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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Report for the year ended December 31, 2023

This Management's Discussion and Analysis ("MD&A") for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. ("Marksmen or the Company") is for the year ended December 31, 2023. It has been prepared with information available up to April 29, 2024 and should be read in conjunction with Marksmen Energy Inc.'s consolidated audited financial statements for the year-ended, December 31, 2023. All values in this MD&A are expressed in Canadian currency ("CAD") unless specifically notated as USA currency ("USD"). Certain information regarding Marksmen contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

Basis of Presentation

The financial data presented below has been prepared in accordance with International Financial Reporting Standards ("IFRS").

Application of Accounting Estimates

The significant accounting policies used by Marksmen are disclosed in Note 3 of the audited consolidated financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates.

Non-IFRS

This MD&A includes the following measures that are from time to time used by the Company, but do not have any standardized meaning under IFRS and may not be comparable to similar measures presented by other companies:

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

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

"**Working capital**" – Working capital includes total current assets and total current liabilities. The working capital ratio is calculated by deducting total current liabilities from total current assets.

Barrel of Oil Equivalent

Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas volumes have been converted to boe at a ratio of 6,000 cubic feet of natural gas to one barrel of oil equivalent. This conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Boe figures may be misleading, particularly if used in isolation.

Forward-Looking Statements

This Management's Discussion and Analysis may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking information.

Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Financial Statements and the MD&A

The information and tables presented in this MD&A should be read in conjunction with the December 31, 2023, and 2022 audited consolidated financial statements of Marksmen Energy Inc.

Introduction

Marksmen Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas properties in Canada and the USA, and on a go forward basis, expected to be primarily in Alberta, Canada.

In late 2022, Marksmen drilled three wells and put them on-line in 2023. The capital expenditures for these wells totalled approximately $1,150,000 USD. Initial production testing and technical analysis of well information from these wells indicated that the wells would add strong additional barrels of oil per day in 2023 compared to 2022. However, this anticipated production improvement did not materialize. Therefore in 2024, Marksmen has aligned itself with an oil and gas industry expert, Apex Global Engineering Inc. ('Apex'). Apex has been to Ohio and extensively reviewed each wells performance. Apex is confident that they can implement operational optimization measures to improve production in 2024.

Production for all wells in 2023 was 8,821 barrels of oil equivalent ("boe") compared to 9,968 boe in 2022. There were a number of non-producing days at the wells in Pickaway County due to workovers at the water injection facility and various wells. West Texas Oil prices per barrel averaged $94.79 in 2022 and $77.64 in 2023. The Company expects oil prices to remain strong in 2024, currently in the $80 range.

Also, Apex has introduced Marksmen to new opportunities in Alberta and the USA. Marksmen looks forward to concluding an agreement with Apex shortly. The drill ready acquisition program in Alberta appears to be very close to being concluded.

Selected Annual Information in $CAD

		Year Ended Dec 31, 2023		Year Ended Dec 31, 2022		Year Ended Dec 31, 2021
Oil Production - bbls		**8,232**		9,699		9,692
Natural Gas Liquids - bbls		**35**		5		-
Natural Gas - Boe (6 mcf= 1 bbl of oil equivalent)		**589**		269		57
Barrel of oil equivalent (Boe)		**8,821**		9,968		9,749
Petroleum revenue	**$**	**844,932**	$	1,203,873	$	842,317
Royalties	**$**	**(113,096)**	$	(155,619)	$	(108,816)
Production and operating expenses	**$**	**(299,936)**	$	(189,468)	$	(261,171)
Income from operations	**$**	**431,900**	$	858,786	$	472,330
Net revenue per Boe	**$**	**95.78**	$	120.77	$	86.40
Net loss	**$**	**(4,844,915)**	$	(647,571)	$	(645,195)
Currency translation adjustment	**$**	**(44,071)**	$	243,003	$	(15,290)
Net loss and comprehensive loss	**$**	**(4,888,986)**	$	(404,568)	$	(660,485)
Cash-flow provided by (used in) operating activities	**$**	**(347,572)**	$	(120,181)	$	(621,700)
Cash-flow used in investing activities	**$**	**(879,044)**	$	(1,286,436)	$	(704,608)
Cash-flow provided by financing activiites	**$**	**981,551**	$	1,070,274	$	1,822,926
Cash on hand end of year	**$**	**88,938**	$	338,319	$	621,413
Exploration and evaluation assets	**$**	**1,022,721**	$	1,464,934	$	1,384,105
Property and equipment assets	**$**	**640,347**	$	3,936,903	$	2,160,387
	$	**1,663,068**	$	5,401,837	$	3,544,492
Total assets	**$**	**1,966,325**	$	5,970,355	$	4,452,513
Total liabilities	**$**	**2,337,088**	$	2,801,268	$	2,160,770
Total shareholder's (deficit) equity	**$**	**(370,763)**	$	3,169,087	$	2,291,743
Total liabilities and (deficit) equity	**$**	**1,966,325**	$	5,970,355	$	4,452,513
Common shares outstanding - basic		**192,073,380**		177,222,666		163,098,933
Common shares outstanding - weighted average		**188,441,083**		167,260,583		142,455,765

Write down of Asset Values - Impairment of Assets

The changes from 2022 to 2023 as noted in the Selected Annual Information above in categories for net Loss, exploration and evaluation assets, property and equipment assets and shareholders equity are a direct result of managements decision, based on its 2023 reserve report and other economic indicators to write down or impair its assets. These are non-cash transactions, and it should be noted that these values can be reversed if reserve data and other economic factors arise that would suggest they could provide added value to the Company.

Please refer to Marksmen Energy Inc.'s, Consolidated Financial Statements for the years ended December 31, 2023 and 2022, and various sections of this MD&A for additional comments on impairment of assets.

The Exploration and Evaluation (E&E) assets - consist of the Company's exploration projects which are pending the determination of technological feasibility and commercial viability. These represent the acquisition of undeveloped land, seismic activity and the costs associated with wells that have not reached technical feasibility and commercial viability within Ohio, USA. Under IFRS guidelines, if the property and equipment assets, see below, were substantially impaired then then the E&E assets must be considered for impairment. Marksmen management and the Company's auditors conducted a thorough review of the E&E assets and concluded that a net change due to impairment of $442,213 from $1,464,934 in 2022 to $1,022,721 at year end 2023 was recognized.

Property and Equipment (P&E) assets (Marksmen's wells and facilities) - have been assessed for impairment. The primary basis of this impairment is based on the value of reserves provided in the Marksmen's Reserve Report as of December 31, 2023 prepared by an independent, qualified, and accredited reserve evaluator.

The reserve report prepared in 2022 was based on existing wells plus information on the three new wells drilled in late 2022. The 2022 reserves were calculated based on initial production testing (swabbing etc.), technical analysis of the wells, logs, contour mapping and other tools used by the evaluators and yielded promising reserves and forecasted production. At December 31, 2023 the reserves for all of Marksmen's wells were evaluated, by the same reserve evaluator. The production performance of the new wells in 2023 was considerably less than the 2022 reserve expectations. Therefore, a detailed comparison and analysis from one year to the next resulted in P&E assets of $3,936,903 in 2022 being reduced to $640,347 at year end 2023. Impairment is a non-cash, estimated adjustment to the fair the value of assets. If the wells show improved production in 2024 then the reserve report for 2024 could indicate a reversal of some impairment.

Quarterly Financial Information in $CAD

Quarterly Information	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Light oil - bbls	**1,620**	**1,368**	2,350	2,894	2,210	2,281	2,899	2,308
Natural Gas Liquids - bbls	**9**	**1**	10	15	-	-	-	-
Natural Gas - boe (6 mcf : 1 bbl)	**319**	**11**	163	97	101	9	83	32
Barrels of oil equivalent (boe)	**1,948**	**1,380**	**2,523**	**3,006**	**2,311**	2,290	2,982	2,340
Production - boe/day	**21.6**	**15.3**	28.0	33.4	25.7	25.4	33.1	26.0
West Texas reference price/barrel $USD	**$ 78**	**$ 82**	$ 74	$ 76	$ 83	$ 93	$ 109	$ 94
Petroleum and natural gas sales	**$ 175,609**	**$ 147,456**	$ 229,768	$ 292,099	$ 251,524	$ 275,260	$ 398,581	$ 278,508
Royalties	**$ (23,090)**	**$ (18,650)**	$ (30,714)	$ (40,642)	$ (33,981)	$ (35,057)	$ (50,801)	$ (35,780)
Operating Costs	**$ (82,347)**	$ (101,821)	$ (62,268)	$ (53,500)	$ (87,576)	$ (29,114)	$ (33,025)	$ (39,753)
Income from operations	**$ 70,172**	**$ 26,985**	$ 136,786	$ 197,957	$ 129,967	$ 211,089	$ 314,755	$ 202,975
Net income (Loss)	**$ (3,848,389)**	**$ (205,386)**	$ (326,516)	$ (464,624)	$ (242,907)	$ (256,533)	$ (89,617)	$ (58,514)
Total assets	**$ 1,966,325**	**$ 5,699,905**	$ 5,679,310	$ 5,978,517	$ 5,970,355	$ 6,022,891	$ 4,448,829	$ 4,259,725
Total liabilities	**$ 2,337,088**	**$ 2,196,203**	$ 2,210,461	$ 2,213,910	$ 2,801,268	$ 3,041,817	$ 1,996,412	$ 2,047,416
Total shareholder's equity	**$ (370,763)**	**$ 3,503,702**	$ 3,468,849	$ 3,764,607	$ 3,169,087	$ 2,981,074	$ 2,452,417	$ 2,212,309
Total liabilities and equity	**$ 1,966,325**	**$ 5,699,905**	$ 5,679,310	$ 5,978,517	$ 5,970,355	$ 6,022,891	$ 4,448,829	$ 4,259,725
Common shares o/s	**192,073,380**	**191,873,380**	189,383,380	187,483,380	177,222,666	172,010,933	165,481,286	163,098,933

Production – Ohio, USA and Alberta, Canada

Ohio Production	2023	2022	Change
Barrels of oil	**7,225.0**	9,553.2	(2,328.2)
Natural Gas - Mcf	**635.0**	1,590.1	(955.1)
Natural Gas (barrels of oil equivalent)	**105.8**	265.0	(159.2)
Barrels of oil equivaltent (Boe)	**7,330.8**	9,818.2	(2,487.4)
Boe / day	**20.1**	26.9	(6.8)

Alberta Production	2023	2022	Change
Barrels of oil	**1,007.0**	145.5	861.5
Natural Gas Liquids	**35.0**	-	35.0
Natural Gas - Mcf	**2,900.0**	26.8	2,873.2
Natural Gas (barrels of oil equivalent)	**483.3**	4.5	478.8
Barrels of oil equivaltent (Boe)	**1,525.3**	150.0	1,375.3
Boe / day	**4.2**	**0.4**	**3.8**

Combined Ohio and Alberta	2023	2022	Change
Barrels of oil	**8,232.0**	9,698.7	(1,466.7)
Natural Gas - Mcf	**3,535.0**	1,616.9	1,918.1
Natural Gas (barrels of oil equivalent)	**589.2**	269.5	319.7
Barrels of oil equivaltent (Boe)	**8,821.2**	9,968.2	(1,147.0)
Boe / day	**24.2**	27.3	(3.1)

At the end of 2022, three wells were drilled in Pickaway County with expectations to increase overall production in Ohio approximately three-fold. These expectations were not met, and our Alberta based consulting engineering firm, Apex, is working on production practise improvement and well optimization for 2024.

Actual production days in 2023 in Ohio were less than anticipated while the water handling system at the wells and the water injection facility were improved. This work continued, off and on, throughout 2023.

In Alberta, Marksmen is a 24.5% working interest partner in a well in the Morinville area. This well is prone to sand infiltration issues and subsequent to year end the well was shut-in waiting on a revised engineering plan to redesign the bottom hole assembly and improve performance.

Operations by Quarter – Ohio USA (in $USD)

Production	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Total 2022	Change
Oil - bbls	2,498.0	2,026.0	1,291.0	1,410.0	**7,225.0**	9,553.2	(2,328.2)
Natural Gas - mcf	316.0	319.0	-	-	**635.0**	1,590.1	(955.1)
Natural Gas - boe (6 mcf = 1 bbl)	52.7	53.2	-	-	**105.8**	265.1	(159.3)
Boe	**2,550.7**	**2,079.2**	**1,291.0**	**1,410.0**	**7,330.8**	9,818.3	(2,487.5)
Boe/day	**28.3**	**23.1**	**14.3**	**15.7**	**20.1**	27.3	(7.2)
Operations							
Revenue - Oil	$ 186,844	$ 147,033	$ 104,109	$ 108,897	**$ 546,883**	$ 902,099	$ (355,216)
Revenue - Natural Gas	$ 1,347	$ 526	$ -	$ -	**$ 1,873**	$ 11,454	$ (9,581)
	$ 188,191	$ 147,559	$ 104,109	$ 108,897	**$ 548,756**	$ 913,553	$ (364,797)
Royalty expense	$ (24,436)	$ (19,202)	$ (13,555)	$ (14,423)	**$ (71,616)**	$ (116,665)	$ 45,049
	$ 163,755	**$ 128,357**	**$ 90,554**	**$ 94,474**	**$ 477,140**	$ 796,888	$ (319,748)
Operting Costs	$ (35,036)	$ (37,052)	$ (59,279)	$ (42,907)	**$ (174,274)**	$ (121,546)	$ (52,728)
Income from Field Operations	**$ 128,719**	**$ 91,305**	**$ 31,275**	**$ 51,567**	**$ 302,866**	**$ 675,342**	**$ (372,476)**
Revenue / boe	$ 73.78	$ 70.97	$ 80.64	$ 77.23	**$ 74.86**	$ 93.05	$ (18.19)
Royalties / boe	$ (9.58)	$ (9.24)	$ (10.50)	$ (10.23)	**$ (9.77)**	$ (11.88)	$ 2.11
Operating costs / boe	$ (13.74)	$ (17.82)	$ (45.92)	$ (30.43)	**$ (23.77)**	$ (12.38)	$ (11.39)
Operating Netback / boe	**$ 50.46**	**$ 43.91**	**$ 24.23**	**$ 36.57**	**$ 41.31**	**$ 68.78**	**$ (27.47)**

Oil and Gas Revenue - for the year ended December 31, 2023 decreased by $364,797 due to a decrease in production of 2,328 boe and a decrease in oil prices by approximately $19.73 per barrel.

Royalties – are approximately 12.5% of revenue.

Operating Expenses – for the year ended December 31, 2023, were $52,728 higher than in 2022, due to workovers of the water injection system.

Operating Netbacks – were $68.78 per Boe in 2022 compared to $40.44 per Boe in 2023 due to higher operating costs and lower oil prices of $19.78 per barrel of oil.

Operations by Quarter – Alberta, Canada (in $CAD)

Production - Marksmen (Canada)	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023	Total 2022	Change
Oil - bbls	395.0	323.0	78.0	211.0	1,007.0	146.0	**861.0**
Natural Gas Liquids -bbls	15.0	10.0	1.0	9.0	35.0	-	**35.0**
Natural Gas - boe (6 mcf = 1 bbl)	263.0	657.0	67.0	1,913.0	2,900.0	953.0	**1,947.0**
Boe	453.8	442.5	90.2	538.8	1,525.3	304.8	**1,220.5**
Revenue - Oil	$ 35,875	$ 29,306	$ 7,776	$ 21,920	**$ 94,877**	$ 14,862	**$ 80,015**
Revenue - Natural Gas	$ 1,180	$ 1,635	$ 169	$ 4,430	**$ 7,414**	$ 155	**$ 7,259**
Revenue - Natural Gas Liquids	$ 497	$ 883	$ 82	$ 522	**$ 1,984**	$ 50	**$ 1,934**
	$ 37,552	$ 31,824	$ 8,027	$ 26,872	$ 104,275	$ 15,067	$ 87,274
Royalty expense	$ (7,589)	$ (4,955)	$ (497)	$ (3,395)	**$ (16,436)**	$ (3,803)	**$ (12,633)**
	$ 29,963	$ 26,869	$ 7,530	$ 23,477	$ 87,839	$ 11,264	**$ 76,575**
Operating Costs	$ (2,410)	$ (7,502)	$ (1,993)	$ (2,584)	$ (14,489)	$ (3,009)	**$ (11,480)**
Income (loss) from Field Operations	**$ 27,553**	**$ 19,367**	**$ 5,537**	**$ 20,893**	**$ 73,350**	**$ 8,255**	**$ 65,095**
Revenue / boe	82.74	71.92	89.02	49.87	68.36	49.43	**18.94**
Royalties / boe	**$ (16.72)**	**$ (11.20)**	**$ (5.51)**	**$ (6.30)**	**$ (10.78)**	**$ (12.48)**	**$ 1.70**
Operating Costs / boe	**$ (5.31)**	**$ (16.95)**	**$ (22.10)**	**$ (4.80)**	**$ (9.50)**	**$ (9.87)**	**$ 0.37**
Operating Netback / boe	**$ 60.71**	**$ 43.77**	**$ 61.41**	**$ 38.77**	**$ 48.09**	**$ 27.08**	**$ 21.01**

Operations – Alberta Canada

Marksmen's wells at Alder Flats have been shut-in since 2010. Of these wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. In May 2020, the federal government, in conjunction with the Department of Energy in Alberta announced a site reclamation program ("SRP") to abandon and reclaim wells in western Canada. Marksmen has participated in this program and the abandonment of Alder Flats wells was completed. There remains some reclamation work at Alder Flats. Further SRP reclamation work of well sites and pipelines in the Penhold area was undertaken in the fourth quarter of 2022.

Marksmen has a 24.5% working interest in a well in the Morinville area of Alberta. This well has been shut-in awaiting approval from the Alberta Energy Regulator and is now back on production as of November of 2022. For the year 2023 compared to 2022, production increased by 1,220 barrels, revenue net of royalties increased by $76,575 and income from operations increased by $65,095. As stated above, subsequent to year end 2023, this well is shut-in waiting on a workover.

Other expenses in Alberta, primarily surface leases and taxes related to Alder Flats properties were $22,221 in 2023.

Well Information

	2023		2022	
Well Summary	**Wells**	**Marksmen %**	Wells	Marksmen %
Ohio				
Overriding royalty Interest	**1.0**	**3.0**	1.0	3.0
Producing wells	**10.0**	**80.5**	10.0	80.5
Water injection well	**1.0**	**100.0**	1.0	100.0
Shut-in wells	**2.0**	**100.0**	2.0	100.0
Alberta	**1.0**	**24.5**	1.0	24.5

Well Name	**County Location**	**Operated by**	**Working Interest**	**Comments**
Davis Holbrook #1	Pickaway, Ohio	Marksmen	75%	Producing
Davis Holbrook #2	Pickaway, Ohio	Marksmen	75%	Producing
Strittmatter #1	Pickaway, Ohio	Marksmen	75%	Producing
BJ 78 #11	Pickaway, Ohio	Marksmen	100%	Workover in 2023
BJ 78 #8	Pickaway, Ohio	Marksmen	100%	Shut-in, to be abandoned.
BJ 78#10	Pickaway, Ohio	Marksmen	100%	Shut-in, to be abandoned.
Holbrook Davis #1	Pickaway, Ohio	Marksmen	75%	Producing New well drilled in 2022.
Holbrook Davis #2	Pickaway, Ohio	Marksmen	100%	Producing New well drilled in 2022.
K. Davis #1	Pickaway, Ohio	Marksmen	100%	Producing New well drilled in 2022.
BJ 78#6	Pickaway, Ohio	Marksmen	100%	Water Injection well and facility
Delong Davis #1	Pickaway, Ohio	Chuck Henry	45%	Producing
Meredith #1	Portage, Ohio	PEP	60%	Very low production
Reese #1	Portage, Ohio	PEP	100%	Very low production
Leaman #1	Hocking, Ohio	Hocking Hills	3%	Shut-in waiting on workover

Effective, January 1, 2024 Marksmen entered into an agreement to sell its share in Meredith and Reese wells.

13-22-54-25W4	Morinville, Alberta	MAGA Energy	24.5 WI	Producing

General and Administrative Expenses

General and Administrative Expenses		2023		2022		Change
Employee compensation	$	157,756	$	157,013	$	743
Consulting and professional fees	$	442,843	$	296,698	$	146,145
Investor relations and filing fees	$	163,034	$	237,862	$	(74,828)
Other G&A and director and officer insurance	$	136,274	$	171,977	$	(35,703)
	$	**899,907**	**$**	**863,550**	**$**	**36,357**

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

Consulting and professional fees – are fees paid to a professional corporation of a senior executive for services related to the management of the Company and to firms providing legal, reserve engineering, geological consulting, audit, and accounting services.

Investor relations and filing fees – are costs incurred to raise capital for exploration and development opportunities, as well as various fees paid to stock exchanges, securities commissions, and transfer agent fees. A $175,000 fee was paid to a marketing company and this company in turn exercised stock options in the same amount.

Other G&A and director and officer insurance – include software fees, communication costs, office rent, director, and officer insurance as well as other routine administrative costs.

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

Interest Expense – During the year ended December 31, 2023, the Company paid interest related to a secured debenture of $150,000, the same as in 2022.

Depletion and Depreciation – In 2023 depletion and depreciation totaled $311,469 or $35.31 per boe produced compared to $308,462 or $30.95 per boe produced in 2022.

Financial Position – Highlights in $CAD

	Year Ended Dec. 31, 2023	Year Ended Dec. 31, 2022	Change
Assets			
Current assets	**$ 303,257**	$ 568,518	$ (265,261)
Exploration and evaluation assets	**$ 1,022,721**	$ 1,464,934	$ (442,213)
Property and equipment	**$ 640,347**	$ 3,936,903	$ (3,296,556)
	$ 1,966,325	$ 5,970,355	$ (4,004,030)
Liabilities			
Accounts payable and accruals	**$ 485,181**	$ 994,220	$ (509,039)
Decommissioning liabilities	**$ 570,179**	$ 574,778	$ (4,599)
Government loan	**$ 60,000**	$ 35,069	$ 24,931
Secured debentures	**$ 1,221,728**	$ 1,197,201	$ 24,527
Total Liabilities	**$ 2,337,088**	$ 2,801,268	$ (464,180)
Equity			
Share capital	**$ 23,193,653**	$ 21,867,453	$ 1,326,200
Warrants	**$ 121,107**	$ 1,004,616	$ (883,509)
Contributed surplus	**$ 8,152,881**	$ 7,246,436	$ 906,445
Accumulated other comprehensive Income	**$ 782,567**	$ 826,638	$ (44,071)
Deficit	**$ (32,620,971)**	$ (27,776,056)	$ (4,844,915)
	$ (370,763)	$ 3,169,087	$ (3,539,850)
Total liabilities and equity	**$ 1,966,325**	$ 5,970,355	$ (4,004,030)

Assets – Current assets, namely cash and receivables, decreased by $265,261 at year end 2023 compared to 2022. Exploration and Evaluation assets and Property and Equipment assets decreased by a combined $3,738,769 as a result of impairment of assets in 2023. (See section on Write Down of Assets – Impairment above).

Liabilities – decreased by $464,180 in 2023 compared to 2022, primarily related to a reduction in accounts payable and accruals.

Equity – In the year ended December 31, 2023, the Company's total equity decreased by $3,539,850. Warrant valuations decreased by $883,509 and contributed surplus increased by a similar amount. The deficit at year end 2023 increased by the amount of the net loss of the Company of $4,844,915 of which $3,482,504 was attributable to write down of assets related to impairment.

Assets held for sale

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 (subsequent to year end) for total proceeds of $90,000 USD. These funds were paid to Marksmen, subsequent to year-end on February 15, 2024. The carrying value of the net assets of $90,416 (note 8 and note 10) have been included in assets held for sale on the consolidated statement of financial position.

Settlement agreement

Included in a Settlement Agreement, the Operator of two wells in Portage County, Ohio agreed to forgive any amounts owing from the Company, effective December 31, 2023. The total amount settled was $53,662 CAD.

Exploration and Evaluation - E&E Assets

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

Exploration and evaluation assets (E&E)		**Year End Dec. 31, 2023**		Year End Dec. 31, 2022
Balance, beginning of year	**$**	**1,464,934**	$	1,384,105
Expenditures on exploration and evaluation	**$**	**13,226**	$	9,133
Impairment of E&E assets	**$**	**(430,832)**	$	-
Foreign currency adjustment	**$**	**(24,607)**	$	71,696
Balance, end of year	**$**	**1,022,721**	$	1,464,934

E&E assets consist of the Company's 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 within Ohio, USA. Marksmen management and the Company's auditors conducted a thorough review of the E&E assets and concluded that an impairment of $430,832 was recognized at year end 2023 was recognized.

Property and Equipment – Petroleum and Natural Gas Assets

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

Petroleum and natural gas assets		**Year End Dec. 31, 2023**		Year End Dec. 31, 2022
Balance beginning of year	**$**	**6,907,858**	$	4,674,458
Expenditures on property and equipment	**$**	**227,712**	$	1,830,326
Change in estimate of decommissioning liabilities	**$**	**(8,925)**	$	120,871
Assets held for sale	**$**	**(667,464)**	$	-
Foreign currency adjustment	**$**	**(149,499)**	$	282,203
Balance, end of year (before depletion)	**$**	**6,309,682**	$	6,907,858
Accumulated depletion and impairment				
Balance at beginning of year	**$**	**(2,971,876)**	$	(2,515,481)
Depletion	**$**	**(310,725)**	$	(307,975)
Impairment Expense	**$**	**(3,051,672)**	$	-
Assets held for sale	**$**	**550,936**	$	-
Foreign currency translation	**$**	**111,835**	$	(148,420)
Balance, end of year	**$**	**(5,671,502)**	$	(2,971,876)
Net Carrying Amount	**$**	**638,180**	$	3,935,982

Based on the Reserve Report prepared 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.

Reserve Report

Marksmen's oil and gas reserves have been evaluated at December 31, 2023, in a report prepared by Trimble Engineering Associates Ltd. in accordance with National Instrument 51-101 ("NI 51-101"). The reserves report was presented to the reserves committee and approved on April 17, 2024. The reserve data will be posted on SEDAR under the following referenced documents:

NI-5101F1	Statement of Reserve Data and Other Oil and Gas Information
NI-5101F2	Report on Reserves Data by an Independent Qualified Reserves Evaluator
NI-5101F3	Report of Management and Directors on Oil and Gas Disclosure

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $570,179 (December 31, 2022 - $574,778). The present value of the decommissioning liability considered to be current is $290,021 (December 31, 2022 - $252,183). The total undiscounted amount of estimated future cash flows is $647,320 (December 31, 2022 - $677,865). 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, 2022 – 2%) and a discount factor, being the average risk-free rate related to the liability, of 3.05% - 3.91% (December 31, 2022 – 3.27% - 4.02%).

Secured Debenture

The Company currently has a non-convertible secured debenture in place with a third party for $1,250,000. On December 29, 2022, the maturity date of the Debenture was extended to December 31, 2024. 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. The Company granted 1,500,000 share purchase warrants. 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 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.

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 December 31, 2023, the Company is in compliance with all requirements pursuant to the Debenture.

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.

Share Capital

The chart below is a summary of the Company's common shares, stock options, share purchase warrants, and broker warrants.

	Common Shares	Stock Options	Warrants	Broker Warrants
Balance December 31, 2022	**177,222,666**	**12,315,000**	**33,330,063**	-
Q1 2023				
Exercise of Warrants	10,260,714		(10,260,714)	
Warrants expired unexercised			(814,286)	
Grant of Stock options		6,105,000		
Balance at March 31, 2023	**187,483,380**	**18,420,000**	**22,255,063**	-
Q2 2023				
Expiry of Stock options		(1,690,000)		
Exercise of stock options	1,900,000	(1,900,000)		
Balance at June 30, 2023	**189,383,380**	**14,830,000**	**22,255,063**	-
Q3 2023				
Private Placement	2,490,000	-	-	-
Grant of Warrants	-	-	2,490,000	-
Warrants expired unexercised	-	-	(4,920,000)	-
Grant of Broker Warrants	-	-	-	40,000
Balance at September 30, 2023	**191,873,380**	**14,830,000**	**19,825,063**	**40,000**
Q4 2023				
Private Placement	200,000	-	-	-
Expiry of Stock options	-	(1,095,000)	-	-
Grant of Warrants	-	-	200,000	-
Grant of Broker Warrants	-	-	-	16,000
Warrants expired unexercised	-	-	(15,835,063)	-
Balance at December 31, 2023	**192,073,380**	**13,735,000**	**4,190,000**	**56,000**

Share based Payments

During the year ended December 31, 2023, the Company granted 6,105,000 stock options (December 31, 2022 – 1,760,000), 1,900,000 options were exercised and 2,785,000 expired unexercised (December 31, 2022 – 2,485,000 and 1,680,000, respectively). The options granted during 2023 are exercisable at an average $0.075 per option (December 31, 2022 - $0.085), vest immediately and 1,900,000 and 4,205,000 of the options granted expire 1 and 5 years, respectively, after their grant date (December 31, 2022 – vest immediately and expire 1 year after respective 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	As at December 31, 2022
Risk-free interest rate	4.30%	3.09%
Expected life	3.76 years	1 year
Expected volatility	150.37%	170.67%
Fair value per option	$0.05	$0.03
Forfeiture rate	0.00%	0.00%
Dividend yield	-	-

Share-based payments expense recognized during the year ended December 31, 2023 was $376,584 (2022 - $158,839), all of which has been recorded in net loss, with an offsetting credit to contributed surplus.

Tax

Tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 23% (2022 – 23%) to income before taxes as follows:

	As at December 31, 2023	As at December 31, 2022
Net loss before taxes	(4,844,915)	(647,571)
Combined federal and provincial tax rate	23%	23%
Computed "expected" tax	(1,114,330)	(148,941)
Tax rate differential between Canada and US	61,916	6,060
Share-based payments	84,544	36,533
Other items	967,870	122,564
Deferred tax asset not recognized	-	16,216
	-	-

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

	As at December 31, 2023	As at December 31, 2022
Oil and gas properties	(406,702)	(273,825)
Debentures - Canada	(6,503)	(5,198)
Decommissioning liability - USA	81,197	58,021
Non-capital loss available for future periods - Canada	6,503	5,198
Non-capital loss available for future periods - USA	325,505	215,803
Net deferred tax asset (liability)	-	-

Details of the unrecognized deductible temporary differences are as follows:

	As at December 31, 2023	As at December 31, 2022
Decommissioning tax assets (liabilities)	217,150	178,394
Capital losses - Canada	2,059,000	2,059,000
Non-capital losses - Canada	10,847,635	9,839,146
Non-capital losses - USA	6,112,794	3,120,345
Oil and Gas properties - Canada	2,141,552	500,192
Share issue costs - Canada	100,612	144,268
Other - Canada	155,233	134,111
	21,633,976	**15,975,456**

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.

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, 2023, and compared to the same period in 2022, as noted below:

	Relationship	December 31, 2023	December 31, 2022
Executive management fees - Canada	Chief Executive Officer and Director	118,900	142,100
Executive management fees - USA	VP Operations and Director	48,373	57,313
Legal fees	Director and Corporate Secretary	31,244	38,864
Office space and storge	Chief Executive Officer and Director	30,000	30,000
		228,517	**268,277**

The Director in Canada participated in private placements, and exercised stock options and warrants totaling $95,500 in 2023 (2022 - $115,125).

As at December 31, 2023, the Company has accounts payable and accrued liabilities totaling $22,267 (2022 – $27,285) 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 - includes the Company's executive management of Chief Executive Officer, VP of Operations and Chief Financial Officer.

	As at December 31, 2023	As at December 31, 2022
Compensation	223,300	279,413
Share based payments	119,978	33,781
TOTAL	**343,278**	**313,194**

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, 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

	For the year ended December 31, 2022		
	Canada	United States	Total
Petroleum and natural gas sales	15,067	1,188,806	1,203,873
Depletion and depreciation	1,293	307,169	308,462
Net loss	950,436	(302,865)	647,571
Total assets	465,476	5,504,879	5,970,355
Total liabilities	1,755,038	1,046,230	2,801,268

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.

Going Concern

At December 31, 2023, the Company had not yet achieved profitable operations, had accumulated a deficit of $33,664,647 (2022 - $27,776,056) a negative working capital of $1,693,673 (2022 - $712,954), 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 December 31, 2023, the availability of additional financing, and the timing and extent of capital and operating expenditures. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company's ability to continue as a going concern.

To achieve its intended development, management is committed to raising additional capital and realizing additional cash flows from drilling activities. Additional equity financing is subject to volatile financial markets and economic conditions.

Commitments

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

On December 31, 2023, included in deposits and prepaid expenses is an amount of $44,769 on deposit with the AER associated with the Company's operated wells in Alberta (2022 - $42,625). Since all wells in Alberta are either abandoned or shut-in, the Company has decided to continue negotiations with the AER. As of March 2024, Marksmen has entered into discussions with AER to determine if the new AER Directive 23, issued in December 2023, is a viable option to the Company. Under this directive Marksmen may be able to clear its obligations to AER by moving wells to the orphan well association.

The Surface Rights Board ("SRB") – The Surface Rights Board ("SRB"), now called the Land and Property Rights Tribunal, 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. Marksmen has been served with Judgement(s) from the Alberta Government's Service Alberta Crown Debt Collections with a balance at December 31, 2023, of $155,233, (2022 - $134,111) related to unpaid surface leases. These properties were sold by Marksmen to a third-party company in August of 2010 and therefore Marksmen disputes this claim.

The Company has an Assignment of Surface Rights agreement with the third-party, effective August 1, 2010, whereby the responsibility for the payment of surface leases is with the third party. The third-party does not dispute this agreement in any way and agrees they are responsible for the payment of surface leases. The third-party company has been struck and is no longer in existence.

Upon the sale of the properties, the Company did agree 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 SRB asserts that the provincial laws governing the SRB places the responsibility on the operator as defined by Alberta law governing SRB and the Alberta Energy Regulator.

The SRB has ruled and agrees 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 as a bad debt item in the statement of loss and comprehensive loss.

Off Balance Sheet Arrangements

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

Financial Risk Management

Fair values - The fair value of cash, trade and other receivables, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. The fair value of the debentures was calculated using an estimate of the market rate for similar debentures.

Credit risk - is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of cash and trade and other receivables represents the maximum credit exposure. Marksmen manages it credit risk on a regular basis. As at December 31, 2023, the Company had cash of $88,938 (2022 - $338,319), all of which was deposited with two major financial institutions. Management has assessed the risk of loss to be minimal.

As at December 31, 2023, the Company's accounts receivable consisted of $41,068 receivable from oil and natural gas marketing companies (2022 - $103,854), $12,135 receivable from joint venture working interest owners (2022 - $46,792) and $4,778 related to goods and service tax owing from the Government of Canada (2022 - $15,301). 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.

The Company assessed the credit loss risk as $nil at December 31, 2023, and 2022 based on historical data and future expectations and there was no allowance recorded against the accounts receivable.

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, 2023, the Company's maximum exposure to liquidity risk is the accounts payable and accrued liabilities balance of $485,182 and the secured debenture of $1,221,728, all of which are all due over the next twelve months. The Company's ability to meet these obligations is uncertain. 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.

Market risk – is the risk that changes in foreign exchange rates, commodity prices, and interest rates will affect the Company's net income (loss) or the value of financial instruments. Currently the Company does not use financial derivatives or physical delivery sales contracts to manage market risks.

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

Foreign currency exchange risk - is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company regularly converts Canadian and United States currencies as operations and capital expenditures require. The Company currently sells oil or natural gas, primarily in USD. As at December 31, 2023, the Company had no forward exchange rate contracts in place.

Interest rate risk – is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have short or long-term interest-bearing debt with variable interest rates and therefore is only exposed to interest rate risk through its cash holdings. The Company's secured debentures bear a fixed interest rate of 12%. The Company has no interest rate swaps or financial contracts in place as at or during the years ended December 31, 2023, and 2022.

Outlook

Marksmen Energy Inc. is engaged in the acquisition, exploration, development and production of oil and gas properties in Canada and the USA, and on a go forward basis, expected to be primarily in Alberta, Canada.

In late 2022, Marksmen drilled three wells and put them on-line in 2023. The capital expenditures for these wells totalled approximately $1,150,000 USD. Initial production testing and technical analysis of well information from these wells indicated that the wells would add strong additional barrels of oil per day in 2023 compared to 2022. However, this anticipated production improvement did not materialize. Therefore In 2024 Marksmen has aligned itself with an oil and gas industry expert, Apex Global Engineering Inc. ('Apex'). Apex has been to Ohio and extensively reviewed each wells performance. Apex is confident that they can implement operational optimization measures to improve production in 2024.

Production for all wells in 2023 was 8,856 barrels of oil equivalent ("boe") compared to 9,973 boe in 2022. There were a number of non-producing days at most wells in Pickaway County due to workovers at the water injection facility and various wells. West Texas Oil prices per barrel averaged $94.79 in 2022 and $77.64 in 2023. The Company expects oil prices to remain strong in 2024, currently in the $80 range.

Marksmen looks forward to concluding agreements to acquire new drilling projects shortly.

Other

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