Q2 Quarterly Report 2010

For the 3 and 6 Months Ended December 31, 2009

President's Message

Dear Shareholders:

I am pleased to report our fiscal 2010 second quarter financial and operating results for the three and six months ended December 31, 2009 and to update you on current activities and plans for 2010.

Second Quarter Highlights:

- Cash flow from operations of $52,495, or $0.01 per diluted share, compared to negative cash flow of ($42,505), or ($.01) per diluted share in the first quarter;
- Net loss of $411,841, or $0.05 per diluted share, compared to a net loss of $466,962, or $0.06 per diluted share in the first quarter;
- Average production of 204.1 boe per day, compared to average production of 218.8 boe per day in the first quarter;
- On December 31, 2009, the Corporation completed an equity financing whereby it issued a private placement of 1,058,785 flow-through shares at a price of $1.30 per share and 176,956 common shares at a price of $1.15 per share for gross proceeds of $1,579,920. The net proceeds were used repay all of the outstanding bank debt; and
- Manitok acquired approximately 13,000 net acres, 100% working interest, of undeveloped land in the Southern Alberta foothills through crown land sales.

Commodity prices strengthened in the second quarter, with our average realized natural gas price of $4.78 per mcf and average realized crude oil and NGL price of $67.26 per barrel. This represents an increase of 67% and 22% respectively over average realized pricing in the first quarter. However, our average realized natural gas price in the second quarter was still 31% lower than in the second quarter of 2008 when the average realized natural gas price was $6.97 per mcf. Crude oil pricing remains relatively strong although it continues to be volatile and Manitok's heavy oil pricing continues to benefit from lower heavy oil differentials.

Operations Review:

Heavy oil production at Swimming averaged 70 bbls/day in the first 2 quarters of fiscal 2010 as compared to 59 bbls/day the last quarter of fiscal 2009, ending June 30, 2009. Heavy oil production is currently strong averaging 71 bbls/day during the entire fiscal third quarter ending March 31, 2010 and 82.5 bbls/day over February and March of that quarter. The increase was due largely to increasing the well maintenance capital back to optimal levels once oil price recovered at the end of June 2009. We achieved a $39.34 per barrel operating net back on our heavy oil production during the second quarter of fiscal 2010. We have also reduced operating costs over the last year by 27% on a per barrel basis. As a result of increasing our efficiencies in the area and the royalty incentives available, the current drilling economics at Swimming are outstanding. We are currently planning 8 to 10 drilling locations on our lands and the number we actually drill during the summer will depend on the capital available to the company at that time.

Our Coleman, Garrington, Mannville and Hairy Hill natural gas production has averaged 142 boepd over the first 2 quarters of fiscal 2010 as compared to 153 boepd in the fourth quarter of fiscal 2009. Our production in these areas remains strong with relatively low declines which reflect the conservative nature of our booked reserves.

Recent Developments and Outlook:

Despite depressed natural gas prices having an effect on the company`s financial performance in recent quarters, Manitok has focused on a disciplined approach to managing our business. Capital spending in the second quarter increased over levels experienced in the first quarter of fiscal 2010, but well below the comparable prior periods. We have maintained our balance sheet strength and will continue to deploy a defensive strategy with respect to our capital program.

Our strategy has been to accumulate land, while values are significantly lower than the previous cycle highs, in order to provide future opportunities. We have limited capital spending to maintenance on our existing production in order to build a significant drilling inventory through crown land sales. The stability of our production over the last several quarters has allowed us to endure the financial downturn. Our land acquisitions have focused on two strategies:

- To increase our position in Coleman in order to provide an additional 7 potential drill locations to our existing 2 re-entries and 2 drill locations that we currently have. We continue to believe that the Coleman gas structure has the potential to host as much as 400 bcf of recoverable reserves similar to the Suncor Savanna Creek field 20 miles to the north or the Devon Coleman field just 4 miles to the south.
- To focus on targeting lands in the Southern Alberta foothills that have either liquids rich natural gas (as much as 70 bbls per MMcf) or oil from the Cardium formation. In the last several quarters, we have acquired over 42 sections that are either offsetting producing Cardium wells or very prospective for Cardium. We've identified over 8 initial locations on 17 of those sections which have 6 producing wells delineating the Cardium trend. These wells have been producing for years and have average Expected Ultimate Reserves ("EURs") of 2 Bcf and 89,000 bbls of liquids.

The addition of these lands has positioned us for significant growth as we embark on the next phase of our company's development.

On March 1, 2010, Manitok entered into an amalgamation agreement with Desco Resources Inc. ("Desco") and have agreed to amalgamate pursuant to the Alberta Business Corporations Act to form a new company under the name Manitok Energy Inc. Desco is a capital pool company incorporated on July 8, 2009, and is listed on the TSX Venture Exchange (the "Exchange") under the trading symbol DSR.P. A joint management information circular dated mid to late May will be distributed and a shareholder vote to approve the amalgamation along with other resolutions is planned for late June 2010. Besides providing access to capital markets and liquidity to shareholders through the amalgamation with Desco, we feel that we have entered into a strong partnership which will benefit Manitok greatly in the coming years. The Desco group has been involved with several very successful start ups over the past 10 years including Peyto Energy Trust, Celtic Exploration and Arcan Resources. By joining Manitok, they have enhanced our credibility with the financial markets as well as provided us with access to their network of investors. I believe that their participation in our company will accelerate the success we expect to achieve over the next several years, as we are now able to proceed with our foothills' focused business plan.

In conjunction with the amalgamation, Manitok will pursue an equity financing through a private placement which will be used to initiate the development on our lands in the Southern Alberta foothills and heavy oil properties in east central Alberta while continuing to add to our undeveloped land base. We are entering into a very exciting period for Manitok shareholders, as market conditions allow us to capitalize on our foothills' exploitation strategy.

While natural gas prices and world market conditions have temporarily reduced the market value of the company, we have fared relatively well, as compared to other micro-cap companies in our peer group. Some of these companies are either no longer in existence, so highly leveraged that their recovery is limited or do not have the quality opportunities for future growth. These same economic conditions have also created opportunity. We have added over 63 sections of land over the last nine months at values, which would not have been possible two to three years ago. Manitok's financial strength, production base, reserves and land position are significantly better today than at any other time in our corporate history. This view is supported by the enthusiasm shown by the Desco group to partner with Manitok in order to capitalize on the opportunities we have developed over the last year. Once natural gas prices recover and world markets stabilize, I believe that it will not take long for Manitok to not only recover the value lost during the downturn cycle, but to significantly increase our value above our previous high.

We have executed our business plan effectively during a very challenging time and will now benefit when market and industry conditions improve. The key to our progression is the dedication and determination of the entire Manitok team. We have established a core group of talented professionals of which I am proud to be associated with. Manitok shareholders are fortunate to have a group of this caliber working diligently every day to create value on their behalf.

I would like to take this opportunity to thank all of our stakeholders, particularly our shareholders, for their support over this period. It is never easy going through the turmoil of a downturn in our industry. However, history has proven that these are the times investors and companies must remain optimistic in order to act on the opportunities that present themselves during times of crisis.

Should you have any questions please contact me directly at (403) 984-1751 or by email at mass@manitok.com.

Sincerely,

Massimo M. Geremia
President & CEO
May 21, 2010

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended December 31, 2009	Three Months Ended December 31, 2008	Six Months Ended December 31, 2009	Six Months Ended December 31, 2008
OPERATING				
Average Production				
Natural gas (mcf/d)	789.8	892.6	806.9	877.2
Heavy oil (bbls/d)	66.8	49.3	69.7	67.1
Light oil (bbls/d)	1.3	5.1	1.5	4.6
NGLs (bbls/d)	4.4	8.6	5.8	6.6
Total (boe/d)	**204.1**	**211.7**	**211.5**	**224.6**
Realized Sales Price				
Natural gas ($/mcf)	4.78	6.97	3.80	7.49
Heavy oil ($/bbl)	69.68	41.41	63.64	76.54
Light oil ($/bbl)	74.48	61.37	71.41	86.79
NGLs ($/bbl)	27.92	33.03	25.16	41.35
Total ($/boe)	**42.37**	**41.83**	**36.64**	**55.16**
Undeveloped Land				
Gross (acres)	28,480	12,800	28,480	12,800
Net (acres)	23,722	8,042	23,722	8,042
NETBACK AND COST				
($ per boe)				
Petroleum and natural gas revenue	42.37	41.83	36.64	55.16
Royalties	(6.08)	(8.23)	(5.07)	(11.63)
Operating expenses	(16.13)	(14.17)	(13.64)	(13.67)
Transportation and marketing expenses	(1.52)	(1.56)	(1.70)	(1.78)
Operating netback	**18.64**	**17.87**	**16.23**	**28.08**
General and administrative expenses	(15.49)	(10.29)	(15.68)	(12.23)
Interest expense	(0.36)	-	(0.31)	-
Interest and other income	0.01	1.87	0.01	1.38
Current income taxes expense	-	-	-	-
Cash flow netback	**2.80**	**9.45**	**0.25**	**17.23**
Depletion and depreciation expenses	(29.23)	(29.62)	(28.20)	(27.33)
Accretion expense	(1.07)	(0.91)	(1.03)	(0.85)
Stock-based compensation expense	(1.64)	(1.19)	(1.18)	(1.30)
Future income taxes recovery	7.22	5.55	7.57	2.87
Net income (loss) netback	**(21.92)**	**(16.72)**	**(22.59)**	**(9.38)**
FINANCIAL				
Petroleum and natural gas revenue ($)	795,693	814,688	1,425,912	2,279,077
Cash flow from operations ($)	**52,495**	**184,025**	**9,990**	**712,228**
Per share – basic ($)	0.01	0.02	0.00	0.09
Per share – diluted ($)	0.01	0.02	0.00	0.09
Net income (loss) ($)	**(411,841)**	**(325,592)**	**(878,803)**	**(387,394)**
Per share – basic ($)	(0.05)	(0.04)	(0.11)	(0.05)
Per share – diluted ($)	(0.05)	(0.04)	(0.11)	(0.05)
Common shares outstanding				
End of period – basic	9,412,567	8,176,826	9,412,567	8,176,826
End of period – diluted	10,382,567	9,294,326	10,382,567	9,294,326
Weighted average for period – basic	8,190,258	7,908,474	8,183,542	7,727,185
Weighted average for period – diluted	8,190,258	8,074,120	8,183,542	7,915,174
Capital expenditures ($)	502,849	2,562,001	623,172	4,728,671
Working capital deficiency (surplus) ($)	(436,529)	(679,524)	(436,529)	(679,524)
Revolving operating loan facility ($)	-	-	-	-
Total net debt ($)	-	-	-	-

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (**"MD&A"**) in respect of the three and six month periods ended December 31, 2009 (the "**Reporting Periods**") as compared to the three and six month periods ended December 31, 2008 (the "**Comparable Prior Periods**") is dated April 16, 2010.

The following discussion and analysis is management's assessment of the historical financial and operating results of Manitok Exploration Inc. (the "**Corporation**" or "**Manitok**") and should be read in conjunction with the unaudited financial statements of the Corporation for the Reporting Periods and the audited financial statements as at and for the years ended June 30, 2009 and 2008 together with the notes thereto, all of which has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**").

All dollar amounts in Canadian dollars unless otherwise stated.

NON-GAAP MEASURES

This MD&A and the Corporation's Interim Financial Statements for the three and six months ended December 31, 2009 make references to terms commonly used in the petroleum and natural gas industry, such as cash flow, cash flow from operations, cash flow netback, cash flow per share, operating netback and net income (loss) netback.

Cash flow or cash flow from operations, as discussed in this MD&A and in the Corporation's Annual Report for 2009, 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 income (loss) and comprehensive income (loss). In the Corporation's disclosure, operating netback denotes petroleum and natural gas revenue less royalties, operating expenses and transportation and marketing expenses. Cash flow netback as used herein denotes net earnings plus future income taxes expense (less any recovery), depletion, depreciation and accretion expenses, 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 CONVERSION

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("**boe**") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Manitok uses the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. However, boe's do not represent a value equivalency at the well head and therefore may be a misleading measure if used in isolation.

OVERALL PERFORMANCE

Production

Production in the second quarter of 2009 averaged 204.1 boe per day. This is a 7% decrease from the 218.8 boe per day the Corporation averaged in the first quarter of 2009 and a 4% decrease from the average of 211.7 boe per day in the second quarter of 2008. The decrease from the first quarter of 2009 and the second quarter on 2008 was mainly due to normal production declines.

For the second quarter of 2009, the Corporation's production consisted of approximately 64% natural gas and 36% crude oil and natural gas liquids.

Cash Flow and Earnings

Cash flow from operations decreased to $52,495 ($0.01 per share) and $9,990 ($0.00 per share) for the three and six month Reporting Periods as compared to $184,025 ($0.02 per share) and $712,228 ($0.09 per share) for the Comparable Prior Periods. Manitok had a net loss of $411,841 ($0.05 per share) and $878,803 ($0.11 per share) for the three and six month Reporting Periods as compared to a net loss of $325,592 ($0.04 per share) and $387,394 ($0.05 per share) for the Comparable Prior Periods. The decrease in cash flow and increase in net loss resulted from lower average commodity prices, lower average production volumes and increased net general and administrative costs in the Reporting Periods as compared to the Comparable Prior Periods.

Capital Expenditures and Total Debt

Total capital expenditures for the three and six month Reporting Periods were $502,849 and $623,172 as compared to $2,562,001 and $4,728,671 in the Comparable Prior Periods. The decrease in capital expenditures is a direct result of the Corporation's response to the drop in commodity prices in the latter part of 2008 and into the Reporting Periods.

Capital expenditures for the three months ended December 31, 2009 were $502,849, with 88% spent on undeveloped land acquisitions.

The Corporation's total net debt (including working capital) decreased to nil from $444,913 at June 30, 2009. This decrease is largely due to the net proceeds from the December 31, 2009 equity financing, as described below which were used to repay the Corporation's outstanding revolving operating loan facility in the second quarter of 2009.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

- On December 31, 2009, the Corporation completed an equity financing (the "**Equity Financing**") whereby it issued a private placement of 1,058,785 flow-through shares at a price of $1.30 per share and 176,956 common shares at a price of $1.15 per share for gross proceeds of $1,579,920. The net proceeds of the Equity Financing were $1,494,625.
- On February 12, 2010, the Corporation closed a private placement of 1,237,000 common shares issued at a price of $1.15 per share for total gross proceeds of $1,422,550 and net proceeds of $1,343,338.

LIQUIDITY AND BANK DEBT

Working Capital

The Corporation's working capital surplus increased to $436,529 at the end of the Reporting Period as compared to a $170,856 working capital surplus at June 30, 2009. The increase in the working capital surplus at December 31, 2009 was largely due to cash proceeds received from the Equity Financing. Manitok manages its working capital using its cash flow from operations and advances under its revolving operating loan facility. The Corporation did not have any liquidity issues with respect to the operation of its petroleum and natural gas business in the Reporting Periods.

Bank Debt

The Corporation's revolving operating loan facility was nil as at December 31, 2009, with an aggregate limit of $3,100,000 as compared to $615,769 as at June 30, 2009, when the aggregate limit was $3,100,000. The level of bank debt at December 31, 2009 was reduced to nil by the net proceeds from the Equity Financing.

On February 22, 2010, the Corporation renewed the revolving operating loan facility with an authorized limit of $2,500,000.

The Corporation is not permitted, without the prior written consent of the lender, to have a working capital ratio which includes the undrawn portion of the facility and excludes any amount drawn on the facility fall below 1:1. Manitok was compliant with the covenant under its revolving operating loan facility throughout 2008 and 2009.

CASH FLOW FROM OPERATIONS

Cash flow from operations generated by the Corporation was $52,495 ($0.01 per share) and $9,990 ($0.00 per share) during the three and six month Reporting Periods, as compared to $184,025 ($0.02 per share) and $712,228 ($0.09 per share) in the Comparable Prior Periods. The 71% and 99% decrease for the three and six month periods were mainly due to lower average realized commodity prices, lower average production volumes and increased net general and administrative costs in the Reporting Periods. Future cash flow will be dependent mainly on production levels and commodity prices.

OUTSTANDING SHARE DATA

The Class “A” common shares of Manitok are the only class of shares outstanding and at April 16, 2010 there were 10,649,567 shares outstanding. The following table summarizes the common shares issued during 2009 and 2008:

	Class “A” Common Shares
Balance at December 31, 2007	**5,824,942**
Issue of common shares(1)(2)(3)(4)(5)(6)	2,351,884
Balance at December 31, 2008	**8,176,826**
Issue of common shares(7)	1,235,741
Balance at December 31, 2009	**9,412,567**

(1) Issued 667,959 flow-through shares on July 10, 2008.
(2) Issued 1,284,749 common shares on July 14, 2008.
(3) Issued 37,028 common shares on August 29, 2008.
(4) Issued 85,000 flow-through shares on September 29, 2008.
(5) Issued 48,375 common shares on December 20, 2008.
(6) Issued 228,773 flow-through shares on September 29, 2008.
(7) Issued 1,058,785 flow-through shares and 176,956 common shares on December 31, 2009.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

Petroleum and natural gas revenues totaled $795,693 for the three month Reporting Period and $1,425,912 for the six month Reporting Period as compared to $814,688 and $2,279,077 for the Comparable Prior Periods. This decrease for the six month period was primarily attributable to significantly lower average commodity prices during the Reporting Period. The following table details Manitok’s petroleum and natural gas revenue (“**P&NG**”), production and sales prices by category for the Reporting Periods and the Comparable Prior Periods:

	Three months ended December 31, 2009				Three months ended December 31, 2008			
	Total Revenue ($)	Average Daily Production	%	Average ($/unit)	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural gas (mcf)	347,078	789.8	64	4.78	572,380	892.6	70	6.97
Heavy oil (bbls)	428,488	66.8	33	69.68	187,686	49.3	23	41.41
Light oil (bbls)	8,952	1.3	1	74.48	28,538	5.1	3	61.37
Natural gas liquids (bbls)	11,175	4.4	2	27.92	26,084	8.6	4	33.03
Total P&NG revenue (boe)	**795,693**	**204.1**	**100**	**42.37**	**814,688**	**211.7**	**100**	**41.83**

	Six months ended December 31, 2009				Six months ended December 31, 2008			
	Total Revenue ($)	Average Daily Production	%	Average ($/unit)	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural gas (mcf)	563,546	806.9	64	3.80	1,209,606	877.2	65	7.49
Heavy oil (bbls)	815,909	69.7	33	63.64	945,343	67.1	30	76.54
Light oil (bbls)	19,459	1.5	1	71.41	73,674	4.6	2	86.79
Natural gas liquids (bbls)	26,998	5.8	2	25.16	50,454	6.6	3	41.35
Total P&NG revenue (boe)	**1,425,912**	**211.5**	**100**	**36.64**	**2,279,077**	**224.6**	**100**	**55.16**

Commodity Prices

Manitok’s heavy oil pricing is based on Lloydminster Blend at Hardisty less a quality adjustment, blending costs, terminal charges and loss allowance. The Corporation sells virtually all of its natural gas production for prices based on the AECO daily spot price.

The price the Corporation receives for its commodity production depends on a number of factors, including AECO Canadian dollar spot market prices for natural gas, Canadian dollar Lloydminster Hardisty oil prices, U.S. dollar oil prices, the U.S./Canadian dollar exchange rate, and transportation and product quality differentials. Manitok regularly considers managing the risks associated with fluctuating spot market prices for natural gas and U.S. dollar oil prices and the U.S./Canadian dollar exchange rate. The Corporation currently has no fixed commodity price contracts or other hedge type contracts.

Royalties

Royalties are paid to various government entities and other land and mineral rights owners. The following table illustrates the Corporation's royalty expense:

	Three months ended December 31, 2009	Three months ended December 31, 2008	**Six months ended December 31, 2009**	Six months ended December 31, 2008
Oil & natural gas royalties ($)	114,205	160,348	197,442	480,477
Oil & natural gas royalties ($/boe)	6.08	8.23	5.07	11.63
Royalties as a percentage of sales	14.4%	19.7%	13.8%	21.1%

Manitok recorded a royalty expense of $114,205 ($6.08 per boe) for the three month Reporting Period and $197,442 ($5.07 per boe) for the six month Reporting Period as compared to $160,348 ($8.23 per boe) and $480,477 ($11.63 per boe) for the Comparable Prior Periods. The overall effective royalty rate in the three and six month Reporting Periods was 14.4% and 13.8% as compared to 19.7% and 21.1% in the Comparable Prior Periods, respectively. The decrease in the effective royalty rate in the three and six month Reporting Periods as compared to the Comparable Prior Periods is largely due to lower average commodity prices in the Reporting Periods and the effect these lower prices have on the sliding scale royalty calculation.

New Royalty and Drilling Incentives

On July 9, 2009, the Government of Alberta approved an incentive royalty rate of 5% for the first year of production from each new conventional oil or gas well brought on production after April 1, 2009 and before March 31, 2011 up to a maximum for such well of 50,000 barrels of oil or 500 million cubic feet of natural gas.

On September 15, 2009, the Government of Alberta approved a drilling royalty credit incentive for new conventional oil and natural gas wells spud on or after April 1, 2009 and rig released before April 1, 2011.

On March 11, 2010, the Alberta Government completed its Investment Competiveness Review. As a result of the competitiveness review analysis, the existing Alberta Royalty Framework ("**ARF**") will be adjusted to better reflect current industry conditions. The adjusted ARF will be effective for January 2011 production month. Some of the highlights include:

- The current 5% front-end royalty rate on natural gas and conventional oil will become a permanent feature of the royalty system with the current time and volume limits as described above;
- The $200 per meter drilling royalty credit program will continue to remain in place as legislated until March 31, 2011. Credits not used prior to January 1, 2011 and credits established by drilling on or after that date until March 31, 2011 will be offset from net royalties calculated using adjusted ARF rates;
- The maximum royalty rate for conventional and unconventional natural gas will be reduced at higher price levels from 50% to 36%. For conventional oil, the maximum royalty will be reduced from 50% to 40%;
- Continuation of the transitional royalty framework for oil and gas introduced in November, 2008 until December 31, 2013. Effective January 1, 2011, the government will not allow any new wells to select the transitional royalty rates. But it will allow an operator of wells for which transitional royalty rates have already been elected, an option to switch to the new rates effective January 1, 2011; and
- The royalty curves, an important element of the new regime, will be finalized and announced by May 31, 2010.

Details of this adjustment have not been finalized by the Alberta Government. Manitok is currently assessing the impact of the announced changes.

The Corporation has not benefited from the drilling royalty credit incentive at this time due to its reduced capital spending program, but will maximize the incentives available with future drilling activities.

Operating Expenses

Operating costs were $302,937 ($16.13 per boe) for the three month Reporting Period and $530,813 ($13.64 per boe) for the six month Reporting Period as compared to $275,969 ($14.17 per boe) and $564,734 ($13.67 per boe) for the Comparable Prior Periods. The following table compares operating expenses for the Reporting Periods and the Comparable Prior Periods:

	Three months ended December 31, 2009	Three months ended December 31, 2008	**Six months ended December 31, 2009**	Six months ended December 31, 2008
Operating expenses ($)	302,937	275,969	530,813	564,734
Operating expenses ($/boe)	16.13	14.17	13.64	13.67

The $1.96 per boe increase in total operating costs during the three month Reporting Period as compared to the Comparable Prior Period was mainly due to property taxes incurred in the current period. Total operating costs per boe during the six month Reporting Period as compared to the Comparable Prior Period remained consistent.

Manitok is focused on controlling and reducing operating costs on a per boe basis.

Transportation and Marketing Expenses

Transportation and marketing expenses were $28,624 ($1.52 per boe) for the three month Reporting Period and $66,000 ($1.70 per boe) for the six month Reporting Period as compared to $30,434 ($1.56 per boe) and $73,547 ($1.78 per boe) for the Comparable Prior Periods. The following table illustrates the Corporation's transportation and marketing expenses:

	Three months ended December 31, 2009	Three months ended December 31, 2008	**Six months ended December 31, 2009**	Six months ended December 31, 2008
Transportation & marketing expenses ($)	28,624	30,434	66,000	73,547
Transportation & marketing expenses ($/boe)	1.52	1.56	1.70	1.78

These costs consist primarily of transportation costs and have decreased in the Reporting Period as compared to the Comparable Prior Periods mainly due to the decrease in production volumes.

General and Administrative Expenses

Net general and administrative costs ("**G&A**") for the three and six month Reporting Periods were $290,832 ($15.49 per boe) and $609,987 ($15.68 per boe) as compared to $200,373 ($10.29 per boe) and $505,259 ($12.23 per boe) for the Comparable Prior Periods.

The components of G&A expenses are as follows:

	Three months ended December 31, 2009		Three months ended December 31, 2008	
	($)	%	($)	%
Salaries, benefits and consultants	152,466	52	145,361	57
Other	138,438	48	111,532	43
G & A expense, gross	290,904	100	256,893	100
Overhead recoveries	(72)	-	(56,520)	(22)
Capitalized overhead	-	-	-	-
G & A expense, net	**290,832**	**100**	**200,373**	**78**
G & A expense, net per boe	**$15.49**		**$10.29**	

	Six months ended December 31, 2009		Six months ended December 31, 2008	
	($)	%	($)	%
Salaries, benefits and consultants	298,660	49	294,296	52
Other	311,820	51	268,223	48
G & A expense, gross	610,480	100	562,519	100
Overhead recoveries	(493)	-	(57,260)	(10)
Capitalized overhead	-	-	-	-
G & A expense, net	**609,987**	**100**	**505,259**	**90**
G & A expense, net per boe	**$15.68**		**$12.23**	

The net G&A expenses have increased in the Reporting Periods as compared to the comparable prior periods largely due to increased professional fees and lower overhead recoveries which are attributable to the decreased capital spending in the Reporting Periods as compared to the Comparable Prior Periods. Capital expenditures decreased by 80% and 87% in the three and six month Reporting Periods, respectively.

Interest Expense

Interest expense for the three and six month Reporting Periods was $6,803 ($0.36 per boe) and $12,089 ($0.31 per boe) as compared to nil and nil for the Comparable Prior Periods.

The increase in interest expense in the Reporting Periods was a result of the amount drawn on the Corporation's revolving operating loan facility.

Depletion, Depreciation and Accretion Expenses

Depletion, depreciation and accretion ("**DD&A**") expenses for the three and six month Reporting Periods were $569,066 ($30.30 per boe) and $1,137,209 ($29.23 per boe) as compared to $594,512 ($30.53 per boe) and $1,164,633 ($28.18 per boe) for the Comparable Prior Periods.

The components of DD&A are as follows:

	Three months ended December 31, 2009		Three months ended December 31, 2008	
	($)	$/boe	($)	$/boe
Depletion & depreciation	548,886	29.23	576,742	29.62
Accretion for asset retirement obligations	20,180	1.07	17,770	0.91
Total DD&A	**569,066**	**30.30**	**594,512**	**30.53**

	Six months ended December 31, 2009		Six months ended December 31, 2008	
	($)	$/boe	($)	$/boe
Depletion & depreciation	1,097,249	28.20	1,129,433	27.33
Accretion for asset retirement obligations	39,960	1.03	35,200	0.85
Total DD&A	**1,137,209**	**29.23**	**1,164,633**	**28.18**

Depletion and depreciation expense is a function of the estimated proved reserve additions and the cost of petroleum and natural gas properties in the full cost pool attributable to those proved reserves. At December 31, 2009, the Corporation excluded from its full cost pool $1,506,912 (December 31, 2008 - $982,651) of costs for undeveloped land acquired by Manitok.

Petroleum and Natural Gas Properties Impairment Test

The Corporation follows the full cost method of accounting which requires periodic review of capitalized costs to ensure that they do not exceed the recoverable value of the petroleum and natural gas properties and the fair value of the Corporation's assets.

Manitok performed an impairment review at December 31, 2009 on its petroleum and natural gas assets. Based on this review, the Corporation determined there was no impairment of its petroleum and natural gas assets.

Taxes

Manitok recorded a future income tax recovery of $135,550 ($7.22 per boe) for the three month Reporting Period and $294,430 ($7.57 per boe) for the six month Reporting Period, as compared to a recovery of $107,989 ($5.55 per boe) and $118,784 ($2.87 per boe) for the Comparable Prior Periods. These recoveries were attributed to the net loss recorded during the Reporting Periods and Comparable Prior Periods, mainly as a result of lower average commodity prices, lower average production volumes and increased net G&A expenses during those periods. Manitok incurred nil and nil Part XII.6 taxes in the three and six month Reporting Periods as compared to $4,684 and $13,839 in the Comparable Prior Periods.

Stock-Based Compensation Expense

Manitok accounts for its stock-based compensation programs, including performance warrants and stock options, 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 a non cash stock-based compensation expense of $30,820 ($1.64 per boe) for the three month Reporting Period and $46,014 ($1.18 per boe) for the six month Reporting Period as compared to $23,094 ($1.19 per boe) and $53,773 ($1.30 per boe) for the Comparable Prior Periods.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital expenditures amounted to $502,849 and $623,172 during the three and six month Reporting Periods as compared to $2,562,001 and $4,728,671 during the Comparable Prior Periods. The decrease in expenditures was in response to declining average commodity prices in the Reporting Periods as compared to the Comparable Prior Periods.

Capital Expenditures

The following table sets forth a summary of the Corporation's capital expenditures incurred during the Reporting Periods and the Comparable Prior Periods:

Three months ended December 31, ($)	**2009**	2008
Land	442,451	1,792
Seismic	4,197	602,337
Workovers and recompletions	51,010	178,818
Drilling and completions	3,769	1,553,241
Well equipment and facilities	1,422	208,998
Total finding and development costs (F&D)	**502,849**	**2,545,186**
Acquisitions (dispositions), net	-	-
Total finding, development and acquisition costs (FD&A)	**502,849**	**2,545,186**
Administrative assets	-	16,815
Total capital expenditures	**502,849**	**2,562,001**

Six months ended December 31, ($)	**2009**	2008
Land	525,026	9,474
Seismic	9,846	617,892
Workovers and recompletions	87,241	1,519,632
Drilling and completions	45,856	2,194,789
Well equipment and facilities	(4,797)	367,534
Total finding and development costs (F&D)	**663,172**	**4,709,321**
Acquisitions (dispositions), net	(40,000)	-
Total finding, development and acquisition costs (FD&A)	**623,172**	**4,709,321**
Administrative assets	-	19,350
Total capital expenditures	**623,172**	**4,728,671**

Capital Resources

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

Three months ended December 31, ($)	**2009**	2008
Cash flow from operations	52,495	184,025
Changes in non-cash working capital from operations	143,938	65,400
Proceeds from share issuances, net	1,494,625	610,379
Increase (decrease) in revolving operating loan facility	(989,408)	-
Changes in non-cash working capital from investing	25,364	223,680
Total capital resources	**727,014**	**1,083,484**

Six months ended December 31, ($)	**2009**	2008
Cash flow from operations	9,990	712,228
Changes in non-cash working capital from operations	148,128	269,547
Proceeds from share issuances, net	1,494,625	6,020,170
Increase (decrease) in revolving operating loan facility	(615,769)	-
Changes in non-cash working capital from investing	(189,655)	(874,838)
Total capital resources	**847,319**	**6,127,107**

SELECTED QUARTERLY INFORMATION

Quarters Ended	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total average daily production (boe/d)	204.1	218.8	201.8	208.3
Total realized commodity price ($/boe)	42.37	31.31	29.52	31.96
Realized natural gas price ($/mcf)	4.78	2.86	3.55	5.00
Realized crude oil and NGL price ($/bbl)	67.26	55.20	49.87	36.57
Total petroleum and natural gas revenue ($)	795,693	630,219	542,184	599,273
Total royalties ($)	(114,205)	(83,236)	(55,027)	(84,571)
Total interest and other revenue ($)	203	206	945	9,650
Total revenues, net ($)	681,691	547,189	488,102	524,352
Total capital expenditures ($)	502,849	120,323	328,313	825,484
Net income (loss) ($)	(411,841)	(466,962)	(415,770)	(451,785)
Per share basic ($)	(0.05)	(0.06)	(0.05)	(0.06)
Per share diluted ($)	(0.05)	(0.06)	(0.05)	(0.06)
Cash flow from operations ($)	52,495	(42,505)	14,539	14,821
Per share basic ($)	0.01	(0.01)	0.00	0.00
Per share diluted ($)	0.01	(0.01)	0.00	0.00
Book value of total assets ($)	16,410,692	16,200,041	16,559,077	17,505,864
Revolving operating loan facility ($)	-	989,408	615,769	-
Total net debt ($)	-	607,741	444,913	131,140
Shareholders' equity ($)	13,981,458	12,845,404	13,297,172	13,680,455
Common shares outstanding – end of period				
basic	9,412,567	8,176,826	8,176,826	8,176,826
diluted	10,382,567	9,146,826	9,146,826	9,294,326
Weighted average common shares outstanding				
basic	8,190,258	8,176,826	8,176,826	8,176,826
diluted	8,190,258	8,201,978	8,226,800	8,253,894

Quarters Ended	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Total average daily production (boe/d)	211.7	237.5	245.5	250.4
Total realized commodity price ($/boe)	41.83	67.03	77.94	58.83
Realized natural gas price ($/mcf)	6.97	8.04	10.32	8.20
Realized crude oil and NGL price ($/bbl)	41.87	95.81	93.11	70.33
Total petroleum and natural gas revenue ($)	814,688	1,464,389	1,740,959	1,340,483
Total royalties ($)	(160,348)	(320,129)	(313,501)	(269,152)
Total interest and other revenue ($)	36,461	20,708	3,133	5,138
Total revenues, net ($)	690,801	1,164,968	1,430,591	1,076,469
Total capital expenditures ($)	2,562,001	2,166,671	1,687,835	1,472,422
Net income (loss) ($)	(325,592)	(61,802)	260,377	309,619
Per share basic ($)	(0.04)	(0.01)	0.04	0.05
Per share diluted ($)	(0.04)	(0.01)	0.04	0.05
Cash flow from operations ($)	184,025	528,203	781,999	574,754
Per share basic ($)	0.02	0.07	0.13	0.10
Per share diluted ($)	0.02	0.07	0.13	0.10
Book value of total assets ($)	19,331,639	18,786,688	14,594,525	13,712,892
Revolving operating loan facility ($)	-	-	-	-
Total net debt ($)	-	-	1,324,203	418,366
Shareholders' equity ($)	14,817,206	14,506,314	9,114,541	8,736,334
Common shares outstanding – end of period				
basic	8,176,826	7,899,678	5,824,942	5,824,942
diluted	9,294,326	8,831,678	6,756,942	6,756,942
Weighted average common shares outstanding				
basic	7,908,474	7,545,895	5,824,942	5,824,942
diluted	8,074,120	7,754,568	6,033,615	6,033,615

Discussion of Quarterly Results

Manitok's average quarterly production in the current quarter of 2009 was 204.1 boe per day, which is a 7% decrease from 218.8 boe per day in the quarter ended September 30, 2009 and a 4% decrease from 211.7 boe per day in the quarter ended December 31, 2008. The quarter over quarter production decreases are a direct result of normal production declines and reductions in the Corporation's capital spending program in 2009.

Commodity prices have decreased significantly since the quarter ended June 30, 2008, when realized commodity prices were at an average of $93.11 per barrel for crude oil and NGLs and $10.32 per mcf for natural gas. For the current quarter, realized crude oil and NGL prices averaged $67.26 per barrel, which is a 28% decrease and realized natural gas prices averaged $4.78 per mcf, which is a 54% decrease.

Manitok spent $502,849 on capital expenditures for the current quarter as compared to $120,323 for the quarter ended September 30, 2009 and $2,562,001 during the quarter ended December 31, 2008. The increase in capital expenditures from September 30, 2009 was largely due to acquisitions of undeveloped land in the current quarter. The decrease in capital expenditures from 2008 is a direct result of the Corporation's response to the drop in commodity prices in the latter part of 2008 and into the Reporting Periods.

Cash flow from operations generated by the Corporation in the current quarter of 2009 was $52,495, which is a 224% increase from negative cash flow from operations of $42,505 in the quarter ended September 30, 2009 and a 71% decrease from $184,025 in the quarter ended December 31, 2008. The increase in cash flow from operations from the previous quarter was largely due to the increase in realized commodity prices of 35% offset by a decrease in production volumes of 7%. The decrease in cash flow from operations for the quarter ended December 31, 2008 was mainly due to lower production volumes and increases in net G&A costs in the current quarter.

OUTLOOK

The Corporation has entered into an amalgamation agreement with Desco Resources Inc. (`**Desco**`) and have agreed to amalgamate pursuant to the Alberta Business Corporations Act to form a new company under the name **Manitok Energy Inc**. Desco is a capital pool company incorporated on July 8, 2009, and is listed on the TSX Venture Exchange (the ``Exchange``) under the trading symbol DSR.P. The amalgamation will be considered a qualifying transaction under Exchange Policy 2.4 and is subject to Exchange approval. The joint management information circular and shareholder vote is intended to be completed during the Corporation's fourth quarter. Concurrent with the amalgamation, Manitok is also in the process of issuing equity to fund its upcoming capital program.

Once the transactions are finalized the Corporation will prepare a budget and provide detailed forecasted information for the remainder of 2010.

CONTRACTUAL COMMITMENTS

Manitok is committed under a premises lease which began May 1, 2008 and expired on February 27, 2010. Under this commitment the Corporation paid a monthly rate of $14,174, excluding occupancy costs, until the lease expires.

On February 17, 2010 the Corporation committed to a new premises lease which expires June 30, 2015 at a monthly rate of approximately $25,220.

The Corporation is committed to the following aggregate minimum lease payments:

Year	$
2010	255,328
2011	302,640
2012	302,640
2013	302,640
2014	302,640
Thereafter	126,100

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are in the process of being designed and documented by the President & Chief Executive Officer ("**CEO**") and the finance department to provide reasonable assurance that (i) material information relating to Manitok is made known to them by others, particularly during the period in which interim filings are being prepared; and (ii) information required to be disclosed by Manitok in its annual filings, interim filings or other reports was recorded, processed, summarized and reported within a reasonable period of time. It should be noted that while the Corporation's President & CEO and the finance department believe that the Corporation's disclosure controls and procedures are effective to provide a reasonable level of assurance, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are achieved.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is a process designed to provide reasonable assurance that all assets are safeguarded, transactions are appropriately authorized and to facilitate the preparation of relevant, reliable and timely financial reporting. Internal controls over financial reporting may not prevent or detect misstatements due to its inherent limitations. There has been no change in Manitok's internal controls over financial reporting during the three month Reporting Period that has materially affected, or is reasonably likely to materially affect, Manitok's internal controls over financial reporting.

CHANGE IN ACCOUNTING POLICIES

On July 1, 2009 the Corporation prospectively adopted the following Canadian Institute of Chartered Accountant ("**CICA**") Handbook Sections:

Section 3064 *Goodwill and Intangible Assets*, which defines the criteria for the recognition of intangible assets. The adoption of this Section had no impact on the Corporation's Financial Statements.

EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of this EIC did not have a material effect on the Corporation's Financial Statements.

Section 3855 *Financial Instruments — Recognition and Measurement* and Section 3025 *Impaired Loans.* The Accounting Standards Board amended these Sections to converge with international standards (IAS 39 *Financial Instruments — Recognition and Measurement)* for impairment of debt instruments by changing the categories into which debt instruments are required or permitted to be classified. The amendments to these Sections did not have an impact on the Corporation's Financial Statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, Canada's Accounting Standards Board ("**AcSB**") confirmed that International Financial Reporting Standards ("**IFRS**") will be required for publicly accountable enterprises' interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The impact of IFRS on the Corporation's financial statements is not reasonably determinable at this time, but Manitok will develop an IFRS conversion plan in the fourth quarter ended June 30, 2010. The Corporation expects to be IFRS compliant by January 1, 2011.

MERGERS AND ACQUISITIONS

The Corporation continues to review potential property acquisitions, joint venture opportunities and corporate mergers and acquisitions with the intention of completing such a transaction if acceptable terms can be negotiated. As a result, Manitok may at any time be involved in negotiations with other parties in respect of property acquisitions, joint venture opportunities and corporate merger acquisition opportunities.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. These statements relate to future events or future performance and are based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Such forward-looking statements in this MD&A speak only as of the date of this MD&A.

In particular, this MD&A contains forward-looking statements pertaining to the following: (i) cash flow and capital expenditures, (ii) drilling, completion and production matters, (iii) results of operations, (iv) financial position, and (v) other risks and uncertainties described from time to time in the Corporation reports. With respect to such forward-looking statements the key assumptions on which the Corporation relies are; that future prices for crude oil and natural gas, future currency exchange rates, interest rates and future availability of debt and equity financing will be at levels and costs that allow the Corporation to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Corporation will not become so onerous as to preclude the Corporation from viably managing, operating and financing its business and the development of its properties; and that the Corporation will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise and other equipment it requires to manage, operate and finance its business and develop its properties.

All such forward-looking statements necessarily involve risks associated with oil and gas exploration, production and marketing which may cause actual results to differ materially from those anticipated in the forward-looking statements. Some of those risks include; general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in the price of oil and natural gas; uncertainties in the estimates of reserves and in the projection of future rates of production and timing of development expenditures, changes in governmental regulation of the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing reserves; unanticipated operating events which can damage facilities or reduce production or cause production to be shut in or delayed; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; and competition from others for scarce resources.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward-looking statements after the date of this MD&A to conform such statements to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws.

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIOD ENDED DECEMBER 31, 2009

MANITOK EXPLORATION INC.
BALANCE SHEETS
(Unaudited) ($)

As at	December 31, 2009	June 30, 2009
		(audited)
ASSETS		
CURRENT		
Cash	**294,912**	70,765
Accounts receivable	**392,330**	287,595
Prepaids and deposits	**288,371**	291,562
	975,613	649,922
Petroleum and natural gas properties and equipment (note 4)	**15,435,079**	15,909,155
	16,410,692	16,559,077
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**539,084**	479,066
Revolving operating loan facility (note 5)	**-**	615,769
	539,084	1,094,835
Asset retirement obligations (note 8)	**1,050,150**	1,010,190
Future income taxes	**840,000**	1,156,880
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**15,953,625**	14,436,550
Contributed surplus (note 10)	**504,875**	458,861
Retained earnings (deficit)	**(2,477,042)**	(1,598,239)
	13,981,458	13,297,172
Commitments and contingent liabilities (note 11)		
Subsequent events (note 13)		
	16,410,692	16,559,077

See accompanying notes to the financial statements

APPROVED BY THE BOARD

(signed) *"Bruno Geremia"*
Bruno P. Geremia CA, Director

(signed) *"Massimo Geremia"*
Massimo M. Geremia, Director

MANITOK EXPLORATION INC.
STATEMENTS OF NET INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)
(Unaudited) ($, except share amounts)

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	**2009**	2008
REVENUE				
Petroleum and natural gas	**795,693**	814,688	**1,425,912**	2,279,077
Royalties	**(114,205)**	(160,348)	**(197,442)**	(480,477)
Interest and other	**203**	36,461	**409**	57,168
	681,691	690,801	**1,228,879**	1,855,768
EXPENSES				
Operating	**302,937**	275,969	**530,813**	564,734
Transportation and marketing	**28,624**	30,434	**66,000**	73,547
General and administrative, net	**290,832**	200,373	**609,987**	505,259
Stock-based compensation (note 10)	**30,820**	23,094	**46,014**	53,773
Depletion, depreciation and accretion	**569,066**	594,512	**1,137,209**	1,164,633
Interest	**6,803**	-	**12,089**	-
	1,229,082	1,124,382	**2,402,112**	2,361,946
INCOME (LOSS) BEFORE TAXES	**(547,391)**	(433,581)	**(1,173,233)**	(506,178)
TAXES				
Current income taxes expense	**-**	-	**-**	-
Future income taxes expense (recovery)	**(135,550)**	(107,989)	**(294,430)**	(118,784)
	(135,550)	(107,989)	**(294,430)**	(118,784)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(411,841)**	(325,592)	**(878,803)**	(387,394)
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	**(2,065,201)**	(405,092)	**(1,598,239)**	(343,290)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	**(2,477,042)**	(730,684)	**(2,477,042)**	(730,684)
Net income (loss) per common share				
basic	**(0.05)**	(0.04)	**(0.11)**	(0.05)
diluted	**(0.05)**	(0.04)	**(0.11)**	(0.05)
Weighted average common shares				
basic	**8,190,258**	7,908,474	**8,183,542**	7,727,185
diluted	**8,190,258**	7,908,474	**8,183,542**	7,727,185

See accompanying notes to the financial statements

MANITOK EXPLORATION INC.
STATEMENTS OF CASH FLOWS
(Unaudited) ($)

	Three months ended December 31,		Six months ended December 31,	
	2009	2008	**2009**	2008
OPERATING ACTIVITIES				
Net income (loss)	**(411,841)**	(325,592)	**(878,803)**	(387,394)
Adjustments for items not affecting cash:				
Depletion, depreciation and accretion	**569,066**	594,512	**1,137,209**	1,164,633
Stock-based compensation	**30,820**	23,094	**46,014**	53,773
Future income taxes expense (recovery)	**(135,550)**	(107,989)	**(294,430)**	(118,784)
	52,495	184,025	**9,990**	712,228
Changes in non-cash working capital (note 12)	**143,938**	65,400	**148,128**	269,547
	196,433	249,425	**158,118**	981,775
FINANCING ACTIVITIES				
Proceeds from share issuances, net	**1,494,625**	610,379	**1,494,625**	6,020,170
Increase (decrease) in revolving operating loan facility	**(989,408)**	-	**(615,769)**	-
	505,217	610,379	**878,856**	6,020,170
INVESTING ACTIVITIES				
Expenditures on petroleum and natural gas assets	**(502,849)**	(2,562,001)	**(663,172)**	(4,728,671)
Property dispositions	**-**	-	**40,000**	-
Changes in non-cash investing working capital (note 12)	**25,364**	223,680	**(189,655)**	(874,838)
	(477,485)	(2,338,321)	**(812,827)**	(5,603,509)
NET INCREASE (DECREASE) IN CASH	**224,165**	(1,478,517)	**224,147**	1,398,436
CASH, BEGINNING OF PERIOD	**70,747**	3,766,370	**70,765**	889,417
CASH, END OF PERIOD	**294,912**	2,287,853	**294,912**	2,287,853
Cash interest paid	**6,803**	-	**12,089**	-
Cash taxes paid	**-**	-	**-**	-

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 Alberta Business Corporations Act on April 20, 2005. The Corporation is engaged in the exploration for, and the development, production and acquisition of, petroleum and natural gas reserves in the Western Canadian Sedimentary Basin.

2. BASIS OF PRESENTATION

The unaudited interim financial statements of Manitok have been prepared by management in accordance with accounting principles generally accepted **("GAAP")** in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended June 30, 2009. The disclosures which follow do not include all disclosures required for the annual financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended June 30, 2009.

All amounts are presented in Canadian dollars unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

The Corporation adopted the following Canadian Institute of Chartered Accountant ("**CICA**") Handbook Sections:

- Section 3064, *Goodwill and intangible assets,* replacing Section 3062*, Goodwill and other intangible assets* and Section 3450*, Research and development costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Corporation adopted these new standards for its fiscal year beginning July 1, 2009. The adoption of this Section did not have an impact on the Corporation's Financial Statements.
- EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. In January 2009, the CICA issued EIC-173 which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC is effective for the Corporation's fiscal periods ending on or after January 20, 2009 with retrospective application. The application of this EIC did not have a material effect on the Corporation's Financial Statements.
- Section 3855, *Financial Instruments — Recognition and Measurement* and Section 3025, *Impaired Loans.* In August 2009, the Accounting Standards Board ("**ACSB**") amended these Sections to converge with international standards (IAS 39, *Financial Instruments: Recognition and Measurement)* for impairment of debt instruments by changing the categories into which debt instruments are required or permitted to be classified. These amendments are effective for annual financial statements relating to fiscal years beginning on or after November 1, 2008. The adoption of these Sections did not have an impact on the Corporation's Financial Statements.

Recent Accounting Pronouncements

In February 2008, the ACSB confirmed the changeover to International Financial Reporting Standards ("**IFRS**") from GAAP will be required for publicly accountable enterprises' interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The impact of IFRS on the Corporation's financial statements is not reasonably determinable at this time. Manitok expects to be IFRS compliant by January 1, 2011.

Future Accounting Policy Changes

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations* that replaces the Section 1581 of the same name. Under the new standard, the purchase price used in a business combination is based on the fair value of shares exchanged at the market price at acquisition date. Under the current standard, the purchase price used is based on the market price of shares for a reasonable period before and after the date the acquisition is agreed upon and announced. In addition, the new standard generally requires all acquisition costs to be expensed while current standards allow for the capitalization of these costs as part of the purchase price. This new standard also addresses contingent liabilities, which will be required to be recognized at fair value on acquisition, and subsequently remeasured at each reporting period until settled. Current standards require only contingent liabilities that are due to be recognized. The new standard requires any negative goodwill to be recognized as a charge to earnings rather than the current standard which reduces the fair value of non-current assets in the purchase price allocation. The new standard applies prospectively to business combinations on or after January 1, 2011 with earlier application permitted. The Corporation is currently evaluating the impact this Section may have on its financial statements

In June 2009, the CICA issued amendments to CICA Handbook Section 3862, *Financial Instruments — Disclosures*. The amendments include enhanced disclosures related to the fair value of financial instruments and the liquidity risk associated with financial instruments. The amendments will be effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in IFRS. The Corporation will include these additional disclosures in its annual financial statements for the year ending June 30, 2010, if applicable.

4. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

($)			**December 31, 2009**
	Cost	**Accumulated Depletion and Depreciation**	**Net Book Value**
Petroleum and natural gas assets	21,048,948	(5,655,523)	15,393,425
Office furniture and equipment	91,871	(50,217)	41,654
	21,140,819	**(5,705,740)**	**15,435,079**

($)			June 30, 2009
	Cost	**Accumulated Depletion and Depreciation**	**Net Book Value**
Petroleum and natural gas assets	20,425,775	(4,569,000)	15,856,775
Office furniture and equipment	91,871	(39,491)	52,380
	20,517,646	**(4,608,491)**	**15,909,155**

As at December 31, 2009, the cost of petroleum and natural gas properties includes $1,506,912 (June 30, 2009 – $997,804) relating to unproved properties which have been excluded from costs subject to depletion and depreciation.

5. REVOLVING OPERATING LOAN FACILITY

As at December 31, 2009, the Corporation had arranged a $3,100,000 demand revolving operating loan facility with a Canadian financial institution. The amount drawn on December 31, 2009 was nil (June 30, 2009 – $615,769).

On February 22, 2010, Manitok completed the renewal of the demand revolving operating loan facility and has available $2,500,000 which bears interest at the prime lending rate plus 1.5%. A general security agreement covering all assets of the Corporation has been pledged as security.

6. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions; to maintain a capital structure that allows Manitok the ability to finance its growth strategy using internally-generated cash flow, its debt capacity and issuing new debt or equity; and to optimize the use of its capital to provide an appropriate investment return to its shareholders.

Manitok strives to properly exploit its current asset base and to acquire top quality assets. As such, the Corporation is not averse to maintaining a higher ratio of debt to total capital if management determines the assets it is acquiring or the projects it is drilling are of high quality.

The capital structure of the Corporation is as follows:

($)	**December 31, 2009**	June 30, 2009	Change %
Total shareholders' equity(1)	**13,981,458**	13,297,172	5%
Total shareholders' equity as a % of total capital	**100%**	97%	
Working capital deficiency (surplus)(2)	**-**	(170,856)	
Revolving operating loan facility	**-**	615,769	
Total net debt	**-**	444,913	-
Total net debt as a % of total capital	**0%**	3%	
Total Capital	**13,981,458**	13,742,085	**2%**

(1) Shareholders' equity is defined as share capital plus contributed surplus plus retained earnings (deficit).

(2) Working capital is defined as current assets less current liabilities excluding the current portion of the amount drawn on the revolving operating loan facility. Working capital (surplus) is only included if the company is in a net debt position.

During the six month period ended December 31, 2009, total shareholders' equity increased mainly due to the issuance of common shares (note 9k and note 9l); recording of stock-based compensation expense (note 10); and offset by the net loss reported in the period.

Total debt decreased during the six month period ended December 31, 2009 largely due to the net equity proceeds of $1,494,625 (note 9k and note 9l) which were used to repay the outstanding amount on the Corporation's revolving operating loan facility.

7. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Manitok is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. This note presents information about the Corporation's exposure to each of these risks, as well as Manitok's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews risk management activities and all outstanding positions, if any. Management identifies and analyzes the risks faced by the Corporation and may utilize financial instruments to mitigate these risks.

Credit Risk

A substantial portion of the Corporation's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers. Of the Corporation's significant individual accounts receivable at December 31, 2009, approximately 64% were due from two marketers (June 30, 2009 - 51%, two marketers). Of the Corporation's revenues during the three and six months ended December 31, 2009, approximately 95% was received from two marketers as compared to 93% for the Comparable Prior Period.

The following table illustrates the Corporation's receivables:

($)	December 31, 2009	June 30, 2009
Marketers	260,402	206,899
Joint venture partners	94,526	78,744
Other	37,402	1,952
Total Receivables	**392,330**	**287,595**

Receivables from marketers are normally collected on the 25th day of the month following production. Manitok's policy to mitigate credit risk associated with these balances is to establish marketing relationships with credit worthy purchasers. The Corporation historically has not experienced any material collection issues with its marketers.

Cash consists of bank balances, but may also include short term deposits maturing in less than 90 days. Counterparties for the short term investments will be selected based on credit ratings and management will monitor all investments to ensure a stable return, and complex investment vehicles with higher risk will be avoided.

The carrying amounts of cash and accounts receivable represent the maximum credit exposure. As at December 31, 2009, the Corporation had an allowance for doubtful accounts of nil (June 30, 2009 – nil).

The Corporation's accounts receivables are aged as follows:

($)	December 31, 2009	June 30, 2009
Current (less than 30 days)	236,831	217,260
30 to 60 days	1,935	540
61 to 90 days	29,407	5,665
Over 90 days	124,157	64,130
Total Receivables	**392,330**	**287,595**

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. Manitok's approach to managing liquidity risk is to ensure, as much as possible, that it will have sufficient liquidity to meet its short term and long term financial liabilities when due, under both normal and unusual conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following table lists the contractual maturities of the Corporation's financial liabilities as at December 31, 2009:

($)	< 1 Year	1 – 2 Years	2 – 5 Years	Thereafter
Accounts payable and accrued liabilities	539,084	-	-	-
Revolving operating loan facility (1)	-	-	-	-
Total Financial Liabilities	**539,084**	**-**	**-**	**-**

(1) The revolving operating loan facility bears interest at a floating rate.

Manitok manages it liquidity risk with cash flow generated from operating activities and the revolving operating loan facility, as outlined in note 5.

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, exchange rates and interest rates, will affect the Corporation's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. These risks are consistent with prior years.

Commodity Price Risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in market commodity prices. A significant reduction in commodity prices can materially impact the Corporation's borrowing base under its revolving operating loan facility and may reduce the Corporation's ability to raise capital. From time to time the Corporation may attempt to mitigate commodity price risk through the use of financial derivatives. Manitok did not have any price risk management contracts in place as at or during the three and six months ended December 31, 2008 and 2009.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Crude oil and to a certain extent natural gas prices are based upon reference prices denominated in U.S. dollars, while the majority of the Corporation's expenses are denominated in Canadian dollars. When appropriate, Manitok may enter into agreements to fix the exchange rate of Canadian dollars to U.S. dollars to manage the risk. The Corporation did not have any forward exchange rate contracts in place as at or during the three and six months ended December 31, 2008 and 2009.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on its floating interest rate revolving operating loan facility. The remainder of Manitok's financial assets and liabilities are not exposed to interest rate risk. Manitok did not have any interest rate swaps or financial contracts in place as at or during the three and six months ended December 31, 2008 and 2009.

Fair Value of Financial Instruments

Manitok's financial instruments are classified as cash, accounts receivable, accounts payable and accrued liabilities and the revolving operating loan facility on the balance sheet.

The carrying value and fair value of these financial instruments at December 31, 2009 is disclosed below by financial instrument category, as well as any related loss and interest expense for the period:

($)	Carrying Value[1]	Fair Value[1]	Loss	Interest Expense
Assets Held for Trading				
Cash	294,912	294,912	-	-
Loans and Receivables				
Accounts receivable	392,330	392,330	-	-
Other Liabilities				
Accounts payable and accrued liabilities	539,084	539,084	-	-
Revolving operating loan facility	-	-	-	12,089

(1) Due to the short term nature of cash, accounts receivable, accounts payable and accrued liabilities, their carrying values approximate their fair values. The revolving operating loan facility bears interest at a floating rate and accordingly the fair market value approximates the carrying value.

8. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership interests in petroleum and natural gas properties including well sites, gathering systems and processing facilities. Manitok estimates the total undiscounted amount of cash flows required to settle its asset retirement obligation as at December 31, 2009 to be approximately $1,862,820 (June 30, 2009 – $1,862,820) which will be incurred in future periods. A credit-adjusted risk-free interest rate of 8% and an inflation rate of 2% were used to calculate the fair value of the asset retirement obligation.

A reconciliation of the asset retirement obligations is provided below:

($)	**December 31, 2009**	June 30, 2009
Opening Balance	**1,010,190**	889,890
Obligations incurred	**-**	47,070
Accretion expense	**39,960**	73,230
Ending Balance	**1,050,150**	**1,010,190**

9. SHARE CAPITAL

(a) Authorized:
Unlimited number of voting Class "A" common shares
Unlimited number of non-voting preferred shares

(b) Issued and outstanding:

	Number of Class "A" Common Shares	**$**
Balance, June 30, 2008	**5,824,942**	**9,117,360**
Issued, net of costs (note 9c)	667,959	1,920,687
Issued, net of costs (note 9d)	1,284,749	3,147,635
Issued, net of costs (note 9e)	37,028	90,719
Issued, net of costs (note 9f)	85,000	250,750
Tax effect of share issue costs (note 9g)	-	13,105
Balance, September 30, 2008	**7,899,678**	**14,540,256**
Issued, net of costs (note 9h)	48,375	118,519
Issued, net of costs (note 9i)	228,773	491,860
Tax effect of share issue costs (note 9j)	-	3,011
Balance, December 31, 2008	**8,176,826**	**15,153,646**
Tax effect of flow through shares (Note (9c,9f and 9i)	-	(717,096)
Balance, June 30, 2009	**8,176,826**	**14,436,550**
Issued, net of costs (note 9k)	176,956	191,289
Issued, net of costs (note 9l)	1,058,785	1,303,336
Tax effect of share issue costs (note 9m)	-	22,450
Balance, December 31, 2009	**9,412,567**	**15,953,625**

(c) On July 10, 2008, Manitok issued a private placement of 667,959 flow-through shares at a price of $2.95 per share for total net proceeds of $1,920,687. As at December 31, 2008, the commitment to spend and renounce $1,970,479 of qualified 100% deductible tax pools with respect to the flow-through shares was fulfilled.

(d) On July 14, 2008, the Corporation issued a private placement of 1,284,749 common shares at a price of $2.45 per share for total net proceeds of $3,147,635.

(e) On August 29, 2008, Manitok issued a private placement of 37,028 common shares at a price of $2.45 per share for total net proceeds of $90,719.

(f) On September 29, 2008, the Corporation issued a private placement of 85,000 flow-through shares at a price of $2.95 per share for total net proceeds of $250,750. As at December 31, 2008, the commitment to spend and renounce $250,750 of qualified 100% deductible tax pools with respect to the flow-through shares was fulfilled.

(g) The Corporation recognized a future income tax benefit of $13,105 in respect of share issue costs of $49,792 incurred with respect to the issuance of 667,959 flow-through shares on July 10, 2008.

(h) On December 20, 2008, Manitok issued a private placement of 48,375 common shares at a price of $2.45 per share for total net proceeds of $118,519.

(i) On December 31, 2008, the Corporation issued a private placement of 228,773 flow-through shares at a price of $2.20 per share for total net proceeds of $491,860. As at December 31, 2009, the commitment to spend and renounce $503,301 of qualified 100% deductible tax pools with respect to the flow-through shares was fulfilled.

(j) Manitok recognized a future income tax benefit of $3,011 in respect of share issue costs of $11,440 incurred with respect to the issuance of 228,773 flow-through shares on December 31, 2008.

(k) On December 31, 2009, Manitok issued a private placement of 176,956 common shares at a price of $1.15 per share for total net proceeds of $191,289.

(l) On December 31, 2009, the Corporation issued a private placement of 1,058,785 flow-through shares at a price of $1.30 per share for total net proceeds of $1,303,336. The Corporation has until December 31, 2011 to incur the $1,376,421 in renounced exploration expenditures.

(m) Manitok recognized a future income tax benefit of $22,450 in respect of share issue costs of $85,295 incurred with respect to the issuance of 176,956 common and 1,058,785 flow-through shares on December 31, 2009.

10. STOCK-BASED COMPENSATION

The Corporation has established a stock-based compensation plan whereby officers, employees, directors and key consultants may be granted options or performance warrants to purchase common shares 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 or performance 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

For the three and six months ended December 31, 2009, the Corporation recorded $30,820 and $46,014 (three and six months ended December 31, 2008 - $23,094 and $53,773) of non-cash stock-based compensation expense and a corresponding increase to contributed surplus.

A summary of the Corporation's outstanding stock options is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, June 30, 2008	**664,500**	**1.88**
Granted	185,500	2.45
Outstanding, December 31, 2008	**850,000**	**2.01**
Forfeited	(147,500)	(1.63)
Outstanding, December 31, 2009	**702,500**	**2.09**

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2009 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$1.45	$1.99	207,500	0.7	$1.45	207,500	0.7	$1.45
$2.00	$2.45	495,000	3.2	$2.35	200,000	3.0	$2.29
		702,500	**2.5**	**$2.09**	**407,500**	**1.8**	**$1.86**

The fair value of each option granted in the period is estimated using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	Three months ended December 31,		Six months ended December 31,	
	2009	**2008**	**2009**	**2008**
Weighted average fair value of options granted	-	$0.74	-	$0.74
Risk-free interest rate	-	1.69%	-	1.69%
Expected life (years)	-	3.0	-	3.0
Expected volatility	-	42%	-	42%

Performance Warrants

On July 1, 2006, the Corporation issued performance warrants with an exercise price of $2.00 that vest upon certain performance criteria and have an expiration date of July 1, 2011. The performance criteria would be 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 an outright sale or merger of the Corporation or any event which causes the private entity to become a public entity.

At December 31, 2009 there were 267,500 performance warrants outstanding (June 30, 2009 – 300,000).

Contributed Surplus Continuity

The following table presents the reconciliation of contributed surplus with respect to stock-based compensation:

($)	December 31, 2009	June 30, 2009
Opening Balance	**458,861**	340,471
Stock-based compensation expense	**46,014**	118,390
Ending Balance	**504,875**	**458,861**

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation is committed to incur exploration expenditures of $1,376,421 related to the flow-through share issue completed on December 31, 2009, as indicated in note 9l. Manitok will be subject to Part XII.6 tax based on the prescribed rate on the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2010. As at December 31, 2009, the costs incurred were nil.

Manitok is committed under a premises lease which began May 1, 2008 and 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. The Corporation is committed to the following aggregate minimum lease payments**:**

Year	$
2010	28,348

On February 17, 2010 the Corporation committed to a new premises lease which expires June 30, 2015 at a monthly rate of approximately $25,220.

The Company was issued a statement of claim from a previous employee claiming wrongful dismissal. The Company has filed a statement of defense and a counterclaim and management intends to vigorously defend the claim. The matter is in the early stages of litigation and an outcome is not reasonably determinable at this time, but the Company believes the employee's claim is without merit.

12. SUPPLEMENTARY CASH FLOW INFORMATION

The following table details the components of non-cash working capital:

		Three months ended December 31,		Six months ended December 31,
($)	2009	2008	2009	2008
Provided by (used in)				
Accounts receivable	(17,509)	(158,956)	(64,747)	137,760
Prepaids and deposits	(203)	(23,619)	3,191	(23,619)
Accounts payable and accrued liabilities	187,014	471,655	20,029	(719,432)
	169,302	**289,080**	**(41,527)**	**(605,291)**
Provided by (used in)				
Operating	143,938	65,400	148,128	269,547
Investing	25,364	223,680	(189,655)	(874,838)
	169,302	**289,080**	**(41,527)**	**(605,291)**

13. SUBSEQUENT EVENTS

Equity Financing

On February 12, 2010, the Corporation closed a private placement of 1,237,000 shares issued at a price of $1.15 per share for total net proceeds of $1,343,338.

Amalgamation with Reporting Issuer

On March 1, 2010, the Corporation entered into an amalgamation agreement with Desco Resources Inc. (`**Desco**`) and have agreed to amalgamate pursuant to the Alberta Business Corporations Act to form a new company under the name **Manitok Energy Inc**. Desco is a capital pool company incorporated on July 8, 2009, and is listed on the TSX Venture Exchange (the ``Exchange``) under the trading symbol DSR.P. The amalgamation will be considered a qualifying transaction under Exchange Policy 2.4 and is subject to Exchange approval. The joint management information circular and shareholder vote is intended to be completed during the Corporation’s fourth quarter. Concurrent with the amalgamation, Manitok is also in the process of issuing equity to fund its upcoming capital program.

14. RECLASSIFICATION

Certain amounts disclosed for prior periods have been reclassified to conform to current period presentation.

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Tim de Freitas, M.Sc., Ph.D.
Vice President, Exploration and Chief Operating Officer

Gregory E. Peterson
Corporate Secretary

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