



**ANNUAL INFORMATION FORM**

**May 12, 2011**

## TABLE OF CONTENTS

	<b>Page</b>
ABBREVIATIONS .....	1
FORWARD-LOOKING STATEMENTS .....	1
INCORPORATION AND ORGANIZATION .....	2
BUSINESS OF THE CORPORATION .....	2
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION .....	6
DIRECTORS AND OFFICERS OF THE CORPORATION .....	6
AUDIT COMMITTEE .....	8
DESCRIPTION OF CAPITAL STRUCTURE .....	10
DIVIDENDS .....	10
MARKET FOR SECURITIES .....	11
ESCROWED SECURITIES .....	11
INFORMATION CONCERNING THE OIL AND NATURAL GAS INDUSTRY .....	11
RISK FACTORS .....	17
LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....	23
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS .....	24
TRANSFER AGENT AND REGISTRAR .....	24
MATERIAL CONTRACTS .....	24
INTERESTS OF EXPERTS .....	24
ADDITIONAL INFORMATION .....	24
AUDIT COMMITTEE CHARTER .....	A-1

## ABBREVIATIONS

### Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	mcf	thousand cubic feet
bbls	barrels	mcf/d	thousand cubic feet per day
bbls/d	barrels per day	Mmcf	million cubic feet
Mbbl	thousand barrels	Mmcf/d	million cubic feet per day
NGLs	natural gas liquids	GJ	Gigajoule
boe/d	barrel of oil equivalent per day		

### Other

boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 bbl of crude oil for 6 mcf of natural gas. <i>Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.</i>
-----	--

In this Annual Information Form, references to "dollars" and "\$" are expressed in Canadian dollars, unless otherwise stated.

## FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intend", "forecast", "plans" and "guidance", and similar expressions, is intended to identify forward-looking statements or information.

More particularly and without limitation, this Annual Information Form contains forward-looking statements and information relating to the following:

- the performance characteristics of the Corporation's oil, NGLs and natural gas properties;
- oil, NGLs and natural gas production levels;
- the size of the oil, NGLs and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- future funds from operations;
- capital programs;
- debt levels;
- future royalty rates;
- future depletion, depreciation and accretion rates;
- treatment under governmental regulatory regimes and tax laws; and
- capital expenditure programs.

The forward-looking statements and information contained in this Annual Information Form are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities and the availability and cost of labour and services.

Although the Corporation believes that the expectations reflected in the forward-looking statements and information in this Annual Information Form are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty and environmental legislation. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future. Readers are cautioned that the foregoing list of factors and risks is not exhaustive.

The forward-looking statements and information contained in this Annual Information Form are made as of the date hereof and, unless so required by applicable law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise. The forward-looking statements and information contained in this Annual Information Form are expressly qualified by this cautionary statement.

## INCORPORATION AND ORGANIZATION

Manitok Energy Inc. ("**Manitok**" or the "**Corporation**") was formed by the amalgamation of Desco Resources Inc. ("**Desco**") and Manitok Exploration Inc. ("**MEX**") under the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 8, 2010 (the "**Amalgamation**").

Desco was incorporated under the ABCA on July 8, 2009. Prior to the Amalgamation, Desco was a reporting issuer in the provinces of British Columbia, Alberta, Manitoba and Ontario and was listed on the TSX Venture Exchange (the "**TSXV**") under the trading symbol "DSR.P" as a "capital pool company".

MEX was incorporated under the ABCA on April 20, 2005 as a private company based in Calgary, Alberta. Prior to the Amalgamation, MEX was engaged in the acquisition, exploration, development and production of petroleum and natural gas in the Western Canadian Sedimentary Basin (the "**WCSB**").

Desco and MEX agreed to amalgamate and form "Manitok Energy Inc." pursuant to the terms of an amalgamation agreement dated effective April 1, 2010. The Amalgamation was approved by the respective shareholders of Desco and MEX on June 25, 2010.

The Corporation's head office is located at Suite 2500, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0M9, and its registered office is located at Suite 1400, 700 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4V5.

The Corporation does not have any subsidiaries.

## BUSINESS OF THE CORPORATION

### General

Manitok is a public oil and gas exploration and development company focused on conventional oil and gas in the Canadian foothills and heavy crude oil in east-central Alberta. The stated business objectives and milestones of the Corporation consist of the following:

- (a) to develop and exploit oil and natural gas production and drilling opportunities on Manitok's current land holdings in order to maximize production, reserves and cash flow; and

- (b) to continue to acquire land, production, development and exploration opportunities in the WCSB, focusing in particular on the foothills.

For the three months ended December 31, 2010, Manitok's oil and gas assets produced approximately 198.4 boe/d of oil, natural gas and NGLs. At December 31, 2010 Manitok owned approximately 84,620 gross (81,020 net) acres of undeveloped land.

## **Relevant Three Year History**

### ***Desco***

On July 8, 2009, Desco completed a private placement of 3,200,000 common shares in the capital of Desco ("**Desco Shares**") at a price of \$0.10 per Desco Share for aggregate gross proceeds of \$320,000. On July 30, 2009, Desco completed an additional private placement of 1,800,000 Desco Shares at a price of \$0.10 per Desco Share for additional aggregate gross proceeds of \$180,000.

On October 29, 2009, Desco completed its initial public offering of 1,250,000 Desco Shares at a price of \$0.20 per share for gross proceeds of \$250,000, which offering closed on October 29, 2009. The Desco Shares commenced trading on the TSXV on November 5, 2009 under the trading symbol "DSR.P".

### ***MEX***

In August 2008, MEX drilled a natural gas well in the Hairy Hill area of Alberta, which was tied in and production was attempted in September 2008. The initial perforated zones were unproductive. Two separate zones were perforated and put on production in February 2009 at a combined net rate of 400 mcf/d. MEX successfully attempted the recompletion in the Bolton area of Alberta in August 2008. Due to the Crown rights expiring in September 2008, a continuation was applied for immediately and approved in January 2009. Given that natural gas prices were very low at the time, the decision was made by management of MEX to postpone the well tie-in. The well was tied-in during the first quarter of 2011.

In December 2008, MEX drilled a natural gas well in Bottrel, Alberta. The drilling operation was abandoned in January 2009 due to wellbore sloughing. With the world economy in difficulty and natural gas prices collapsing, any further capital spending was postponed until markets improved. MEX used the time to accumulate a land position in the southern Alberta foothills.

From July 2009 to June 2010, MEX acquired a 100% working interest in approximately 67.8 undeveloped sections of land, primarily in the southern Alberta foothills, through Crown sales for approximately \$2.1 million.

### ***The Corporation***

Immediately prior to completion of the Amalgamation on July 8, 2010, MEX completed a "best-efforts" private placement (the "**July 2010 Private Placement**") of 4,311,700 class "A" common shares in the capital of MEX ("**MEX Shares**") at a price of \$1.15 per MEX Share and 3,846,000 MEX Shares issued on a "flow-through" basis under the *Income Tax Act* (Canada) ("**MEX Flow-through Shares**") at a price of \$1.30 per MEX Flow-through Share (such share numbers being on a pre-Amalgamation basis), for aggregate gross proceeds of approximately \$10.0 million.

Pursuant to the Amalgamation, the shareholders of MEX (including subscribers to the July 2010 Private Placement) exchanged each one of their MEX Shares for 0.75 of a common share in the capital of the Corporation (a "**Manitok Share**") and the shareholders of Desco exchanged each one of their Desco Shares for 0.375 of a Manitok Share.

On July 29, 2010, the Corporation received final approval from the TSXV for the listing of the Manitok Shares and trading of the Manitok Shares on the TSXV commenced under the symbol "MEI".

On August 4, 2010, Manitok completed a disposition of a minor oil and gas asset in the Garrington area of Alberta for approximately \$1.8 million. The proceeds were used to partially fund the Corporation's capital program.

From July 2010 to December 2010, Manitok acquired approximately 48.0 (46.8 net) undeveloped sections of land, primarily in the southern Alberta foothills, through Crown sales for approximately \$1.5 million. Manitok's undeveloped land position at December 31, 2010 was comprised of 84,620 (81,020 net) acres, which was a 59% increase on a net basis as compared to MEX's undeveloped land position of 53,920 (51,040 net) acres at June 30, 2010.

On October 13, 2010, the Corporation announced the successful drilling of five (100% working interest) heavy oil wells in its Swimming area, 80 kilometers west of Lloydminster, Alberta. The Corporation closed 2010 with an exit rate production of 150 bbls/d of heavy oil (11° - 13° API) from eight well locations on the Swimming property.

On December 22, 2010, the Corporation entered into an agency agreement with Integral Wealth Securities Limited and closed the first tranche of a reasonable "best-efforts" private placement (the "**December 2010 Private Placement**") of 10,031,500 Manitok Shares issued at a price of \$1.00 per Manitok Share and 6,618,559 Manitok Shares issued on a "flow-through" basis under the *Income Tax Act* (Canada) ("**Manitok Flow-through Shares**") at a price of \$1.15 per Manitok Flow-through Share, for aggregate gross proceeds of approximately \$17.6 million. On December 30, 2010, the Corporation closed the second and final tranche of the December 2010 Private Placement with 325,400 Manitok Shares issued at a price of \$1.00 per Manitok Share and 110,130 Manitok Flow-through Shares issued at a price of \$1.15 per Manitok Flow-through Share, for aggregate gross proceeds of approximately \$452,000. Under both tranches of the December 2010 Private Placement, the Corporation raised aggregate gross proceeds of approximately \$18.1 million.

## **Recent Developments**

On March 7, 2011, the Corporation announced the initial completion of a successful liquids rich gas well in Stolberg, which is 80 kilometers west of Rocky Mountain House, Alberta. Based on a 24-hour flow test after only perforating the zone, the test registered a production rate of 739 boe/d consisting of 75 bbls/d of 52° wellhead condensate and 4 Mmcf/d of sweet liquids rich natural gas. On March 30, 2011, Manitok announced that post-flow buildup data indicated potential to increase well deliverability with a relatively small volume fracture stimulation to 2,350 to 2,800 boe/d consisting of 13.0 to 15.5 Mmcf/d of sweet liquids rich gas and 16 bbls per Mmcf of 52° API field condensate. The Corporation intends to tie-in the well in the third quarter of 2011. Manitok has secured an industry partner to participate for a 25% working interest in the well, with Manitok retaining the remaining 75% working interest.

On April 14, 2011 Manitok closed an equity financing, completed by way of a short form prospectus, for the sale of 17,968,750 Manitok Shares issued at a price of \$1.60 per Manitok Share for net proceeds of approximately \$26.8 million. Proceeds of this equity financing will be used to fund the Corporation's drilling program and the acquisition of undeveloped land and seismic in 2011 and early 2012.

## **Strategy**

Manitok's corporate strategy is that of being an "early mover" in the next stage of western Canadian foothills development; the exploitation of the bypassed shallower horizons. The Corporation has been created specifically to focus on and succeed in the foothills. Manitok's technical team has been assembled for its extensive geological and drilling experience to methodically and reliably exploit the bypassed shallower reservoirs in the foothills. At this time, there are few competitors due to the technical experience required to understand and execute drilling programs in the foothills, which has enabled the Corporation to assemble more than 74,000 net acres of undeveloped foothills land. Furthermore, the previous activities of the major oil and gas companies over the last 20 years in drilling deeper gas targets have resulted in available 2-D and 3-D seismic surveys, drill cuttings and well logs, roads, pipelines and processing plants with excess capacity, all of which will significantly reduce the costs of future development.

## **Price Risk Management**

Prices received for production and associated operating expenses are impacted in varying degrees by factors outside management's control. These factors include, but are not limited to, the following:

- (a) world market forces, including the ability of OPEC to set and maintain production levels and prices for crude oil;
- (b) political conditions, including the risk of hostilities in the Middle East and other regions throughout the world;
- (c) increases or decreases in crude oil quality and market differentials;
- (d) the impact of changes in the exchange rate between Canada and U.S. dollars on prices received by the Corporation for its crude oil and natural gas;
- (e) North American market forces, most notably shifts in the balance between supply and demand for crude oil and natural gas and the implications for the price of crude oil and natural gas;
- (f) global and domestic economic and weather conditions;
- (g) price and availability of alternative fuels; and
- (h) the effect of energy conservation measures and government regulations.

As at the date hereof, the Corporation does not have any price risk management transactions in place.

## **Revenue Sources**

For the six month financial year ended December 31, 2010, 53% of the revenue from Manitek's properties before royalties was derived from natural gas and 47% was derived from heavy oil and NGLs. Production is sold to marketers at delivery points in or close to the producing field.

## **Competition**

There is strong competition relating to all aspects of the oil and natural gas industry. The Corporation will actively compete for capital, skilled personnel, undeveloped land, reserves acquisitions, access to drilling rigs, service rigs and other equipment and access to processing facilities and pipeline and refining capacity, and in all other aspects of its operations, with a substantial number of other organizations, many of which may have greater technical and financial resources than the Corporation. Some of those organizations not only explore for, develop and produce oil and natural gas but also carry on refining operations and market petroleum and other products on a world-wide basis and, as such, have greater and more diverse resources on which to draw.

## **Personnel**

As at December 31, 2010, Manitek had 11 employees and 5 contract workers. As at the date hereof, Manitek has 13 employees and 4 contract workers.

## STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Manitok has filed with Canadian securities regulatory authorities in the provinces of Alberta, British Columbia, Manitoba and Ontario its Form 51-101F1 *Statements of Reserves Data and Other Oil and Gas Information*, Form 51-101F2 *Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor* and Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* (collectively, the "**Reserves Report**") for the six month financial year ended December 31, 2010. The Reserves Report is specifically incorporated by reference into and forms an integral part of this Annual Information Form. A copy of the Reserves Report may be obtained on request without charge from the Chief Executive Officer of the Corporation by sending a written request to 2500, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0M9, by faxing a written request to 403-984-1749, by calling 403-984-1750 or by e-mailing [info@manitok.com](mailto:info@manitok.com). The Reserves Report is also available electronically on SEDAR at [www.sedar.com](http://www.sedar.com).

### DIRECTORS AND OFFICERS OF THE CORPORATION

The name, municipality of residence and principal occupation for the last five years of each of the directors and executive officers of the Corporation are as follows:

Name and Residence	Office	Principal Occupation and Positions Held During the Last Five Years	Director or Officer Since
Massimo M. Geremia <sup>(1)(3)</sup> Calgary, Alberta, Canada	Director and President and Chief Executive Officer	President and Chief Executive Officer of Manitok since July 8, 2010. President, Chief Executive Officer and Chief Financial Officer of MEX from April 20, 2005 to July 8, 2010. Manager of Birchcliff Energy Ltd., a Toronto Stock Exchange ("TSX") listed oil and gas company, from April 2005 to May 2008.	July 8, 2010
Bruno P. Geremia <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada	Chairman	Vice President and Chief Financial Officer of Birchcliff Energy Ltd., a TSX listed oil and gas company, from October 2004 to present. Chairman of the Board of MEX from April 20, 2005 to July 8, 2010.	July 8, 2010
Robert J. Dales <sup>(1)(3)</sup> Calgary, Alberta, Canada	Director	President of Valhalla Ventures Inc., a private investment corporation, since January 1999 and President, Chief Executive Officer and a director of Drako Capital Ltd., a capital pool corporation. Mr. Dales is also a director of Celtic Exploration Ltd. and Arcan Resources Ltd., both public oil and gas exploration companies.	July 8, 2010
Wilfred A. Gobert <sup>(1)(2)</sup> Calgary, Alberta, Canada	Director	Independent businessman since May 2006 and prior thereto, Managing Director, Research of Peters & Co. Limited, an investment dealer, from August 1979 to September 2002. A director of MEX from February 28, 2007 to July 8, 2010.	July 8, 2010
Gregory E. Peterson <sup>(2)</sup> Calgary, Alberta, Canada	Director and Corporate Secretary	Partner with Gowling Lafleur Henderson LLP, a national Canadian law firm, since 1990. Corporate Secretary of MEX from April 20, 2005 to July 8, 2010.	July 8, 2010
Tom Spoletini <sup>(1)(2)</sup> Calgary, Alberta, Canada	Director	Founding partner of Spolumbo's Deli, a private deli company based out of Calgary, Alberta. A director of MEX from April 20, 2005 to July 8, 2010.	July 8, 2010
Cameron G. Vouri <sup>(3)</sup> Calgary, Alberta, Canada	Director	Independent businessman since March 1, 2011. Prior thereto, Vice President, Operations and Chief Operating Officer of Renegade Petroleum Ltd. and President, Canadian Oil and Gas Division of Provident Energy Trust. Director of MEX from February 1, 2007 to July 8, 2010.	July 8, 2010
Tim de Freitas Calgary, Alberta, Canada	Vice President, Exploration and Chief Operating Officer	Vice President, Exploration and Chief Operating Officer of Manitok since July 8, 2010. Prior thereto, Vice President, Exploration and Chief Operating Officer of MEX from September 2008 until July 8, 2010. From September 2006 to September 2008, consultant with British Gas International. From April 1999 to September 2006, in various technical and managerial capacities in foothills exploration and development teams with Talisman Energy Inc.	July 8, 2010



Name and Residence	Office	Principal Occupation and Positions Held During the Last Five Years	Director or Officer Since
Robert G. Dion Calgary, Alberta, Canada	Vice President, Finance and Chief Financial Officer	Vice President Finance and Chief Financial Officer of the Corporation since July 8, 2010. Prior thereto, Controller of MEX from April 16, 2010 until July 8, 2010. Prior thereto, Finance Manager at Compton Petroleum Corporation from September 2003 until January 2010.	July 8, 2010
Dorothy Else Calgary, Alberta, Canada	Vice President, Land	Vice President, Land of the Corporation since July 8, 2010. Prior thereto, Vice President, Land of MEX from April 16, 2010 until July 8, 2010. Prior thereto, independent consultant for MEX since 2005.	July 8, 2010

**Notes:**

- (1) Member of the audit committee of the Corporation. See "Audit Committee".
- (2) Member of the compensation committee of the Corporation.
- (3) Member of the reserves committee of the Corporation.
- (4) As of the date hereof, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, 3,970,886 of the Manitoq Shares, constituting approximately 7.7% of the issued and outstanding Manitoq Shares.
- (5) Each director's term expires at the close of the next annual meeting of the shareholders of the Corporation, unless re-elected.

**Orders**

To the knowledge of management of the Corporation, other than as disclosed herein, no director or executive officer as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Mr. Gregory Peterson is the corporate secretary of Wenzel Downhole Tools Ltd. ("**Wenzel**"). On March 19, 2004, Wenzel was issued a temporary cease trade order by the Alberta Securities Commission (the "**Alberta Order**"), alleging, among other things, that Wenzel's 2002 year financial statements contained misleading or false statements. On April 2, 2005, the Alberta Order was voluntarily extended by Wenzel pending completion of an impendent forensic audit, requested by Wenzel's directors, to be completed by PricewaterhouseCoopers LLP (the "**PwC Audit**"). Due to the fact that the PwC Audit was not completed in time for Wenzel to file its financial statements in time, the Ontario Securities Commission and the British Columbia Securities Commission issued temporary cease trade orders (the "**Orders**") for failing to file financial statements on time. Wenzel subsequently completed the PwC Audit and refiled its financial statements and, on January 25, 2006, the Alberta Order and the Orders were revoked by the respective securities commissions.

**Bankruptcies**

To the knowledge of management of the Corporation, other than as disclosed herein, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

## Penalties and Sanctions

To the knowledge of management of the Corporation, no director or executive officer or shareholder holding a sufficient number of common shares to affect materially the control of the Corporation, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

## Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject to in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial or director positions with other oil and natural gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. In accordance with the ABCA, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Certain of the directors of the Corporation have either other employment or other business or time restrictions placed on them and, accordingly, such directors will only be able to devote part of their time to the affairs of the Corporation. The table below lists those directors of the Corporation that are also directors of other oil and natural gas companies and sets forth certain details of those directorships.

Name	Name of Reporting Issuer	Exchange	Term
Robert J. Dales	Arcan Resources Inc. (formerly Desco Energy Ltd.)	TSXV	January 2007 – Present
	Celtic Exploration Ltd.	TSX	April 2002 – Present
	Drako Capital Corp.	TSXV	January 2010 – Present
Wilfred A. Gobert	Canadian Natural Resources Limited	TSX and New York Stock Exchange	November 2010 – Present
	Aston Hill Energy Inc.	TSX	December 2008 – Present
	Catapult 2008 Inc.	TSX	August 2008 – Present
	Gluskin Sheff + Associates	TSX	May 2006 – Present
	Trilogy Energy Inc.	TSX	November 2006 – Present

## AUDIT COMMITTEE

The board of directors of the Corporation (the "**Board**") has established an audit committee (the "**Audit Committee**"). The Audit Committee reviews, along with management and the external auditors, any significant financial reporting issues, the financial statements of the Corporation and any other matters of relevance to the parties. The Audit Committee meets quarterly to review and approve the interim financial statements and management's discussion and analysis ("**MD&A**") of the Corporation prior to their release, as well as annually to review the Corporation's annual financial statements and MD&A and to recommend their approval to the Board. The external auditors have unrestricted access to the Audit Committee.

The Corporation is relying upon the exemption in Section 6.1 of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") as the Corporation, as a venture issuer within the meaning ascribed thereto in NI 52-110,

is exempt from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

Disclosure of the Audit Committee practices is set forth below.

### **Audit Committee Charter**

In response to NI 52-110, the Corporation has established an Audit Committee charter to address certain matters, which include but are not limited to the following: (a) the procedure to nominate the external auditor and the recommendation of its compensation; (b) the overview of the external auditor's work; (c) pre-approval of non-audit services; (d) the review of financial statements, MD&A and financial sections of other public reports requiring board approval; (e) the procedure to respond to complaints respecting accounting, internal accounting controls or auditing matters and the procedure for confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and (f) the review of the Corporation's hiring policies towards present or former employees or partners of the Corporation's present or former external auditor.

The full text of the Audit Committee charter is attached hereto as Schedule "A".

### **Composition of the Audit Committee**

The Audit Committee is comprised of Mr. Bruno P. Geremia (Chair), Mr. Robert J. Dales, Mr. Wilfred A. Gobert, Mr. Tom Spoletini and Mr. Massimo M. Geremia. Each member of the Audit Committee is independent within the meaning of section 1.4 of NI 52-110, other than Mr. Massimo M. Geremia, as an officer of the Corporation and Mr. Bruno P. Geremia, as an immediate family member of an officer of the Corporation. In addition, each member of the Audit Committee is financially literate within the meaning of section 1.6 of NI 52-110.

### **Relevant Education and Experience**

Each of the members of the Audit Committee has been involved in the financing, administration and operation of managing public companies or significant operations of private companies and has been either directly involved in the preparation of the financial statements, filing of the quarterly and annual financial statements, dealing with the auditors or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

### **Audit Committee Oversight**

No recommendation of the Audit Committee to nominate or compensate an external auditor was not adopted by the Board since the beginning of the Corporation's most recently completed financial year.

### **Reliance on Certain Exemptions**

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in section 2.4 (*De Minimis Non-audit Services*) or Part 8 (*Exemptions*) of NI 52-110.

### **Pre-Approval Policies and Procedures**

The Audit Committee has adopted policies and procedures for the engagement of non-audit services. The Audit Committee has delegated to its members the authority to pre-approve non-audit services, provided, however, that such pre-approval of non-audit services shall be presented to the Audit Committee at its first scheduled meeting following any such pre-approval.

## External Auditor Service Fees

The table below summarizes the fees billed by Kenway Mack Slusarchuk Stewart LLP, the Corporation's external auditors, during the six month financial year ended December 31, 2010.

Nature of fees	2010
Audit fees	\$35,000
Audit-related fees	\$6,000
Tax fees	-
All other fees	\$1,000
<b>TOTAL</b>	<b>\$42,000</b>

### Note:

- (1) The fees shown represents external auditor service fees during July 8, 2010 until December 31, 2010, as the Corporation was formed on July 8, 2010 as a result of the Amalgamation. For more details regarding the Amalgamation, please see the joint management information circular and proxy statement of Desco and MEX dated May 28, 2010, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Corporation consists of an unlimited number of Manitok Shares and an unlimited number of preferred shares, issuable in series (the "**Preferred Shares**"), of which, as at the date of this Annual Information Form, 51,665,531 Manitok Shares and nil Preferred Shares are issued and outstanding. The Corporation's Articles have been filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### Common Shares

Holders of Manitok Shares are entitled to: (a) receive notice of and attend and vote at all meetings of shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote; (b) receive any dividends declared by the Corporation on the Manitok Shares, provided that the Corporation is entitled to declare dividends on the Preferred Shares, or on any of such classes of shares without being obliged to declare any dividends on the Manitok Shares; (c) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution in equal rank with the holders of all other Manitok Shares; and (d) the rights, privileges and restrictions normally attached to Manitok Shares.

### Preferred Shares

The Preferred Shares may be issued from time to time in one or more series, each consisting of a number of Preferred Shares as determined by the Board, which also may fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares. The holders of Preferred Shares are entitled to dividends, if, as and when declared by the Board. However, the Board may declare a dividend on any class of shares of the Corporation without being obligated to declare a dividend on the Preferred Shares. The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of Corporation among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over Manitok Shares and the shares of any other class ranking junior to the Preferred Shares.

## DIVIDENDS

The Corporation has not declared or paid any dividends on the Manitok Shares or the Preferred Shares. Any decision to pay dividends on such shares in the future will be made by the Board on the basis of the Corporation's earnings, financial condition and other conditions existing at such future time. It is the current intention of the Corporation not to pay any dividends in the near future.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Manitoq Shares have been listed and posted for trading on the TSXV since July 29, 2010 under the trading symbol "MEI". The following table sets out the price range for, and trading volume of, the Manitoq Shares as reported by the TSXV for the periods indicated:

	Trading Price		Volume Traded
	High	Low	# of shares
January 2010	-	-	-
February 2010	-	-	-
April 2010	-	-	-
April 2010	-	-	-
May 2010	-	-	-
June 2010	-	-	-
July 2010	-	-	-
August 2010	1.46	1.01	115,347
September 2010	1.50	0.95	111,821
October 2010	1.40	1.01	158,028
November 2010	1.15	0.99	192,934
December 2010	1.50	0.95	678,288
January 2011	1.95	1.22	465,511
February 2011	2.14	1.60	1,366,531
March 2011	2.50	1.60	819,450
April 2011	2.05	1.65	1,300,779
May 1, 2011 to May 12, 2011	1.75	1.63	292,084

### ESCROWED SECURITIES

To the knowledge of the Corporation, the following table provides details with respect to the securities of the Corporation that are held in escrow as at the date hereof:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Manitoq Shares	1,451,290 <sup>(1)</sup>	2.8

**Note:**

- (1) These Manitoq Shares will be released from escrow as follows: (a) 725,646 on July 29, 2011; and (b) 725,644 on January 29, 2012.

### INFORMATION CONCERNING THE OIL AND NATURAL GAS INDUSTRY

Companies operating in the oil and natural gas industry are subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and natural gas industry. It is not expected that any of such controls or regulations would affect the operations of the Corporation in a manner materially different than they would affect other companies of similar size in the oil and natural gas industry. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted.

### Pricing and Marketing

#### *Oil*

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with a competitive open market setting the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the

value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the National Energy Board (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such a licence requires a public hearing and the approval of the Governor in Council.

### ***Natural Gas***

In Canada, the price of natural gas results from transactions between buyers and sellers in an open, transparent market environment. Natural gas exported from Canada is subject to regulation by the NEB and the government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that export contracts in excess of two years must continue to meet certain criteria prescribed by the NEB and the government of Canada. As is the case with oil, natural gas exports for a term of less than two years must be made pursuant to an NEB order, or, in the case of exports for a longer duration, pursuant to an NEB licence and Governor in Council approval. The price received by the Corporation depends, in part, on the prices of competing natural gas and other substitute fuels, access to downstream transportation, distance to markets, length of the contract term, weather conditions, the supply and demand balance and other contractual terms.

The governments of Alberta and British Columbia also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere based on such factors as availability of reserves, transportation arrangements and market considerations.

### **The North American Free Trade Agreement**

On January 1, 1994, the North American Free Trade Agreement ("NAFTA") among the governments of Canada, the U.S. and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed provided that the restrictions are justified under certain provisions of the General Agreement on Tariffs and Trade then only if the export restrictions do not: (i) reduce the proportion of energy resources exported relative to the total supply of the energy resource (based upon the proportion prevailing in the most recent 36-month period); (ii) impose an export price higher than the domestic price; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes, to minimize disruption of contractual arrangements and to avoid undue influence with pricing, marketing and distribution arrangements, all of which are important for Canadian oil and natural gas exports.

### **Royalties and Incentives**

#### ***General***

In addition to federal regulation, each province has legislation and regulations which govern royalties, production rates and other matters. The royalty regime in a given province is a significant factor in the profitability of crude oil, NGLs, sulphur and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiation between the mineral freehold owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Royalties from production on Crown lands are determined by governmental regulation and are generally calculated as a percentage of the value of gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests or net carried interests.

Occasionally, the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays or royalty tax credits and are generally introduced when commodity prices are low to encourage exploration and development activity by improving earnings and cash flow within the industry.

### ***Alberta***

Producers of oil and natural gas from Crown lands in Alberta are required to make annual rental payments, currently at a rate of \$3.50 per hectare, and monthly royalty payments in respect of oil and natural gas produced.

On October 25, 2007, the Government of Alberta released a report entitled "The New Royalty Framework" (the "NRF") containing the Government's proposals for Alberta's new royalty regime, which were subsequently implemented by the *Mines and Minerals (New Royalty Framework) Amendment Act, 2008*. The NRF took effect on January 1, 2009. On March 11, 2010, the Government of Alberta announced changes to Alberta's royalty system that were intended to increase Alberta's competitiveness in the upstream oil and natural gas sectors. As a result of this announcement, the maximum royalty rates for conventional oil and natural gas production were decreased as of the January 2011 production month and certain temporary incentive programs were made permanent.

With respect to conventional oil, the NRF eliminated the classification system used by the previous royalty structure, which classified oil based on the date of discovery of the pool. Under the NRF, royalty rates for conventional oil are set by a single sliding rate formula which is applied monthly and incorporates separate variables to account for production rates and market prices. Royalty rates for conventional oil under the NRF range from 0% to 50%, an increase from the previous maximum rates of 30% to 35% depending on the vintage of the oil, and rate caps are set at \$120/bbl. Effective January 1, 2011, the maximum royalty payable under the NRF were reduced to 40%.

Royalty rates for natural gas under the NRF are similarly determined using a single sliding rate formula incorporating separate variables to account for production rates and market prices. Royalty rates for natural gas under the NRF range from 5% to 50%, an increase from the previous maximum rates of 5% to 35%, and rate caps are set at \$17.75/GJ. Effective January 1, 2011, the maximum royalty payable under the NRF were reduced to 36%.

Oil sands projects are also subject to the NRF. Prior to payout, the royalty is payable on gross revenues of an oil sands project. Gross revenue royalty rates range between 1% and 9% depending on the market price of oil: rates are 1% when the market price of oil is less than or equal to \$55/bbl and increase for every dollar of market price of oil increase to a maximum of 9% when oil is priced at \$120/bbl or higher. After payout, the royalty payable is the greater of the gross revenue royalty based on the gross revenue royalty rate of 1% to 9% and the net revenue royalty based on the net revenue royalty rate. Net revenue royalty rates start at 25% and increase for every dollar of market price of oil increase above \$55/bbl up to 40% when oil is priced at \$120/bbl or higher. An oil sands project reaches payout when its cumulative revenue exceeds its cumulative costs. Costs include specified allowed capital and operating costs related to the project plus a specified return allowance. As part of the implementation of the NRF, the Government of Alberta renegotiated existing contracts with certain oil sands producers that were not compatible with the NRF.

In August 2006, the Government of Alberta introduced the Innovative Energy Technologies Program (the "IETP"), which has a stated objective of promoting producers' investment in research, technology and innovation for the purposes of improving environmental performance while creating commercial value. The IETP is backed by a \$200 million funding commitment over a five-year period beginning April 1, 2005 and provides royalty adjustments to specific pilot and demonstration projects that utilize innovative technologies to increase recovery from existing reserves.

On April 10, 2008, the Government of Alberta introduced two new royalty programs to be implemented along with the NRF and intended to encourage the development of deeper, higher cost oil and gas reserves. A five-year program for conventional oil exploration wells over 2,000 metres provides qualifying wells with up to \$1 million or

12 months of royalty relief, whichever comes first, and a five-year program for natural gas wells deeper than 2,500 metres provides a sliding scale royalty credit based on depth of up to \$3,750 per metre.

On November 19, 2008, in response to the drop in commodity prices experienced during the second half of 2008, the Government of Alberta announced the introduction of a five-year program of transitional royalty rates with the intent of promoting new drilling. The five-year transition option is designed to provide lower royalties at certain price levels in the initial years of a well's life when production rates are expected to be the highest. Under this new program, companies drilling new natural gas or conventional oil deep wells (between 1,000 and 3,500 metres) are given a one-time option, on a well-by-well basis, to adopt either the new transitional royalty rates or those outlined in the NRF. Pursuant to the changes made to Alberta's royalty structure announced on March 11, 2010, producers will only be able to elect to adopt the transitional royalty rates prior to January 1, 2011 and producers that have already elected to adopt the transitional royalty rates as of that date will be permitted to switch to Alberta's conventional royalty structure. On December 31, 2013, all producers operating under the transitional royalty rates will automatically become subject to Alberta's conventional royalty structure.

On March 3, 2009, the Government of Alberta announced a three-point incentive program in order to stimulate new and continued economic activity in Alberta. The program introduced a drilling royalty credit for new conventional oil and natural gas wells and a new well royalty incentive program, both applying to conventional oil or natural gas wells drilled between April 1, 2009 and March 31, 2010. The drilling royalty credit provides up to a \$200 per metre royalty credit for new wells and is primarily expected to benefit smaller producers since the maximum credit available will be determined using the company's production level in 2008 and its drilling activity between April 1, 2009 and March 31, 2010, favouring smaller producers with lower activity levels. The new well incentive program initially applied to wells that began producing conventional oil or natural gas between April 1, 2009 and March 31, 2010 and provided for a maximum 5% royalty rate for the first 12 months of production on a maximum of 50,000 bbls of oil or 500 Mmcf of natural gas. In June, 2009, the Government of Alberta announced the extension of these two incentive programs for one year to March 31, 2011. On March 11, 2010, the Government of Alberta announced that the incentive program rate of 5% for the first 12 months of production would be made permanent, with the same volume limitations.

In addition to the foregoing, Alberta currently maintains a royalty reduction program for low productivity oil and oil sands wells, a royalty adjustment program for deep marginal gas wells and a royalty exemption for re-entry wells, among others.

## **Land Tenure**

Crude oil and natural gas located in the western Canadian provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years and on conditions set forth in provincial legislation, including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Alberta has implemented legislation providing for the reversion to the Crown of mineral rights to deep, non-productive geological formations at the conclusion of the primary term of a lease or licence.

In Alberta, the NRF includes a policy of "shallow rights reversion", which provides, for the first time in western Canada, for the reversion to the Crown of mineral rights to shallow, non-productive geological formations for all leases and licences. For leases and licences issued subsequent to January 1, 2009, shallow rights reversion will be applied at the conclusion of the primary term of the lease or licence. Holders of leases or licences that have been continued indefinitely prior to January 1, 2009 will receive a notice regarding the reversion of the shallow rights, which will be implemented three years from the date of the notice. The order in which these agreements will receive the reversion notice will depend on their vintage and location, with the older leases and licences receiving reversion notices first beginning in April 2011. Leases and licences that were granted prior to January 1, 2009 but continued after that date will not be subject to shallow rights reversion until they reach the end of their primary term and are continued (at which time deep rights reversion will be applied); thereafter, the holders of such



agreements will be served with shallow rights reversion notices based on vintage and location similar to leases and licences that were already continued as of January 1, 2009.

## **Environmental Regulation**

Companies operating in the oil and natural gas industry are subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations and can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facilities sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders. Under the *Environmental Protection and Enhancement Act* (Alberta), changes in these regulations have had an incremental effect on the cost of conducting operations in Alberta.

The Corporation is committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and expense nature, as a result of the increasingly stringent laws relating to the protection of the environment. The Corporation's internal procedures are designed to ensure that the environmental aspects of new developments are taken into account prior to proceeding. The Corporation believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

## **Climate Change Regulation**

### ***International***

In December 2002, the Government of Canada ratified the Kyoto Protocol (the "**Kyoto Protocol**"), which requires a reduction in greenhouse gas emissions by signatory countries between 2008 and 2012. The Kyoto Protocol officially came into force on February 16, 2005 and commits Canada to reduce its greenhouse gas emissions levels to 6% below 1990 "business-as-usual" levels by 2012.

In anticipation of the expiry of the Kyoto Protocol in 2012, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark in December 2009 (the "**Copenhagen Conference**") to attempt to negotiate a successor to the Kyoto Protocol. The primary result of the Copenhagen Conference was the Copenhagen Accord, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol and has not been endorsed by all participating countries. The Copenhagen Accord reinforces the commitment to reducing greenhouse gas emissions contained in the Kyoto Protocol and promises funding to help developing countries mitigate and adapt to climate change. Although certain countries, including Canada, have committed to reducing their emissions individually or jointly by at least 80% by 2050, the Copenhagen Accord does not establish binding greenhouse gas emissions reduction targets. The Copenhagen Accord calls for a review and implementation of its stated goals by 2016.

In response to the Copenhagen Accord, the Government of Canada has recently indicated that it will seek to achieve a 17% reduction in greenhouse gas emissions from 2005 levels by 2020, in line with the reduction commitment made by the United States. The Copenhagen Accord and the Kyoto Protocol remain in place subsequent to Conference of the Parties 16, held in Cancun, Mexico.

On February 14, 2007, the House of Commons passed Bill C-288, *An Act to ensure Canada meets its global climate change obligations under the Kyoto Protocol*. The resulting *Kyoto Protocol Implementation Act* came into force on June 22, 2007. Its stated purpose is to "ensure that Canada takes effective and timely action to meet its obligations under the Kyoto Protocol and help address the problem of global climate change". It requires the federal Minister of the Environment to, among other things, produce an annual climate change plan detailing the measures to be taken to ensure Canada meets its obligations under the Kyoto Protocol. It also authorizes the establishment of regulations respecting matters such as emissions limits, monitoring, trading and enforcement.

## ***Federal***

On April 26, 2007, the Government of Canada released "Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution" (the "**Action Plan**"), which set forth a plan for regulations to address both greenhouse gases and air pollution. An update to the Action Plan, "Turning the Corner: Regulatory Framework for Industrial Greenhouse Gas Emissions" was released on March 10, 2008 (the "**Updated Action Plan**").

The Updated Action Plan makes a distinction between "Existing Facilities" and "New Facilities". For Existing Facilities, the Updated Action Plan requires an emissions intensity reduction of 18% below 2006 levels by 2010, followed by a continuous annual emissions intensity improvement of 2%. "New Facilities" are defined as facilities beginning operations in 2004 and include both greenfield facilities and major facility expansions that (i) result in a 25% or greater increase in a facility's physical capacity or (ii) involve significant changes to the processes of the facility. New Facilities will be given a three-year grace period during which no emissions intensity reductions will be required. Targets requiring an annual 2% emissions intensity reduction will begin to apply in the fourth year of commercial operation of a New Facility. Further, emissions intensity targets for New Facilities will be based on a cleaner fuel standard to encourage continuous emissions intensity reductions over time. The method of applying this cleaner fuel standard has not yet been determined. In addition, the Updated Action Plan indicates that targets for the adoption of carbon capture and storage ("**CCS**") technologies will be developed for oil sands in-situ facilities, upgraders and coal-fired power generators that begin operations in 2012 or later. These targets will become operational in 2018, although the exact nature of the targets has not yet been determined.

Given the large number of small facilities within the upstream oil and gas and natural gas pipeline sectors, facilities within these sectors will only be subject to emissions intensity targets if they meet certain minimum emissions thresholds. That threshold will be (i) 50,000 tonnes of carbon dioxide equivalents ("**CO<sub>2e</sub>**") per facility per year for natural gas pipelines; (ii) 3,000 tonnes of CO<sub>2e</sub> per facility per year for the upstream oil and gas facility; and (iii) 10,000 boe/d/company. These regulatory thresholds are significantly lower than the regulatory threshold in force in Alberta, discussed below.

Although draft regulations for the implementation of the Updated Action Plan were intended to be published in the fall of 2008 and become binding on January 1, 2010, no such regulations have been proposed to date. Further, representatives of the Government of Canada have recently indicated that the proposals contained in the Updated Action Plan will be modified to ensure consistency with the direction ultimately taken by the United States with respect to greenhouse gas emissions regulation.

A number of attempts were made during 2010 to enact greenhouse gas legislation in the United States, none of which was successful. In the absence of United States federal climate legislation permitting a cap and trade program in the United States, the Environmental Protection Agency (the "**EPA**") is proposing a number of standards-based regulatory initiatives to regulate greenhouse gas emissions, including the regulation of greenhouse gas emissions from large stationary sources. The EPA promulgated the Mandatory Reporting of Greenhouse Gases Rule (the "**Rule**") on December 29, 2009, which rule requires reporting from large facilities (emitting greater than 25,000 tonnes of CO<sub>2e</sub> per year). The EPA has also mandated renewable fuels standards for ethanol blending up to 15% from the current 10% limit..

The Canadian government has started to address the emissions of specific sectors of the economy starting with vehicle emission standards, performance standards for the electrical power generating sector and a renewable fuels standard in line with the United States. Since the Updated Action Plan, the Canadian federal government has not passed any climate change legislation, leaving the provinces to take the lead in this arena.

Under section 46(1) of the *Canadian Environmental Protection Act, 1999*, the Government of Canada requires mandatory reporting of greenhouse gas emissions. Notices are published in the *Canada Gazette* setting out the greenhouse gases, their respective global warming potential and the criteria for reporting. The "*Canada Gazette* Notice for 2009 Emissions" sets out the requirement for facilities that exceed the 50,000-metric-tonne CO<sub>2e</sub> greenhouse gas threshold to report their annual emissions on or before June 1, 2010.

## ***Alberta***

Alberta enacted the *Climate Change and Emissions Management Act* (the "**CCEMA**") on July 1, 2007, amending it through the *Climate Change and Emissions Management Amendment Act*, which received royal assent on November 4, 2008. The CCEMA is based on an emissions intensity approach similar to the Updated Action Plan and aims for a 50% reduction from 1990 emissions relative to GDP by 2020.

Alberta facilities emitting more than 100,000 tonnes of greenhouse gases per year must comply with the CCEMA. Similar to the Updated Action Plan, the CCEMA and the associated *Specified Gas Emitters Regulation* make a distinction between "Existing Facilities" and "New Facilities". Existing Facilities are defined as facilities that completed their first year of commercial operation prior to January 1, 2008 or that have completed eight or more years of commercial operation. Existing Facilities were required to reduce their emissions intensity by March 31, 2008 by 12% from a baseline established by their average emissions intensity between 2003 and 2005. New Facilities are defined as facilities that completed their first year of commercial operation subsequent to December 31, 2008, have completed less than eight years of commercial operation, or are designated as New Facilities in accordance with the *Specified Gas Emitters Regulation*. New Facilities are also required to reduce their emissions intensity by 12%, but this target is based on the emissions intensity of the facility in its third year of commercial operation and does not apply during the first three years of operation of the New Facility. Unlike the Updated Action Plan, the CCEMA does not contain any provision for continuous annual improvements beyond the 12% emissions intensity required.

To comply with CCEMA, regulated emitters can meet their emissions intensity targets by contributing to the Climate Change and Emissions Management Fund (the "**Fund**") at a rate of \$15 per tonne of CO<sub>2</sub> equivalent. CCEMA contains no provisions for an increase to this contribution rate. Emissions credits can be purchased from regulated emitters that have reduced their emissions below the 100,000-tonne threshold or non-regulated emitters that have generated emissions offsets through activities that result in emissions reductions in accordance with established protocols published by the Government of Alberta.

## **RISK FACTORS**

The holding of securities of the Corporation should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. The following is a summary of certain risk factors relating to the activities of the Corporation and the ownership of the Corporation's securities which should be carefully considered before making an investment decision relating to the Corporation's securities.

### **Volatility of Oil and Gas Prices and Markets**

The Corporation's financial performance and condition are substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Corporation's operations and financial condition and the value and amount of its reserves. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Corporation including, but not limited, to the world economy and OPEC's ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced primarily by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources. In addition, the marketability of the production depends upon the availability and capacity of gathering systems and pipelines, the effect of federal and provincial regulation on such production and general economic conditions. All of these factors are beyond the control of the Corporation.

Prices varied considerably throughout 2010. Decreases in oil and natural gas prices typically result in a reduction of the Corporation's net production revenue and may change the economics of producing from some wells, which could result in a reduction in the volume of the Corporation's reserves. Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future drilling, development or construction programs or the curtailment of production. All of these factors could result in a material decrease in

the Corporation's net production revenue, cash flows and profitability and have a material adverse effect on the Corporation's operations, financial condition, proved reserves and the level of expenditures for the development of its oil and natural gas reserves, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation will in part be determined by the company's borrowing base. A sustained material decline in prices from historical average prices could further reduce such borrowing base, therefore reducing the bank credit available and could require that a portion of its bank debt be repaid.

From time to time the Corporation has and may in the future enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases.

### **Current Global Financial Markets**

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

### **Capital Markets**

As a result of the weakened global economic situation, the Corporation, along with all other oil and gas entities, may have restricted access to capital, bank debt and equity, and is likely to face increased borrowing costs. Although the Corporation's business has not changed, the lending capacity of all financial institutions has diminished and risk premiums have increased. As future capital expenditures will be financed out of funds generated from operations, borrowings and possible future equity sales, the Corporation's ability to make such capital expenditures will be dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and the Corporation's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, the Corporation's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

If funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, or if the Corporation incurs major unanticipated expenses related to development or maintenance of its existing properties, it will be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for the Corporation's capital expenditure plans may result in a delay in development or production on the Corporation's properties.

### **Development of Additional Reserves**

The Corporation's future success is dependent upon its ability to explore, develop or acquire additional oil and natural gas reserves that are economically recoverable at attractive acquisition prices. Except to the extent that the Corporation conducts successful activities or acquires properties containing proved reserves, or both, the proved reserves and production will generally decline as reserves are produced. If prevailing oil and natural gas prices were to increase significantly, the Corporation's costs to add reserves could be expected to increase. The drilling of oil and natural gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide an economic return on the capital expended to drill the well.

Exploitation and development risks are due to the uncertain results of searching for and producing oil and natural gas using imperfect scientific methods. These risks are mitigated by using highly skilled staff, focusing exploitation efforts in areas in which the Corporation has existing knowledge and expertise or access to such expertise, using up-to-date technology to enhance methods and controlling costs to maximize returns. Advanced oil and natural gas related technologies such as three dimensional seismography, reservoir simulation studies and horizontal drilling may, where appropriate, be used by the Corporation to improve its ability to find, develop and produce oil and natural gas.

## **Title**

Although satisfactory title reviews of the Corporation's properties are conducted in accordance with industry standards, those title reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of the Corporation to a property.

## **Environmental Concerns**

The operation of oil and natural gas wells involves a number of natural hazards which may result in blowouts, environmental damage or other unexpected or dangerous conditions resulting in liability to the Corporation and possibly liability to third parties. Companies operating in the oil and natural gas industry are subject to extensive environmental regulation which provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in fines or the issuance of clean-up orders. See "Information Concerning the Oil and Natural Gas Industry – Environmental Regulation". The Corporation will make reasonable provision for well abandonment and reclamation where appropriate; however, there can be no assurance that such provision will be sufficient to satisfy all such obligations. No sinking fund or reserve will be established for the purpose of site reclamation or abandonment costs.

## **Regulatory**

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which controls and regulations may be amended from time to time. See "Information Concerning the Oil and Natural Gas Industry". Governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

## **Climate Change**

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to establish legally binding targets to reduce nation-wide emissions of greenhouse gases. Canada is also a signatory to the Copenhagen Accord, a non-binding political consensus. There has been much public debate with respect to Canada's ability to meet these targets and the Federal Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. The Corporation's exploration and production facilities and other operations and activities do emit greenhouse gases and may require the Corporation to comply with future federal legislation in Canada regulating emissions of greenhouse gases. The future implementation or modification of greenhouse gas regulations could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition. See "Information Concerning the Oil and Natural Gas Industry – Climate Change Regulation".

## **Reserves Estimates**

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, the Corporation's independent reserves consultants have used both constant and forecast price and cost estimates in calculating reserves quantities for the Corporation's reserves. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the applicable engineering reports. The reserves reports are based in part on the assumed success of activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in the applicable engineering reports will be reduced to the extent that such activities do not achieve the level of success assumed in the engineering reports.

## **Purchase of Reserves**

Acquisitions of resource issuers and resource assets by the Corporation will be based on engineering and economic assessments made by management and reviewed by independent engineers. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, future prices of oil and natural gas and operating costs, future capital expenditures and royalties and other governmental levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the Corporation. In particular, changes in the prices of and markets for oil and natural gas from those anticipated at the time of making such assessments will affect the value of the Corporation's securities. In addition, all such assessments involve a measure of geological and engineering uncertainty which could result in lower production and reserves than anticipated.

## **Depletion of Reserves**

The Corporation's future oil and natural gas reserves and production, and therefore its cash flows, will be highly dependent on the Corporation's success in exploiting its reserve base and acquiring additional reserves. Without reserve additions through acquisition or development activities, the Corporation's reserves and production will decline over time as reserves are exploited, and from time to time production declines can be severe under certain conditions.

To the extent that external sources of capital, including the issuance of additional Manitok Shares, become limited or unavailable, the Corporation's ability to make the necessary capital investments to maintain or expand its oil and natural gas reserves will be impaired.

There can be no assurance that the Corporation will be successful in developing or acquiring additional reserves on terms that meet the Corporation's investment objectives.

## **Foreign Exchange**

Operating costs incurred by the Corporation are generally paid in Canadian dollars. World oil prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar may negatively impact the Corporation's net production revenue. To the extent that the Corporation has engaged or will in the future engage in risk management activities related to commodity prices and foreign exchange rates, through entry into oil and natural gas price hedges and forward foreign exchange contracts or otherwise, the Corporation will be subject to unfavourable price changes and credit risks associated with the counter parties with which it contracts.

## **Potential Conflicts of Interest**

Some of the directors of the Corporation are also directors of other oil and natural gas companies, which may from time to time be in competition with the Corporation for working interest partners, property acquisitions, or other limited resources. Where required by law, appropriate disclosure of such conflicts will be made by the applicable directors. In particular, the Corporation follows the provisions of the ABCA. These provisions state that in the event that a director has an interest in a contract or proposed contract or agreement, such director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise permitted by the ABCA.

## **Competition**

The oil and natural gas industry is intensely competitive and the Corporation will compete for joint venture partners, capital, reserves acquisitions and skilled industry personnel with a substantial number of other companies which have greater resources. Many such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a worldwide basis and as such have greater and more diverse resources upon which to draw. There is also competition between the oil industry and other industries with respect to the supply of energy and fuel to industrial, commercial and individual customers.

## **Operating Risks**

The oil and natural gas business involves a variety of operating risks, including the risk of fire, explosions, blowouts and encountering formations with abnormal pressure and oil spills, the occurrence of any of which could result in substantial losses to the Corporation. The Corporation will maintain insurance against some, but not all, of these risks, in amounts which meet or exceed standard industry practice. There can be no assurance that any insurance will continue to be available at premium levels that justify its purchase or whether insurance will be available at all.

Continuing production from the Corporation's properties, and to some extent the marketing of production therefrom, are dependent upon the ability of the operator of such properties. To the extent that the operator of a property fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent or experiences cash flow problems.

## **Changes in Legislation**

There can be no assurance that income tax laws, other laws or government incentive programs relating to the oil and gas industry, will not be changed in a manner which will adversely affect the Corporation. There can be no assurance that tax authorities having jurisdiction will agree with how the Corporation calculates its income for tax purposes or that such tax authorities will not change their administrative practices to the detriment of the Corporation.

## **Enforcement of Operating Agreements**

Operations of the wells located on properties not operated by the Corporation are generally governed by operating agreements that typically require the operator to conduct operations in a good and workmanlike manner. Operating agreements generally provide, however, that the operator will have no liability to the other non-operating working interest owners for losses sustained or liabilities incurred, except such as may result from gross negligence or wilful misconduct. In addition, third-party operators are generally not fiduciaries with respect to the Corporation.

## **Substantial Capital Requirements**

The Corporation anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be

available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly, including transactions involving the issuance of securities, which may be dilutive. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

### **Additional Funding Requirements**

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on terms acceptable to the Corporation.

### **Issuance of Debt**

From time to time the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

### **Insurance**

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Corporation intends to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

### **Reliance on Operators and Key Employees**

To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of the Corporation will be largely dependent upon the performance of its management and key employees. The Corporation does not have any key man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Corporation.

### **Delays in Business Operations**

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation or to the operators, and the delays by operators in remitting payment to the Corporation, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow



available for the business of the Corporation in a given period and expose the Corporation to additional third party credit risks.

### **Permits and Licences**

The operations of the Corporation may require licences and permits from various governmental authorities. There can be no assurance that the issuer will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects.

### **Aboriginal Claims**

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of the Corporation's assets; however, if a claim arose and was successful, it could have an adverse effect on the Corporation and its operations.

### **Seasonality**

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and potential declines in production of oil and gas of the Corporation.

### **Income Taxes**

The Corporation will file all required income tax returns and believes that it is in full compliance with the provisions of the *Income Tax Act* (Canada) and all applicable provincial tax legislation. However, such returns are subject to reassessment by the applicable taxation authority. In the event of a successful reassessment of the Corporation, whether by re-characterization of exploration and development expenditures or otherwise, such reassessment may have a negative impact on current and future taxes payable and such impact may be material.

### **Borrowing**

The Corporation's lenders have been provided with security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell the Corporation's properties. The proceeds of any such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

### **Third Party Credit Risk**

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

To the knowledge of the management of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

## **Regulatory Actions**

To the knowledge of management of the Corporation, no penalties or sanctions have been imposed by a court relating to securities legislation or by a securities regulatory body or by any other court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor have any settlement agreements been entered into by the Corporation with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the directors or executive officers of the Corporation, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of outstanding voting securities of the Corporation, nor any associate or affiliate of the foregoing persons had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Manitok Shares is Valiant Trust Company at its principal office located in Calgary, Alberta.

## **MATERIAL CONTRACTS**

Other than as disclosed elsewhere in this Annual Information Form, the Corporation did not enter into any material contracts outside the ordinary course of business within the most recently completed financial year or prior thereto that are still in effect. See "Business of the Corporation – Relevant Three Year History".

## **INTERESTS OF EXPERTS**

The Reserves Report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The Reserves Report was prepared by Sproule Associates Limited ("**Sproule**"), an independently qualified reserves evaluator and auditor of Calgary, Alberta. As of the date hereof, the partners, employees and consultants of Sproule who participated in or who were in a position to directly influence the preparation of the Sproule Report own no securities of the Corporation.

Kenway Mack Slusarchuk Stewart LLP has confirmed that it is independent of the Corporation in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Accountants of Alberta.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's management information circular dated May 6, 2011. Additional financial information is provided in the Corporation's financial statements and MD&A for the six month financial year ended December 31, 2010.

**SCHEDULE "A"**  
**AUDIT COMMITTEE CHARTER**

*(Adopted by the Board of Directors on July 15, 2010)*

**A. PURPOSE**

The overall purpose of the Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") is to assist the Board in fulfilling its oversight responsibilities and to carry out the functions associated with an audit committee of an issuer of the size and nature of Manito Energy Inc. (the "**Corporation**"). The purpose of the Committee is to ensure that the Corporation's management has designed and implemented an effective system to review and report on the integrity of the financial statements of the Corporation. As part of this mandate, the Committee shall take all necessary steps so as to ensure compliance by the Corporation with all laws and regulatory policies, rules, regulations and instruments pertaining to audit and financial reporting that are applicable to the Corporation from time to time.

**B. COMPOSITION, PROCEDURES AND ORGANIZATION**

1. The Committee shall consist of not less than three members of the Board, each of whom:
  - (a) must be "independent" ("independent" means that the audit committee has no direct or indirect material relationship with the Corporation, being a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgment (and certain individuals are deemed by Multilateral Instrument 52-110 to have a material relationship)); and
  - (b) must be "financially literate" ("financially literate" means a member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements);

except as may be allowed under any applicable exemptions provided for under applicable laws or any exemption orders obtained from applicable regulatory authorities.

2. The Board, at its organizational meeting held in conjunction with each annual general meeting of the holders of shares of the Corporation, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
3. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from amongst their number. If the chair of the Committee is absent from any meeting, the Committee shall select one of the other members of the Committee to preside at that meeting.
4. The Secretary of the Corporation shall be the secretary of the Committee, unless otherwise determined by the Committee. Minutes of meetings of the Committee shall be recorded and maintained by the Secretary of the Committee. Copies of the minutes shall be provided to the Board.
5. The quorum for meetings shall be a majority of the members (the "Members") of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
6. The Committee shall have access to such officers and employees of the Corporation and of the other consolidated subsidiaries of the Corporation, and to the Corporation's external auditors and to such information respecting the Corporation, as the Committee considers to be necessary or advisable in order to perform its duties and responsibilities.

7. Meetings of the Committee shall be conducted as follows:
  - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chairman, and the Corporation's external auditors or any member of the Committee may request a meeting of the Committee;
  - (b) the Corporation's external auditors shall receive notice of and have the right and shall be encouraged to attend all meetings of the Committee; and
  - (c) the Chief Executive Officer and the Chief Financial Officer of the Corporation shall be invited to attend all meetings of the Committee, except executive sessions and private sessions with the external auditors, and other management representatives of the Corporation shall be invited to attend as necessary.
8. The internal auditors of the Corporation (if any) and the external auditors of the Corporation shall have a direct line of communication to the Committee through the Chairman. The Corporation shall require the external auditors of the Corporation to report directly to the Committee.

**C. DUTIES AND RESPONSIBILITIES**

1. The overall duties and responsibilities of the Committee shall be as follows:
  - (a) assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and approve the Corporation's annual and quarterly consolidated financial statements;
  - (b) assess the qualifications of the external auditors;
  - (c) establish and maintain a direct line of communication with the Corporation's internal (if any) and external auditors and assess their performance;
  - (d) identify principal business risks;
  - (e) ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of disclosure controls and internal controls for the Corporation by requiring that management report at least quarterly on the measures in place, the testing done to ensure effectiveness, any areas where improvement is needed and whether there are any issues relating to the signing of the certifications required under Multilateral Instrument 52-109;
  - (f) report regularly to the Board on the fulfilment of the duties and responsibilities of the Committee;
  - (g) confirm that the Corporation's Disclosure Policy is adequate to ensure the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements is appropriate and periodically test the adequacy of the procedures mandated by such policy;
  - (h) assess the effectiveness of the Disclosure Committee established under the Disclosure Policy;
  - (i) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management and recommend changes to the Board;
  - (j) review compliance with the Code of Business Conduct and Ethics and periodically review this policy and recommend to the Board changes which the Committee may deem appropriate; and

- (k) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation.
2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
- (a) recommend to the Board a firm of external auditors to be engaged by the Corporation;
  - (b) review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
  - (c) oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management of the Corporation and the external auditor regarding financial reporting;
  - (d) review the audit plan of the external auditors prior to the commencement of the audit;
  - (e) review with the external auditors, upon completion of their audit, the:
    - (i) contents of their report;
    - (ii) scope and quality of the audit work performed;
    - (iii) adequacy of the Corporation's financial and auditing personnel;
    - (iv) co-operation received from the Corporation's personnel during the audit;
    - (v) internal resources used;
    - (vi) significant transactions outside of the normal business of the Corporation;
    - (vii) the major points contained in the auditor's management letter resulting from control evaluation and testing; and
    - (viii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;
  - (f) pre-approve all non-audit services to be provided to the Corporation by the external auditor in accordance with applicable laws;
  - (g) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented; and
  - (h) meet in camera (i.e. without the presence of management of the Corporation) with the external auditors at least once a year prior the approval of the audited annual financial statements of the Corporation and at such other times as determined necessary or appropriate by the Committee.
3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors (if any) shall be as follows:
- (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;
  - (b) review and approve the internal audit plan; and

- (c) review significant internal audit findings and recommendations, and management's responses thereto.

4. The Committee is also charged with the responsibility to:

- (a) review and approve the Corporation's financial statements (annual and interim) and MD&A (annual and interim) as well as the financial sections of prospectuses and other public reports requiring approval by the Board before such documents are publicly disclosed by the Corporation;
- (b) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
- (c) review the minutes of any audit committee meeting of associated companies, partnerships or trusts;
- (d) review the Corporation's accounting policy and discuss the impact of proposed changes in accounting standards;
- (e) review with management, the external auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material affect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (f) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (g) establish procedures for the confidential, anonymous submission by employees of the Corporation or any other consolidated subsidiary of the Corporation of concerns regarding questionable accounting or auditing matters,
- (h) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation;
- (i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board following each annual general meeting of shareholders; and
- (j) on an annual basis, review and assess the adequacy of the Charter and the performance of the Committee in connection therewith.

5. The Committee has the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- (b) set and pay the compensation for any advisors employed by the Committee.