the unrecoverable amount of $12,605 was recognized. 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.

Forecast future prices used in the impairment evaluation as at December 31, 2024 reflect benchmark prices adjusted for basis differentials to determine local reference prices, transportation costs and tariffs, heat content and quality as follows:

	WTI Crude Oil ($US/bbl)	FX Rate
2025	72.00	0.72
2026	75.00	0.73
2027	76.00	0.75

Prices increase at a rate of approximately 2.0% across all products per year after 2028 until the end of the reserve life.

8. Decommissioning liabilities

	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	570,179	574,778
Change in estimate	(81,887)	22,905
Accretion expense	21,234	20,904
Dispositions (note 4)	(42,778)	(39,048)
Foreign currency translation	31,027	(9,360)
BALANCE, END OF YEAR	**497,775**	**570,179**
Current	**395,144**	**290,021**
Non-current	**102,631**	**280,158**

The Company has estimated the net present value of the decommissioning liabilities to be $497,775 (December 31, 2023 - $570,179). The present value of the decommissioning liability considered to be current is $395,144 (December 31, 2023 - $290,021). The total undiscounted amount of estimated future cash flows is $557,170 (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 2.92% - 3.32% (December 31, 2023 – 3.05% - 3.91%). Included in the change in estimate is a gain on abandonment estimates of $57,480, which has been recorded in the statement of net loss and other comprehensive loss.

9. Secured debentures

	Secured debentures
Balance, December 31, 2022	**1,197,201**
Accretion of Debenture	24,527
Balance, December 31, 2023	**1,221,728**
Accretion of Debenture	28,272
Balance, December 31, 2024	**1,250,000**

On December 29, 2022, the maturity date of the Debenture was extended to December 31, 2024 (the “Extension”). The interest rate on the Debenture remained at 12% per annum and was payable on the unpaid balance of the Debenture on each of March 31, June 30, September 30, and December 31. During the year ended December 31, 2024, the Company recorded interest expense of $150,000 (December 31, 2023 - $150,000).

The Company granted 1,500,000 share purchase warrants upon the Extension. Each warrant was 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 feature of the Debenture using the residual method. The liability component was valued at $1,197,201 and the equity residual value attributed to the warrant feature was $52,799. As at December 31, 2024, all warrants were expired unexercised.

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. On December 31, 2024, the Company received an extension of the maturity date to December 31, 2026. There were no additional warrants issued. All other terms of the Debenture remained the same and extension did not result in a significant modification of 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 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. At December

31, 2024, the Company recognized an interest expense of $2,852, reflecting the 5% interest rate during the term of the extension. This amount was recorded in general and administrative expense.

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
Balance, December 31, 2022	177,222,666	21,867,453
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
Balance, December 31, 2023	192,073,380	23,193,653
Shares issued pursuant to private placement (ii)	19,325,000	118,025
Share issue costs (ii)	-	(6,802)
Balance, December 31, 2024	211,398,380	23,304,876

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 11(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 11(f)). Share issue costs of $8,476 were allocated to share capital and $6,238 were allocated to warrants.

ii) On August 23, 2024, the Company closed a private placement issuing a total of 19,325,000 units (the "Unit") for aggregate proceeds of $193,250. 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 on common share of the Company for $0.05 per common share for a period of 24 months from issuance, which was valued at $75,225 (note 11(e)(ii)). In connection with the private placement, the Company incurred cash share issue costs of $11,137, of which $6,802 was allocated to share capital and $4,335 was allocated to warrants.

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 year is as follows:

	As at December 31, 2024		As at December 31, 2023	
	Number	Weighted Average Exercise Price ($)	Number	Weighted Average Exercise Price ($)
Balance, beginning of year	13,735,000	0.06	12,315,000	0.08
Granted	-	-	6,105,000	0.08
Exercised	-	-	(1,900,000)	(0.08)
Expired	(2,925,000)	(0.07)	(2,785,000)	(0.16)
BALANCE, END OF YEAR	**10,810,000**	**0.06**	**13,735,000**	**0.06**

Exercise Price ($)	Options Outstanding	Weighted Average Remaining Term (Years)	Weighted Average Exercise Price ($)	Options Exercisable	Weighted Average Exercise Price ($)
0.00 - 0.09	10,810,000	2.10	0.06	10,810,000	0.06

As at December 31, 2024, the Company had 10,810,000 exercisable options (2023 – 13,735,000). The weighted average exercise price of the exercisable options is $0.06 (2023 - $0.06).

d) Share-based payments

During the year ended December 31, 2024, the Company granted nil stock options (December 31, 2023 – 6,105,000), there were no options exercised and 2,925,000 expired unexercised (December 31, 2023 – 1,900,000 and 2,785,000, 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 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 year ended December 31, 2024 was $nil (2023 - $367,585), all of which has been recorded in net loss, with an offsetting credit to contributed surplus.

e) Warrants

	Number of Warrants	Weighted Average Exercise Price ($)	Amount($)	Weighted Average Expiry Date
Balance, December 31, 2022	**33,330,063**	**0.09**	**1,004,616**	**0.64**
Warrants issued pursuant to private placement (i)	2,690,000	0.10	74,548	1.18
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	-
Balance, December 31, 2023	**4,190,000**	**0.11**	**121,107**	**0.94**
Warrants issued pursuant to private placement (ii)	19,325,000	0.05	75,225	-
Share issue costs (ii)	-	-	(4,335)	-
Expiry of warrants	(1,500,000)	0.13	(52,799)	-
Balance, December 31, 2024	**22,015,000**	**0.06**	**139,198**	**1.53**

(i) As part of the units issued in the private placement that closed on October 31, 2023 (note 11(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 11 (b)(i)).

(ii) As part of the units issued in the private placement that closed August 23, 2024 (note 11(b)(ii)), 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 $0.05 for a period of 24 months from the date of closing. A value of $75,225 ($0.004 per warrant) has been attributed to the warrants issued. Share issue costs incurred on the private placement of $4,335 have been allocated to the warrants issued (note 11 (b)(ii)).

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, 2024	As at December 31, 2023
Risk-free interest rate	3.35%	4.59%
Expected life	2 years	2 years
Expected volatility	244.51%	140.25%
Fair value per warrant	$0.004	$0.03

f) Broker warrants

	Number of Warrants	Weighted Average Exercise Price ($)	Amount($)	Weighted Average Expiry Date
Balance December 31, 2022	-	-	-	-
Broker warrants issued pursuant to private placement (note 11(b)(i))	56,000	0.05	1,015	0.22
Balance, December 31, 2023	**56,000**	**0.05**	**1,015**	**0.22**
Broker warrants expired	(56,000)	0.05	-	-
Balance, December 31, 2024	-	-	-	-

(i) As part of the private placement that closed on October 31, 2023, the Company issued 56,000 (note 11 (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.

g) Contributed surplus

	As at December 31, 2024	As at December 31, 2023
Balance, beginning of year	8,152,881	7,246,436
Share-based payments (note 11(d))	-	367,585
Expiry of warrants (note 11(e))	52,799	872,687
Expiry of warrant share issue costs (note 11(e))	-	(262,757)
Exercise of stock options (note 11(d))	-	(72,085)
Issuance of broker warrants (note 11(f))	-	1,015
BALANCE, END OF YEAR	**8,205,680**	**8,152,881**

12. Tax

Tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 23% (2023 – 23%) to income before taxes as follows:

	As at December 31, 2024	As at December 31, 2023
Net loss before taxes	(1,669,338)	(4,844,915)
Combined federal and provincial tax rate	23%	23%
Computed “expected” tax	(383,947)	(1,114,330)
Tax rate differential between Canada and US	20,640	61,916
Share-based payments	-	84,544
Other items	363,307	967,870
Deferred tax asset not recognized	-	-
	-	-

Details of deferred tax assets (liabilities) are as follows:

	As at December 31, 2024	As at December 31, 2023
Oil and gas properties	(85,593)	(406,702)
Debentures - Canada	-	(6,503)
Decommissioning liability - USA	65.456	81,197
Non-capital loss available for future periods - Canada	-	6,503
Non-capital loss available for future periods - USA	20,137	325,505
Net deferred tax asset (liability)	-	-

Details of the unrecognized deductible temporary differences are as follows:

	As at December 31, 2024	As at December 31, 2023
Decommissioning tax assets (liabilities)	179,951	217,150
Capital losses - Canada	2,059,000	2,059,000
Non-capital losses - Canada	12,011,663	10,847,635
Non-capital losses - USA	8,354,948	6,112,794
Oil and Gas properties - Canada	2,155,168	2,141,552
Share issue costs - Canada	50,774	100,612
Other - Canada	155,233	155,233
	24,966,737	**21,633,976**

At this stage of the Company’s development, it cannot be reasonably estimated that there will be future taxable profits, accordingly there were no deferred income tax assets recognized.

The accumulated non-capital loss carry-forwards expires between 2029 and 2043.

13. 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 for the year ended December 31, 2024, and compared to the same period in 2023, as noted below:

	Relationship	December 31, 2024	December 31, 2023
Executive management fees - Canada	Chief Executive Officer and Director	88,593	118,900
Executive management fees - USA	VP Operations and Director	4,612	48,373
Legal fees	Director and Corporate Secretary	-	31,244
Office space and storge	Chief Executive Officer and Director	22,500	30,000
		115,705	**228,517**

The Director in Canada participated in private placements in 2024.

As at December 31, 2024, the Company has accounts payable and accrued liabilities totaling $nil (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.

Key management compensation

Key management includes the Company's executive management of Chief Executive Officer, VP of Operations and Chief Financial Officer.

	As at December 31, 2024	As at December 31, 2023
Compensation	187,593	223,300
Share based payments	-	119,978
TOTAL	**187,593**	**343,278**

14. 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 December 31, 2024, the Company had cash of $88,795 (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 December 31, 2024, the Company's accounts receivable consisted of $34,794 receivable from oil and natural gas marketing companies (2023 - $41,068), $1,176 receivable from joint venture working interest owners (2023 - $12,135) and $5,240 related to goods and service tax owing from the Government of Canada (2023 - $4,778). As at December 31, 2024, 67% (2023 - 46%) of the Company's receivable are 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 December 31, 2024 and 2023, excluding any impaired accounts, are as follows:

Days outstanding	As at December 31, 2024	As at December 31, 2023
0-30 days	29,528	14,874
31-60 days	5,240	9,632
61-90 days	290	-
Greater than 90 days	6,152	33,475
Trade and other receivables, net of allowance	**41,210**	**57,981**

The Company assessed the credit loss risk as $nil at December 31, 2024 and 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 December 31, 2024, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of $622,124 (2023 - $485,181) and the government loan of $60,000 (December 31, 2023 - $60,000) 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 appropriate. The Company did not have any commodity price contracts in place as at or during the years ended December 31, 2024 and 2023. A 20% change is price per bbl in commodity process would impact petroleum and natural gas sales by approximately $65,000 (2023 - $146,000).

(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 year would impact cash by approximately $7,400 (2023 - $12,400).

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

The Company had the following financial instruments denominated in USD:

	December 31, 2024	December 31, 2023
Cash	74,148	74,579
Trade and other receivables	35,970	43,125
Accounts payable and accrued liabilities	(128,091)	(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 9).

The Company had no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2024 and 2023.

15. 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 December 31, 2024, included in deposits and prepaid expenses is an amount of $47,032 on deposit with the AER associated with the Company's operated wells in Alberta (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, Marksmen has been served with a Judgement from the Alberta Government – Service Alberta – Crown Debt Collections with a balance at December 31, 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. Marksmen 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 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.

16. 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 year ended December 31, 2024
	Canada	United States	Total
Petroleum and natural gas sales	2,247	369,173	371,420
Depletion and depreciation	1,010	58,085	59,095
Net loss	641,997	1,027,341	1,669,338
Total assets	69,464	557,655	627,119
Total liabilities	1,972,296	457,603	2,429,899

			For the year ended December 31, 2023
	Canada	United States	Total
Petroleum and natural gas sales	104,275	740,657	844,932
Depletion and depreciation	8,266	303,203	311,469
Net loss	1,749,046	3,095,869	4,844,915
Total assets	94,406	1,871,919	1,966,325
Total liabilities	1,920,202	416,886	2,337,088

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.

17. 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 December 31, 2024, the working capital ratio was 0.19:1 (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.

At December 31, 2024 and 2023, the Company remains in compliance with all terms of the Debenture and based on current available information, management expects to comply with all terms during the subsequent 12-month period. On December 31, 2024, the maturity date of the Debenture was extended to December 31, 2026 (note 9).

18. Supplemental information

Changes in non-cash working capital is comprised of:

	As at December 31, 2024	As at December 31, 2023
Change in trade and other receivables	16,771	107,966
Change in deposits and prepaid expenses	(4,012)	(1,670)
Change in accounts payable and accrued liabilities	136,940	(509,039)
Total change in working capital	**149,699**	**(402,743)**
Change in operating non-cash working capital	88,930	233,374
Change in investing non-cash working capital	60,769	(636,117)
	149,699	**(402,743)**

19. Subsequent events

On April 24, 2025, the Debenture holder provided the Company with a $250,000 promissory note (the "Promissory Note"), maturing on December 31, 2025. The Promissory Note has an interest rate of 15% per annum and is due on December 31, 2025.

On April 30, 2025, the Company signed a non-binding letter of Intent ('LOI") with T1 Technology Corporation ("T1"), a private company incorporated in Alberta. The LOI sets forth the terms and conditions of a proposed arm's length reverse takeover transaction (the "Proposed Transaction"). Resulting from the Proposed Transaction, the Company (the "Resulting Issuer") will carry on the business of T1 as currently constituted. It is expected that upon completion of the Proposed Transaction, the Resulting Issuer will meet the listing requirements for a Tier 2 Technology issuer under the policies of the TSX Venture Exchange. Once the terms and conditions of the letter of intent are met, a definitive agreement will be executed by both parties. Otherwise, the LOI will expire on August 31, 2025.