Year End Report

2008

For the Period Ended June 30, 2008

December 9, 2008

Dear Shareholders:

On behalf of the Management and Directors of Manitok, we are pleased to provide you with our audited fiscal 2008 year end results.

Annual Highlights

- Manitok's production averaged 260.7 boepd for the year which was up over 165% from the comparable year last year.
- Manitok achieved cash flow from operations of $1,950,378 or $0.33 per share for the year, up over 500% from the comparable period last year.
- As of June 30, 2008, Manitok's reserves decreased, year over year, to 1,165 Mboe from 1,249 Mboe. However, the value increased to $29.9 million (NPV 10%, before income taxes) versus $13.0 million in the previous year.
- Manitok successfully closed an equity financing of $5,118,114 in July 2008 issuing 1,284,749 common shares priced at $2.45 and 667,959 flow through shares priced at $2.95.

Operations

Hairy Hills

Manitok drilled one well in fiscal 2008 which was spud in June. The well was geologically successful with significant multi-zone potential. The well was on production in December. Manitok also acquired one section (640 acres), with a 100% working interest, at a crown land sale in the fourth quarter. We have three freehold sections (100% WI) which will be unaffected by the proposed changes to the Alberta royalties, and one crown section (100% WI) where the royalty increase will not be significant due to the production levels.

Swimming

Manitok successfully completed a new zone in one well in May 2008. We have identified 8 drilling targets on our lands. Due to the production levels on the wells being below 50 bopd, the new proposed Alberta royalties will be less than the current royalties being paid.

Mannville

Manitok is participating in a 3D seismic shoot being conducted by Paramount Resources over the Manville lands in December. The seismic will be evaluated for drilling prospects in the next quarter. We have five gross sections (1.75 net) with an average working interest of 35%. All Manitok land in Mannville is crown and subject to the new proposed Alberta royalty structure. Given that the current production rates are below 50 boepd, the royalty increase will not be significant.

Coleman

Manitok has a 50% working interest in eight sections; the four most prospective sections are freehold lands with a 16.67% lessor royalty. We believe that there could be recoverable reserves of 11 to 15 bcf per section in the Mississippian formation. There is also potential in the deeper Devonian formation, based on our work and the evidence provided by a prolific gas field just 4 miles south of our property which has produced over 300 bcf from less than twenty wells over the last thirty years. We can drill horizontal re-entries from the two producing wells to access the reserves on two sections. This property has the potential to significantly increase the company's production and reserves. Our current production and future operations on this property are unaffected by the proposed royalty changes since it is freehold land.

Garrington

In October 2007, we added a two section farmin in the Garrington area. One section is freehold and the other is on Crown land. Manitok's working interest is 50%. We drilled a successful well and put it on production in March 2008. Since then, we have evaluated a second zone and expect to commingle the two zones sometime in the next quarter. The new proposed Alberta royalties will not increase significantly in this area.

Alberta Royalty Regime Change Impact

Overall, the new proposed royalties will have a neutral to a slightly positive impact to our current assets. Since 50% of our production is unaffected due to being on freehold land and the favorable treatment of the new royalties to our heavy oil production, the impact on our NAV would be neutral to slightly positive. The increase on the crown gas royalties, only 20% of current production, will be offset by the reduced royalties on our heavy oil wells, 30% of our production.

Outlook

Manitok has a well defined inventory of prospects consisting of eight swimming heavy oil wells, three Garrington light oil and liquids rich natural gas prospects, one Hairy Hills gas well and two high impact horizontal re-entries targeting long life reserves at Coleman. Manitok is currently evaluating other opportunities in the Foothills.

As always, I would like to thank our shareholders, consultants, directors, and all other stakeholders for their continued support and contributions in building Manitok's future. If you have any questions, do not hesitate to contact me.

Sincerely,

Massimo M. Geremia, CEO & CFO

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Year Ended June 30, 2008	Year Ended June 30, 2007
OPERATING		
Daily Average Production		
Light Oil – barrels	3.1	--
Heavy Oil – barrels	125.6	15.2
Natural Gas – thousands of cubic feet	774.2	497.2
NGLs – barrels	3.0	--
Total – barrels of oil equivalent (6:1)	**260.7**	**98.1**
Average Sales Price		
Light Oil – per barrel	$ 113.50	--
Heavy Oil – per barrel	$ 60.65	$ 38.70
Natural Gas – per thousand cubic feet	$ 7.44	$ 7.03
NGLs – per barrel	$ 47.26	--
Total – per barrel of oil equivalent (6:1)	**$ 53.22**	**$ 41.64**
Undeveloped Land		
Gross (acres)	12,800	13,440
Net (acres)	8,042	8,682
NETBACK AND COST		
($ per barrel of oil equivalent at 6:1)		
Petroleum & natural gas revenue	$ 53.22	$ 41.64
Royalties	(10.46)	(8.69)
Operating expense	(12.35)	(10.58)
Transportation and marketing expense	(1.91)	(1.51)
Netback	**$ 28.50**	**$ 20.86**
General & administrative expense	(8.24)	(12.82)
Interest expense	--	--
Other income	0.18	0.89
Income Taxes	--	--
Cash Flow Netback	**$ 20.44**	**$ 8.93**
Depletion and depreciation	(18.25)	(16.43)
Accretion	(0.65)	(1.08)
Stock-based compensation expense	(1.07)	(5.54)
Future income tax expense	0.60	1.94
Net Earnings (Loss)	**$1.07**	**$ (12.18)**
FINANCIAL		
Petroleum & Natural Gas Revenue ($)	5,077,855	1,490,511
Cash Flow from Operations ($)	**1,950,378**	**319,828**
Per share – basic ($)	0.34	0.10
Per share – diluted ($)(1) (2)	0.33	0.10
Net Earnings (Loss) ($)	**103,287**	**(436,193)**
Per share – basic ($)	0.02	(0.14)
Per share – diluted ($)(1) (2)	0.02	(0.14)
Common Shares Outstanding		
End of Period – Basic	5,824,942	5,493,882
End of Period – Diluted	6,789,442	6,238,882
Weighted Average for Period – Basic	5,747,755	3,130,266
Weighted Average for Period – Diluted(1) (2)	5,873,952	3,130,266
Capital Expenditures ($)	4,509,754	7,345,954
Working Capital ($)	(1,324,202)	454,222
Revolving Credit Facility ($)	--	--
Total Debt ($)	(1,324,202)	--

(1) *In calculating the diluted common shares outstanding at June 30, 2008, Manitok estimates its weighted average fair market value of the common shares to be $ 2.45 per common share.*

(2) *In calculating the diluted common shares outstanding at June 30, 2007, Manitok estimates its weighted average fair market value of the common shares to be $1.83 per common share. In the calculation the options and warrants were not dilutive.*

RESERVES EVALUATION

An independent evaluation of Manitok's oil and gas reserves effective June 30, 2008 was prepared by Sproule and provided to Manitok in an Evaluation Report dated October 27, 2008. The oil and gas reserves and income projections provided were estimated by Sproule in accordance with the Canadian Oil and Gas Evaluation Handbook (COGEH) and National Instrument 51-101 (NI 51-101).

The following table summarizes the Corporation's total reserves and net present values of future net revenues based on Sproule's June 30, 2008 forecast of commodity prices and costs.

Summary of Reserves and Future Net Revenues - Forecast Prices and Costs(1)
Before Income Taxes

	Lt, Med, Heavy Oil		Pipeline/Sol. Gas		NGL's/ Sulphur		Total Oil Equivalent		Present Value of Future Net Revenue			
Reserves Category	Gross (Mbbl)	Net (Mbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbl)	Net (Mbbl)	Gross (MBOE)	Net (MBOE)	0% (M$)	5% (M$)	8% (M$)	10% (M$)
Proved Developed Producing	112.1	99.8	1,019	814	0.5	0.4	282.4	235.9	11,177	9,890	9,286	8,934
Proved Developed Non-Producing	9.9	8.3	532	351	15.3	9.2	113.9	76.0	3,909	3,542	3,356	3,242
Proved Undeveloped	169.5	148.3	333	280	0.0	0.0	225.0	195.0	8,236	6,685	5,968	5,556
Total Proved	**291.5**	**256.4**	**1,884**	**1,445**	**15.8**	**9.6**	**621.3**	**506.8**	**23,322**	**20,118**	**18,610**	**17,733**
Probable Additional	217.6	190.9	1,700	1,270	42.7	26.4	543.6	429.0	18,470	14,799	13,108	12,140
Total Proved & Probable	**509.1**	**447.2**	**3,584**	**2,715**	**58.6**	**35.9**	**1,165.0**	**935.6**	**41,792**	**34,918**	**31,718**	**29,873**

1) Columns may not add precisely due to rounding of individual items.

FINDING, DEVELOPMENT AND ACQUISITION COSTS

Finding, development and acquisition costs are based on inception to June 30, 2008 and Inception to June 30, 2007 expenditures and the corresponding reserves associated with these expenditures. Manitok estimates its finding and development costs as follows:

FD&A Costs Excluding Future Development Capital(1)	**Inception to 2008**	**Inception to 2007**
F&D - Exploration and Development – Proved	$16.77	$12.90
F&D - Exploration and Development – Proved and Probable	$9.41	$6.13
Acquisitions – Proved	$26.20	$16.63
Acquisitions – Proved and Probable	$19.83	$14.23
FD&A - Total – Proved	$18.11	$13.70
FD&A - Total – Proved and Probable	$10.55	$7.19
FD&A Costs Including Future Development Capital(1)		
F&D - Exploration and Development – Proved	$20.31	$15.74
F&D - Exploration and Development – Proved and Probable	$13.63	$9.44
Acquisitions – Proved	$26.20	$16.63
Acquisitions – Proved and Probable	$19.83	$14.23
FD&A - Total – Proved	$21.15	$15.93
FD&A - Total – Proved and Probable	$14.31	$10.07

1) FD&A calculations are not NI 51-101 compliant as they are calculated on an inception to date basis. Inception to date is defined as the date the Corporation incorporated until the end of the defined period.

Recycle Ratios

Based on Manitok's estimated average 2008 **operating netback** of $28.50 per BOE, and including all capital spent from inception to June 30, 2008 for exploration, development and acquisition spending (FD&A), Manitok has a proved and probable recycle ratio of 2.7, excluding future capital and 2.0, including future capital. This **recycle ratio** is calculated in each case by dividing the average 2008 operating netback per BOE by total finding, development and acquisition costs per BOE.

The recycle ratio calculated by dividing the average 2008 **operating netback** of $28.50 per BOE by F&D costs per BOE relating only to exploration and development capital is 3.0, excluding future capital and 2.1, including future capital.

The recycle ratio calculated by dividing the average 2008 **cash flow netback** of $20.44 per BOE by F&D costs per BOE relating only to exploration and development capital is 2.2, excluding future capital and 1.5, including future capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") in respect of the year ended June 30, 2008 (the "**Reporting Period**"), is dated December 9, 2008. The prior comparative period is the year ended June 30, 2007 (the "**Comparable Prior Period**").

The following discussion and analysis is Management's assessment of the **audited** historical financial and operating results of Manitok Exploration Inc. (the "**Corporation**" or "**Manitok**") and should be read in conjunction with the **audited** financial statements of the Corporation for fiscal year ending June 30, 2007, all of which has been prepared in accordance with Canadian Generally Accepted Accounting Principles.

FORWARD LOOKING STATEMENTS

This disclosure includes forward-looking statements and assumptions respecting the Corporation's strategies, future operations, expected financial results, financing sources, commodity prices, costs of production and quantum of petroleum and natural gas reserves and discusses certain issues, risks and uncertainties that can be expected to impact on any of such matters.

By their nature, forward-looking statements are subject to numerous risks and uncertainties that can significantly affect future results. Actual future results may differ materially from those assumed or described in such forward-looking statements as a result of the impact of issues, risks and uncertainties whether described herein or not, which the Corporation may not be able to control. The reader is therefore cautioned not to place undue reliance on such forward-looking statements.

The Corporation disclaims any intention or obligation to update or revise these forward-looking statements as a result of new information, future events or otherwise.

NON-GAAP MEASURES

Included in this MD&A for the Reporting Period are references to terms commonly used in the petroleum and natural gas industry, such as cash flow or cash generated from operations, cash flow per share, operating netback and cash flow netback.

Cash flow, as discussed in this MD&A for the Reporting Period, appears as a separate line on the Corporation's Statements of Cash Flows above "changes in non-cash working capital" and is reconciled to net earnings or loss. In the Corporation's financial disclosure documents, operating netback denotes petroleum and natural gas revenue less royalties (net of ARTC), less operating expenses and less transportation and marketing expenses. Cash flow netback as used herein denotes net earnings plus future income tax expense, depletion, depreciation and accretion expense and non-cash stock-based compensation expense.

These terms are not defined by Generally Accepted Accounting Principles and consequently, they are referred to as non-GAAP measures. The reader should be cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

BOE CONVERSIONS

Barrel of oil equivalent ("BOE") amounts may be misleading, particularly if used in isolation. A BOE conversion ratio has been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel and is based on an energy equivalent conversion method primarily applicable at the burner tip and does not necessarily represent an economic value equivalency at the wellhead.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

The financial results of the Corporation have been significantly affected by transactions that were closed since June 30, 2007 and up to the date of this MD&A. These transactions are summarized below:

1. On July 27th 2007, the Corporation issued 202,500 common shares at $2.00 for gross and net proceeds of $405,000.
2. On August 30th 2007, the Corporation issued 4,400 common shares at $2.20 for gross and net proceeds of $9,680.
3. On December 31st 2007, the Corporation issued 96,375 flow-through shares at $2.95 for gross and net proceeds of $284,306.
4. On January 9th, 2008 the Corporation issued 152,000 stock options, to management and key consultants, with an exercise price of $2.45, a standard five year term and three year vesting period.
5. On March 13th, 2008, the Corporation issued 67,500 options with an exercise price of $2.45, a standard five year term and three year vesting period. The options were issued to directors of the Corporation.
6. Subsequent to year end, on July 10, 2008, the Corporation issued 667,959 flow-through shares at $2.95 per share for proceeds of $1,970,479.
7. Subsequent to year end, on July 14, 2008, the Corporation issued 1,284,749 common shares at $2.45 per share for proceeds of $3,147,635.
8. Subsequent to year end, on August 29, 2008, the Corporation issued 37,028 common shares at $2.45 per share for proceeds of $90,719.
9. Subsequent to year end, on September 29, 2008, the Corporation issued 85,000 flow-through shares at $2.95 per share for proceeds of $250,750.

OUTSTANDING SHARE DATA

Common Shares, Options, and Warrants Outstanding

	Common Shares	Avg. Price	Value[1]
Outstanding Balance at June 30, 2006	2,064,760	$1.26	$2,595,888
Put/Call Agreement shares issued in September, 2006	200,000	$1.45	$290,000
Outstanding Balance at September 30, 2006	**2,264,760**	**$1.27**	**$2,885,888**
Put/Call Agreement shares issued from October to December 11, 2006	413,300	$1.45	$599,285
Private placement, common shares	285,000	$1.45	$413,250
Flow -Through Share Financing December 29, 2006	432,232	$2.45	$1,058,968
Outstanding Balance at December 31, 2006	**3,395,292**	**$1.46**	**$4,957,391**
Common shares issued to Management in lieu of salary up to Jan. 31, 2007	52,525	$1.45	$76,161
Common shares issued to Management & Consultants in lieu of salary up to March 30, 2007	84,900	$1.45	$123,105
Flow -Through Share Financing March 30, 2007	365,625	$2.45	$895,781
Outstanding Balance at March 31, 2007	**3,898,342**	**$1.55**	**$6,056,397**
Private placement, common shares April 30, 2007	412,000	$2.00	$824,000
Private placement, common shares May 31, 2007	505,000	$2.00	$1,010,000
Private placement, common shares June 29, 2007	565,000	$2.00	$1,130,000
Private placement, flow through shares June 29, 2007	113,540	$2.45	$278,173
Outstanding Balance at June 30, 2007	**5,493,882**	**$1.69**	**$9,298,570**
Private placement, common shares July 27, 2007	202,500	$2.00	$405,000
Common shares issued to Consultant in lieu of salary Aug 30, 2007	4,400	$2.20	$9,680
Outstanding Balance at September 30, 2007	**5,700,782**	**$1.70**	**$9,713,250**
Private placement, flow through shares Dec 31, 2007	124,160	$2.95	$366,272
Outstanding Balance at December 31, 2007	**5,824,942**	**$1.73**	**$10,079,522**
Outstanding Balance at March 31, 2008	**5,824,942**	**$1.73**	**$10,079,522**

Outstanding Balance at June 30, 2008	**5,824,942**	**$1.73**	**$10,079,522**
Dilutive Securities:			
Common shares earned but not yet issued to consultants in lieu of cash(2)	13,333	$2.45	$32,666
Options issued at $1.45, September 9, 2005	320,000	$1.45	$464,000
Options issued at $2.00, February 28, 2007	125,000	$2.00	$250,000
Options issued at $2.45, January 9, 2008	152,000	$2.45	$372,400
Options issued at $2.45, March 13, 2008	67,500	$2.45	$165,375
Performance Warrants ($2.00 Strike price), issued July 1, 2006	300,000	$2.00	$600,000
Diluted Common Shares, June 30, 2008	**6,802,775**	**$1.76**	**$11,963,963**

(1) The value in this column reflects only the gross proceeds.
(2) The salary and fees will be paid in cash or by issuance of common shares by December 31, 2008.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

Petroleum and natural gas revenues totaled $5,077,855 for the year ended June 30, 2008 as compared to $1,490,511 for the year ended June 30, 2007. The Corporation experienced a 166% production increase in the year ended June 30, 2008 as compared to the year ended June 30, 2007. This production increase was directly related to the success of Manitok's capital program.

The following table details Manitok's petroleum and natural gas revenue, production and sales prices by category for the Reporting Periods:

	Year Ended June 30, 2008				Year Ended June 30, 2007			
	Total Revenue ($)	Average Daily Production	%	Average ($/unit)	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural Gas (mcf/d)	2,108,905	774.2	50	7.44	1,275,960	497.2	85	7.03
Light Oil (bbls/d)	130,518	3.1	1	113.58	--	--	--	--
Heavy Oil (bbls/d)	2,787253	125.6	48	60.65	214,551	15.2	15	38.70
Natural Gas Liquids (bbls/d)	51,179	3.0	1	47.26	--	--	--	--
Total petroleum and natural gas sales (BOE)	**5,077,855**	**260.7**	100	**53.22**	**1,490,511**	**98.1**	100	**41.64**
Royalty revenue	--			--	--			--
Total petroleum and natural gas revenue	**5,077,855**	**260.7**		**53.22**	**1,490,511**	**98.1**		**44.64**

Commodity Prices
The price the Corporation receives for its production depends on a number of factors, including AECO Canadian dollar spot market prices for natural gas, U.S. dollar oil prices, the U.S./Canadian dollar exchange rate, and transportation and product quality differentials. Manitok regularly considers managing the risk associated with fluctuating spot market prices for natural gas and U.S. dollar oil prices and the U.S./Canadian dollar exchange rate. Manitok currently has no fixed commodity price contracts or other hedge type contracts and no current plans to enter into such contracts. In regards, to our heavy oil pricing, the Corporation is paid based on Lloydminster Blend at Hardisty less a quality adjustment, blending costs, terminal charges, and loss allowance.

Royalties

Oil and natural gas royalties totaled $998,088 ($10.46 per BOE) in the year ended June 30, 2008. The overall effective royalty rate was 20% of the Corporation's total revenues from the sale of natural gas and liquids. Of the total royalties, 68% were crown royalties and the remaining 32% related to GORRs and Freehold royalties. Royalties totaled $310,947 ($8.69 per BOE) in the year ended June 30, 2007. The overall effective royalty rate was 21% of the Corporation's total revenues from the sale of natural gas and heavy oil. Of the total royalties, 46% were crown royalties and the remaining 54% related to GORRs and Freehold royalties.

Operating Costs

Operating costs were $1,178,321 ($12.35 per BOE) in the year ended June 30, 2008 and $432,663 ($12.09 per BOE) for the year ended June 30, 2007.

Transportation & Marketing Costs

Transportation and marketing costs were $182,140 ($1.91 per BOE) in the year ended June 30, 2008 and $54,126 ($1.51 per BOE) for the year ended June 30, 2007.

General and Administrative Expense

Net general and administrative costs were $786,462 ($8.24 per BOE) during the Reporting Period as compared to $458,989 ($12.82 per BOE) in the Comparable Prior Period. The components of G&A are as follows:

General and Administrative Expense ($'s)	**Year Ended June 30, 2008**		**Year Ended June 30, 2007**	
Management Salaries and Consultant Fees[1][2]	359,025	44%	217,782	47%
Other	462,119	56%	248,638	53%
G & A expense, gross	821,144	100%	466,420	100%
Overhead recoveries	(34,682)	4%	(7,431)	2%
Capitalized overhead[2]	--	--	--	--
G & A expense, net	786,462	96%	458,989	98%
G & A expense, net per BOE	$8.24		$12.82	

(1) $170,696 of the salaries and consultant fees were paid in Manitok common shares for the year ended June 30, 2007.
(2) The Corporation's current policy is to not capitalize any of its G&A expenses.

Of the $466,420 of gross G&A expenses in the year ended June 30, 2007 $170,696 were paid in common shares, the remaining $295,724 of G&A expenses were paid out in cash by the Corporation. The Corporation began paying a cash salary to two of its employees, who had previously been accepting shares as payment, one beginning in February 2007 and the other in April 2007.

The Corporation has not capitalized any portion of management salaries. The Corporation expects that the current level of G&A costs would not increase significantly until it is producing over 400 boepd.

Interest Expense

Interest expense for the Reporting Period was NIL and the interest expense for the Comparable Prior Period was NIL. The Corporation has established a revolving credit facility, with an authorized credit limit of $1,800,000, and therefore expects to have interest expense in future periods once it begins to draw on the credit facility. Currently, Manitok has not yet drawn on its credit facility.

Depletion, Depreciation and Accretion Expense

The provision for depletion, depreciation and accretion (**DD&A**) for the year ended June 30, 2008 was $1,802,635 ($18.90 per BOE). Depletion and depreciation expense was $1,740,955 ($18.25 per BOE) and the remaining $61,680 ($0.65 per BOE) was for accretion in relation to the Corporation's asset retirement obligations. In the year ended June 30, 2007 DD&A was $626,905 ($17.51 per BOE). Depletion and depreciation expense was $588,105 ($16.43 per BOE) and the remaining $38,800 ($1.08 per BOE) was for accretion in relation to the Corporation's asset retirement obligations.

Depletion and depreciation expense is primarily a function of both the proved reserve additions and the cost of petroleum and natural gas properties in the full cost pool attributable to those proved reserves.

Taxes

Manitok estimates it is not required to pay any income tax during the Reporting Period. Manitok monitors its income tax position regularly and will plan accordingly to ensure it pays minimal or no income tax. For the year ended June 30, 2008 Manitok recorded a future income tax recovery of $57,170 ($0.60 per BOE) as compared to a future income tax recovery of $69,368 ($1.94 per BOE) for the year ended June 30, 2007. The Corporation expects to record future income tax expense in future periods, as it expects to utilize the tax basis of its assets at a rate greater than the book rate of depletion and depreciation, in order to remain non-taxable in the current commodity price environment.

Stock-Based Compensation

Manitok accounts for its stock-based compensation programs using the fair value method. Under this method, the Corporation records compensation expense related to the stock-based compensation programs in the income statement over the vesting period.

The Corporation recorded $101,626 ($1.07 per BOE) of stock-based compensation expense relating to the 320,000 stock options issued in Q1 2006, the 125,000 stock options issued in Q3 2007 and the 219,500 options issued in Q3 2008 in the year ended June 30, 2008. The Corporation recorded $198,430 ($5.54 per BOE) of stock-based compensation expense relating to the 320,000 stock options issued in Q1 2006, the 300,000 warrants issued in Q1 2007 and the 125,000 stock options issued in Q3 2007 in the year ended June 30, 2007. The Corporation recognized the full amount remaining of compensation expense relating to the Corporation's outstanding warrants at year end in 2007.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital expenditures amounted to $4.51 million during the year ended June 30, 2008. Capital expenditures amounted to $7.35 million during the year ended June 30, 2007 of which $1.89 million was for the acquisition of undeveloped land and two producing wells.

The following table sets forth a summary of the capital expenditures incurred for the years ended June 30, 2008 and June 30, 2007:

Capital Expenditures

Year Ended June 30 ($)	2008	2007
Land	430,547	38,837
Exploration – seismic	17,096	344,439
Exploration – other	--	--
Drilling and completions	2,086,835	2,151,295
Development – other	1,154,793	1,138,022
Well equipment and facilities	772,487	1,763,163
Capitalized general and administrative expenses	--	--
Total F&D Costs	4,461,758	5,435,756
Acquisition	--	1,891,731
Total FD&A Costs	**4,461,758**	**7,327,487**
Administrative assets	47,996	18,467
Total Capital Expenditures	**4,509,754**	**7,345,954**

The following table sets forth a summary of the Corporation's capital resources for the Reporting Period and the Comparable Prior Period:

Capital Resources

Year Ended June 30 ($)	2008	2007
Cash generated by (used in) operations	1,950,378	319,828
Changes in working capital from operations	(248,128)	167,755
Equity issues, net of issue costs	780,952	6,698,724
Changes in working capital from financing	1,600,614	--
Changes in working capital from investing	2,533	464,445
Total capital resources	**4,086,349**	**7,650,752**

SELECTED QUARTERLY INFORMATION

Quarter Ended ($, except share and per share amounts)	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008
Petroleum and natural gas production (BOE per day)	275.7	271.0	250.4	245.5
Petroleum and natural gas commodity price ($ per BOE)	39.94	39.45	58.83	77.94
Natural gas commodity price at wellhead ($ per mcf)	5.30	6.19	8.20	10.32
Light Oil commodity price at wellhead ($ per bbl)	--	--	102.50	122.04
Heavy Oil commodity price at wellhead ($ per bbl)	47.30	41.48	69.18	95.05
Total petroleum and natural gas revenue	1,012,792	983,622	1,340,483	1,740,959
Total royalties, net of ARTC[1]	(198,182)	(217,254)	(269,152)	(313,501)
Total interest and other revenue	6,658	2,606	5,138	3,133
Total revenues, net	821,268	768,973	1,076,469	1,430,591
Capital expenditures	807,271	542,225	1,472,422	1,687,835
Net income (loss)	(83,904)	(382,805)	309,619	103,287
Per share basic	(0.02)	(0.07)	0.05	0.05
Per share diluted	(0.02)	(0.07)	0.05	0.04
Cash generated by operations	335,531	258,094	574,754	781,999
Per share basic	0.06	0.05	0.10	0.13
Per share diluted	0.06	0.04	0.10	0.13
Book value of total assets	10,886,709	11,176,552	13,712,892	12,189,534
Revolving credit facility	--	--	--	--
Working Capital (Deficiency)	397,162	479,302	(418,366)	(1,324,202)
Shareholder's equity	8,889,427	8,515,323	8,736,334	9,114,541
Common shares outstanding – end of period				
Basic	5,700,782	5,824,942	5,824,942	5,824,942

Diluted	6,445,782	6,569,942	6,789,442	6,789,442
Weighted average common shares outstanding				
Basic	5,640,684	5,702,132	5,824,942	5,824,942
Diluted	5,803,547	5,872,955	5,937,433	5,951,139

Quarter Ended ($, except share and per share amounts)	**September 30, 2006**	**December 31, 2006**	**March 31, 2007**	**June 30, 2007**
Petroleum and natural gas production (BOE per day)	57.1	86.9	95.9	152.9
Petroleum and natural gas commodity price ($ per BOE)	34.51	40.85	43.76	43.48
Natural gas commodity price at wellhead ($ per mcf)	5.45	7.08	7.42	7.27
Light Oil commodity price at wellhead ($ per bbl)	--	--	--	--
Heavy Oil commodity price at wellhead ($ per bbl)	41.01	37.98	38.60	37.51
Total petroleum and natural gas revenue	181,357	326,716	377,549	604,889
Total royalties, net of ARTC[1]	(40,984)	(68,831)	(80,016)	(121,115)
Total interest and other revenue	13,186	5,463	481	12,785
Total revenues, net	153,559	263,347	298,015	496,559
Capital expenditures	1,388,602	1,620,548	753,573	3,583,231
Net income (loss)	(39,955)	(79,537)	(104,235)	(212,412)
Per share basic	(0.02)	(0.03)	(0.03)	(0.05)
Per share diluted	(0.02)	(0.03)	(0.03)	(0.05)
Cash generated by operations	35,444	84,473	58,721	(141,190)
Per share basic	0.02	0.03	0.02	0.03
Per share diluted	0.02	0.03	0.02	0.03
Book value of total assets	4,833,065	7,348,923	7,611,204	11,493,405
Revolving credit facility	--	--	--	--
Working Capital (Deficiency)	(281,534)	253,895	654,090	454,222
Shareholder's equity	2,681,452	4,689,519	5,361,306	8,539,147
Common shares outstanding – end of period				
Basic	2,264,760	3,395,292	3,898,342	5,493,882
Diluted	2,884,760	4,015,292	4,643,342	6,238,882
Weighted average common shares outstanding				
Basic	2,066,934	2,667,991	3,440,320	4,365,991
Diluted	2,066,934	2,667,991	3,440,320	4,437,918

(1) ARTC is not applicable to periods after December 31, 2006.

OUTLOOK

Currently Manitok has a very strong balance sheet as a result of the Corporation completing the issuance of approximately $5.5 million in new equity subsequent to year end. Manitok is well positioned for future growth given that it has no debt, positive cash flow, and excellent reserve value. Management and directors are excited about Manitok's future given its technical and financial expertise, excellent inventory of prospects and strategic relationships in the Western Canadian oil patch.

ANNUAL FINANCIAL STATEMENTS
MANITOK EXPLORATION INC.
JUNE 30, 2008 AND 2007

Manitok Exploration Inc.

June 30, 2008

Auditors' Report

To: The Shareholders of
Manitok Exploration Inc.

We have audited the balance sheet of **Manitok Exploration Inc.** as at **June 30, 2008** and the statements of income, comprehensive income and deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility of to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kenway Mack Slusarchuk Stewart LLP

Calgary Alberta
November 19, 2008

Chartered Accountants

MANITOK EXPLORATION Inc.
Balance Sheets
($)

	As at June 30, 2008	As at June 30, 2007
ASSETS		
CURRENT		
Cash	889,417	1,312,822
Accounts receivable	1,251,396	596,955
Prepaid and deposits	264,178	242,013
	2,404,991	2,151,790
Petroleum and natural gas properties and equipment (Note 4)	12,189,534	9,341,615
	14,594,525	11,493,405
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	2,128,580	1,697,569
Advances received for shares to be issued (Note 13)	1,600,614	--
	3,729,194	1,697,569
Asset retirement obligations (Note 6)	889,890	749,090
Future income taxes (Note 7)	860,900	507,600
	5,479,984	2,954,259
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	9,117,360	8,746,878
Contributed surplus (Note 10)	340,471	238,845
Deficit	(343,290)	(446,577)
	9,114,541	8,539,146
	14,594,525	11,493,405

Commitments (Note 11)
Subsequent events (Note 14)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD

"Bruno Geremia"
Bruno P. Geremia C.A., Director

"Massimo Geremia"
Massimo M. Geremia, Director

MANITOK EXPLORATION Inc.
Statements of Income, Comprehensive Income and Deficit
($)

	Year ended June 30, 2008	Year ended June 30, 2007
REVENUE		
Petroleum and natural gas	5,077,855	1,490,511
Royalties	(998,088)	(310,947)
Interest	17,534	31,916
	4,097,301	1,211,480
EXPENSES		
Petroleum and natural gas operations	1,360,462	432,663
General and administrative	786,461	458,989
Stock-based compensation (Note 9)	101,626	198,430
Depletion, depreciation and accretion	1,802,635	626,905
	4,051,184	1,716,987
INCOME (LOSS) BEFORE INCOME TAXES	46,117	(505,507)
INCOME TAXES (RECOVERY)		
Future income taxes (recovery) (Note 7)	(57,170)	(69,368)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME	103,287	(436,139)
DEFICIT, BEGINNING OF YEAR	(446,577)	(10,438)
DEFICIT, END OF YEAR	(343,290)	(446,577)
Net Income (loss) per common share		
Basic and diluted	0.02	(0.14)
Weighted average common shares		
Basic	5,747,755	3,130,266
Diluted	5,873,952	3,130,266

See accompanying notes to the financial statements.

MANITOK EXPLORATION Inc.
Statements of Cash Flows
($)

	Year ended June 30, 2008	Year ended June 30, 2007
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net Income (loss)	103,287	(436,139)
Adjustments for items not affecting cash:		
Depletion, depreciation and accretion	1,802,635	626,905
Stock-based compensation	101,626	198,430
Future income taxes (recovery)	(57,170)	(69,368)
	1,950,378	319,828
Changes in non-cash working capital (Note 12)	(248,128)	167,755
	1,702,250	487,582
FINANCING		
Issuance of share capital	780,952	6,698,724
Changes in non-cash working capital (Note 12)	1,600,614	--
	2,381,566	6,698,724
INVESTING		
Acquisition of petroleum and natural gas properties and equipment	--	(1,891,731)
Expenditures on petroleum and natural gas properties and equipment	(4,509,754)	(5,454,223)
Changes in non-cash working capital (Note 12)	2,533	464,445
	(4,507,221)	(6,881,509)
NET INCREASE (DECREASE) IN CASH	(423,405)	304,798
CASH, BEGINNING OF YEAR	1,312,822	1,008,024
CASH, END OF YEAR	889,417	1,312,822

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS

Manitok Exploration Inc. ("Manitok" or the "Corporation") is a private company incorporated under the Business Corporations Act (Alberta) on April 20, 2005. The Corporation is involved in the exploration, development and production of petroleum and natural gas in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue associated with sales of petroleum and natural gas and other items are recorded when the commodities are delivered and title passes to the purchaser. Revenue associated with sales of petroleum and natural gas is recorded gross of transportation and marketing charges.

(b) Joint venture activities

A significant portion of the Corporation's exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only the Corporation's proportionate interest in such activities.

(c) Use of estimates

The preparation of timely financial statements necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. These estimates will affect assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting periods. Such estimates are based on informed judgments made by management. Actual results could differ materially from those estimated.

Amounts recorded for depletion, depreciation, asset retirement and amounts used for ceiling test calculations are based on estimates of petroleum and natural gas reserves which include estimates of future commodity prices, future costs and other relevant assumptions. The Corporation's reserves are estimated and evaluated, at a minimum, annually by an independent engineering firm. By their nature, these estimates of reserves and the related cash flows are subject to measurement uncertainty and the impact of changes in such estimates on the financial statements of future periods could be material.

The Company's policy of recognizing the fair value of stock-based compensation and utilizing the Black Scholes option valuation model to calculate the fair value makes necessary the use of assumptions, such as volatility, which are subjective in nature.

(d) Cash and cash equivalents

The Company considers all investments with maturities of three months or less, cashable guaranteed investment certificates and demand bank loans that are utilized periodically for day to day operations to be cash equivalents.

(e) Petroleum and natural gas properties and equipment

Capitalized costs

The Corporation follows the full cost method of accounting, whereby all costs relating to the exploration, acquisition and development of petroleum and natural gas reserves are capitalized in a single Canadian cost centre. Such costs include land acquisition costs, geological and geophysical expenses, production equipment, carrying charges of non-producing properties, costs of drilling both productive and non-productive wells and corporate charges directly related to acquisition, exploration and development activities. Proceeds from the sale of properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would alter the rate of depletion and depreciation by 20% or more.

Depletion and depreciation

Depletion and depreciation of petroleum and natural gas properties and equipment, together with the estimated future costs to be incurred in developing proved reserves, are depleted or depreciated using the unit-of-production method based on the proved reserves before royalties. Petroleum and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content of six thousand cubic feet of natural gas to one barrel of oil. The costs of undeveloped properties are excluded from the costs subject to depletion and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Impairment

Petroleum and natural gas properties are evaluated each reporting period through an impairment test to determine the recoverability of capitalized costs. The carrying amount is assessed as recoverable when the sum of the undiscounted cash flows expected from proved reserves plus the cost of unproved interests, net of impairments, exceeds the carrying amount. When the carrying amount is assessed not to be recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows from proved and probable reserves plus the cost of unproved interests, net of impairments. The cash flows are estimated using expected future prices and costs and are discounted using a risk-free interest rate.

Undeveloped land and unproved properties are assessed regularly to determine if there is impairment.

Administrative assets

The Corporation records depreciation on its office furniture and equipment, which includes computer equipment, on a straight-line basis using an expected useful life of four years.

(f) Asset retirement obligations

The Corporation recognizes the estimated liability associated with future site abandonment and reclamation costs in the financial statements when a well or related asset is drilled, constructed or acquired. Costs are estimated by management in consultation with the Corporation's engineers based on current costs and technology in accordance with current legislation and industry practices. The obligation is initially measured at fair value, and subsequently adjusted for the accretion of discount and any changes to the underlying cash flows. Future value is determined by calculating projected cash flows adjusted for estimated inflation, and discounted using a credit adjusted risk free interest rate. The asset retirement cost is capitalized to petroleum and natural gas properties and equipment and amortized into earnings in depletion expense on a basis consistent with depletion and depreciation. Actual site restoration and abandonment expenditures are applied directly against the asset retirement obligation. The Corporation reviews the obligation regularly such that revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the asset retirement obligation.

(g) Future income taxes

The Corporation accounts for its income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the tax rates anticipated to apply in relevant future periods. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in the period that the change occurs. To the extent that the Corporation does not consider it to be more likely than not that the future tax asset will be realized, it provides a valuation allowance against the excess.

(h) Stock-based compensation

The Corporation accounts for its stock-based compensation plans using the fair value method to value stock options granted to officers, directors and employees. Under this method, compensation cost attributed to stock options granted to officers, directors, and employees is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Corporation does not incorporate an estimated forfeiture rate for stock options that will not vest, but accounts for forfeitures as they occur.

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. The Corporation records the carrying value of the expenditures in petroleum and natural gas properties and equipment as incurred and records the future income tax effect when the expenditures are renounced with a corresponding reduction to share capital.

(j) Per share information

Basic per share information is computed using the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the treasury stock method, which assumes that any proceeds from the exercise of "in-the-money" stock options or performance warrants would be used to purchase common shares at the average market price during the period. No adjustment to diluted earnings per share is made if the result of these calculations is anti-dilutive. The average market price is estimated by management as Manitok is a private company and its common shares do not trade on a public exchange.

(k) Financial Instruments – Recognition and Measurement

All financial instruments are classified into specific categories; financial assets available for sale, assets and liabilities held for trading, loans and receivables, investments held to maturity and other financial liabilities. Financial instruments are measured at fair value with subsequent measurement based on initial classification. Non-exempt derivative and embedded derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. All changes in their fair value are recorded in net income unless hedge accounting is utilized, which then requires any changes in fair value to be recorded in other comprehensive income until such time as the underlying hedged transaction is recognized in net income. If a hedge ceases to be effective it is immediately recognized in net income.

The Corporation has made the following classifications:

a) Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value. Gains and losses from revaluation are recognized in net income.

b) Accounts receivable are classified as loans and receivables and are initially measured at fair value. Subsequent revaluations are recorded at amortized cost using the effective interest rate method.

c) Revolving demand loan, accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value. Subsequent revaluations are recorded at amortized cost using the effective interest rate method.

(l) Comprehensive Income

Comprehensive income is the change in shareholders' equity resulting from transactions and events from sources other than the Corporation's shareholders. These transactions and events include changes in currency translation adjustments and unrealized gains and losses resulting from changes in fair value of certain financial instruments. This Section requires the Corporation to present a statement of comprehensive income as part of the financial statements. There is no other comprehensive income in the period presented, therefore no separate statement of comprehensive income has been prepared.

3. CHANGES IN ACCOUNTING POLICIES

Accounting Changes

The Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506 – *Accounting Changes*, which allows for voluntary changes in accounting polices only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors in the financial statements. Effective July 1, 2007 the adoption of this standard did not have an impact on the Corporation other than the additional disclosure regarding the impact of new accounting standards that have been issued but are not yet effective for the Corporation.

This applies to Section 3862 – *Financial Instruments Disclosures* and Section 3863 – *Financial Instruments Presentations* which are required to be adopted for publicly accountable enterprises fiscal years beginning on or after October 1, 2007. Manitok has chosen to voluntarily adopt these standards on July 1, 2008 and it is expected the only effect on the Corporation will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks to which the entity is exposed arising from financial instruments.

Future Accounting Changes

Capital Disclosures

Effective July 1, 2008, the Company will adopt the CICA Handbook Section 1535 Capital Disclosures. Under the requirements of the new standard, the Company will disclose information about its objectives, policies and processes for managing capital, quantitative information about what the Company regards as capital and information regarding its compliance with any externally imposed capital requirements and the consequences of any non-compliance.

Going Concern

Effective July 1, 2008, the Company will adopt the additional requirements of the CICA Handbook Section 1400 – General Standards of Financial Statements. The additional requirements require management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Company does not anticipate any impact to its financial statements arising from the adoption of the accounting pronouncement.

4. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

		June 30, 2008	
	Cost ($)	Accumulated Depletion and Depreciation ($)	Net Book Value ($)
Petroleum and natural gas properties and equipment	14,515,587	(2,381,000)	12,134,587
Administrative assets	72,521	(17,574)	54,947
	14,588,108	**(2,398,574)**	**12,189,534**

		June 30, 2007	
	Cost ($)	Accumulated Depletion and Depreciation ($)	Net Book Value ($)
Petroleum and natural gas properties and equipment	9,974,709	(653,000)	9,321,709
Administrative assets	24,525	(4,619)	19,906
	9,999,234	**(657,619)**	**9,341,615**

The Corporation used an independent reserve company's reserve evaluation at June 30, 2008 for the purposes of determining the depletion and depreciation. As at June 30, 2008, the cost of petroleum and natural gas properties includes $982,651 (June 30, 2007 - $2,086,376) relating to unproved properties, which have been excluded from costs subject to depletion and depreciation. Future development costs of $2,350,000 (2007 – $1,516,000) are included in the depletion base. The Corporation has nil capitalized general and administrative costs (2007 – nil).

The Corporation performed an impairment (ceiling) test calculation at June 30, 2008 to assess the recoverable value of the petroleum and natural gas properties and equipment and to assess that it does not exceed its fair value. The petroleum and natural gas future prices are based on July 1, 2008 commodity price forecasts of the Corporation's independent reserve evaluators. The following table summarizes the benchmark prices used in the ceiling test calculation:

Year	WTI Oil ($US/bbl)	CDN/US Exchange Rate	Edmonton Par ($CDN/bbl)	Hardisty Heavy ($CND/bbl)	AECO Gas ($CDN/Mcf)
2008	132.01	$1.000	130.59	91.42	11.87
2009	131.09	$1.000	129.66	90.76	10.77
2010	129.78	$1.000	128.32	89.82	9.63
2011	109.86	$1.000	108.39	75.87	8.95
2012	92.01	$1.000	90.51	63.35	8.69
2013	93.85	$1.000	92.32	64.63	8.89
2014	95.72	$1.000	94.18	65.92	9.09
2015	97.64	$1.000	96.07	67.25	9.29
2016	99.59	$1.000	98.00	68.60	9.49
2017	101.58	$1.000	99.97	69.98	9.71
2018	103.61	$1.000	101.97	71.38	9.92
Thereafter	2%	$1.000	2%	2%	2%

The benchmark prices were adjusted for quality and transportation in determining cash flow for ceiling test purposes.

5. BANK LOANS

A demand bank loan has been authorized to a maximum of $1,800,000 and bears interest at the bank's prime lending rate plus 0.9%. A general security agreement covering all assets of the Corporation has been pledged as security. No amount is outstanding on the bank loan as at the year end.

6. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations were estimated based on the Corporation's net ownership in all wells and facilities, the estimated cost to restore and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The Corporation estimates the undiscounted cash flows related to asset retirement obligations, adjusted for inflation, to be incurred over the estimated reserve life of the underlying assets, ranging from 2 to 16 years is approximately $1,812,000 (2007 – $1,572,000). The fair value of these obligations at June 30, 2008 was $889,890 (2007 - $749,090) using a credit-adjusted risk-free interest rate of 8.0% (2007 – 8.0%) and an inflation rate of 2.0% (2007 – 2%).

A reconciliation of the asset retirement obligations is provided below:

($)	June 30, 2008	June 30, 2007
Opening Balance, July 1	749,090	480,870
Obligations incurred	79,120	229,420
Accretion expense	61,680	38,800
Ending Balance	**889,890**	**749,090**

7. INCOME TAXES

(a) The provision for income taxes differs from the result that would be obtained by applying the combined current year Canadian federal and provincial income tax rates of 30.80% (2007 – 32.12%) to the income before taxes. The difference results from the following items:

($)	2008	2007
Income (loss) before taxes	46,117	(505,507)
Computed expected income tax expense (recovery)	14,204	(162,369)
Increase (decrease) in taxes resulting from:		
Non-deductible Crown payments	--	8,097
Resource allowance	--	16,913
Non-deductible stock-based compensation	31,301	63,736
Non-deductible meals and entertainment	570	1,081
Other	(4,843)	3,174
Change in tax rates	(91,700)	--
Lower effective rate attributable to decreasing rates in future	(6,702)	--
Valuation Allowance	--	--
Future income taxes	(57,170)	(69,368)

(b) The components of the future income tax assets and liabilities at June 30, 2008 and June 30, 2007 are as follows:

($)	2008	2007
Future income tax liabilities:		
Property, plant and equipment	(1,728,100)	(1,320,629)
Future income tax assets:		
Asset retirement obligation	234,200	240,608
Share issue costs	400	713
Non Capital Losses	632,400	571,708
	(860,900)	(507,600)
Valuation allowance	--	--
Net future income tax liability	(860,900)	(507,600)

8. SHARE CAPITAL

(a) Authorized

Unlimited number of Class A voting common shares
Unlimited number of Class B non-voting preferred shares

(b) Issued

	Number of Class A Common Shares	Amount ($)
Balance, June 30, 2006	**2,064,760**	**2,385,330**
September 30, 2006: Put/Call Agreements – Common Shares	200,000	290,000
October 31, 2006: Private Placement – Common Shares	204,300	296,235
November 1, 2006: Private Placement – Common Shares	80,700	117,015
November 1, 2006: Put/Call Agreements – Common Shares	170,300	246,935
December 1, 2006: Put/Call Agreements – Common Shares	30,000	43,500
December 4, 2006: Put/Call Agreements – Common Shares	138,000	200,100
December 7, 2006: Put/Call Agreements – Common Shares	55,000	79,750
December 7, 2006: Put/Call Agreements – Common Shares	20,000	29,000
December 19, 2006: Private Placement – Flow-Through Shares	115,400	282,730
December 29, 2006: Private Placement – Flow Through Shares	316,832	776,238
January 31, 2007: Common Shares issued for consulting services	52,525	76,161
March 30, 2007: : Common Shares issued for consulting services	84,900	123,105
March 30, 2007: Private Placement – Flow Through Shares	365,625	895,781
Tax Effect of Flow Through Share Renunciation		(337,175)
April 30, 2007: Private Placement – Common Shares	412,000	824,000
May 31, 2007: Private Placement – Common Shares	505,000	1,010,000
June 29, 2007: Private Placement – Common Shares	565,000	1,130,000
June 29, 2007: Private Placement – Flow Through Shares	113,540	278,173
Balance, June 30, 2007	**5,493,882**	**8,746,878**
July 27, 2007: Private Placement – Common Shares	202,500	405,000
August 30, 2007: Private Placement – Common Shares	4,400	9,680
December 31, 2007: Private Placement – Flow Through Shares	124,160	366,272
Tax Effect of Flow Through Share Renunciation		(410,470)
Balance, June 30, 2008	**5,824,942**	**9,117,360**

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9. STOCK-BASED COMPENSATION

The Corporation has established a stock-based compensation plan whereby officers, employees, directors and key consultants may be granted options or warrants to purchase one common share for each option or warrant granted, at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions being met. Stock options granted under this plan vest over a three year period at the rate of one-third on each anniversary date of the stock option grant. All stock options granted are for a five year term.

In order to calculate the compensation expense, the fair value of the stock options and the warrants is estimated using the Black-Scholes option-pricing model that takes into account, as of the grant date: exercise price, expected life, current price, expected volatility, expected dividends, and risk-free interest rates.

Stock Options

The weighted average assumptions used in calculating the fair values of the stock options granted in the year are set forth below:

	2008	2007
Risk-free interest rate	**3.3%**	**4.0%**
Expected life (years)	**5.0**	**5.0**
Expected volatility[1]	**42.0%**	**42.0%**
Dividend per share	**$0.00**	**$0.00**
Grant date fair value per option	**$0.78**	**$0.52**

(1) Volatility was determined using the average volatility of similar sized publicly trading companies.

A summary of the changes in the number of stock options outstanding under the plan is presented below:

Date of Grant	Number Outstanding	Weighted Average Exercise Price ($)
September 09, 2005	320,000	1.45
February 28, 2007	125,000	2.00
Outstanding, June 30, 2007	**445,000**	1.60
January, 09, 2008	152,000	2.45
March 13, 2008	67,500	2.45
Outstanding, June 30, 2008	**664,500**	1.88

A summary of the stock options outstanding at June 30, 2008 is presented below:

Outstanding			Exercisable	
Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price
320,000	$1.45	2.2	213,333	$1.45
125,000	$2.00	3.7	41,667	$2.00
219,500	$2.45	4.6	--	--
664,500	$1.88	3.2	255,000	$1.54

Performance Warrants

On July 1, 2006 the Company granted 300,000 performance warrants with an exercise price of $2.00 per share that vest upon certain performance criteria being met. The performance criteria are met when the market price of the common shares equals or exceeds $4.00 per common share and it is combined with a liquidity event. The liquidity event can be either the outright sale or merger of the Corporation or any event which causes the private entity to become a public entity. All warrants have a five year term.

The compensation expense relating to the performance warrants was recorded in the 2007 fiscal year in accordance with CICA Handbook section 3870.

10. CONTRIBUTED SURPLUS

	($)
Balance, July 1, 2006	40,415
Stock-based compensation expense—stock options and performance warrants	198,430
Balance, June 30, 2007	238,845
Stock-based compensation expense – stock options	101,626
Balance, June 30, 2008	**340,471**

11. COMMITMENTS

Flow-Through Share Commitment

The Corporation committed to renounce $278,173 of exploration expenditures for the 2007 taxation year at December 31, 2007 pursuant to a flow-through common share issue completed on June 29, 2007. Manitok has until December 31, 2008 to incur these exploration expenditures. The Corporation is subject to Part XII.6 tax based on the prescribed rate and the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2008. As at June 30, 2008, the costs incurred were $121,315.

The Corporation committed to renounce $366,272 of exploration expenditures for the 2007 taxation year at December 31, 2007 pursuant to a flow-through common share issue completed on December 31, 2007. Manitok has until December 31, 2008 to incur these exploration expenditures. The Corporation is subject to Part XII.6 tax based on the prescribed rate and the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2008. As at June 30, 2008, the costs incurred were NIL.

Office Premises

The Corporation is committed under a new operating lease beginning May 1, 2008 which expires on February 27, 2010. Under this commitment the Corporation will pay a monthly rate of $14,174, excluding occupancy costs, until the lease expires.

2009	170,088
2010	113,392
	283,480

12. SUPPLEMENTARY CASH FLOW INFORMATION

The following table details the changes in non-cash working capital:

	June 30, 2008 ($)	June 30, 2007 ($)
Provided by (used in)		
Accounts receivable	(654,441)	(35,904)
Prepaid and deposits	(22,165)	(20,785)
Accounts payable and accrued liabilities	2,031,625	688,889
Total	**1,355,019**	**632,200**
Operating	(248,128)	167,755
Financing	1,600,614	-
Investing	2,533	464,445
Total	**1,355,019**	**632,200**

There were no cash taxes paid or received in the years ended June 30, 2008 and June 30, 2007. There was $17,534 (2007 - $31,914) of interest income received in the 2008 year.

13. SUBSEQUENT EVENTS

(a) On July 10, 2008, the Corporation issued 667,959 flow-through shares at $2.95 per share for proceeds of $1,970,479. $544,936 of the proceeds were received as at June 30, 2008.

(b) On July 14, 2008, the Corporation issued 1,284,749 common shares at $2.45 per share for proceeds of $3,147,635. $1,055,678 of the proceeds were received as at June 30, 2008.

(c) On August 29, 2008, the Corporation issued 37,028 common shares at $2.45 per share for proceeds of $90,719.

(d) On September 29, 2008, the Corporation issued 85,000 flow-through shares at $2.95 per share for proceeds of $250,750.

14. FINANCIAL INSTRUMENTS

Fair value

The Corporation's carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their fair values due to the immediate or short-term maturity of these instruments.

Credit risk

The Corporation is exposed to credit risks on the accounts receivable with customers and joint venture partners in the petroleum and natural gas industry. There is a concentration of risk as three companies make up 90% (2007- 23.94%) of the total accounts receivable balance. The Corporation sells its production through a combination of marketing companies and joint venture operators under normal industry sale and payment terms.

Commodity prices and exchange risk

The ability of the Corporation to develop its properties and the future profitability of the Corporation is directly related to the market prices of petroleum and natural gas.

The Corporation is exposed to foreign currency fluctuations as market prices of petroleum and natural gas are referenced in U.S. dollar prices.

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(3) Compensation Committee Member
(4) Corporate Governance Committee