



**NOTICE**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**For the Annual and Special Meeting of Shareholders**

to be held in the President's Room  
at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta

on

Wednesday, June 22, 2011

at 2:30 p.m. (Mountain Standard Time)

Dated May 6, 2011



## MANITOK ENERGY INC.

### Notice of Annual and Special Meeting of Shareholders

**NOTICE IS HEREBY GIVEN** that the annual and special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares ("**Common Shares**") in the capital of Manitok Energy Inc. (the "**Corporation**") will be held in the President's Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta at 2:30 p.m. (Calgary time), on June 22, 2011 for the following purposes:

1. to receive and consider the financial statements of the Corporation as at and for the six month financial year ended December 31, 2010, and the auditors' report thereon;
2. to fix the number of directors at seven;
3. to elect the board of directors of the Corporation for the ensuing year;
4. to approve the reappointment of Kenway Mack Slusarchuk Stewart LLP as auditors of the Corporation for the ensuing year and to authorize the board of directors to fix their remuneration;
5. to re-approve the Corporation's stock option plan; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

Shareholders are referred to the accompanying Management Information Circular of the Corporation dated May 6, 2011 for more detailed information regarding the matters to be considered at the Meeting.

**Proxies are being solicited by management of the Corporation. Shareholders of the Corporation who are unable to attend the Meeting in person are requested to complete, date and sign the enclosed form of proxy and to mail it or deposit it with Valiant Trust Company, the registrar and transfer agent for the Common Shares, at 600 – 750 Cambie Street, Vancouver, British Columbia V6B 0A2, Fax 604-681-3067. In order to be effective, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the holding of the Meeting or any adjournment thereof.** Shareholders are cautioned that the use of mail to transmit proxies is at each shareholder's risk.

The board of directors of the Corporation has fixed the record date for the Meeting as the close of business on Friday, May 6, 2011 (the "**Record Date**"). Shareholders of record as at the Record Date are entitled to receive notice of and to attend and vote at the Meeting, unless after that date a Shareholder of record transfers any Common Shares and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing ownership of such shares, requests, at least 10 days prior to the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the Meeting.

**DATED** at Calgary, Alberta this 6<sup>th</sup> day of May, 2011.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) *"Massimo M. Geremia"*  
President and Chief Executive Officer

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## MANITOK ENERGY INC.

### MANAGEMENT INFORMATION CIRCULAR

**For the Annual and Special Meeting of Shareholders  
to be held on June 22, 2011**

### MANAGEMENT SOLICITATION OF PROXIES

This management information circular ("**Information Circular**") is furnished in connection with the solicitation of proxies by management of Manito Energy Inc. (the "**Corporation**" or "**Manitok**") for use at an annual general and special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares in the capital of the Corporation ("**Common Shares**") to be held in the President's Room at the Calgary Petroleum Club, 319 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, on June 22, 2011 at 2:30 p.m. (Calgary time), and at any adjournment(s) thereof, for the purposes set forth in the accompanying Notice of Annual and Special Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by directors, officers or employees of the Corporation. The cost of solicitation will be borne by the Corporation. The information herein contained is given as of May 6, 2011, unless noted otherwise. This solicitation is made on behalf of the management of the Corporation.

### SHAREHOLDERS ELIGIBLE TO VOTE AT THE MEETING

The board of directors of the Corporation (the "**Board**") has fixed the record date for the Meeting as the close of business on May 6, 2011 (the "**Record Date**"). Shareholders of record at the Record Date are entitled to receive notice of and to attend the Meeting or any adjournment or adjournments thereof and to vote thereat unless after the Record Date a holder of record transfers ownership of any Common Shares, and the transferee upon producing properly endorsed certificates evidencing such shares or otherwise establishing ownership of such shares, requests, at least 10 days prior to the Meeting, that the transferee's name be included in the list of Shareholders entitled to vote, in which case such transferee shall be entitled to vote such shares at the Meeting.

### APPOINTMENT AND REVOCATION OF PROXIES

**Shareholders desiring to appoint a person (who need not be a Shareholder) to represent such Shareholder at the Meeting, other than Massimo M. Geremia (the President and Chief Executive Officer and a director of the Corporation) or Robert G. Dion (the Vice President, Finance and Chief Financial Officer of the Corporation) (collectively, the "Management Designees"), may do so either by inserting such person's name in the blank space provided in the form of proxy and striking out the other names or by completing another appropriate form of proxy.**

The applicable form of proxy must be signed by the Shareholder or by his attorney duly authorized in writing, or, if the Shareholder is a corporation, it must either be under its corporate seal or signed by an officer or attorney thereof duly authorized.

A Shareholder who has given a proxy may revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Shareholder or by his attorney duly authorized in writing, or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited at the offices of Valiant Trust Company, 600 – 750 Cambie Street, Vancouver, British Columbia, V6B 0A2, Fax: 604-681-3067, at any time up to and including the close of business on the last business day preceding the day of the Meeting or with the Chairman of the Meeting prior to the commencement of the Meeting, or any adjournment thereof, and upon either of such deposits, the proxy shall be revoked.

## ADVICE TO BENEFICIAL SHAREHOLDERS

**The information set forth in this section is of significant importance to a substantial number of the Shareholders who do not hold their Common Shares in their own names.** Shareholders who do not hold their shares in their own names (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in the Shareholder's name in the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. **Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Common Shares registered in the name of CDS & Co. or other brokers/agents are held.**

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**").

Broadridge mails a scannable voting instruction form (a "**VIF**") in lieu of the form of proxy provided by the Corporation. The VIF will name the same person as named in the form of proxy to represent the Beneficial Shareholder at the Meeting. A Beneficial Shareholder has the right to appoint a person (who need not be a Shareholder), other than the persons designated in the VIF, to represent the Beneficial Shareholder at the Meeting. To exercise this right, the Beneficial Shareholder should insert the name of the desired representative in the blank space provided in the VIF. You are asked to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, you can call Broadridge's toll-free telephone number to vote your Common Shares. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **If you receive a VIF from Broadridge, it cannot be used as a form of proxy to vote your Common Shares directly at the Meeting and must be returned to Broadridge well in advance of the Meeting in order to have those Common Shares voted or to appoint an alternative representative to attend the Meeting in person to vote such shares.**

## EXERCISE OF DISCRETION OF PROXIES

The Common Shares represented by the form of proxy will be voted or withheld from voting or voted for or against, as applicable, in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly be brought before the Meeting. As at the date hereof, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

**IN THE ABSENCE OF ANY SPECIFIC DECISION BEING MADE ON ANY MATTERS TO BE VOTED UPON AT THE MEETING, WHERE THE MANAGEMENT DESIGNEES ARE NAMED AS PROXY, THE COMMON SHARES REPRESENTED BY THE FORM OF PROXY WILL BE VOTED IN FAVOUR OF ALL RESOLUTIONS.**

#### **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series. As of the date hereof, there are 51,665,531 Common Shares issued and outstanding and entitled to vote at the Meeting on the basis of one vote for each Common Share held and no preferred shares are issued or outstanding.

To the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the total issued and outstanding Common Shares, except as follows:

<b>Name of Holder</b>	<b>Number of Common Shares</b>	<b>Percentage of Outstanding Common Shares</b>
Trapeze Asset Management Inc. and Trapeze Capital Corp., on behalf of their respective managed accounts <sup>(1)</sup>	14,279,000	27.6%

**Note:**

(1) Randall Abramson is a principal securityholder of Trapeze Asset Management Inc. and Trapeze Capital Corp.

As at the date hereof, 3,970,886, or 7.7%, of the total issued and outstanding Common Shares are legally owned, directly or indirectly, by all the directors and officers of the Corporation as a group. Certain of the directors and/or officers of the Corporation own their Common Shares indirectly.

#### **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the Board, the only matters to be placed before the Meeting are those set forth in the accompanying Notice of Meeting.

##### **Receipt of Financial Statements and Auditors' Report**

The Shareholders will receive and consider the financial statements of the Corporation as at and for the six month financial year ended December 31, 2010 and the auditors' report thereon, but no vote by the Shareholders with respect thereto is required or proposed to be taken.

##### **Fixing Number of Directors**

The Articles of the Corporation state that the Board shall consist of a minimum of three and a maximum of 15 directors, and shall be fixed from time to time by resolution of the Shareholders. The Shareholders will be asked to consider and, if thought fit, to pass the following resolution:

"BE IT RESOLVED, as an ordinary resolution of the holders of common shares in the capital of Manito Energy Inc. (the "**Corporation**"), that the number of directors of the Corporation to be elected be and is hereby fixed at seven."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by Shareholders at the Meeting.

**Unless a Shareholder has specified otherwise, the Management Designees, if named as proxy, will vote in favour of the above resolution.**

## Election of Directors

The Board presently consists of seven directors, all of whom are elected annually. The current directors are Massimo M. Geremia, Bruno P. Geremia, Robert J. Dales, Wilfred A. Gobert, Gregory E. Peterson, Tom Spoletini and Cameron G. Vouri. Each director elected will hold office until the next annual meeting of Shareholders or until his successor is duly elected or appointed pursuant to the Corporation's By-laws, unless the director's office is earlier vacated.

**Unless a Shareholder has specified otherwise, the Management Designees, if named as proxy, will vote in favour of the election of the proposed nominees to the Board.**

The following table states the names of all nominees to the Board, their present principal occupations or employment, their positions held during the last five years and the number of Common Shares beneficially owned, controlled or directed, directly or indirectly, by such nominees to the Board as of the date hereof, as well as the period during which each nominee has served as a director of the Corporation. The information contained herein is based upon information furnished by the respective nominees.

Name and Residence	Director Since	Present Occupation and Positions Held During the Last Five Years	Common Shares Owned
<b>Massimo M. Geremia</b> <sup>(1)(3)</sup> Calgary, Alberta, Canada	July 8, 2010	President and Chief Executive Officer of Manitek since July 8, 2010. President, Chief Executive Officer and Chief Financial Officer of Manitek Exploration Inc. 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.	460,350 (0.89%)
<b>Bruno P. Geremia</b> <sup>(1)(2)(3)</sup> Calgary, Alberta, Canada	July 8, 2010	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 Manitek Exploration Inc. from April 20, 2005 to July 8, 2010.	879,000 (1.70%)
<b>Robert J. Dales</b> <sup>(1)(3)</sup> Calgary, Alberta, Canada	July 8, 2010	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.	1,011,513 (1.96%)
<b>Wilfred A. Gobert</b> <sup>(1)(2)</sup> Calgary, Alberta, Canada	July 8, 2010	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 Manitek Exploration Inc. from February 28, 2007 to July 8, 2010.	535,000 (1.04%)
<b>Gregory E. Peterson</b> <sup>(2)</sup> Calgary, Alberta, Canada	July 8, 2010	Partner with Gowling Lafleur Henderson LLP, a national Canadian law firm, since 1990. Corporate Secretary of Manitek Exploration Inc. from April 20, 2005 to July 8, 2010.	190,512 (0.37%)
<b>Tom Spoletini</b> <sup>(1)(2)</sup> Calgary, Alberta, Canada	July 8, 2010	Founding partner of Spolumbo's Deli, a private deli company based out of Calgary, Alberta. A director of Manitek Exploration Inc. from April 20, 2005 to July 8, 2010.	490,525 (0.95%)



Name and Residence	Director Since	Present Occupation and Positions Held During the Last Five Years	Common Shares Owned
Cameron G. Vouri <sup>(3)</sup> Calgary, Alberta, Canada	July 8, 2010	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 Manitok Exploration Inc. from February 1, 2007 to July 8, 2010.	75,000 (0.15%)

**Notes:**

- (1) Member of the audit committee of the Corporation.
- (2) Member of the compensation committee of the Corporation.
- (3) Member of the reserves committee of the Corporation.

*Cease Trade Orders*

To the knowledge of management of the Corporation, other than as disclosed herein, no proposed director is, as at the date hereof, or has been 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 proposed director 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 proposed director 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 of the 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 on 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 proposed director 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 proposed director.

*Penalties and Sanctions*

To the knowledge of management of the Corporation, no proposed director 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 likely be considered important to a reasonable securityholder in deciding

whether to vote for a proposed director.

### **Appointment of Auditors**

The Corporation's present auditors are Kenway Mack Slusarchuk Stewart LLP, Chartered Accountants. At the Meeting, Shareholders will be asked to re-appoint Kenway Mack Slusarchuk Stewart LLP as auditors to serve until the close of the next annual meeting of Shareholders, and to authorize the directors to fix their remuneration.

Kenway Mack Slusarchuk Stewart LLP was first appointed as the auditor for the Corporation on July 8, 2010.

**Unless a Shareholder has specified otherwise, the Management Designees, if named as proxy, will vote in favour of the appointment of Kenway Mack Slusarchuk Stewart LLP as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until their successors are appointed and to authorize the directors to fix their remuneration.**

### **Re-approval of the Stock Option Plan**

At the Meeting, Shareholders will be asked to consider and, if thought appropriate, pass an ordinary resolution (the "**Plan Resolution**") to re-approve the Corporation's stock option plan (the "**Option Plan**"). The Option Plan, approved by the Board and the Shareholders effective June 25, 2010, is attached hereto as Schedule "A".

The Option Plan is made in accordance with the TSX Venture Exchange ("**TSXV**") policy on listed company share incentive arrangements. The purpose of the Option Plan is to afford persons who provide services to the Corporation, whether as directors, officers, management, employees or otherwise, an opportunity to obtain a proprietary interest in the Corporation by permitting them to purchase Common Shares. The Option Plan also aims to attract and retain persons of desired experience and ability to the Corporation and to retain and encourage the continued involvement of such persons with the Corporation.

The Option Plan is administered by the Board, who will, from time to time, grant stock options to eligible participants. Directors, officers, employees of, and key consultants to, the Corporation are eligible to participate in the Option Plan.

The aggregate number of authorized but unissued Common Shares allocated and made available to be granted to eligible participants under the Option Plan may not exceed 10% of the outstanding Common Shares at any time. At no time may the number of Common Shares reserved or granted under stock options exceed 10% of the aggregate number of the then issued and outstanding Common Shares. The Common Shares in respect of which stock options are exercised, cancelled or expire unexercised for any reason shall be available for subsequent stock options grants. The terms of any stock options granted shall be for a period of time determined by the Board in its discretion, provided that the term may not exceed 10 years and subject to earlier automatic termination when the holder ceases to be an eligible participant in accordance with the terms of the Option Plan.

The aggregate number of Common Shares subject to an option to an eligible participant under the Option Plan will be determined by the Board, but no participant may be granted options representing more than 5% of the issued and outstanding Common Shares within any 12-month period (the maximum number permitted by the TSXV to be granted to any one individual in a year). The aggregate number of options to be granted to any consultant or any participant conducting investor relation activities shall not exceed 2% of the issued and outstanding Common Shares within any 12-month period. Please refer to the discussion under "Statement of Executive Compensation – Option-based Awards – Stock Option Plan" for more information.

In accordance with the rules of the TSXV, in order for the Option Plan to be implemented by the Corporation, it must be approved by the Shareholders. Accordingly, at the Meeting, the Shareholders will be asked to consider and, if thought appropriate, approve the Plan Resolution, substantially in the form set forth below:

"BE IT RESOLVED, as an ordinary resolution of the holders of common shares in the capital of Manitok Energy Inc. (the "**Corporation**"), that:

- (a) the stock option plan of the Corporation dated June 25, 2010 is hereby authorized and re-approved; and
- (b) any director or officer of the Corporation is hereby authorized and directed to do all such things and execute, for and on behalf of the Corporation, all such documents and other instruments as may be necessary or desirable in order to give effect the foregoing resolutions."

In order for the Option Plan to be implemented, the Plan Resolution must be approved by a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

**Unless a Shareholder has specified otherwise, the Management Designees, if named as proxy, will vote in favour of the Plan Resolution.**

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Other than as set forth herein, management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial interest or otherwise, of any director or executive officer of the Corporation, any proposed nominee for election as a director of the Corporation, or any associate or affiliate of the foregoing in any matter to be acted upon at the Meeting other than the election of directors and the re-approval of the Option Plan pursuant to which the directors are eligible to receive options.

#### **MANAGEMENT CONTRACTS**

Manitok has no management contracts or other arrangements in place where a person other than the directors or officers of Manitok performs management functions.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

##### **Compensation Discussion and Analysis**

The current members of the compensation committee of the Board (the "**Compensation Committee**") consist of Wilfred A. Gobert (Chair), Bruno P. Geremia, Gregory E. Peterson and Tom Spoletini. The Compensation Committee convenes at least once a year to review compensation for all executive officers and conducts an independent evaluation of compensation for current management. The Compensation Committee has the goal of achieving an effective compensation structure that aligns the interests of management with those of the Shareholders.

##### *Executive Compensation*

The Corporation's policy is to provide a compensation package that will:

- (a) align executive compensation with Shareholders' interests;
- (b) attract and retain qualified executive officers;
- (c) focus performance by linking incentive compensation to the achievement of corporate objectives and financial results; and

- (d) encourage retention of key executives for leadership succession.

Manitok relies solely on the Compensation Committee to determine the compensation of Manitok's executive officers. While the Compensation Committee considers various factors (as discussed below) when determining executive compensation, it does not apply any formal criteria.

The components of executive compensation of the Corporation are discussed below. Although each of the components has different objectives, each is considered by the Board to be equally important and each must be competitive within the Corporation's peer group.

#### Base Salary

Base salaries for executive officers are determined by the Compensation Committee generally on the basis of position held, related responsibilities and functions performed, having regard to base salary ranges for similar positions in the Corporation's comparative group. The Compensation Committee also considers an annual industry survey containing comparative data for a peer group of oil and gas companies. Compensation levels are to approximate the median level of the survey, but individual and corporate performance are also considered by the Compensation Committee in assessing compensation.

#### Bonus Plan

Bonuses for executive officers are determined by the Compensation Committee generally on the basis of position held, related responsibilities and functions performed. The Compensation Committee also considers the Corporation's performance.

#### Stock Options

Stock options are granted by the Board and, in determining the number of options to be granted, the Board generally considers the number and terms of options held by each executive officer, the responsibilities and functions of each executive officer, the individual performance of each executive officer and the overall performance of the Corporation. See "Option-based Awards" in this section.

The Corporation's compensation practices, including the mix of base salary and short-term and long-term incentives, are regularly assessed to ensure they are competitive, take account of external market trends and support the Corporation's long-term growth strategies.

#### Compensation of the Chief Executive Officer

The factors considered by the Compensation Committee in determining total compensation for the Chief Executive Officer, as well as the manner in which these factors are reviewed, are similar to those used in determining total compensation for the other executive officers of the Corporation. However, in the case of the Chief Executive Officer, more weight is generally given to strategic planning to support future shareholder value and the reward for high performance generally takes the form of stock options (rather than some other component(s) of executive compensation discussed above). Following the Compensation Committee's evaluation of the Chief Executive Officer's performance, the Compensation Committee prepares a compensation recommendation for review and approval by the Board.

The Compensation Committee's review of Mr. Massimo Geremia's 2010 performance recognized the progress made on significant strategic and operational initiatives, which are expected to support long-term shareholder value. In addition, Mr. Massimo Geremia has kept the Board fully and transparently informed on issues of financial, operational and strategic importance and has ensured that executive officers and technical experts have been available to the Board.

## Option-based Awards

### *Stock Option Plan*

The Corporation's existing Option Plan authorizes the Board to issue stock options to certain directors, officers, employees and key consultants who provide direct or indirect services on an ongoing basis to the Corporation (collectively, "**Participants**"). The policies of the TSXV require that the Option Plan be approved every year by the Shareholders.

The purpose of the Option Plan is to afford Participants an opportunity to obtain a proprietary interest in the Corporation by permitting them to purchase Common Shares, to aid in attracting as well as retaining new personnel and to encourage the continued involvement of all such persons with the Corporation. The Option Plan is administered by the Board. The Board, from time to time, grants options to Participants under the Option Plan in such numbers and with such vesting provisions and additional conditions as are determined by the Board from time to time subject to the conditions contained in the Option Plan.

No financial assistance is provided by the Corporation to Participants to facilitate the purchase of Common Shares upon the exercise of options granted under the Option Plan.

As of May 6, 2011, an aggregate of 2,935,500 Common Shares were issuable upon the exercise of options previously granted under the Option Plan (representing approximately 5.7% of the currently outstanding Common Shares).

Currently, under the Option Plan:

- (a) The maximum number of Common Shares issuable shall not exceed 10% of the issued and outstanding Common Shares from time to time. Common Shares in respect of which options are exercised, cancelled or expire unexercised for any reason shall be available for subsequent option grants.
- (b) Any grant of options is subject to the following limitations: (i) the aggregate number of Common Shares reserved for issuance pursuant to options outstanding at any time may not exceed 10% of the total issued and outstanding Common Shares; (ii) the aggregate number of Common Shares reserved for issuance pursuant to options granted to any one Participant under the Option Plan in any 12-month period may not exceed 5% of the total issued and outstanding Common Shares; (iii) the aggregate number of Common Shares reserved for issuance pursuant to options granted to any one consultant to the Corporation (or any of its subsidiaries) in any 12-month period may not exceed 2% of the issued and outstanding Common Shares; and (iv) the aggregate number of Common Shares reserved for issuance pursuant to options granted to any one person employed to provide investor relations activities in any 12-month period may not exceed 2% of the issued and outstanding Common Shares.
- (c) The exercise price of options shall be determined by the Board, provided that if the Common Shares are listed and posted for trading on any exchange, the exercise price shall not be less than that permitted by such exchange.
- (d) Subject to any specific requirements of any stock exchange upon which the Common Shares are then listed and posted for trading, the Board shall determine the vesting period or periods within the option term during which a Participant may exercise options or a portion thereof.
- (e) The term of any option granted under the Option Plan shall be a period of time fixed by the Board, not to exceed 10 years, and, unless the Board determines otherwise, options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods) as are contained in the Option Plan or

as the Board may from time to time impose or as may be required by any stock exchange or under applicable securities laws.

- (f) Subject to the terms of the applicable stock option agreement, in the event that a Participant ceases to be a director, officer, employee of, or key consultant to, the Corporation or a subsidiary of the Corporation: (i) by reason of the Participant's permanent physical or mental disability, all of the unexercised options held by such Participant, whether or not the rights to purchase some or all of those options have previously vested, may be exercised up to and including the earlier of the expiry time of the option and the date that is 90 days following the date that the Participant ceases to be a director, officer, employee of, or key consultant to, the Corporation or a subsidiary of the Corporation by reason of the Participant's permanent physical or mental disability; (ii) by reason of the death of the Participant, all of the unexercised options held by such Participant, whether or not the rights to purchase some or all of those options have previously vested, may be exercised up to and including the earlier of the expiry time of the option and the date that is one year from the date of death of such Participant; (iii) by reason of termination of the Participant for cause, all of the unexercised vested options held by such Participant may be exercised up to and including the earlier of the expiry time of the vested options and the date that is 30 days from the time of delivery of the notice of termination; and (iv) by reason of termination of the Participant without cause, all of the unexercised vested options held by such Participant may be exercised up to and including the earlier of the expiry time of the option and where the Participant is given a reasonable period of notice prior to termination, the date the Participant ceases to be a director, officer, employee of, or key consultant to, the Corporation or a subsidiary of the Corporation, or where the Participant is paid compensation in lieu of reasonable notice of termination, the date that is 30 days after the Participant ceases to be a director, officer, employee of, or key consultant to, the Corporation or a subsidiary of the Corporation.
- (g) Options are not transferable or assignable except in accordance with the Option Plan or to the extent, if any, permitted by the stock exchange upon which the Common Shares are then listed and posted for trading.
- (h) Subject to applicable regulatory approval, the Board may from time to time amend the Option Plan and the terms and conditions of any option and, without limiting the generality of the foregoing, may make such amendment for the purpose of meeting any changes in any relevant law, stock exchange policy, rule or regulation applicable to the Option Plan or any option, in order to meeting minimum listing requirements of a stock exchange or for any other purposes which may be permitted by all relevant laws, rules and regulations, provided always that any such amendment shall not alter the terms or conditions of any option or impair any right of any Participant pursuant to any option awarded prior to such amendment without sufficient compensation being agreed to between the Board and the Participant and the receipt of any regulatory approvals or, if applicable, stock exchange approvals. Any amendment to this Plan is subject to receipt of any necessary regulatory approvals and any amendment required by applicable law or regulatory policy to be approved by shareholders does not become effective until so approved. With the consent of the affected Participants, the Board may amend the terms of any outstanding option so as to reduce the number of Common Shares issuable upon the exercise of options, increase the option price or cancel an option without stock exchange approval.
- (i) If the outstanding Common Shares are increased or decreased or changed into or exchanged for a different number or kind of shares or securities of the Corporation through re-organization, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, in the number or kind of shares optioned and the exercise price per share, as regards previously granted and unexercised options. In addition, in certain circumstances, the Board has been granted the discretion to provide for accelerated vesting of stock options.

## Summary Compensation Table

The following table sets forth a summary of all direct and indirect compensation for, or in connection with, services provided to the Corporation for the six month financial year ended December 31, 2010, paid to the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Vice President, Land (collectively the "Named Executive Officers"). Except as disclosed below, no executive officer of the Corporation received in excess of \$150,000 by way of salary, bonuses or other compensation during such financial year.

Name and Principal Position	Year <sup>(1)</sup>	Salary (\$)	Share-based Awards	Option-based Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)		Pension Value	All Other Compensation	Total Compensation
					(f)	(f)			
(a)	(b)	(c)	(d)	(e)	Annual Incentive Plans (f1)	Long-Term Incentive Plans (f2)	(g)	(h)	(i)
<b>Massimo M. Geremia</b> <i>President and Chief Executive Officer</i>	2010	70,000	-	179,292	-	-	-	5,807	255,099
<b>Robert G. Dion</b> <i>Vice President, Finance and Chief Financial Officer</i>	2010	62,500	-	89,646	-	-	-	5,170	157,316
<b>Tim de Freitas</b> <i>Vice President, Exploration and Chief Operating Officer</i>	2010	70,000	-	179,292	-	-	-	3,407	252,699
<b>Dorothy Else</b> <i>Vice President, Land</i>	2010	62,500	-	89,646	-	-	-	3,070	155,216

### Notes:

- (1) The compensation shown represents payment received by the Named Executive Officer from July 8, 2010 until December 31, 2010, as the Corporation was formed on July 8, 2010 as a result of an amalgamation (the "Amalgamation") between Manikot Exploration Inc. and Desco Resources Inc. For more details regarding the Amalgamation, please see the joint management information circular and proxy statement of Desco Resources Inc. and Manikot Exploration Inc. dated May 28, 2010, a copy of which has been filed on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).
- (2) As of December 31, 2010, the Name Executive Officers had received, in aggregate, 720,000 options with 240,000 options being granted to Massimo M. Geremia,, 120,000 options being granted to Robert G. Dion, 240,000 options being granted to Tim de Freitas and 120,000 options being granted to Dorothy Else.

### *Narrative Discussion*

#### Share-based Awards (column (d))

The Corporation did not make any share-based awards during its most recently completed financial year.

#### Option-based Awards (column (e))

The fair value of each option granted is determined on the date of grant using the Black-Scholes option-pricing model based on the following assumptions for the six month financial year ended December 31, 2010: (i) a risk-free interest rate of 2.04%; (ii) volatility of 90.3%; (iii) an average expected life of 4.5 years; (iv) an estimated forfeiture rate of 0.78%; and (v) dividends of nil. These amounts are not necessarily reflective of actual amounts that may be realized on exercise. See "Outstanding Share-based Awards and Option-based Awards" below.

#### Non-equity Incentive Plan Compensation (column (f))

The Corporation did not have any non-equity incentive plan compensation in its most recently completed financial year.

Pension Value (column (g))

The Corporation does not have any defined benefit or defined contribution plans.

All Other Compensation (column (h))

The Corporation provides all of the Named Executive Officers with health and dental perquisites. Massimo M. Geremia and Robert G. Dion also receive parking perquisites.

**Incentive Plan Awards**

*Outstanding Share-based Awards and Option-based Awards*

The Corporation did not make any share-based awards during its most recently completed financial year.

The following table sets out for each Named Executive Officer all stock option awards outstanding at the end of the most recently completed financial year, including stock options granted before the most recently completed financial year.

<b>Name and Principal Position</b>	<b>Number of Securities Underlying Unexercised Options (#)</b>	<b>Option Exercise Price (\$)</b>	<b>Option Expiration Date</b>	<b>Value of Unexercised In-The-Money Options (\$)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Massimo M. Geremia</b> <i>President and Chief Executive Officer</i>	240,000	1.10	August 16, 2015	31,200
<b>Robert G. Dion</b> <i>Vice President, Finance and Chief Financial Officer</i>	120,000	1.10	August 16, 2015	15,600
<b>Tim de Freitas</b> <i>Vice President, Exploration and Chief Operating Officer</i>	240,000	1.10	August 16, 2015	31,200
<b>Dorothy Else</b> <i>Vice President, Land</i>	120,000	1.10	August 16, 2015	15,600

**Note:**

(1) Based on the closing price of the Common Shares of \$1.23 on the TSXV as at December 31, 2010.

*Incentive Plan Awards – Value Vested or Earned During The Year*

No incentive plan awards to a Named Executive Officer vested and no non-equity incentive plan compensation was earned by a Named Executed Officer during the most recently completed financial year.

*Narrative Discussion*

Share-based Awards

The Corporation did not make any share-based awards during its most recently completed financial year.

Option-based Awards

All of the stock options referred to in this section were granted under the Option Plan, as described earlier in this Information Circular. See "*Statement of Executive Compensation – Option-based Awards - Stock Option Plan*".



None of the stock options held by Named Executive Officers vested during 2010.

#### Non-equity Incentive Plan Compensation

The Corporation did not pay any non-equity incentive plan compensation during its most recently completed financial year.

#### **Pension Plan Benefits**

The Corporation does not have any defined benefit, defined contribution or deferred compensation plans.

#### **Termination and Change of Control Benefits**

The Corporation does not have any contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in such Named Executive Officer's responsibilities.

#### **Director Compensation**

##### *Director Compensation Table*

The following table sets out all amounts of compensation provided to the directors for the Corporation's most recently completed financial year.

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Massimo M. Geremia <sup>(1)</sup>	-	-	-	-	-	-	-
Bruno P. Geremia	-	-	33,617	-	-	-	33,617
Robert J. Dales	-	-	33,617	-	-	-	33,617
Wilfred A. Gobert	-	-	33,617	-	-	-	33,617
Gregory E. Peterson	-	-	33,617	-	-	-	33,617
Tom Spoletini	-	-	41,088	-	-	-	41,088
Cameron G. Vouri	-	-	33,617	-	-	-	33,617

#### **Notes:**

- (1) Massimo M. Geremia, President and Chief Executive Officer of the Corporation, is also a director of the Corporation. Mr. Geremia became a director of the Corporation effective July 8, 2010. Mr. Geremia's compensation is disclosed under "Statement of Executive Compensation - Summary Compensation Table". Mr. Geremia receives no additional compensation as a director.
- (2) During the six month financial year ended December 31, 2010, the Board received, in aggregate, 280,000 Options.

#### *Narrative Discussion – Director Compensation Table*

##### Share-based Awards (column (c))

The Corporation did not make any share-based awards to directors during its most recently completed financial year.

##### Option-based Awards (column (d))

The fair value of each option granted is determined on the date of grant using the Black-Scholes option-pricing model based on the following assumptions for the six month financial year ended December 31, 2010: (i) a risk-free interest rate of 2.04%; (ii) volatility of 90.3%; (iii) an average expected life of 4.5 years; (iv) an estimated forfeiture rate of 0.78%; and (v) dividends of nil. These amounts are not necessarily reflective of actual amounts that may be realized on exercise. See "Share-based Awards, Option-based Awards and Non-equity Incentive Plan

Compensation" below.

Non-equity Incentive Plan Compensation (column (e))

The Corporation did not pay any non-equity incentive plan compensation to its directors in its most recently completed financial year.

Pension Value (column (f))

The Corporation does not have any defined benefit or defined contribution plans.

All Other Compensation (column (g))

None of the directors of the Corporation received any compensation in their capacities as directors of the Corporation other than that described above.

*Share-based Awards, Option-based Awards and Non-equity Incentive Plan Compensation*

The following table sets out for each director of the Corporation all stock option awards, for services performed as a director, outstanding at the end of the most recently completed financial year, including stock options granted before the most recently completed financial year.

	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(1)</sup> (\$)
(a)	(b)	(c)	(d)	(e)
Massimo M. Geremia <sup>(1)</sup>	-	-	-	-
Bruno P. Geremia	45,000	1.10	August 16, 2015	5,850
Robert J. Dales	45,000	1.10	August 16, 2015	5,850
Wilfred A. Gobert	45,000	1.10	August 16, 2015	5,850
Gregory E. Peterson	45,000	1.10	August 16, 2015	5,850
Tom Spoletini	55,000	1.10	August 16, 2015	7,150
Cameron G. Vouri	45,000	1.10	August 16, 2015	5,850

**Note:**

- (1) Massimo M. Geremia, President and Chief Executive Officer of the Corporation, is also a director of the Corporation. Mr. Geremia became a director of the Corporation effective July 8, 2010. Mr. Geremia's incentive plan awards are disclosed under "Statement of Executive Compensation – Incentive Plan Awards". Mr. Geremia receives no additional compensation as a director.

None of the stock options held by directors of the Corporation vested during 2010. No non-equity incentive plan compensation was earned by directors of the Corporation during 2010.

*Narrative Discussion – Share-based Awards and Option-based Awards*

Share-based Awards

The Corporation did not make any share-based awards during its most recently completed financial year.

Option-based Awards

All of the stock options referred to in this section were granted under the Option Plan, as described earlier in this Information Circular.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table details all compensation plans under which equity securities of the Corporation were authorized for issuance as at the most recently completed financial year.

Plan Category	Number of Voting Common Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Voting Common Shares Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Shareholders	1,638,500	\$1.10	1,731,178
Equity Compensation Plans Not Approved by Shareholders	-	-	-
TOTAL	1,638,500	\$1.10	1,731,178

**Note:**

(1) The Option Plan was approved by the Shareholders on June 25, 2010.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer, each proposed nominee for elections as a director and each associate of the foregoing, has been, at any time, indebted to the Corporation or has indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere in this Information Circular, there are no material interests, direct or indirect, of any informed person, any proposed director, or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

## CORPORATE GOVERNANCE PRACTICES

National Policy 58-201 *Corporate Governance Guidelines* provides guidance on corporate governance practices. These guidelines, while not mandatory, deal with the constitution of boards of directors and board committees, their functions and their independence from management, as well as other means of addressing corporate governance practices. National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101") mandates that an issuer disclose, on an annual basis, its approach to corporate governance in accordance with Form 58-101F2.

Disclosure of the Corporation's corporate governance practices is set forth below. This disclosure is in accordance with Form 58-101F2.

### Board of Directors

The Board is comprised primarily of independent directors, allowing it to exercise independent supervision over management. Robert J. Dales, Wilfred A. Gobert, Gregory E. Peterson, Tom Spoletini and Cameron G. Vouri are independent directors. Massimo M. Geremia, as an officer of the Corporation, is not independent and Bruno P. Geremia, as an immediate family member of an officer of the Corporation, is not independent. The Chairman of the Board is Bruno P. Geremia.

## Mandate of the Board

The Board, either directly or through its committees, is responsible for the supervision of management of the Corporation and the business and affairs of the Corporation with the objective of enhancing Shareholder value. The Board's written mandate is attached hereto as Schedule "C".

## Directorships

Some directors of the Corporation are presently directors of other reporting issuers. The following table sets forth such 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

## Orientation and Continuing Education

The Board is responsible for the orientation and education of new directors. Orientation consists primarily of an overview of the role of the Board and its committees and a review of the business, policies and practices of the Corporation. As part of continuing education, the Board receives management presentations with respect to the operations and risks of the business of the Corporation at least four times per year, with a more significant presentation provided in conjunction with the annual budgeting process and annual strategic planning meeting with all directors and officers in attendance. In addition, the opportunity is available for individual directors to identify their respective continuing education needs through a variety of means, including discussions with management and at Board and committee meetings.

## Ethical Business Conduct

The Corporation presently has no formal code of ethics for its directors and officers. However, the Corporation requires the highest standards of professional and ethical conduct from its directors and officers and believes that its reputation for honesty and integrity among its stakeholders is key to the success of its business. In that regard, to create a culture of honesty, integrity and accountability, discussion, on an informal basis, is had amongst the Board and management respecting such matters as the retention of confidential information, insider trading rules, the obligation to declare conflicts of interest and the necessity to comply with applicable laws, regulations and rules.

The Board also believes that the fiduciary duties placed on individual directors by the *Business Corporations Act* (Alberta), the common law and securities legislation have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

## **Nomination of Directors**

Once a decision has been made to add or replace a director, the task of identifying new candidates falls on the Board and management. Proposals are put forth by the Board and management and are considered and discussed. The Board and management consider, among other factors, the competencies and skills the Board considers necessary to possess as a whole, the competencies and skills the Board considers each existing director to possess and the competencies and skills each new nominee will bring to the Board. Considerations are also given to whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.

## **Compensation**

The Compensation Committee is composed of four directors, being Mr. Wilfred A. Gobert (Chair), Mr. Bruno P. Geremia, Mr. Gregory E. Peterson and Mr. Tom Spoletini. All of the members of the Compensation Committee are independent, except for Mr. Bruno P. Geremia, who is an immediate family member of an officer of the Corporation. The Compensation Committee implements and oversees human resources and compensation policies recommended by such committee and approved by the Board, specifically those concerning executive compensation, contracts and stock option plans and those concerning proposed changes involving officers reporting to the Chief Executive Officer. The committee also (a) ensures that the Corporation has programs in place to attract and develop management of the highest caliber and a process in place to provide for the orderly succession of management, (b) sets the annual salary, bonus, and other benefits of the Chief Executive Officer and (c) approves the compensation for all other designated officers. For information concerning the compensation program for the Corporation's directors see "Statement of Executive Compensation – Compensation Discussion and Analysis – Executive Compensation" or "Statement of Executive Compensation – Director Compensation".

## **Other Board Committees**

In addition to the audit committee of the Board (the "**Audit Committee**") and the Compensation Committee, the Board also has a reserves committee (the "**Reserves Committee**").

The Reserves Committee is currently comprised of Mr. Cameron G. Vouri (Chair), Mr. Robert J. Dales, Mr. Bruno P. Geremia and Mr. Massimo M. Geremia. All of the members of the Reserves Committee are independent, except for Mr. Massimo M. Geremia, who is an officer of the Corporation, and Mr. Bruno P. Geremia, who is an immediate family member of an officer of the Corporation. The Reserves Committee is responsible for reviewing the Corporation's oil and gas disclosure, including the creation and review of annual reserve reports by an independent and qualified reserves evaluator.

## **Board Assessments**

The Board has not considered it necessary to date to conduct an assessment of the Board, its committees and individual directors on a formal basis. Any concerns about the effectiveness of the foregoing can be addressed to the Chairman of the Board.

## **AUDIT COMMITTEE**

The Board has established 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. This disclosure is in accordance with Form 52-110F2 under NI 52-110.

#### *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, management's discussion and analysis 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 auditors.

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

#### *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<sup>(1)</sup></b>	<b>\$42,000</b>

**Note:**

- (1) The fees shown represent external auditor service fees from July 8, 2010 to December 31, 2010, as the Corporation was formed on July 8, 2010 as a result of an amalgamation (the "**Amalgamation**") between Manitek Exploration Inc. and Desco Resources Inc. For more details regarding the Amalgamation, please see the joint management information circular and proxy statement of Desco Resources Inc. and Manitek Exploration Inc. dated May 28, 2010, a copy of which has been filed on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### CONFLICTS OF INTEREST

There are potential conflicts of interest to which some of the Corporation's directors and officers will be subject in that they are engaged and will continue to be engaged in various capacities with other companies in the oil and gas industry. To the extent such conflicts arise, they will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (Alberta).

### OTHER BUSINESS

While there is no other business than that mentioned in the Notice of Meeting to be acted upon, it is intended that the proxies hereby solicited will be exercised upon any other matters or proposals that may properly be brought before the Meeting, or any adjournment or adjournments thereof, in accordance with the discretion of the persons authorized to vote the proxies.

### AUDITORS

The current auditors of the Corporation are Kenway Mack Slusarchuk Stewart, LLP, Suite 220, 333 – 11<sup>th</sup> Avenue S.W., Calgary, Alberta, T2R 1L9. Kenway Mack Slusarchuk Stewart LLP have been the auditors of the Corporation since July 8, 2010.

### ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). Shareholders requiring further information may also contact Massimo M. Geremia, the President and Chief Executive Officer of the Corporation, or Robert G. Dion, the Vice President, Finance and Chief Financial Officer of the Corporation, at Suite 2500, 639 – 5<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0M9, or by telephone at (403) 984-1750.

Financial information regarding the Corporation is provided in the Corporation's financial statements and MD&A for its most recently completed financial year. Shareholders may also contact the Corporation as set forth above to request copies of such financial statements and MD&A.

**SCHEDULE "A"**  
**STOCK OPTION PLAN**

**1. INTERPRETATION**

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

- (a) "**Associate**" has the meaning ascribed thereto in the Securities Act;
- (b) "**Board**" means the board of directors of the Corporation;
- (c) "**Committee**" means a committee of directors appointed by the Board as contemplated by Clause 3 hereof;
- (d) "**Common Share**" means a voting common share in the capital stock of the Corporation as constituted at June 25, 2010 and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;
- (e) "**Consultant**" means an individual or company other than an employee or a director of the Corporation that is engaged to provide on an ongoing basis consulting, technical or management or other services to the Corporation under a written contract and spends a significant amount of time and attention on the affairs of the Corporation such that they are knowledgeable about the business and affairs of the Corporation;
- (f) "**Corporation**" means Manito Energy Inc. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (g) "**Early Termination Date**" means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date;
- (h) "**Expiry Date**" means the Normal Expiry Date or the Early Termination Date, as the case may be;
- (i) "**Insider**" has the meaning ascribed thereto in the Securities Act;
- (j) "**Market Price**" at any date and in respect of an Option, means:
  - (i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or
  - (ii) where the Common Shares are listed and posted for trading on a stock exchange, either:
    - A. the closing price of the Common Shares on the principal stock exchange on which they are traded on the last business day preceding the Option Date; or
    - B. if the Common Shares did not trade on the last business day preceding the Option Date, the average of the bid and ask prices in respect of the Common Shares at the close of trading on such date on the principal stock exchange on which the Common Shares are listed and posted for trading;



- (k) **"Normal Expiry Date"** means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on which the Option would normally terminate, which date may not be later than ten years after the Option Date;
- (l) **"Option"** means a right to purchase Common Shares pursuant to the Plan and an Option Agreement;
- (m) **"Option Agreement"** means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with the Plan as the Board or the Committee may determine;
- (n) **"Option Date"** means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;
- (o) **"Option Shares"** means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;
- (p) **"Optionee"** means a Participant who has entered into an Option Agreement with the Corporation;
- (q) **"Participant"** means, on any date, a person who is at least one of the following:
  - (i) a person who is bona fide regularly employed by the Corporation or one of its subsidiaries on that date;
  - (ii) an officer of the Corporation or one of its subsidiaries on that date;
  - (iii) a director of the Corporation or one of its subsidiaries on that date;
  - (iv) a bona fide consultant or advisor to the Corporation or one of its subsidiaries on that date; or
  - (v) to a corporation, the shares of which are wholly owned by a person described in Subclauses 1(q)(i), 1(q)(ii), 1(q)(iii) or 1(q)(iv);
- (r) **"Plan"** means this incentive stock option plan of the Corporation;
- (s) **"Purchase Price"** means the purchase price of Option Shares under an Option Agreement determined as provided in Subclause 6(b) of this Plan; and
- (t) **"Securities Act"** means the *Securities Act* (Alberta), as amended.

## 2. PURPOSE OF THE PLAN

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the incentive and opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

## 3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS

- (a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options

should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Purchase Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.

- (b) The Corporation is responsible for all costs of administration of the Plan.
- (c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.
- (d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:
  - (i) discontinue or terminate the Plan; or
  - (ii) amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees. Disinterested shareholder approval will be obtained for any reductions in the exercise price of Options held by Insiders.

#### **4. COMMON SHARES SUBJECT TO PLAN**

- (a) The Corporation reserves for issuance that number of Common Shares equal to 10% of the Corporation's outstanding Common Shares from time to time, for the purposes of issuance pursuant to the exercise of outstanding Options granted to the Participants pursuant to the Plan. In no event may the number of Option Shares issued under the Plan exceed the total number of Common Shares reserved for issuance hereunder.
- (b) The number of Option Shares that may be reserved for allotment to any one Participant pursuant to Options in any 12 month period must not exceed 5% of the issued and outstanding Common Shares.
- (c) The number of Option Shares that may be reserved for allotment to any one consultant of the Corporation (or any of its subsidiaries) pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares.

- (d) The number of Option Shares that may be reserved for allotment to any one person employed to provide investor relations activities pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares. Options granted to consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than  $\frac{1}{4}$  of the Options vesting in any 3 month period and a condition that such Options will expire 30 days after the Optionee ceases to be employed to provide investor relations activities.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options.

## **5. PARTICIPATION VOLUNTARY**

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

## **6. CERTAIN TERMS OF OPTION AGREEMENTS**

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be.

An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

- (a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.
- (b) The Purchase Price must not be less than the Market Price subject always to the discount from the Market Price allowed under the policies, rules or by-laws of the applicable stock exchange(s) on which the Common Shares are listed and posted for trading, which discount is to be considered in setting the Purchase Price wholly at the discretion of the Board or Committee, as the case may be, and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by cash, certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- (c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of Subclause 6(d) of this Plan.
- (d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:
  - (i) by reason of the Optionee's permanent physical or mental disability, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 90 days after the date the Optionee ceases to be a Participant due to such permanent physical or mental disability. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting

the generality of the foregoing, if the Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or

- (ii) by reason of the Optionee's death, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is one (1) year after the date the Optionee ceases to be a Participant due to such death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect; or
- (iii) by reason of the Optionee's office, directorship or employment or services agreement with the Corporation terminating or ending otherwise than by reason of permanent physical or mental disability, or death or termination with or without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 30 days after the date the Optionee ceases to be a Participant due to the termination or ending of the Participant's office, directorship or employment or services agreement. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
- (iv) by reason of the Optionee's termination without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 30 days after the date the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or
- (v) by reason of the Optionee's termination, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:
  - A. the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:
    - (1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or
    - (2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 30 days after the Optionee ceases to be a Participant; and
  - B. the Optionee is not entitled:

- (1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or
- (2) compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.

- (e) With respect to Subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the applicable Option Agreement pass by will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives.
- (f) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.

## 7. CHANGES IN STOCK

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;
- (e) then in any such case:
- (f) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and
- (g) the Board, in its discretion, may determine that:
  - (i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or

- (ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time,

and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **8. TAKEOVER BID**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan:

- (a) where an unsolicited Offer for the Common Shares is made, all unexercised and unvested outstanding Options granted under the Plan vest and become immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
- (b) where an Offer for the Common Shares (other than an unsolicited Offer) is made, the Board may by resolution and subject to regulatory approval accelerate the unexpired portions of any outstanding Options so that any unexercised and unvested Options granted under the Plan vest and become exercisable on such terms as the Board so determines (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year).

For the purposes hereof, "Offer" means an offer made generally to the holders of the Corporation's voting securities in one or more jurisdictions to acquire, directly or indirectly, voting securities of the Corporation and which is in the nature of a "takeover bid" as defined in the Securities Act and, where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act. For the purposes hereof, an "unsolicited Offer" means an Offer in respect of which neither the Board nor management of the Corporation solicited, sought out, or otherwise arranged for the offeror party to make such Offer. Any Option remaining unexercised following the earlier of the withdrawal of such Offer and the expiry of such Offer in accordance with its terms again becomes vested or unvested subject to the original terms of the Option Agreement as if the Offer had not been made.

## **9. SALE OF ASSETS OR CHANGE IN CONTROL**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan, if:

- (a) the Corporation sells or otherwise disposes of all or substantially of its assets; or
- (b) any person who does not hold more than 20% of the issued and outstanding Common Shares acquires more than 20% of the outstanding Common Shares without the prior consent of the Board, in any way other than by way of takeover bid (which circumstance is addressed in Clause 8 of this Plan),

all unexercised, unvested and outstanding Options granted under the Plan vest and are immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year). The Board, in its discretion, may determine whether such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **10. COMMON SHARES FULLY PAID AND NON-ASSESSABLE**

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

## 11. CONDITIONS OF ISSUANCE OF SHARES

- (a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:
- (i) the registration or qualification of the Common Shares which are the subject of any Option Agreement upon, or the consent or approval of, any securities exchange or any stock exchange upon which the Common Shares are listed;
  - (ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
  - (iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; or
  - (iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may be purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time,

is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.

- (b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.
- (c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

## 12. WITHHOLDING

- (a) The Corporation shall have the power and the right to deduct or withhold, or require an Optionee to remit to the Corporation, the required amount to satisfy federal, provincial, and local taxes, domestic or foreign, required by law or regulation to be withheld with respect to any taxable event arising as a result of the Plan, including the grant or exercise of Options granted under the Plan. With respect to required withholding, the Corporation shall have the irrevocable right (and the Optionee shall consent to) the Corporation setting off any amounts required to be withheld, in whole or in part, against amounts otherwise owing by the Corporation to the Optionee (whether arising pursuant to the Optionee's relationship as a director, officer, employee or consultant of the Corporation or any of its subsidiaries or otherwise), or may make such other arrangements satisfactory to the Optionee and the Corporation. In addition, the Corporation may elect, in its sole discretion, to satisfy the withholding requirement, in whole or in part, by withholding such number of Option Shares as it determines are required to be sold by the Corporation, as trustee, to satisfy the withholding obligation net of selling costs. The Option shall consent to such sale and grant to the Corporation an irrevocable power of attorney to affect the sale of such Option Shares and shall acknowledge and agree that the Corporation does not accept responsibility for the price obtained on the sale of such Option Shares.

- (b) Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Options under the Plan, whether arising as a result of the grant or exercise of Options or otherwise. The Corporation makes no guarantees to any person regarding the tax treatment of Options or payments made under the Plan and none of the Corporation, or any of its employees or representatives shall have any liability to a Participant with respect thereto.

### **13. ACCOUNTS AND STATEMENTS**

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

### **14. RESTRICTION ON TRANSFER**

The Options granted to an Optionee are personal and non-assignable and any rights in regard thereto cannot be transferred or assigned except upon the death of the Optionee as provided for in the Plan.

### **15. INTERPRETATION, AMENDMENT AND DISCONTINUANCE**

The Board may interpret the Plan, prescribe, amend or rescind rules and regulations relating to it, and make all other determinations necessary or advisable for its administration. In the event of a conflict between the terms of the Plan and an Option Agreement, the terms of the Plan prevail. The Board may from time to time alter, suspend or discontinue the Plan provided that such alteration, suspension or discontinuance does not, except as specifically noted in this Plan or the Option Agreement, alter or impair any Option such Optionee may have under any Option Agreement previously executed and delivered by the Corporation and such Optionee. Any amendment to this Plan is subject to receipt of any necessary regulatory approvals and any amendment required by applicable law or regulatory policy to be approved by shareholders does not become effective until so approved. Subject to the foregoing provisions of this Clause, the Board may terminate the Plan at any time and, upon such termination, any outstanding Option remains exercisable in accordance with its terms as specified herein and in the Option Agreement.

### **16. WAIVER**

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless the same is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

### **17. NOTICES**

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

### **18. GENERAL**

- (a) This Plan and each Option granted under the Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to the Plan is to be treated in all respects as an Alberta contract.
- (b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- (c) The Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by



assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

#### **19. SHAREHOLDER APPROVAL AND EFFECTIVE DATE**

Although this Plan is effective as and from the date hereof, each of the Option Agreements in respect of Options granted pursuant to this Plan is to contain a restriction to the effect that, where the Common Shares are listed and posted for trading on a stock exchange, no Common Shares are to be issued pursuant to the exercise of an Option unless and until this Plan is approved by shareholders of the Corporation (such restriction to be removed or deemed hereby to be of no further effect once shareholder approval is obtained). Shareholder approval will be deemed to be received upon the completion of the Corporation's initial public offering provided a summary of this Plan is included in the Corporation's prospectus related to such initial public offering.

The Plan was created by the Board effective June 25, 2010.

**SCHEDULE "B"**  
**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.

**SCHEDULE "C"**  
**BOARD OF DIRECTORS MANDATE**

*(Adopted by the Board of Directors on April 20, 2011)*

**A. PURPOSE**

The Board of Directors (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management, which is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure that the Corporation meets its obligations on an ongoing basis and to ensure that the Corporation operates in a reliable and safe manner. In performing its functions, the Board will also consider the legitimate interests its other stakeholders such as employees, customers and communities may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

**B. PROCEDURES AND ORGANIZATION**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs, including selecting its Chair, nominating candidates for election to the Board, constituting committees of the Board and determining director compensation. Subject to the Articles and By-laws of the Corporation and the *Business Corporations Act* (Alberta) (the "**Act**"), the Board may constitute, seek the advice of, and delegate powers, duties and responsibilities to committees of the Board.

**C. COMPOSITION**

The Board shall be composed of a majority of "independent" directors, as such term is defined under applicable securities legislation. The size of the Board shall be such that it will facilitate substantive discussions of the whole Board in which each director can participate meaningfully.

**D. DUTIES AND RESPONSIBILITIES**

The Board's principal duties and responsibilities fall into a number of categories which are outlined below:

**1. Legal Requirements**

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the statutory responsibility to:
  - (i) manage the business and affairs of the Corporation;
  - (ii) act honestly, in good faith and with a view to the best interests of the Corporation;
  - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
  - (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.
- (c) Each member of the Board must:
  - (i) commit the time and energy necessary to properly carry out his or her duties;

- (ii) attend all regularly scheduled Board and committee meetings, as applicable, in person or by telephone; and
  - (iii) review in advance all meeting materials and otherwise adequately prepare for all regularly scheduled Board and committee meetings, as applicable.
- (d) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:
  - (i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;
  - (ii) the filling of a vacancy among the directors or in the office of auditor;
  - (iii) the issuance of securities;
  - (iv) the declaration of dividends;
  - (v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;
  - (vi) the payment of a commission to any person in consideration of his/her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;
  - (vii) the approval of management proxy circulars;
  - (viii) the approval of any take-over bid circular or directors' circular;
  - (ix) the approval of financial statements of the Corporation; and
  - (x) the adoption, amendment or repeal of By-laws of the Corporation.

## 2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management. The independent directors may hold meetings at which non-independent directors and members of management are not in attendance if deemed necessary or appropriate.

## 3. Strategy Determination

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees, at least annually, in developing and approving the business goals of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

## 4. Managing Risk

The Board has the responsibility to understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

## 5. Division of Responsibilities

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so and hereby establishes three standing committees of the Board: an audit committee, a reserves committee and a compensation committee; each committee shall be composed entirely of independent directors or a majority of independent directors, as deemed appropriate, and each committee shall have a written charter; and
- (b) develop the mandate/position descriptions for:
  - (i) the Board;
  - (ii) the Chair of the Board (and of the committees, if deemed necessary);
  - (iii) the Chief Executive Officer;
  - (iv) the Chief Financial Officer; and
  - (v) the Chief Operating Officer.

6. Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

- (a) appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance and satisfy itself as to the integrity of the Chief Executive Officer, to determine the Chief Executive Officer's compensation and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) approve the appointment of all officers, acting upon the advice of the Chief Executive Officer;
- (c) approve the remuneration of all officers in consultation with the Chief Executive Officer to the extent not delegated to the compensation committee;
- (d) ensure that adequate provision has been made to appoint, train and develop management and for the orderly succession of management; and
- (e) ensure that management is aware of the Board's expectations of management, including that management will, among other things:
  - (i) review continuously the Corporation's strategies and their implementation in light of evolving conditions;
  - (ii) present a comprehensive annual operating plan and budget and report regularly on the Corporation's performance and results relative to that plan and budget;
  - (iii) report regularly on the Corporation's business and affairs, with a focus on matters of material consequence to the Corporation;
  - (iv) implement systems to identify and manage the principal risks of the Corporation's business;
  - (v) implement and maintain appropriate systems of internal control; and
  - (vi) implement and maintain appropriate disclosure controls and procedures.



## 7. Policies, Procedures and Compliance

The Board has the responsibility, either as a whole or through committees of the Board, to:

- (a) ensure that the Corporation operates at all times within applicable laws and regulations and to the highest ethical and moral standards;
- (b) approve and monitor compliance with significant policies and procedures by which the Corporation is operated;
- (c) ensure that the Corporation sets high environmental standards in its operations and is in compliance with environmental laws and legislation;
- (d) ensure that the Corporation has in place appropriate programs and policies for the health and safety of its employees in the workplace;
- (e) ensure that the Corporation develops an approach to compensation of directors and officers;
- (f) ensure that the Corporation develops an approach to corporate governance, including developing a set of corporate governance principles and guidelines;
- (g) administer incentive or equity based compensation plans, recommend any amendments thereto and approve all grants thereunder; and
- (h) approve the content and filing of the information required to be filed under National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

## 8. Reporting and Communication

The Board has the responsibility to:

- (a) ensure that the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally, including overseeing the effectiveness of the communications policy;
- (b) ensure that the financial performance of the Corporation is adequately reported to shareholders, other securityholders and regulators on a timely and regular basis;
- (c) ensure that the financial results are reported fairly and in accordance with generally accepted accounting standards, consistently applied;
- (d) ensure the timely reporting of any other developments that have a significant and material impact on the value of the Corporation;
- (e) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year; and
- (f) develop appropriate measures for receiving shareholder feedback.

## 9. Monitoring and Acting

The Board has the responsibility to:

- (a) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;

- (b) take action when performance falls short of its goals and objectives or when other special circumstances warrant;
- (c) ensure that the Corporation has implemented adequate internal control and management information systems which ensure the effective discharge of its responsibilities to the extent not delegated to the audit committee;
- (d) make regular assessments of the Board's effectiveness; and
- (e) review and assess the adequacy of this mandate on an annual basis, taking into account all legislative and regulatory requirements applicable to the Board.

10. Meetings

The Chair shall be responsible for developing the agenda and determining the time, place and frequency of Board meetings. Meetings of the Board will be conducted in accordance with the By-laws of the Corporation.



