Q1

TSX Venture – MAH **Report for the 3 months ended**

New York OTCQB Venture Marketplace – MKSEF **March 31, 2018**

MANAGEMENT DISCUSSION AND ANALYSIS

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 quarter ended March 31, 2018 and was prepared with information available up to May 29, 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 assets.

Barrel of Oil Equivalent

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

Forward-Looking Statements

This Management's Discussion and Analysis may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, included herein may be forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to, the actual results of drilling and exploration being equivalent to or better than anticipated or historical results and future costs and expenses being based on historical costs and expenses, adjusted for inflation. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: the early stage development of the Company and its projects; general business, economic, competitive, political and social uncertainties; commodity prices; the actual results of current exploration and development or operational activities; competition; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the natural resources industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of economic evaluations; and lack of qualified, skilled labour or loss of key individuals. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Introduction

The primary business of Marksmen is the acquisition, development, and production of crude oil from properties located in Ohio, USA.

In early 2017, after research and development analysis by Marksmen's Ohio based team of professional geologists and engineers of historic oil reserves in Hocking County, Ohio, Marksmen entered into an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program, operated by Hocking Hills Energy and Well Services LLC. The agreement includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease. Lease preparation and road construction began in December of 2017 and drilling was subsequently completed in the first quarter of 2018. This is the first well drilled by Marksmen since July 2016. The well has a vertical depth of approximately 2,850 feet with a horizontal leg of approximately 3,450 feet in length. During drilling, the well had several oil flows and natural gas shows to surface. Horizontal fracturing was completed in the second quarter of 2018 with 12 frac stages in the horizontal leg completed and all stages met technical expectations. The next phase is to flow and production test the well, followed by equipping the well and putting it on production.

Marksmen 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 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.

Quarterly Financial Information	**Q1 2018**	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net Oil Production - bbls	**3,347**	3,792	3,829	5,014	5,468	5,881	4,919	626
Net Oil Production - bbls / day	**37.2**	41.2	**41.6**	**55.1**	**60.8**	**63.9**	**53.5**	**6.9**
Revenue - oil	**$ 260,942**	$ 258,747	$ 220,011	$ 319,955	$366,804	$ 376,797	$ 284,497	$ 37,473
Royalties	**$ (30,371)**	$ (33,637)	$ (28,881)	$ (41,751)	$ (47,835)	$ (49,144)	$ (37,001)	$ (4,888)
Production Costs	**$ (15,904)**	$ (37,332)	$ (36,025)	$ (28,368)	$ (29,363)	$ (32,656)	$ (40,513)	$ (25,126)
Income from Production Operations	**$ 214,667**	$ 187,778	$ 155,105	$ 249,836	$ 289,606	$ 294,997	$ 206,983	$ 7,459
Net (Loss) Income	**$ (147,734)**	$ (341,415)	$ (114,871)	$ (89,758)	$ (17,861)	$ 97,299	$ (52,743)	$ (277,153)
Total Assets	**$5,525,659**	$5,346,277	$4,559,104	$4,690,786	$4,817,812	$4,723,592	$3,979,480	$4,090,939
Total Liabilities	**$2,313,086**	$2,114,296	$1,769,968	$1,725,380	$1,831,835	$1,829,139	$1,877,672	$1,976,715
Common shares issued & O/S	**88,292,065**	88,102,065	83,352,932	82,387,932	80,550,432	79,200,432	77,740,432	77,740,432

Field Operations Ohio – Stated in $USD

$USD	**Q1 2018 Jan**	**Feb**	**Mar**	**Total Q1 2018**	**Q1 2017**	**Change**	**% Change**
Net Oil Production - bbls	772	889	1,686	**3,347**	5,468	(2,121)	**(39)**
Revenue	$ 48,171	$ 54,040	$ 104,115	**$ 206,326**	$ 277,252	$ (70,926)	**(26)**
Royalty Expense	$ (6,407)	$ (5,579)	$ (12,026)	**$ (24,012)**	$ (36,157)	$ 12,145	**(34)**
	$ 41,764	$ 48,461	$ 92,089	**$ 182,314**	$ 241,094	$ (58,780)	**(24)**
Production costs	$ (412)	$ (5,001)	$ (3,921)	**$ (9,334)**	$ (20,264)	$ 10,930	**(54)**
Income from Field Operations	$ 41,352	$ 43,460	$ 88,168	**$ 172,980**	**$ 220,830**	$ (47,850)	**(22)**
Revenue /bbl	$ 62.40	$ 60.79	$ 61.75	**$ 61.65**	$ 50.70	$ 10.94	**22**
Royalties / bbl	$ (8.30)	$ (6.28)	$ (7.13)	**$ (7.17)**	$ (6.61)	$ (0.56)	**8**
Operating Cost/bbl	$ (0.53)	$ (5.63)	$ (2.33)	**$ (2.79)**	$ (3.71)	$ 0.92	**(25)**
Operating Netback / bbl	$ 53.56	$ 48.89	$ 52.29	**$ 51.68**	**$ 40.39**	**$ 11.30**	**28**

Production – Total Company production in the first quarter of 2018 was 3,347 barrels compared to 5,468 or a decrease of 2,121 barrels or 39% from the same period in 2017. Colder than normal weather resulted in lower production in January and February. March production was approximately double each of the previous two months and subsequently April has also improved due to increased pumping cycles on the Davis-Holbrook 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 March 31, 2018 has been 27,108 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.

Optimization – In the first quarter of 2017, the well at Delong-Davis #1 was deepened by approximately 20 feet to expose more of the producing zone and has improved from as low as 1 or 2 gross barrels per day to approximately 12 barrels per day. There are two Marksmen operated wells in Pickaway County that require minor workovers to repair a hole in the tubing and parted sucker rods.

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 begin shortly.

	Q1	Q1	Year End
Well Information	**2018**	2017	2017
Wells drilled - Leaman #1	**1.00**	-	-
Net to Marksmen	**0.60**	-	-
Producing wells	**3.00**	4.00	3.00
Net to Marksmen	**2.25**	3.25	2.25
Shut-in (Require workovers)	**2.00**	1.00	2.00
Net to Marksmen	**2.00**	1.00	2.20
Water Disposal well	**1.00**	1.00	1.00
Net to Marksmen	**1.00**	1.00	1.00

Field Operations – Ohio and Alberta - Stated in $CDN

	Q1	**Q1**		
$CDN	**2018**	**2017**	**Change**	**% Change**
Net Oil Production - bbls	**3,347**	5,468	(2,121)	**(39)**
Revenue	**$ 260,942**	$ 366,804	$ (105,862)	**(29)**
Royalty Expense	**$ (30,371)**	$ (47,835)	$ 17,464	**(37)**
	$ 230,571	$ 318,969	$ (88,398)	**(28)**
Production costs	**$ (15,904)**	$ (29,363)	$ 13,459	**(46)**
Income from Field Operations	**$ 214,667**	**$ 289,606**	$ (74,939)	**(26)**
Revenue /bbl	**$ 77.96**	$ 67.08	$ 10.88	**16**
Royalties / bbl	**$ (9.07)**	$ (8.75)	$ (0.33)	**4**
Operating Cost/bbl	**$ (4.75)**	$ (5.37)	$ 0.62	**(12)**
Operating Netback / bbl	**$ 64.13**	**$ 52.96**	**$ 11.17**	**21**

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 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 $2,835 of field operating costs related to surface leases and property taxes charged to wells in Alberta.

Oil Revenue Ohio - for the quarter ended March 31, 2018 decreased 29% compared to the same quarter in 2017. The decrease is due to lower production, especially in January and February which is partially offset by higher revenue per barrel of oil. Revenue is paid to Marksmen directly by the oil marketing company and is based on their monthly pricing schedule derived from the 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 quarter of 2018 were $30,371 compared to $47,835 in the first quarter of 2017.

Operating Expenses Ohio and Alberta – for the quarter ended March 31, 2018 decreased $13,459 or 46% from the same period in 2017 and includes $2,835 of costs in Alberta. This equates to $4.75 CDN per barrel of oil produced or $3.09 USD per barrel in Q1, 2018

Net Field Operations Income – was $214,667 in the first quarter of 2018 compared to $289,606 in the same period of 2017, a decrease of $74,939 or 26% all related to a decrease in oil production.

General and Administrative Expenses

General & Administrative Expenses	**Q1 2018**	Q1 2017	Change	% Change
Employee Compensation	**$ 32,682**	$ 31,720	$ 962	3
Management consulting services	**$ 62,700**	$ 29,400	$ 33,300	113
Professional fees	**$ 12,664**	$ 9,942	$ 2,722	27
Investor relations and conferences	**$ 45,667**	$ 16,137	$ 29,530	183
Filing and listing fees	**$ 15,635**	$ 9,925	$ 5,710	58
Ohio administrative expenses	**$ 8,213**	$ 2,864	$ 5,349	187
Office and Storage	**$ 12,525**	$ 7,500	$ 5,025	67
General and administrative - other	**$ 19,620**	$ 16,320	$ 3,300	20
	$ 209,705	$ 123,808	$ 85,897	69

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 quarter of 2018 due to additional management efforts required in Ohio for the management of the Leaman #1 horizonal well. Subsequent to March 31, 2018 the senior executive purchased 370,000 units or $77,700 in the private placement of Marksmen that closed in April 2018. In addition, and subsequent to March 31, 2018 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 made several corporate presentations both in Canada and internationally in respect of current and ongoing debt and equity/capital requirements. In this regard, during the first quarter and subsequently into the second quarter 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. The private placement did not close until April and therefore $275,666 of investor funds that were received in March have been recorded in the financial statements of the Company in Q1, 2018 under accounts payable and accrued liabilities as a shares issuable liability. This amount will be moved to Share Capital in Q2, 2018.

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 quarter of 2018 The Company incurred interest related to a secured debenture of $36,986 compared to $36,987 in the same period of 2017. The Company has met all its semi-annual interest payments. The next payment is scheduled for June 2018.

Depletion – In the first quarter of 2018 depletion totaled $78,638 or $23.50 per barrel of oil produced compared to $133,911 or $24.49 CDN per barrel in the first quarter of 2017.

Financial Position – Highlights

Period Ended	Quarter ended Mar. 31, 2018	Year Ended Dec. 31, 2017	Change	% Change
Assets				
Current assets	**$ 631,808**	$ 1,387,134	$ (755,326)	**(54)**
Exploration and evaluation assets	**$ 2,650,566**	$ 1,736,033	$ 914,533	**53**
Property and equipment	**$ 2,243,285**	$ 2,223,110	$ 20,175	**1**
	$ 5,525,659	$ 5,346,277	$ 179,382	**3**
Liabilities				
Accounts payable and accruals	**$ 668,903**	$ 515,871	$ 153,032	**30**
Secured debentures	**$ 1,243,143**	$ 1,240,959	$ 2,184	**0**
Decommissioning liabilities	**$ 401,040**	$ 357,466	$ 43,574	**12**
	$ 2,313,086	$ 2,114,296	$ 198,790	**9**
Equity				
Share capital, contributed surplus & other	**$ 23,605,622**	$ 23,477,294	$ 128,328	**1**
Deficit	**$ (20,393,049)**	$ (20,245,313)	$ (147,736)	**1**
	$ 3,212,573	$ 3,231,981	$ (19,408)	**(1)**
Liabilities and equity	**$ 5,525,659**	$ 5,346,277	$ 179,382	**3**

Assets – Cash on hand decreased in the first quarter of 2018 to $382,899 from $801,097 at December 31, 2017 primarily because of capital expenditures related to the Leaman #1 horizontal well. Exploration and evaluation assets increased by $914,533 in the first quarter of 2018 compared to the year-end 2017 balance of $1,736,033, also related to the Leaman #1 horizontal well.

Liabilities – Accounts payable are lower in the first quarter of 2018 by approximately $110,000 compared to year end 2017. However, the Company has recorded as an additional liability $275,666 related to investments in private placements that did not close until April of 2018. This amount has therefore been charged to accounts payable and accruals as a shares issuable liability. In Q2 of 2018 this amount will be moved to share capital.

Equity – Share capital increased by $128,328 resulting from the exercise of stock options, share-based payments and foreign exchange translation changes compared to year-end 2017. The deficit increased by $147,736 because of the net loss of the Company for first quarter of 2018.

Capital Expenditures

Exploration and Evaluation (E&E) at Cost	Quarter Ended Mar. 31, 2018	Year End Dec. 31, 2017
Balance, beginning of year	$ 1,736,032	$ 1,736,916
Expenditures on Exploration and Evauluation	$ 877,742	$ 86,792
Foreign currency adjustment	$ 36,791	$ (87,676)
Transfer to PP&E	$ -	$ -
Balance, end of year	$ 2,650,565	$ 1,736,032

There were $877,742 of additions and $36,791 in Foreign Currency adjustments in Exploration and Evaluation assets related to expenditures for the Leaman #1 horizontal well. Once the well is fully on production these costs will transfer to Property Plant and Equipment.

Property Plant and Equipment (PP&E) at Cost	Quarter Ended Mar. 31, 2018	Year End Dec. 31, 2017
Balance beginning of Year	$ 3,803,559	$ 3,845,142
Additions	$ 38,560	$ 174,742
Transfer from E&E	$ -	$ -
Change in estimate of decommissioning liabilities	$ -	$ 1,898
Foreign currency adjustment	$ 91,263	$ (218,223)
Balance, end of year	$ 3,933,382	$ 3,803,559

The additions are related to asset retirement obligations of the new Leaman #1 horizontal well.

Decommissioning Liabilities

The Company has estimated the net present value of the decommissioning liabilities to be $401,040 as at March 31, 2018 (December 31, 2017 - $357,466). The total undiscounted amount of estimated future cash flows is $382,145 (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 1.76% - 2.02% (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 1.94% - 2.02% (December 31, 2017 – 1.81% - 1.97 %).

During the year ended December 31, 2017, 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

Marksmen 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 all its interest payment obligations over the term of the debentures, including during the year ended December 31, 2017. The Company has accrued the quarterly portion of debenture interest for the first quarter, but it is not payable until 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. A total of 1,416,500 warrants related to the first debenture have been exercised at $0.17 with 1,250,167 warrants remaining. No warrants at $0.25 have been exercised.

The remaining 1,250,167 warrants related to the first debenture at $0.17 are due to expire on June 28, 2018.

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 May 29, 2018.

Marksmen Energy Inc. Share Capital	**Q1 Mar. 31, 2018**	Year Ended Dec. 31, 2017	As of May 29,2018
Common Shares	**88,292,065**	88,102,065	92,311,474
Warrants	**8,514,362**	8,514,362	8,484,362
Stock Options	**7,705,000**	8,057,000	8,574,000
Broker Warrants	**111,947**	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, to $0.06 in July of 2017, to $0.21 at March 31, 2018 and has been as high as $0.245 in mid-May of 2018.

Common Shares – there were 190,000 stock options exercised in the first quarter of 2018 bringing the total of Common shares at March 31, 2018 to 88,292,065. Subsequent to March 31, 2018 there were 3,458,409 shares issued in two closings of a private placement, 531,000 shares issued from the exercise of stock options, and 30,000 shares issued from the exercise of warrants bringing the total issued and outstanding common share to 92,311,474 at May 29, 2018.

Warrants – there were 30,000 warrants exercised subsequent to March 31, 2018 resulting in a total at May 29, 2018 of 8,484,662 warrants.

Stock Options - there were 190,000 stock options exercised and 162,000 options cancelled during the first quarter of 2018. Subsequent to March 31, 2018, there were 531,000 stock options exercised and 1,400,000 stock options granted resulting in a total at May 29, 2018 of 8,574,000 stock options.

Broker Warrants - there were 13,600 broker warrants issued subsequent to March 31, 2018 resulting in a total of 125,547 broker warrants at May 29, 2018.

Share-based Payments

During the three months ended March 31, 2018, the Company did not grant stock options (December 31, 2017 – 2,025,000), and 190,000 were exercised and 162,000 were cancelled (December 31, 2017 – 278,000 and nil, respectively). 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.

Share-based payments expense recognized during the three months ended March 31, 2018 was $35,094 (March 31, 2017 - $11,655), of which $33,322 has been recorded in the consolidated statement of comprehensive loss (March 31, 2017- $10,213) and $1,772 has been capitalized as exploration and evaluation (March 31, 2017- $1,442), 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:

An aggregate of $62,700 (March 31, 2017 - $29,400) 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 (March 31, 2017 - $7,500) for costs associated with office space, storage space, and various administrative support costs. Additionally, an aggregate of $19,785 (March 31, 2017 - $23,785) 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 $13,190 (March 31, 2017 - $23,785) were capitalized as E&E costs.

Aggregate legal fees of $5,735 (March 31, 2017 - $4,595) were charged by a law firm in which a director of the Company is a partner, of which $5,735 (March 31, 2017 - $1,090) were expensed as general and administrative expenses and $nil (March 31, 2017 - $3,505) were charged to share capital as share issue costs.

As at March 31, 2018, the Company has accounts payable and accrued liabilities totaling $64,303 (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 March 31, 2018, included in deposits and prepaid expenses is an amount of $39,924 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 March 31, 2018, the Company had not yet achieved profitable operations, had accumulated a deficit of $20,393,049 (December 31, 2017 - $20,245,314) since its inception, cash flow from operations of $391,524 (December 31, 2017 – ($50,573)), a working capital deficiency with secured debentures excluded of $37,095 (December 31, 2017 – working capital $871,263), or a working capital deficiency of $1,280,238 (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 March 31, 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 and subsequent to March 31, 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 production operations.

Credit risk – As at March 31, 2018, the Company's accounts receivable consisted of $137,369 receivable from oil and natural gas marketing companies (December 31, 2017 - $70,478), $43,639 receivable from joint venture working interest owners (December 31, 2017 - $448,106) and $7,386 related to goods and service tax owing from the Government of Canada (December 31, 2017 - $7,595). 73% 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. 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 three months ended March 31, 2018		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	260,942	260,942
Depletion and depreciation	150	78,488	78,638
Net loss and comprehensive loss (income)	241,572	(93,838)	147,734
Exploration and evaluation assets	-	2,650,566	2,650,566
Property, plant and equipment	1,976	2,241,309	2,243,285
Total liabilities	1,945,222	367,864	2,313,086

	For the three months ended March 31, 2017		
	Canada	Unites States	Total
Petroleum and natural gas sales	-	366,804	366,804
Depletion and depreciation	231	133,680	133,911
Net loss and comprehensive loss (income)	173,424	(155,563)	17,861
Exploration and evaluation assets	-	1,761,079	1,761,079
Property, plant and equipment	2,821	2,498,385	2,501,206
Total liabilities	1,654,642	177,193	1,831,835

Subsequent Events

On April 13 and April 27, 2018, the Company closed a private placement issuing a total of 3,458,409 units for aggregate proceeds of $726,266 ($0.21 per Unit). Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one common share of the Company for $0.42 per common share for a period of 24 months from issuance. In connection with the private placement, the Company incurred cash share issue costs of $2,856 and issued 13,600 broker warrants. The broker warrants entitled the holder to acquire one common share of the Company at a price of $0.21 per common share for a period of 12 months from issuance.

On April 27, 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, vest as to 1/3 immediately and 1/3 on each of the first and second anniversary dates and have a 5-year term.

The Leaman #1 horizontal well was drilled in the first quarter and completion work on the well continued in the second quarter. Hydraulic fracturing has been completed in 12 stages all of which met technical expectations. The next phase is to flow and production test the well, followed by equipping the well for production.

Outlook

The primary business of Marksmen is the acquisition, development, and production of crude oil from properties located in Ohio, USA.

In early 2017, after research and development analysis by Marksmen's Ohio based team of professional geologists and engineers of historic oil reserves in Hocking County, Ohio, Marksmen entered into an agreement for a 60% working interest in a Clinton Sandstone formation horizontal drilling program, operated by Hocking Hills Energy and Well Services LLC. The agreement includes an area of mutual interest covering parts of four townships with over 5,000 acres currently under lease. Lease preparation and road construction began in December of 2017 and drilling was subsequently completed in the first quarter of 2018. This is the first well drilled by Marksmen since July 2016. The well has a vertical depth of approximately 2,850 feet with a horizontal leg of approximately 3,450 feet in length. During drilling, the well had several oil flows and natural gas shows to surface. Horizontal fracturing was undertaken in the second quarter of 2018. The 12 frac stages in the horizontal leg were completed and all met technical expectations. The next phase is to flow and production test the well, followed by equipping the well and putting it on production. Management is excited about the potential this well has to grow the Company.

Marksmen 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 or email 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.