



**MANAGEMENT DISCUSSION AND ANALYSIS**  
**Q2 2018**  
**Report for the three and six months ended June 30, 2018**

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

This Management’s Discussion and Analysis (“MD&A”) for Marksmen Energy Inc. and its wholly owned subsidiary Marksmen Energy, USA Inc. (“Marksmen or the Company”) is for the three and six months ended June 30, 2018 and was prepared with information available up to August 27, 2018 and should be read in conjunction with Marksmen Energy Inc.’s consolidated audited financial statements for the year ended, December 31, 2017. All values in this MD&A are expressed in Canadian currency (“CDN”) 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 or GAAP 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 period, 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.

**“Net Petroleum Income or operating netback”** – Net petroleum income or operating netback is calculated by deducting royalties and production expenses, 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 liabilities.

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

## **Forward-Looking Statements**

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

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

## Introduction

The primary business of Marksmen is the acquisition, development, and production of crude oil from properties located in Ohio, USA. The Company's current production, coupled with stronger oil prices (based on West Texas Intermediate daily posted rates), generates sufficient net petroleum income/operating netback (revenue less royalties and production expenses) for the Company to be cash-flow positive.

Marksmen has an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program in Hocking County, Ohio that includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease. The first well has been drilled and completed but requires remedial work to put the well on production. This remedial work has been delayed due to equipment availability and is currently planned to start in mid-September. The next steps will then be to flow and production test the well, followed by equipping the well and putting it on production.

The Company is currently evaluating offset drilling opportunities on its current land positions in both Hocking and Pickaway counties in Ohio. To meet future capital projects, the Company will consider additional equity by way of private placements as well as funds generated from operations. Capital projects will be undertaken as funding is available.

## Quarterly Financial Information

The following is a summary of selected quarterly information that has been derived from the audited and management prepared financial statements of Marksmen. This summary should be read in conjunction with audited and unaudited financial statements of the Company as contained in the public record.

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Quarterly Financial Information	2018	2018	2017	2017	2017	2017	2016	2016
Net Oil Production - bbls	4,444	3,347	3,792	3,829	5,014	5,468	5,881	4,919
Net Oil Production - bbls / day	48.8	37.2	41.2	41.6	55.1	60.8	63.9	53.5
Revenue - oil	\$ 380,787	\$ 260,942	\$ 258,747	\$ 220,011	\$ 319,955	\$ 366,804	\$ 376,797	\$ 284,497
Royalties	\$ (53,446)	\$ (30,371)	\$ (33,637)	\$ (28,881)	\$ (41,751)	\$ (47,835)	\$ (49,144)	\$ (37,001)
Production Costs	\$ (20,384)	\$ (15,904)	\$ (37,332)	\$ (36,025)	\$ (28,368)	\$ (29,363)	\$ (32,656)	\$ (40,513)
Income from Production Operations	\$ 306,957	\$ 214,667	\$ 187,778	\$ 155,105	\$ 249,836	\$ 289,606	\$ 294,997	\$ 206,983
Net (Loss) Income	\$ (223,902)	\$ (147,734)	\$ (341,415)	\$ (114,871)	\$ (89,758)	\$ (17,861)	\$ 97,299	\$ (52,743)
Total Assets	\$6,375,910	\$5,525,659	\$5,346,277	\$4,559,104	\$4,690,786	\$4,817,812	\$4,723,592	\$3,979,480
Total Liabilities	\$2,087,866	\$2,313,086	\$2,114,296	\$1,769,968	\$1,725,380	\$1,831,835	\$1,829,139	\$1,877,672
Shareholders' Equity	\$4,288,044	\$3,212,573	\$3,231,981	\$2,789,136	\$2,965,406	\$2,985,977	\$2,894,453	\$2,101,808
Common shares issued & O/S	93,561,641	88,292,065	88,102,065	83,352,932	82,387,932	80,550,432	79,200,432	77,740,432

## Oil Production – Ohio

Oil Production - Ohio	Q1 2018				Q2 2018				2018	2017	2017	2017
	Jan	Feb	Mar	Total	Apr	May	Jun	Total	YTD Total	Q1	Q2	YTD Total
Net to Marksmen - bbls	772	889	1,686	<b>3,347</b>	1,412	1,508	1,524	<b>4,444</b>	<b>7,791</b>	5,468	5,014	<b>10,482</b>
Net to Marksmen - bbls/day	24.9	31.8	54.4	<b>37.2</b>	47.1	48.6	50.8	<b>48.8</b>	<b>43.0</b>	60.8	55.1	<b>57.9</b>

Total net Company production in the second quarter of 2018 was 4,444 barrels compared to 5,014 barrels in the same period in 2017. Additionally, the second quarter of 2018 saw production increase by 1,097 barrels over the first quarter. This improved production is due to increased pumping cycles on the Davis-Holbrook #1 well.

The Davis-Holbrook #1 well was drilled in June of 2016 and put on production in mid-July of that year. It has contributed significantly to the revenue of the Company since that time. The total production of oil from this well to June 30, 2018 is 31,984 barrels net to Marksmen. This well and the Delong-Davis #1 well make up most of the Company's production with small additional production from two other wells.

## Field Operations Ohio – Stated in \$USD

Field Operations - Ohio \$USD	Three Months Ended				Six Months Ended			
	June 30 2018	June 30 2017	Change	% Change	June 30 2018	June 30 2017	Change	% Change
Oil Production - bbls	<b>4,444</b>	5,014	(571)	(11)	<b>7,791</b>	10,482	(2,691)	(26)
Revenue	\$ <b>295,769</b>	\$ 237,445	\$ 58,324	25	\$ <b>502,096</b>	\$ 514,696	\$ (12,600)	(2)
Royalty expense	\$ <b>(41,566)</b>	\$ (30,984)	\$ -10,582	34	\$ <b>(65,579)</b>	\$ (67,141)	\$ 1,562	(2)
	\$ <b>254,203</b>	\$ 206,461	\$ 47,743	59	\$ <b>436,517</b>	\$ 447,555	\$ (11,038)	(2)
Operating costs	\$ <b>(13,412)</b>	\$ (19,172)	\$ 5,761	(30)	\$ <b>(23,746)</b>	\$ (39,436)	\$ 15,690	(40)
<b>Net Petroleum Income</b>	\$ <b>240,792</b>	\$ 187,288	\$ 53,503	29	\$ <b>412,771</b>	\$ 408,119	\$ 4,652	1
<b>Revenue / bbl</b>	\$ <b>66.56</b>	\$ 47.35	\$ 19.21	41	\$ <b>64.45</b>	\$ 49.10	\$ 15.35	31
Royalty Expense / bbl	\$ <b>(9.35)</b>	\$ (6.18)	\$ (3.17)	51	\$ <b>(8.42)</b>	\$ (6.41)	\$ (2.01)	31
Operating costs / bbl	\$ <b>(3.02)</b>	\$ (3.82)	\$ 0.81	(21)	\$ <b>(3.05)</b>	\$ (3.76)	\$ 0.71	(19)
<b>Net Petroleum Income / bbl</b>	\$ <b>54.19</b>	\$ 37.35	\$ 16.84	45	\$ <b>52.98</b>	\$ 38.93	\$ 14.05	36

In the first six months of 2018 compared to the same period in 2017, production decreased by 2,691 barrels, while net petroleum income increased by \$12,600 or approximately 2% due to an increase in the per barrel price of oil of \$15.35. Operating costs in the same period are \$15,600 lower due primarily to the elimination of third party water disposal at Davis-Holbrook #1 well after a water line was run to our water disposal facility.

**Well Information** – In 2017 Marksmen agreed to participate in the drilling of a horizontal well, Leaman #1, located in Hocking County. The well was drilled to total depth in the first quarter of 2018, hydraulically fractured in the second quarter with flow and production testing to follow.

Well Information	Q1 2018	Q1 2017	YE 2017
Wells Drilled - Leaman #1	<b>1.00</b>	-	-
Net to Marksmen	<b>0.60</b>	-	-
Producing wells	<b>3.00</b>	<b>4.00</b>	<b>3.00</b>
Shut-in (Require workovers)	<b>2.00</b>	<b>1.00</b>	<b>2.00</b>
Water Disposal well	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>

## Field Operations – Ohio and Alberta - Stated in \$CDN

	Three Months Ended				Six Months Ended			
	June 30	June 30			June 30	June 30		
Net Petroleum Income \$CDN	2018	2017	Change	% Change	2018	2017	Change	% Change
<b>Oil Production - bbls</b>	<b>4,444</b>	5,014	(571)	(11)	<b>7,791</b>	10,482	(2,691)	(26)
Revenue	\$ 380,787	\$ 319,955	\$ 60,832	19	\$ 641,729	\$ 686,759	\$ (45,030)	(7)
Royalty expense	\$ (53,446)	\$ (41,751)	\$ (11,695)	28	\$ (83,817)	\$ (89,586)	\$ 5,769	(6)
	\$ 327,341	\$ 278,204	\$ 49,137	18	\$ 557,912	\$ 597,173	\$ (39,261)	(7)
Operating costs	\$ (20,304)	\$ (28,368)	\$ 8,064	(28)	\$ (36,208)	\$ (57,731)	\$ 21,523	(37)
Net Petroleum Income	\$ 307,037	\$ 249,836	\$ 57,201	23	\$ 521,704	\$ 539,442	\$ (17,738)	(3)
<b>Revenue / bbl</b>	\$ 85.69	\$ 63.81	\$ 21.88	34	\$ 82.37	\$ 65.52	\$ 16.85	26
Royalty Expense / bbl	\$ (12.03)	\$ (8.33)	\$ (3.70)	44	(10.76)	\$ (8.55)	\$ (2.21)	26
Operating costs / bbl	\$ (4.57)	\$ (5.66)	\$ 1.09	(19)	(4.65)	\$ (5.51)	\$ 0.86	(16)
<b>Net Petroleum Income / bbl</b>	<b>69.10</b>	49.83	\$ 19.27	39	\$ 66.96	\$ 51.46	\$ 15.50	30

**Alberta** - Marksmen's wells at Alder Flats in Alberta have been shut-in since 2010. Of these six wells, one well was abandoned at the time of drilling and four other wells were abandoned in August 2015. Equipment salvage operations from the abandoned wells will be completed in 2018. Reclamation will begin on two or more of the leases in late 2018. The remaining well at Alder Flats has not been abandoned as it remains a candidate for sale or transfer to a third-party oil and gas company. There were \$3,024 of field operating costs related to surface leases and property taxes charged to wells in Alberta.

**Oil Revenue Ohio** – Production was lower in the first six months of 2018 by 2,691 barrels compared to the same period in 2017 but revenue was up by \$45,030 due to increased commodity prices for oil. Revenue is paid to Marksmen directly by the oil marketing company and is based on their monthly pricing schedule derived from the daily posted West Texas Intermediate oil ("WTI") prices.

**Royalties Ohio** - are paid by the oil marketing company at 12.5% of revenue to the land owners of record as determined by Marksmen. There are no royalties paid to the state of Ohio but rather an oil severance tax \$0.20 per barrel. Total royalties paid in the first six months of 2018 were \$83,817 compared to \$89,586 in the same period of 2017.

**Operating Expenses Ohio and Alberta** – were \$36,208 in the first six months of 2018 a decrease of \$21,523 or 37% from the same period in 2017 and includes \$3,024 of costs in Alberta. Reduced operating costs are the result of a water line being built in the fall of 2017 from the Davis-Holbrook #1 well to our water disposal facility.

**Net Petroleum Operations Income (Net back)** – was \$521,704 in the first six months of 2018 compared to \$539,442 in the same period of 2017, a decrease of \$17,738 or 3%.

## General and Administrative Expenses

	Three Months Ended				Six Months Ended			
	June 30	June 30		%	June 30	June 30		%
General & Administrative	2018	2017	Change	Change	2018	2017	Change	change
Employee Compensation	\$ 31,630	\$ 31,793	\$ (163)	(1)	\$ 64,312	\$ 63,513	\$ 799	1
Management consulting services	\$ 47,900	\$ 28,650	\$ 19,250	67	\$ 110,600	\$ 58,050	\$ 52,550	91
Professional fees	\$ 40,084	\$ 32,163	\$ 7,921	25	\$ 52,748	\$ 42,105	\$ 10,643	25
Investor relations and conferences	\$ 37,357	\$ 19,822	\$ 17,535	88	\$ 83,024	\$ 35,959	\$ 47,065	131
Filing and listing fees	\$ 12,308	\$ 7,597	\$ 4,711	62	\$ 27,943	\$ 17,522	\$ 10,421	59
Ohio administrative expenses	\$ 808	\$ 2,500	\$ (1,692)	(68)	\$ 9,021	\$ 5,364	\$ 3,657	68
Office and Storage	\$ 12,525	\$ 11,250	\$ 1,275	11	\$ 25,050	\$ 18,750	\$ 6,300	34
General and administrative - other	\$ 18,099	\$ 13,296	\$ 4,803	36	\$ 37,719	\$ 29,616	\$ 8,103	27
	\$ 200,711	\$ 147,071	\$ 53,640	36	\$ 410,417	\$ 270,879	\$ 139,538	52

The Company has divided its administrative expenses into categories as described below:

**Employee Compensation** – represents payments of salaries and wages to one full time management employee and two part-time administrative support personnel.

**Management Consulting Fees** - are related to fees to a professional corporation of a senior executive for services related to the overall management of the Company. Costs are higher in the first six months of 2018 due to additional executive work required in the management of the Leaman #1 horizontal well and obtaining investor participation in private placements. In the second quarter of 2018 the senior executive purchased 370,000 units or \$77,700 in the private placement of Marksmen that closed in April 2018. In addition, the senior executive also exercised 531,000 stock options for proceeds to the Company of \$36,600.

**Professional Fees** – consists of legal fees, reserve engineering, audit and accounting services.

**Investor Relations and Conferences** – Management, namely the CEO, attended various events and held numerous meetings and corporate presentations both in Canada and internationally in respect of current and ongoing debt and equity/capital financings. In this regard, during the first six months of 2018 the Company was successful in raising a total of \$726,266 gross proceeds and issued 3,458,409 shares at \$0.21 per unit to raise capital for the drilling opportunities in Ohio.

**Filing and Listing Costs** – These costs are directly associated with costs of being a public company in Canada. They include annual fees and charges from stock exchanges, provincial securities commissions, and a stock transfer agent.

**Ohio Administrative Expenses** – Marksmen’s business activities in 2018 continue to be focused on developing its oil and gas operations in Ohio. A portion of Ohio management costs are directly attributable to evaluation of exploration opportunities and drilling or workover activities and are therefore capitalized.

**Office Rent and Storage** - includes Calgary based office rental charges, and parking as well as office space and storage costs on premises owned by a senior executive.

**General and Administrative Expenses** – The normal day to day costs of running the Company are covered in this category including telephones, insurance (directors, property and general liability) and accounting software fees.

## Selected Other Expenses

**Interest Expense** – During the first six of 2018 the Company incurred interest related to a secured debenture of \$74,384 the same as in the same period of 2017. The Company has met all its semi-annual interest payments. The next payment is scheduled for December 2018.

**Depletion** – In the first six months of 2018 depletion totaled \$181,937 or \$23.35 per barrel of oil produced compared to \$258,876 or \$24.70 CDN per barrel in the first six months of 2017.

## Financial Position – Highlights

Period Ended	June 30, 2018	Dec. 31, 2017	Change	% Change
<b>Assets</b>				
Current assets	\$ 802,696	\$ 1,387,134	\$ (584,438)	(42)
Exploration and evaluation assets	\$ 3,387,513	\$ 1,736,033	\$ 1,651,480	95
Property and equipment	\$ 2,185,701	\$ 2,223,110	\$ (37,409)	(2)
	\$ 6,375,910	\$ 5,346,277	\$ 1,029,633	19
<b>Liabilities</b>				
Accounts payable and accruals	\$ 436,559	\$ 515,871	\$ (79,312)	(15)
Secured debentures	\$ 1,245,327	\$ 1,240,959	\$ 4,368	0
Decommissioning liabilities	\$ 405,980	\$ 357,466	\$ 48,514	14
	\$ 2,087,866	\$ 2,114,296	\$ (26,430)	(1)
<b>Equity</b>				
Share capital, contributed surplus & other	\$ 24,904,995	\$ 23,477,294	\$ 1,427,701	6
Deficit	\$ (20,616,951)	\$ (20,245,313)	\$ (371,638)	2
	\$ 4,288,044	\$ 3,231,981	\$ 1,056,063	33
<b>Liabilities and equity</b>	\$ 6,375,910	\$ 5,346,277	\$ 1,029,633	19

**Assets** – cash on hand at June 30, 2018 is \$525,886 a decrease of \$275,211 from December 31, 2017, primarily due to capital expenditures related to the Leaman #1 horizontal well. Exploration and evaluation assets increased by \$1,651,480 at June 30, 2018 compared to December 31, 2017 also related to the Leaman #1 horizontal well.

**Liabilities** – Accounts payable are lower as of June 30, 2018 by \$79,312 compared to year-end 2017.

**Equity** – Share capital increased by \$1,427,701 resulting from the private placements, exercise of stock options, share-based payments and foreign exchange translation changes compared to year-end 2017. The deficit increased by the net loss of the Company for the six months ended June 30, 2018 compared to year-ended 2017.

## Capital Expenditures

	Six Months	Year End
Exploration and Evaluation (E&E) at Cost	June 30, 2018	Dec. 31, 2017
Balance, beginning of year	\$ 1,736,032	\$ 1,736,916
Expenditures on Exploration and Evaluation	\$ 1,585,803	\$ 86,792
Foreign currency adjustment	\$ 65,677	\$ (87,676)
Transfer to PP&E	\$ -	\$ -
Balance, end of year	\$ 3,387,512	\$ 1,736,032

There were \$1,585,803 of additions in exploration and evaluation assets related to expenditures for the Leaman #1 horizontal well. Once the well is on production these costs will transfer to property plant and equipment.

	Six Months	Year End
Property Plant and Equipment (PP&E) at Cost	June 30, 2018	Dec. 31, 2017
Balance beginning of Year	\$ 3,803,559	\$ 3,845,142
Additions	\$ 39,730	\$ 174,742
Transfer from E&E	\$ -	\$ -
Change in estimate of decommissioning liabilities	\$ -	\$ 1,898
Foreign currency adjustment	\$ 162,914	\$ (218,223)
Balance, end of year	\$ 4,006,203	\$ 3,803,559

The additions are related to asset retirement costs associated with Ohio wells.

## Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be \$405,980 as at June 30, 2018 (December 31, 2017 - \$357,466). The total undiscounted amount of estimated future cash flows is \$384,952 (December 31, 2017 - \$368,552). These payments are expected to be made over the next 11 years. The obligations on the Canadian properties have been calculated using an inflation rate of 2% (December 31, 2017 – 2%) and a discount factor, being the risk-free rate related to the liability, of 1.90% (December 31, 2017 – 1.66% - 1.81%). The obligations on the US properties have been calculated using an inflation rate of 2% (December 31, 2017 – 2%) and a discount factor, being the risk-free rate related to the liability of 2.04% - 2.20% (December 31, 2017 – 1.81% - 1.97%).

During the year ended December 31, 2015, the Company completed the abandonment of substantially all of its Canadian petroleum and natural gas assets. Reclamation of these assets has not yet occurred.

## Secured Debenture

Marksman entered into two secured debenture agreements with a third party of \$750,000 and \$500,000 totaling \$1,250,000 and both mature on December 31, 2018. The debentures bear interest at 12% per annum with payments due semi-annually at the end of June and December of each year. The Company may repay the debentures at any time during the term. The Company has fulfilled both interest payment requirements during the year ended December 31, 2017 and one at June 30, 2018.

Pursuant to the debentures the Company issued 2,666,667 share purchase warrants each exercisable into one common share at \$0.17 per share related to the first debenture, and 1,777,778 share purchase warrants each exercisable into one common share at \$0.25 per share related to the second debenture. Prior to March 31, 2018 a total of 1,416,500 warrants related to the first debenture have been exercised at \$0.17. On June 28, 2018 the remaining 1,250,167 share purchase warrants were exercised for gross proceeds of \$212,528. No warrants at \$0.25 have been exercised.



## Share Capital

For a detailed explanation of the transactions that took place in the first quarter of 2018 and previously for common shares, warrants, broker warrants and stock options please refer to Note 7 - Share Capital in Marksmen's consolidated financial statements for the three-month period ended March 31, 2018. The chart below is a summary of share capital and includes the balances as of August 27, 2018.

<b>Marksmen Energy Inc. Share Capital</b>	<b>Q2 June 30, 2018</b>	<b>Year Ended Dec. 31, 2017</b>	<b>As of Aug 27, 2018</b>
Common Shares	<b>93,561,641</b>	88,102,065	93,561,641
Warrants	<b>8,963,400</b>	8,514,362	8,963,400
Stock Options	<b>8,574,000</b>	8,057,000	8,574,000
Broker Warrants	<b>125,547</b>	111,947	125,547

**Share Price** – Marksmen shares trade on both the TSX Venture Exchange in Canada (MAH) and the OTCQB Venture Marketplace in New York (MKSEF). On the TSX Venture, the share price of Marksmen has ranged from \$0.04 at the end of 2015, \$0.06 in July of 2017, to \$0.21 at March 31, 2018 and has been as high as \$0.245 in May of 2018. Currently the share price is trading in the \$0.12 to \$0.135 range.

**Common Shares** – In the first six months of 2018 there were 3,456,409 common shares issued pursuant to private placements, 721,000 stock options exercised, and 1,280,167 warrants exercised bringing the total of common shares outstanding at June 30, 2018 to 93,561,641.

**Warrants** – There were 1,280,167 warrants exercised in the first six months of 2018 of which 1,250,167 warrants were related to a secured debenture. The total warrants outstanding as of June 30, 2018 are 8,963,400.

**Stock Options** - During the first six months of 2018 there were 1,400,000 stock options granted, 721,000 stock options exercised, and 162,000 options cancelled resulting in a total of 8,574,000 stock options outstanding.

**Broker Warrants** - There were 13,600 broker warrants issued in the first six months of 2018 resulting in a total of 125,547 broker warrants outstanding.

## Share-based Payments

During the three and six months ended June 30, 2018, the Company granted 1,400,000 stock options to purchase common shares of the Company to directors, officers, employees and consultants of the Company. The stock options were issued with an exercise price of \$0.22 per share (December 31, 2017 – 2,025,000). One third of the stock options vest immediately and the remaining stock options granted vest 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. 721,000 stock options were exercised and 162,000 were cancelled (December 31, 2017 – 278,000 and nil, respectively). The fair value of the stock options granted is estimated as at the grant date using the Black-Scholes option pricing model.

Share-based payments expense recognized during the three and six months ended June 30, 2018 were \$196,313 and \$231,407, respectively, (June 30, 2017 - \$31,817 and \$42,656, respectively), of which \$185,991 and \$219,313, respectively, has been recorded in the consolidated statement of comprehensive loss (June 30, 2017- \$30,375 and \$40,588, respectively) and \$10,322 and \$12,094, respectively, has been capitalized as exploration and evaluation (June 30, 2017- \$1,442 and \$2,068, respectively), all of which has been recorded as an offsetting credit to contributed surplus.

## Related Party Transactions

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

### During the three months ended June 30, 2018:

An aggregate of \$47,900 (June 30, 2017 - \$28,650) in consulting fees were paid to a professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as \$7,500 (June 30, 2017 - \$7,500) for costs associated with office space, storage space, and various administrative support costs. Costs are higher in the second quarter of 2018 due to additional executive work required in the management of the Leaman #1 horizontal well and obtaining investor participation in private placements. In the second quarter of 2018 the senior executive purchased \$77,700 in the private placements and exercised stock options for proceeds to the Company of \$36,600.

An aggregate of \$23,600 (June 30, 2017 - \$11,830) in consulting fees and related costs were paid to a director and Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. of which \$15,615 (June 30, 2017 - \$23,785) were capitalized as E&E costs.

Aggregate legal fees of \$22,223 (June 30, 2017 - \$11,658) were charged by a law firm in which a director of the Company is a partner, of which \$10,415 (June 30, 2017 - \$10,326) were expensed as general and administrative expenses and \$11,818 (June 30, 2017 - \$1,321) were charged to share capital as share issue costs.

### During the six months ended June 30, 2018:

An aggregate of \$110,600 (June 30, 2017 - \$58,050) in consulting fees were paid to professional corporation owned by a director and officer of the Company for compensation as CEO of the Company as well as \$15,000 (June 30, 2017 - \$15,000) for costs associated with office space, storage space, and various administrative support costs.

An aggregate of \$43,445 USD (June 30, 2017 - \$35,615 USD) in consulting fees and related costs were paid to a director and Vice President of Operations, of the wholly owned subsidiary, Marksmen Energy USA, Inc. of which \$28,806 were capitalized as E&E costs.

Aggregate legal fees of \$27,968 (June 30, 2017 - \$15,108) were charged by a law firm in which a director of the Company is a partner, of which \$16,150 (June 30, 2017 - \$11,416) were expensed as general and administrative expenses and \$11,818 (June 30, 2017 - \$3,692) were charged to share capital as share issue costs.

As at June 30, 2018, the Company has accounts payable and accrued liabilities totaling \$43,373 (December 31, 2017 - \$32,337) owing to related parties relating to the above transactions.

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

## Commitment

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

At June 30, 2018, included in deposits and prepaid expenses is an amount of \$40,075 on deposit with the AER associated with the Company’s operated wells in Alberta (December 31, 2017 - \$39,790). The AER has indicated that a higher deposit may be required. Since all wells in Alberta are either abandoned or shut-in, the Company has decided to continue negotiations with the AER to abandon, sell or bring certain wells back on production to add positive deemed asset valuation.

## Financial Risk Management

**Going Concern** - At June 30, 2018, the Company had not yet achieved profitable operations, had accumulated a deficit of \$20,616,951 (December 31, 2017 - \$20,245,314) since its inception, cash flow from operations of \$315,298 (December 31, 2017 – (\$50,573)), a working capital deficiency with secured debentures excluded of \$366,137 (December 31, 2017 – working capital \$871,263), or a working capital deficiency of \$879,190 (December 31, 2017 - \$369,696) when secured debentures are included, 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, renegotiating secured debentures that mature on December 31, 2018, 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 2018 budget and on management’s estimate of expenditures expected to be incurred beyond 2018.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at June 30, 2018, 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 (during the six months ended June 30, 2018, the Company successfully completed a private placement for gross proceeds of \$726,266). The Company is also committed to renegotiating the secured debentures that matures on December 31, 2018 and realizing additional cash flows from new drilling and production operations.

**Credit risk** – As at June 30, 2018, the Company’s accounts receivable consisted of \$131,891 receivable from oil and natural gas marketing companies (December 31, 2017 - \$70,478), \$ 76,160 receivable from joint venture working interest owners (December 31, 2017 - \$448,106) and \$7,682 related to goods and service tax owing from the Government of Canada (December 31, 2017 - \$7,595). Approximately 61% 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 marketer. 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 a cash call from a partner in advance of capital expenditures being incurred. 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.

In addition, further risk exists with joint ventures; as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint ventures.

## 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 six months ended June 30, 2018		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	641,729	641,729
Depletion and depreciation	299	181,638	181,937
Net loss and comprehensive loss (income)	634,846	(263,210)	371,636
Exploration and evaluation assets	-	3,387,513	3,387,513
Property, plant and equipment	1,827	2,183,874	2,185,701
Total liabilities	1,600,765	487,101	2,087,866

  

	For the six months ended June 30, 2017		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	686,759	686,759
Depletion and depreciation	462	258,414	258,876
Net loss and comprehensive loss (income)	386,165	(278,546)	107,619
Exploration and evaluation assets	-	1,743,095	1,743,095
Property, plant and equipment	2,590	2,314,383	2,316,973
Total liabilities	1,566,275	159,105	1,725,380

## Outlook

The primary business of Marksmen is the acquisition, development, and production of crude oil from properties located in Ohio, USA. The Company's current production, coupled with stronger oil prices (based on West Texas Intermediate daily posted rates), generates sufficient net petroleum income/operating netback (revenue less royalties and production expenses) for the Company to be cash-flow positive.

Marksmen has an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program in Hocking County, Ohio that includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease. The first well has been drilled and completed but requires remedial work to put the well on production. This remedial work has been delayed due to equipment availability and is currently planned to start in mid-September. The next steps will then be to flow and production test the well, followed by equipping the well and putting it on production.

The Company is currently evaluating offset drilling opportunities on its current land positions in both Hocking and Pickaway counties in Ohio. To meet future capital projects, the Company will consider additional equity by way of private placements as well as funds generated from operations. Capital projects will be undertaken as funding is available.

Marksmen is optimistic that the capital projects available to the Company will lead to a strong, viable financial position for the Company in 2018 and years to come.

## Other

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