Q3 Quarterly Report 2010

For the 3 and 9 Months Ended March 30, 2010

President's Message

Dear Shareholders:

I am pleased to report our fiscal 2010 third quarter financial and operating results for the three and nine months ended March 31, 2010 and to update you on current activities and plans for 2010.

Third Quarter Highlights:

- Manitok achieved cash flow from operations of ($112,793), or ($0.01) per diluted share, compared to cash flow from operations of $52,495, or $0.01 per diluted share in the second quarter;
- Net loss of $546,038, or $0.05 per diluted share, compared to a net loss of $411,841, or $0.05 per diluted share in the second quarter;
- Average production of 201.2 boe per day, compared to average production of 204.1 boe per day in the second quarter;
- On February 12, 2010, the Corporation completed an equity financing whereby it issued a private placement of 1,237,000 common shares at a price of $1.15 per share for gross proceeds of $1,422,550. The net proceeds were used repay all of the outstanding bank debt and acquire undeveloped land; and
- Manitok acquired approximately 16,000 net acres, 100% working interest, of undeveloped land in the Southern Alberta foothills through crown land sales.

Third Quarter Results:
Cash flow from operations was ($112,793), a decrease of $165,288 from the second quarter. The largest contributor to the decrease in comparable cash flow from operations was higher G&A costs due mainly to the costs associated with the proposed amalgamation with Desco Resources Inc. Approximately $75,000 of legal and accounting costs were incurred along with an additional $35,000 of fees paid to consultants, who soon will become employees, in order to ramp up our staffing for the public company. Commodity prices remained relatively stable in the third quarter as compared to the second quarter, with an average realized sales price of $43.07 and $42.37 per boe respectively. The 6% increase in our realized natural gas prices from $4.78 per mcf in the second quarter to $5.08 per mcf in the third quarter was offset by the 8% decrease in our realized heavy oil prices from $69.68 per barrel in the second quarter to $64.22 per barrel in the third quarter.

Operations Review:

Heavy oil production at Swimming averaged 71.0 barrels per day in the first three quarters of fiscal 2010 as compared to 49 barrels per day the last quarter of fiscal 2009, ending June 30, 2009. Heavy oil production is currently strong averaging 73.7 barrels per day during the entire fiscal third quarter ending March 31, 2010 and 82.5 barrels per 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 $35.19 per barrel operating netback on our heavy oil production during the third quarter of fiscal 2010. As a result of our efficient operatorship in the area and the royalty incentives available, the current drilling economics at Swimming are outstanding. We are planning to drill 8 to 10 locations on our lands over the next year depending on commodity prices and the capital available to the company at that time.

Our Coleman, Garrington, Mannville and Hairy Hill natural gas production has averaged 130 boe per day over the first 3 quarters of fiscal 2010 as compared to 153 boe per day in the fourth quarter of fiscal 2009. Our production in these areas remains strong with relatively low declines considering we have not had a drilling program over the last nine months.

Recent Developments and Outlook:

The stability of our production over the last several quarters has allowed us to advance our business plan in spite of the financial downturn. We will proceed cautiously with our capital program until we close the amalgamation and concurrent equity financing. We will continue to capitalize on the most economic opportunities available to us while optimizing our operational efficiency in order to maximize the value of our company.

While we have limited capital spending to maintenance on our existing production for the first nine months of the fiscal period 2010, we have continued to execute our strategy of accumulating land at low prices as a means to fuel future growth. Our focus has been on liquids rich natural gas or oil from the conventional Cardium formation.

The amalgamation with Desco Resources Inc. and concurrent equity financing, as described in the joint management information circular dated May 28, 2010, will close on or about July 7th, 2010. We believe that our partnership with the Desco group will accelerate the success we expect to achieve over the next several years. Once the amalgamation is closed, it is anticipated that Manitok will be in the best position it has ever been in, relative to capital and drilling inventory. With an abundance of opportunities available in the foothills, our management team is very excited about our prospects as a public company.

On behalf of our management team and directors I would like to thank all of our stakeholders for their continued support and our staff for their hard work and dedication.

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
June 9, 2010

OPERATIONAL AND FINANCIAL HIGHLIGHTS

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
OPERATING				
Average daily production				
Natural gas (mcf/d)	730.6	879.3	781.9	877.9
Heavy oil (bbls/d)	73.7	52.5	71.0	62.3
Light oil (bbls/d)	0.6	3.1	1.2	4.1
NGLs (bbls/d)	5.1	6.1	5.6	6.5
Total (boe/d)	**201.2**	**208.3**	**208.1**	**219.2**
Average realized sales price (CAD$)				
Natural gas ($/mcf)	5.08	5.00	4.19	6.68
Heavy oil ($/bbl)	64.22	36.96	63.84	65.58
Light oil ($/bbl)	76.01	51.78	72.22	78.09
NGLs ($/bbl)	33.38	25.42	27.63	36.40
Total ($/boe)	**43.07**	**31.96**	**38.69**	**47.92**
Undeveloped Land (end of period)				
Gross (acres)	44,640	11,207	44,640	11,207
Net (acres)	44,640	8,004	44,640	8,004
NETBACK				
($ per boe)				
Petroleum and natural gas revenue	43.07	31.96	38.69	47.92
Royalties	(8.27)	(4.51)	(6.09)	(9.41)
Operating expense	(15.89)	(13.46)	(14.36)	(13.60)
Transportation and marketing expense	(1.97)	(1.51)	(1.78)	(1.69)
Operating netback	**16.94**	**12.48**	**16.46**	**23.22**
General and administrative expense	(23.20)	(12.21)	(18.06)	(12.22)
Interest expense	-	-	(0.21)	-
Interest and other income	0.03	0.51	0.02	1.11
Current income taxes expense	-	-	-	-
Cash flow netback	**(6.23)**	**0.78**	**(1.79)**	**12.11**
Depletion and depreciation expense	(29.60)	(30.07)	(28.64)	(28.19)
Accretion expense	(1.12)	(1.00)	(1.06)	(0.90)
Stock-based compensation expense	(1.78)	(1.71)	(1.37)	(1.43)
Future income taxes expense	8.57	7.90	7.89	4.44
Net earnings (loss) netback	**(30.16)**	**(24.10)**	**(24.97)**	**(13.97)**
FINANCIAL				
Petroleum and natural gas revenue ($)	779,933	599,274	2,205,844	2,878,350
Cash flow from operations ($)	**(112,793)**	**14,821**	**(102,802)**	**727,049**
Per share – basic ($)	(0.01)	0.00	(0.01)	0.09
Per share – diluted ($)	(0.01)	0.00	(0.01)	0.09
Net earnings (loss) ($)	**(546,038)**	**(451,785)**	**(1,424,841)**	**(839,179)**
Per share – basic ($)	(0.05)	(0.06)	(0.16)	(0.11)
Per share – diluted ($)	(0.05)	(0.06)	(0.16)	(0.11)
Class "A" common shares outstanding				
End of period – basic	10,649,567	8,176,826	10,649,567	8,176,826
End of period – diluted	11,619,567	9,294,326	11,619,567	9,294,326
Weighted average for the period – basic	10,072,300	8,176,826	8,803,937	7,874,877
Weighted average for the period – diluted	10,072,300	8,253,894	8.803,937	8,025,719
Capital expenditures, net ($)	1,704,100	825,484	2,327,272	5,554,156
Working capital deficiency (surplus) ($)	(301,237)	131,140	(301,237)	131,140
Revolving credit facility ($)	338,261	-	338,261	-
Total net debt ($)	37,024	131,140	37,024	131,140

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manitok Exploration Inc. (the "**Corporation**" or "**Manitok**") is a private junior oil and natural gas exploration, development and production company based in Calgary, Alberta

The following Management's Discussion and Analysis (**"MD&A"**) is dated June 9, 2010. The unaudited interim financial statements in respect of the three and nine months ended March 31, 2010 (the "**Reporting Periods**") as compared to the three and nine months ended March 31, 2009 (the "**Comparable Prior Periods**") and this MD&A have been prepared by management and approved by the Corporation's Audit Committee and Board of Directors.

This MD&A should be read in conjunction with the unaudited financial statements of the Corporation and related notes for the Reporting Periods and the audited financial statements and related notes as at and for the fiscal years ended June 30, 2009 and 2008. All financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**") and all dollar amounts are expressed in Canadian dollars unless otherwise stated.

OVERALL PERFORMANCE

Production

Production for the three month period March 31, 2010 averaged 201.2 boe/d which is a 1% decrease from the 204.1 boe/d the Corporation averaged for the three month period December 31, 2009 and a 3% decrease from the 208.3 boe/d the Corporation averaged for the three month period March 31, 2009. The decrease in production was due mainly to normal production declines in the natural gas assets and the reduced drilling program as the Corporation focused its capital activity on undeveloped land acquisitions. The decline in natural gas production was partially offset by an increase in heavy oil production for the three month Reporting Period as it increased 10% from the three month period December 31, 2009 and 40% from the three month period March 31, 2008, due to workovers to the Corporation's heavy oil assets

For the three month period March 31, 2010, the Corporation's production consisted of approximately 60% natural gas and 40% crude oil and natural gas liquids.

Commodity Prices

Average realized heavy oil prices for the three month period March 31, 2010 were $64.22 per barrel which is an 8% decrease from $69.68 per barrel the Corporation averaged for the three month period December 31, 2009 and a 74% increase from $36.96 per barrel the Corporation averaged in the three month period March 31, 2009. Average realized natural gas prices for the three month period March 31, 2010 were $5.08 per mcf which is a 6% increase from $4.78 per mcf the Corporation averaged for the three month period December 31, 2009 and a 2% increase from $5.00 per mcf the Corporation averaged in the three month period March 31, 2009. The prices received for Manitok's petroleum and natural gas sales are impacted by world events that dictate the level of supply and demand for crude oil and natural gas. Manitok currently does not have any commodity hedges in place and thus is subject to fluctuations in commodity prices.

Cash Flow and Earnings

Cash flow from operations decreased to negative $112,793 ($0.01 per share) and negative $102,802 ($0.01 per share) for the three and nine month Reporting Periods as compared to positive cash flow of $14,821 ($0.00 per share) and $727,049 ($0.09 per share) for the Comparable Prior Periods. Manitok had a net loss of $546,038 ($0.05 per share) and $1,424,841 ($0.16 per share) for the three and nine month Reporting Periods as compared to a net loss of $451,785 ($0.06 per share) and $839,179 ($0.11 per share) for the Comparable Prior Periods. The decrease in cash flow and increase in net loss for the three month period resulted in a significant increase in net general and administrative costs, offset by a 74% increase in average realized heavy oil prices in the Reporting Period as compared to the Comparable Prior Period. The decrease in cash flow and increase in net loss for the nine month period resulted from a 37% decrease in average realized natural gas

prices, an 11% decrease in average natural gas production volumes and increased net general and administrative costs in the Reporting Period as compared to the Comparable Prior Period.

Capital Expenditures and Total Debt

Total capital expenditures for the three and nine month Reporting Periods were $1,704,100 and $2,327,272 as compared to $825,484 and $5,554,156 in the Comparable Prior Periods. The increase in capital expenditures in the three month Reporting Period as compared to the Comparable Prior Period is the result of an increase of $1.5 million in undeveloped land acquisitions in the Reporting Period, offset by a reduction in drilling and completion expenditures of $640,000. The decrease in capital expenditures in the nine month Reporting Period as compared to the Comparable Prior Period is the result of a decrease of $5.3 million in the Corporations drilling, completion, recompletion, workover and seismic program in the Reporting Period, as 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, offset by an increase of $2.0 million in undeveloped land acquisitions.

OUTLOOK

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. A joint management information circular dated May 28, 2010 for use at the annual and special meeting of Manitok shareholders to be held on June 25, 2010 has been distributed to shareholders.

The Corporation has entered into a letter agreement with Desjardins Securities Inc. ("**Desjardins**"), as lead agent and a syndicate of agents (collectively with Desjardins, the "**Agents**") in connection with a "best efforts" private placement offering up to a maximum of $25.0 million Class "A" common shares ("**Common Shares**") in the capital of Manitok and up to a maximum of $5.0 million Common Shares to be issued on a "flow-through" basis under the Income Tax Act (Canada). The price of the Common Shares and the flow-through Common Shares to be issued pursuant to the private placement will be determined at a later date in context of current market conditions. The Agents were granted an over-allotment option to sell up to an additional $5.0 million of Common Shares, which shall be exercisable up to the day prior to the closing of the private placement. The closing of the private placement is not a condition to the completion of the amalgamation with Desco. The private placement is expected to close immediately prior to the completion of the amalgamation with Desco, on or about June 25, 2010.

Once the transactions are finalized the Corporation will prepare a budget and provide general guidance for the remainder of 2010.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

- 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 net proceeds of $1,343,338.
- On February 22, 2010, the Corporation amended its agreement with a major Canadian lender which decreased its demand revolving operating loan facility from $3,100,000 to $2,500,000. The decrease was due to the effect of the decline in commodity prices on the Corporation's reserve report.

LIQUIDITY

Working Capital

The Corporation's working capital surplus, which excludes the current portion of the amount drawn on the revolving credit facility, increased to $301,237 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 March 31, 2010 was due mainly to net cash proceeds of $2.8 million received from the equity issuances on December 31, 2009 and February 12, 2010. Manitok manages its working capital using its cash flow from operations and

advances under its revolving credit facility. The Corporation did not have any liquidity issues with respect to the operation of its petroleum and natural gas business in the Reporting Period.

Bank Debt

The Corporation's revolving credit facility was 338,261 as at March 31, 2010, with an aggregate limit of $2,500,000 as compared to $615,769 as at June 30, 2009, when the aggregate limit was $3,100,000. The level of bank debt at March 31, 2010 was reduced as compared to June 30, 2009 mainly due to the net cash proceeds of $2.8 million received from the equity issuances on December 31, 2009 and February 12, 2010, offset by the $2.0 million undeveloped land acquisitions and negative cash flow from operations in the Reporting Period.

On February 22, 2010, the Corporation renewed the revolving credit 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, to fall below 1:1. Manitok was compliant with the covenant under its revolving credit facility throughout the Reporting Period.

Contractual Obligations

The Corporation enters into contractual obligations in the course of conducting its day-to-day business. The following table identifies Manitok's estimated contractual obligations at March 31, 2010:

	< 1 Year	1-2 Years	3-5 Years	Thereafter
Accounts payable and accrued liabilities	503,870	-	-	-
Revolving credit facility	338,261	-	-	-
Office lease[1]	252,200	302,640	907,920	50,440
Total estimated contractual obligations[2]	**1,094,331**	**302,640**	**907,920**	**50,440**

(1) The Corporation is committed under an operating lease relating to its office premises, beginning May 1, 2010 and expiring on June 30, 2015. Manitok does not presently use all of the leased premises and has sublet 5 offices to arms' length parties to recover a portion of the rental costs.

(2) Contractual commitments that are routine in nature and form part of the normal course of operations for Manitok are not included in the above table.

OUTSTANDING SHARE DATA

The Class "A" common shares of Manitok are the only class of shares outstanding and at June 9, 2010 there were 10,649,567 Common Shares outstanding, stock options to purchase 702,500 Common Shares and performance warrants to purchase 267,500 Common Shares. The following table summarizes the common shares issued in the Reporting Period:

	Common Shares
Balance at June 30, 2009	**8,176,826**
Issue of Common Shares on December 31, 2009	1,235,741
Issue of Common Shares on February 12, 2010	1,237,000
Balance at March 31, 2010	**10,649,567**

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

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 March 31, 2010				Three months ended March 31, 2009			
	Total Revenue ($)	Average Daily Production	%	Average ($/unit)	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural gas (mcf)	334,360	730.6	60	5.08	396,048	879.3	70	5.00
Heavy oil (bbls)	425,836	73.7	37	64.22	174,728	52.5	25	36.96
Light oil (bbls)	4,401	0.6	-	76.01	14,534	3.1	2	51.78
Natural gas liquids (bbls)	15,336	5.1	3	33.38	13,964	6.1	3	25.42
Total P&NG revenue (boe)	**779,933**	**201.2**	**100**	**43.07**	**599,274**	**208.3**	**100**	**31.96**

	Nine months ended March 31, 2010				Nine months ended March 31, 2009			
	Total Revenue ($)	Average Daily Production	%	Average ($/unit)	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural gas (mcf)	897,906	781.9	62	4.19	1,605,654	877.9	67	6.68
Heavy oil (bbls)	1,241,745	71.0	34	63.84	1,120,071	62.3	28	65.58
Light oil (bbls)	23,860	1.2	1	72.22	88,208	4.1	2	78.09
Natural gas liquids (bbls)	42,333	5.6	3	27.63	64,417	6.5	3	36.40
Total P&NG revenue (boe)	**2,205,844**	**208.1**	**100**	**38.69**	**2,878,350**	**219.2**	**100**	**47.92**

The 30% increase in petroleum and natural gas revenue for the three month Reporting Period as compared to the Comparable Prior Period was primarily attributable to a 40% increase in the average production volume of heavy oil and a 74% increase in the average realized heavy oil prices during the Reporting Period, offset by a 17% reduction in average production volumes of natural gas. The 23% decrease in petroleum and natural gas revenue for the nine month Reporting Period as compared to the Comparable Prior Period was due mainly to an 11% decrease in the average production volume of natural gas and a 37% decrease in the average realized natural gas prices during the Reporting Period, offset somewhat by a 14% increase in average production volumes of heavy oil.

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. and Canadian dollar exchange rate, and transportation and product quality differentials. Manitok currently has no financial derivatives such as fixed commodity price contracts or other hedge type contracts, but it 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 has no current intention to enter into any such contracts at this time.

Royalties

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

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change	**Nine months ended March 31, 2010**	Nine months ended March 31, 2009	Change
Oil & natural gas royalties ($)	149,725	84,571	77.0%	347,167	565,048	(38.6%)
Oil & natural gas royalties ($/boe)	8.27	4.51	83.4%	6.09	9.41	(35.3%)
Royalties as a percentage of sales	19.2%	14.1%	36.2%	15.7%	19.6%	(19.9%)

The overall effective royalty rate in the three and nine month Reporting Periods was 19.2% and 15.7% as compared to 14.1% and 19.6% in the Comparable Prior Periods, respectively. The increase in the effective royalty rate in the three month Reporting Period as compared to the Comparable Prior Period is largely due to the higher average commodity prices in the Reporting Period and the effect these higher prices have on the sliding scale royalty calculation. The decrease in the effective royalty rate in the nine month Reporting Period as compared to the Comparable Prior Period is largely due to the lower average commodity prices in the Reporting Period 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 natural gas well brought on production after April 1, 2009 and before March 31, 2011 up to a maximum of 50,000 barrels of oil or 500 million cubic feet of natural gas per well.

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. The Corporation will be entitled to a drilling royalty credit of $200 per metre drilled, up to a maximum of 50% of the aggregate Crown royalties paid by the Corporation during the incentive period.

On March 11, 2010, the Alberta Government announced certain changes to the existing royalty framework based on the recommendations from the Investment Competiveness Review. As a result of the competitiveness review, the existing Alberta Royalty Framework ("**ARF**") will be adjusted to better reflect current industry conditions. The adjusted ARF will be effective for the 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 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

On May 27, 2010 the Alberta government announced more adjustments to the ARF which are significant steps to encourage the exploration and development of emerging resource plays, as well as the use of new technological advancements in drilling and completions. Manitok is currently assessing the impact of all the announced changes, and anticipate it will have a positive effect on the company.

These incentives should create a lower cost structure for Manitok and projects will have better economics under the new royalty framework as compared to the prior program. 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 Expense

The following table compares operating expenses for the Reporting Periods and the Comparable Prior Periods:

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change	**Nine months ended March 31, 2010**	Nine months ended March 31, 2009	Change
Operating expenses ($)	287,812	252,394	14.0%	818,624	817,127	0.2%
Operating expenses ($/boe)	15.89	13.46	18.1%	14.36	13.60	5.6%

The $2.43 per boe increase in total operating costs during the three month Reporting Period as compared to the Comparable Prior Period was mainly due to increased costs for supplies and services ($3.69 per boe) and compressor rental and maintenance costs ($1.52 per boe) offset by a reduction in fuel and power charges ($1.62 per boe) and freehold mineral taxes ($1.16 per boe). The $0.76 per boe increase in total operating costs during the nine month Reporting Period as compared to the Comparable Prior Period was mainly due to increased costs for supplies and services ($2.59 per boe) and compressor rental and maintenance costs ($0.61 per boe) offset by a reduction in fuel and power charges ($2.44 per boe).

Transportation and Marketing Expense

The following table illustrates the Corporation's transportation and marketing expense for the Reporting Periods and the Comparable Prior Periods:

	Three months ended March 31, 2010	Three months ended March 31, 2009	Change	**Nine months ended March 31, 2010**	Nine months ended March 31, 2009	Change
Transportation & marketing expenses ($)	35,675	28,229	26.4%	101,675	101,776	-
Transportation & marketing expenses ($/boe)	1.97	1.51	30.5%	1.78	1.69	5.3%

These costs consist primarily of transportation costs and have increased per boe in the Reporting Periods as compared to the Comparable Prior Periods mainly due to the increase in average production volumes of heavy oil, partially offset by the decrease in average natural gas production volumes.

General and Administrative Expense

The components of general and administrative costs ("**G&A**") for the Reporting Periods and the Comparable Prior Periods are as follows:

	Three months ended March 31, 2010		Three months ended March 31, 2009		Change
	($)	%	($)	%	Amount
Salaries, benefits and consultants	233,773	56	130,132	51	79.6%
Other	186,267	44	124,814	49	49.2%
G & A expense, gross	420,040	100	254,946	100	64.8%
Overhead recoveries	3	-	(26,037)	(10)	-
Capitalized overhead	-	-	-	-	-
G & A expense, net	**420,043**	**100**	**228,909**	**90**	**83.5%**
G & A expense, net per boe	**23.20**		**12.21**		**90.0%**

	Nine months ended March 31, 2010		Nine months ended March 31, 2009		Change
	($)	%	($)	%	Amount
Salaries, benefits and consultants	541,954	53	425,662	52	27.3%
Other	488,566	47	391,803	48	24.7%
G & A expense, gross	1,030,520	100	817,465	100	26.1%
Overhead recoveries	(490)	-	(83,296)	(10)	-
Capitalized overhead	-	-	-	-	-
G & A expense, net	**1,030,030**	**100**	**734,169**	**90**	**40.3%**
G & A expense, net per boe	**18.06**		**12.22**		**47.8%**

The net G&A expenses have increased in the Reporting Periods as compared to the Comparable Prior Periods largely due to increased consulting and professional fees, as a direct result of the proposed amalgamation with Desco, and lower overhead recoveries which are attributable to the decreased drilling and completion expenditures in the Reporting Periods as compared to the Comparable Prior Periods.

Interest Expense

Interest expense for the three and nine month Reporting Periods was $10 ($0.00 per boe) and $12,098 ($0.21 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 credit facility.

Depletion, Depreciation and Accretion Expenses

The components of depletion, depreciation and accretion ("**DD&A**") expenses for the Reporting Periods and the Comparable Prior Periods are as follows:

	Three months ended March 31, 2010		Three months ended March 31, 2009		Change	
	($)	$/boe	($)	$/boe	Amount	per boe
Depletion & depreciation	535,910	29.60	563,742	30.07	(4.9%)	(1.6%)
Accretion for asset retirement obligations	20,240	1.12	18,830	1.00	7.5%	12.0%
Total DD&A	**556,150**	**30.72**	**582,572**	**31.07**	(4.5%)	(1.1%)

	Nine months ended March 31, 2010		Nine months ended March 31, 2009		Change	
	($)	$/boe	($)	$/boe	Amount	per boe
Depletion & depreciation	1,633,160	28.64	1,693,175	28.19	(3.5%)	1.6%
Accretion for asset retirement obligations	60,200	1.06	54,030	0.90	11.4%	17.8%
Total DD&A	**1,693,360**	**29.70**	**1,747,205**	**29.09**	(3.1%)	2.1%

The DD&A on an aggregate and per boe basis remained relatively consistent in the Reporting Periods as compared to the Comparative Prior Periods. 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 March 31, 2010, the Corporation excluded from its full cost pool $2,053,821 (March 31, 2009 - $997,804) 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 March 31, 2010 on its petroleum and natural gas assets and 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 $155,222 ($8.57 per boe) for the three month Reporting Period and $449,652 ($7.89 per boe) for the nine month Reporting Period, as compared to a recovery of $148,096 ($7.90 per boe) and $266,880 ($4.44 per boe) for the Comparable Prior Periods. These recoveries were attributed to the net losses recorded during the Reporting Periods and Comparable Prior Periods. Manitok incurred $6,882 Part XII.6 taxes in the three and nine month Reporting Periods as compared to nil 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 stock-based 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 $32,317 ($1.78 per boe) for the three month Reporting Period and $78,331 ($1.37 per boe) for the nine month Reporting Period as compared to $32,130 ($1.71 per boe) and $85,903 ($1.43 per boe) for the Comparable Prior Periods.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital expenditures amounted to $1,704,100 and $2,327,272 during the three and nine month Reporting Periods as compared to $825,484 and $5,554,156 during the Comparable Prior Periods. The 106% increase in capital expenditures for the three month Reporting Period as compared to the Comparable Prior Period was due mainly to an increase in undeveloped land acquisitions, offset somewhat by the reduction in the Corporation's drilling program. The 58% decrease in capital expenditures for the nine month Reporting Period as compared to the Comparable Prior Period was the result of a decrease of $5.3 million in the Corporations drilling, completion, recompletion, workover and seismic program in the Reporting Period, as 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, offset by an increase of $2.0 million in undeveloped land acquisitions.

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 March 31, ($)	**2010**	2009
Land	1,530,232	15,738
Seismic	43,573	22,623
Workovers and recompletions	23,408	150,109
Drilling and completions	916	640,067
Well equipment and facilities	(745)	(3,053)
Total finding and development costs (F&D)	**1,597,384**	**825,484**
Acquisitions (dispositions), net	-	-
Total finding, development and acquisition costs (FD&A)	**1,597,384**	**825,484**
Administrative assets	106,716	-
Total capital expenditures	**1,704,100**	**825,484**

Nine months ended March 31, ($)	**2010**	2009
Land	2,055,258	25,212
Seismic	53,419	640,515
Workovers and recompletions	110,649	1,669,741
Drilling and completions	46,772	2,834,856
Well equipment and facilities	(5,542)	364,482
Total finding and development costs (F&D)	**2,260,556**	**5,534,806**
Acquisitions (dispositions), net	(40,000)	-
Total finding, development and acquisition costs (FD&A)	**2,220,556**	**5,534,806**
Administrative assets	106,716	19,350
Total capital expenditures	**2,327,272**	**5,554,156**

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 March 31, ($)	**2010**	2009
Cash flow from operations	(112,793)	14,821
Changes in non-cash working capital from operations	(85,669)	(216,236)
Proceeds from share issuances, net	1,343,338	-
Increase (decrease) in revolving credit facility	338,261	-
Changes in non-cash working capital from investing	(3,283)	(705,715)
Total capital resources	**1,479,854**	**(907,130)**
Expenditures on petroleum and natural gas assets	(1,704,100)	(825,484)
Property acquisitions and dispositions	-	-
Net Change in Cash	**(224,246)**	**(1,732,614)**

Nine months ended March 31, ($)	**2010**	2009
Cash flow from operations	(102,802)	727,049
Changes in non-cash working capital from operations	62,458	53,311
Proceeds from share issuances, net	2,837,963	6,020,170
Increase (decrease) in revolving credit facility	(277,508)	-
Changes in non-cash working capital from investing	(192,938)	(1,580,552)
Total capital resources	**2,327,173**	**5,219,978**
Expenditures on petroleum and natural gas assets	(2,367,272)	(5,554,156)
Property acquisitions and dispositions	40,000	-
Net Change in Cash	**(99)**	**(334,178)**

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
OPERATING				
Average daily production				
Natural gas (mcf/d)	730.6	789.8	824.0	862.6
Heavy oil (bbls/d)	73.7	66.8	72.5	49.0
Light oil (bbls/d)	0.6	1.3	1.7	1.9
NGLs (bbls/d)	5.1	4.4	7.3	7.1
Total (boe/d)	201.2	204.1	218.8	201.8
Average realized sales price (CAD$)				
Natural gas ($/mcf)	5.08	4.78	2.86	3.55
Heavy oil ($/bbls)	64.22	69.68	58.07	53.59
Light oil ($/bbls)	76.01	74.48	68.99	63.91
NGLs ($/bbls)	33.38	27.92	23.52	20.56
Total ($/boe)	43.07	42.37	31.31	29.52
OPERATING NETBACK ($ per boe)				
Petroleum and natural gas revenue	43.07	42.37	31.31	29.52
Royalties	(8.27)	(6.08)	(4.13)	(3.00)
Operating expense	(15.89)	(16.13)	(11.32)	(11.27)
Transportation and marketing expense	(1.97)	(1.52)	(1.86)	(1.32)
Operating netback	16.94	18.64	14.00	13.93
FINANCIAL				
Petroleum and natural gas revenue ($)	779,933	795,693	630,219	542,184
Royalties ($)	(149,725)	(114,205)	(83,236)	(55,027)
Interest and other revenue ($)	539	203	206	945
Total revenues, net ($)	630,747	681,691	547,189	488,102
Net earnings (loss) ($)	(546,038)	(411,841)	(466,962)	(415,770)
Per share - basic ($)	(0.05)	(0.05)	(0.06)	(0.05)
Per share - diluted ($)	(0.05)	(0.05)	(0.06)	(0.05)
Cash flow from operations ($)	(112,793)	52,495	(42,505)	14,539
Per share - basic ($)	(0.01)	0.01	(0.01)	0.00
Per share - diluted ($)	(0.01)	0.01	(0.01)	0.00
Capital expenditures, net ($)	1,704,100	502,849	120,323	328,313
Book value of total assets ($)	17,100,015	16,410,692	16,200,041	16,559,077
Working capital deficiency (surplus) ($)	(301,237)	(436,530)	(381,667)	(170,856)
Revolving credit facility ($)	338,261	-	989,408	615,769
Total net debt ($)	37,024	-	607,741	444,913
Shareholders’ equity ($)	14,469,651	13,981,458	12,845,404	13,297,172
Class “A” common shares outstanding				
End of period - basic	10,649,567	9,412,567	8,176,826	8,176,826
End of period - diluted	11,619,567	10,382,567	9,146,826	9,146,826
Weighted average for the period - basic	10,072,300	8,190,258	8,176,826	8,176,826
Weighted average for the period - diluted	10,072,300	8,190,258	8,201,978	8,226,800

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	March 31, 2009	December 31, 2008	September 30, 2008	June 30, 2008
OPERATING				
Average daily production				
Natural gas (mcf/d)	879.3	892.6	861.7	716.9
Heavy oil (bbls/d)	52.5	49.3	85.0	110.1
Light oil (bbls/d)	3.1	5.1	4.2	7.2
NGLs (bbls/d)	6.1	8.6	4.7	8.8
Total (boe/d)	208.3	211.7	237.5	245.5
Average realized sales price (CAD$)				
Natural gas ($/mcf)	5.00	6.97	8.04	10.32
Heavy oil ($/bbls)	36.96	41.41	96.89	95.05
Light oil ($/bbls)	51.78	61.37	117.57	122.05
NGLs ($/bbls)	25.42	33.03	56.62	44.96
Total ($/boe)	31.96	41.83	67.03	77.94
OPERATING NETBACK ($ per boe)				
Petroleum and natural gas revenue	31.96	41.83	67.03	77.94
Royalties	(4.51)	(8.23)	(14.65)	(14.03)
Operating expense	(13.46)	(14.17)	(13.22)	(12.97)
Transportation and marketing expense	(1.51)	(1.56)	(1.97)	(2.49)
Operating netback	12.48	17.87	37.19	48.45
FINANCIAL				
Petroleum and natural gas revenue ($)	599,274	814,688	1,464,389	1,740,959
Royalties ($)	(84,571)	(160,348)	(320,129)	(313,501)
Interest and other revenue ($)	9,650	36,461	20,708	3,133
Total revenues, net ($)	524,353	690,801	1,164,968	1,430,591
Net earnings (loss) ($)	(451,785)	(325,592)	(61,802)	260,377
Per share - basic ($)	(0.06)	(0.04)	(0.01)	0.04
Per share - diluted ($)	(0.06)	(0.04)	(0.01)	0.04
Cash flow from operations ($)	14,821	184,025	528,203	781,999
Per share - basic ($)	0.00	0.02	0.07	0.13
Per share - diluted ($)	0.00	0.02	0.07	0.13
Capital expenditures, net ($)	825,484	2,562,001	2,166,671	1,687,835
Book value of total assets ($)	17,505,864	19,331,639	18,786,688	14,594,525
Working capital deficiency (surplus) ($)	131,140	(679,524)	(2,447,121)	1,324,202
Revolving credit facility ($)	-	-	-	-
Total net debt ($)	131,140	-	-	1,324,202
Shareholders’ equity ($)	13,680,455	14,817,206	14,506,314	9,114,541
Class “A” common shares outstanding				
End of period - basic	8,176,826	8,176,826	7,899,678	5,824,942
End of period - diluted	9,294,326	9,294,326	8,831,678	6,756,942
Weighted average for the period - basic	8,176,826	7,908,474	7,545,895	5,824,942
Weighted average for the period - diluted	8,253,894	8,074,120	7,754,568	6,033,615

Discussion of Quarterly Results

Manitok's average quarterly production in the quarter ended March 31, 2010 was 201.2 boe/d, which is a 1% decrease from 204.1 boe/d in the quarter ended December 31, 2009 and a 3% decrease from 208.3 boe/d in the quarter ended March 31, 2009. The quarter over quarter production decreases are a direct result of normal production declines in the natural gas assets and reductions in the Corporation's drilling program, offset by increases in heavy oil production due to workovers of the heavy oil properties.

Commodity prices have decreased significantly since the quarter ended June 30, 2008, when realized commodity prices were at an average of $95.05 per barrel for heavy oil and $10.32 per mcf for natural gas. For the quarter ended March 31, 2010, realized heavy oil prices averaged $64.22 per barrel, which is a 32% decrease and realized natural gas prices averaged $5.08 per mcf, which is a 51% decrease.

Manitok spent $1,704,100 on capital expenditures for the current quarter as compared to $502,849 for the quarter ended December 31, 2009 and $825,484 during the quarter ended March 31, 2009. The increase in capital expenditures from December 31, 2009 was due mainly to acquisitions of undeveloped land in the current quarter. The increase in capital expenditures from March 31, 2009 is also due to acquisitions of undeveloped land partially offset by a reduction in Manitok's drilling program, which was the Corporation's response to the drop in commodity prices in the latter part of 2008 and into the Reporting Period.

Cash flow from operations generated by the Corporation in the quarter ended March 31, 2010 was negative $112,793, which is a significant decrease from positive cash flow from operations of $52,495 in the quarter ended December 31, 2009 and $14,821 in the quarter ended March 31, 2009. The decrease in cash flow is due mainly to a significant increase in net general and administrative costs in the current quarter.

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 and dispositions, joint venture opportunities and corporate merger acquisition opportunities.

CONTROLS AND PROCEDURES

Disclosure Controls

Disclosure controls and procedures are in the process of being documented by the President & Chief Executive Officer ("**CEO**") and the financial controller to provide reasonable assurance that information required to be disclosed by Manitok in its annual filings, interim filings or other reports is recorded, processed, summarized and reported within a reasonable period of time. It should be noted that while the Corporation's President & CEO and the financial controller 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 provide an absolute level of assurance or prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are achieved.

Internal Control over Financial Reporting

The Corporation has established and maintains internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP applicable to the Corporation and reasonable assurance that all assets are safeguarded and transactions are appropriately authorized and recorded to facilitate the preparation of relevant, reliable and timely information. It should be noted that a control system, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected to prevent all errors and fraud. There have been improvements and enhancements to the Corporation's

internal controls over financial reporting during the three month Reporting Period and the Corporation will continue to make adjustments when deemed necessary.

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 did not have an impact 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 replace Canadian GAAP beginning January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Manitok for the fiscal year ended June 30, 2010, including the opening balance sheet as at January 1, 2010.

IFRS uses a conceptual framework similar to Canadian GAAP; however, there could be significant differences in recognition, measurement and disclosures that will need to be addressed. The impact of IFRS on the Corporation's financial statements is not reasonably determinable at this time; however Manitok expects to be fully compliant by January 1, 2011.

ADVISORIES

Non-GAAP Measures

This MD&A and the Corporation's Quarterly and Annual Reports 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 earnings (loss) netback.

Cash flow or cash flow from operations 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 (loss) and comprehensive earnings (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 non-cash items including future income taxes expense (less any recovery), depletion, depreciation and accretion expense, and non-cash stock-based compensation expense.

These terms do not have standardized meanings prescribed by GAAP and consequently, they are referred to as non-GAAP measures. The reader should be cautioned that these measures may not be directly comparable to measures by other companies where similar terminology is used.

BOE Conversions

*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 wellhead and therefore may be a misleading measure if used in isolation*.

Forward Looking Information

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.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbls	barrels
mbbls	thousands of barrels
bbls/d	barrels per day
NGLs	natural gas liquids

Natural Gas

mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day

Other

boe	barrels of oil equivalent converting 6 mcf of natural gas to 1 barrel of oil
mcfe	thousand cubic feet of natural gas equivalent converting 1 barrel of oil to 6 mcf of natural gas
mboe	thousands of barrels of oil equivalent
mcfe/d	thousand cubic feet of natural gas equivalent per day
boe/d	barrels of oil equivalent per day

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIOD ENDED MARCH 31, 2010

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

As at	March 31, 2010	June 30, 2009
		(audited)
ASSETS		
CURRENT		
Cash	**70,666**	70,765
Accounts receivable	**434,826**	287,595
Prepaid and other	**299,615**	291,562
	805,107	649,922
Petroleum and natural gas properties and equipment (note 4)	**16,294,908**	15,909,155
	17,100,015	16,559,077
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**503,870**	479,066
Revolving credit facility (note 5)	**338,261**	615,769
	842,131	1,094,835
Asset retirement obligations (note 8)	**762,030**	1,010,190
Future income taxes	**1,026,203**	1,156,880
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**16,955,539**	14,436,550
Contributed surplus (note 10)	**537,192**	458,861
Retained earnings (deficit)	**(3,023,080)**	(1,598,239)
	14,469,651	13,297,172
Commitments and contingent liabilities (note 11)		
Subsequent events (note 13)		
	17,100,015	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 EARNINGS (LOSS), COMPREHENSIVE EARNINGS (LOSS) AND RETAINED EARNINGS (DEFICIT)
(Unaudited) ($, except share amounts)

	Three months ended March 31		Nine months ended March 31	
	2010	2009	**2010**	2009
REVENUE				
Petroleum and natural gas	**779,933**	599,274	**2,205,844**	2,878,350
Royalties	**(149,725)**	(84,571)	**(347,167)**	(565,048)
Interest and other	**539**	9,650	**948**	66,819
	630,747	524,353	**1,859,625**	2,380,121
EXPENSES				
Operating	**287,812**	252,394	**818,624**	817,127
Transportation and marketing	**35,675**	28,229	**101,675**	101,776
General and administrative, net	**420,043**	228,909	**1,030,030**	734,169
Interest	**10**	-	**12,098**	-
Stock-based compensation (note 10)	**32,317**	32,130	**78,331**	85,903
Depletion, depreciation and accretion	**556,150**	582,572	**1,693,360**	1,747,205
	1,332,007	1,124,234	**3,734,118**	3,486,180
EARNINGS (LOSS) BEFORE TAXES	**(701,260)**	(599,881)	**(1,874,493)**	(1,106,059)
TAXES				
Current income taxes expense	**-**	-	**-**	-
Future income taxes expense (recovery)	**(155,222)**	(148,096)	**(449,652)**	(266,880)
	(155,222)	(148,096)	**(449,652)**	(266,880)
NET EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)	**(546,038)**	(451,785)	**(1,424,841)**	(839,179)
RETAINED EARNINGS (DEFICIT), BEGINNING OF PERIOD	**(2,477,042)**	(730,684)	**(1,598,239)**	(343,290)
RETAINED EARNINGS (DEFICIT), END OF PERIOD	**(3,023,080)**	(1,182,469)	**(3,023,080)**	(1,182,469)
Net earnings (loss) per common share				
basic	**(0.05)**	(0.06)	**(0.16)**	(0.11)
diluted	**(0.05)**	(0.06)	**(0.16)**	(0.11)
Weighted average common shares				
basic	**10,072,300**	8,176,826	**8,803,937**	7,874,877
diluted	**10,072,300**	8,176,826	**8,803,937**	7,874,877

See accompanying notes to the financial statements

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

	Three months ended March 31		Nine months ended March 31	
	2010	2009	**2010**	2009
OPERATING ACTIVITIES				
Net earnings (loss)	**(546,038)**	(451,785)	**(1,424,841)**	(839,179)
Adjustments for items not affecting cash:				
Depletion, depreciation and accretion expense	**556,150**	582,572	**1,693,360**	1,747,205
Stock-based compensation expense	**32,317**	32,130	**78,331**	85,903
Future income taxes expense (recovery)	**(155,222)**	(148,096)	**(449,652)**	(266,880)
	(112,793)	14,821	**(102,802)**	727,049
Change in non-cash working capital (note 12)	**(85,669)**	(216,236)	**62,458**	53,311
	(198,462)	(201,415)	**(40,344)**	780,360
FINANCING ACTIVITIES				
Proceeds from share issuances, net	**1,343,338**	-	**2,837,963**	6,020,170
Increase (decrease) in revolving credit facility	**338,261**	-	**(277,508)**	-
	1,681,599	-	**2,560,455**	6,020,170
INVESTING ACTIVITIES				
Expenditures on petroleum and natural gas assets	**(1,704,100)**	(825,484)	**(2,367,272)**	(5,554,156)
Property acquisitions and dispositions	**-**	-	**40,000**	-
Change in non-cash investing working capital (note 12)	**(3,283)**	(705,715)	**(192,938)**	(1,580,552)
	(1,707,383)	(1,531,199)	**(2,520,210)**	(7,134,708)
NET INCREASE (DECREASE) IN CASH	**(224,246)**	(1,732,614)	**(99)**	(334,178)
CASH, BEGINNING OF PERIOD	**294,912**	2,287,853	**70,765**	889,417
CASH, END OF PERIOD	**70,666**	555,239	**70,666**	555,239
Cash interest paid	**10**	-	**12,098**	-
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 western Canada. Manitok's financial year end is June 30.

2. BASIS OF PRESENTATION

The unaudited interim financial statements of Manitok have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles **("GAAP")**. 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 related notes for the year ended June 30, 2009.

All dollar amounts are presented in Canadian dollars unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES

On July 1, 2009, 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.
- 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 corporation is permitted to apply these amendments to interim financial statements relating to periods within the fiscal year of adoption if those interim financial statements are issued on or after August 20, 2009. 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 that International Financial Reporting Standards ("**IFRS**") will replace Canadian GAAP beginning January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Manitok for the fiscal year ended June 30, 2010, including the opening balance sheet as at January 1, 2010.

IFRS uses a conceptual framework similar to Canadian GAAP; however, there could be significant differences in recognition, measurement and disclosures that will need to be addressed. The impact of IFRS on the Corporation's financial statements is not reasonably determinable at this time; however Manitok expects to be fully 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. The 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 under 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

($)			March 31, 2010
	Cost	Accumulated Depletion and Depreciation	Net Book Value
Petroleum and natural gas assets	22,337,971	(6,185,595)	16,152,376
Office furniture and equipment	198,587	(56,055)	142,532
	22,536,558	**(6,241,650)**	**16,294,908**

($)			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 March 31, 2010, the cost of petroleum and natural gas properties includes $2,053,821 (June 30, 2009 – $997,804) relating to unproved properties which have been excluded from costs subject to

depletion and depreciation. Estimated future development costs of $2,385,000 (June 30, 2009 - $2,385,000) associated with the development of the corporation's proved reserves were added to the Corporation's net book value in the depletion and depreciation calculation.

The Corporation also performed an impairment test as at March 31, 2010, and was not required to take a ceiling test write-down.

5. REVOLVING CREDIT FACILITY

On February 22, 2010, the Corporation amended its agreement with a major Canadian lender which decreased its demand revolving operating loan facility from $3,100,000 to $2,500,000. The revolving credit facility allows for prime-based loans in Canadian dollars which bear interest at the prime lending rate plus 1.5%. The facility is subject to the lender's redetermination of the borrowing base upon receipt of the Corporation's reserve report and any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall must be eliminated by the Corporation. The revolving credit facility is secured by a general security agreement encompassing all of the Corporation's assets.

As March 31, 2010, the Corporation had drawn $338,261 (June 30, 2009 – $615,769) on the credit facility.

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; to maintain a capital structure that allows Manitok the ability to finance its growth strategy using internally-generated cash flow and its available debt capacity; 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. However, the Corporation manages its capital structure and makes adjustments considering changes in economic conditions and the risk characteristics of the assets.

In order to maintain or adjust the capital structure, Manitok may issue new shares or debt, increase the credit facility limits, or adjust its capital spending to manage current and projected debt levels.

Management expects to be able to continue to raise equity and obtain debt financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

The capital structure of the Corporation is as follows:

($)	**March 31, 2010**	June 30, 2009	Change %
Total shareholders' equity[1]	**14,469,651**	13,297,172	9%
Total shareholders' equity as a % of total capital	**100%**	97%	
Working capital deficiency (surplus)[2]	**(301,237)**	(170,856)	
Revolving credit facility	**338,261**	615,769	
Total net debt	**37,024**	444,913	(92%)
Total net debt as a % of total capital	**0%**	3%	
Total Capital	**14,506,675**	13,742,085	**6%**

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

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

During the nine month period ended March 31, 2010, total shareholders' equity increased mainly due to the issuance of common shares (note 9k, note 9l, and note 9n); recording of stock-based compensation expense (note 10); and offset by the net loss reported in the period.

Total debt decreased during the nine month period ended March 31, 2010 largely due to the net equity proceeds of $2,837,963 (note 9k, note 9l and note 9n) which were used to repay the outstanding amount on the Corporation's revolving credit facility.

The Corporation's lender requires quarterly compliance that the "working capital ratio" (as defined by the lender) is not less than the required ratio of 1:1. Manitok was in compliance with the financial covenant as at March 31, 2010 and June 30, 2009.

7. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Manitok is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. 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, monitors risks and adherence to market conditions and the Corporation's activities.

Credit Risk

Cash consists of bank balances, but may also include short term investments. Counter-parties 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 Corporation's exposure to cash credit risk at the balance sheet date is very low.

Credit risk is the risk of financial loss to the Corporation if a customer fails to meet its contractual obligations. 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 maximum credit risk associated with these customers. Of the Corporation's significant individual accounts receivable at March 31, 2010, about 70% were due from two marketers (June 30, 2009 - 69%, two marketers). Of the Corporation's revenues during the three and nine months ended March 31, 2010, approximately 97% was received from two marketers as compared to 95% for the Comparable Prior Period.

The following table illustrates the Corporation's maximum exposure for receivables:

($)	March 31, 2010	June 30, 2009
Marketers	310,112	206,899
Joint venture partners	116,160	55,274
Other	8,554	25,422
Total Receivables	**434,826**	**287,595**

Receivables from marketers are normally collected on the 25th day of the month following production. Manitok mitigates the credit risk associated with these balances by establishing marketing relationships with credit worthy purchasers. The Corporation historically has not experienced any material collection issues with its marketers. Manitok attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the commencement of the joint venture project. However, joint venture receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as, commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exists with joint venture partners as disagreements

arise that increase the potential for non-collection. The Corporation's accounts receivables are aged as follows:

($)	March 31, 2010	June 30, 2009
Current (less than 30 days)	310,110	217,260
30 to 60 days	-	540
61 to 90 days	-	5,665
Over 90 days	124,716	64,130
Total Receivables	**434,826**	**287,595**

At March 31, 2010, approximately 29% of Manitok's total accounts receivable are aged over 90 days and considered past due. The majority of this amount is due from a joint venture partner and the Corporation is currently in the process of investigating the outstanding balance.

Should Manitok determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to earnings. If the Corporation subsequently determines an account is uncollectible, the account is written off with a corresponding charge to allowance for doubtful accounts. Manitok did not have an allowance for doubtful accounts balance at March 31, 2010 and June 30, 2009.

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 obligations when due, under both normal and unusual conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

All of the Corporation's contractual financial liabilities are to be settled in cash. Manitok utilizes prudent cash and debt management to mitigate the likelihood of encountering difficulties in meeting its financial obligations. The Corporation also attempts to match its payment cycle with the collection of oil and natural gas revenue on the 25th day of each month.

The Corporation prepares capital expenditure budgets, which are regularly monitored and updated as considered necessary. Also, Manitok utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the capital expenditure program, the Corporation has a reserve-based revolving credit facility, as disclosed in note 5 that is reviewed at least annually by the lender. As March 31, 2010, $2,161,739 (June 30, 2009 - $2,484,231) in used credit was available to fund future obligations.

The following table lists the contractual obligations of the Corporation's financial liabilities as at March 31, 2010:

($)	< 1 Year	1 – 2 Years	2 – 5 Years	Thereafter
Accounts payable and accrued liabilities	503,870	-	-	-
Revolving credit facility (1)	338,261	-	-	-
Total Financial Liabilities	**842,131**	**-**	**-**	**-**

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

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, exchange rates and interest rates, will affect the debt level of the Corporation, as well as its net earnings and cash flow from operations. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market commodity prices. A significant change in commodity prices can materially impact the Corporation's borrowing base under its revolving credit 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 periods ended March 31, 2010 and June 30, 2009.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of 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 period ended March 31, 2010 and June 30, 2009.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on its revolving credit facility which bears a floating rate of interest based on prime lending rates. 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 period ended March 31, 2010 and June 30, 2009.

Fair Value of Financial Instruments

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

The carrying value and fair value of these financial instruments at March 31, 2010 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	70,666	70,666	-	-
Loans and Receivables				
Accounts receivable	434,826	434,826	-	-
Other Liabilities				
Accounts payable and accrued liabilities	503,870	503,870	-	-
Revolving credit facility	338,261	338,261	-	12,098

(1) Due to the short term nature of accounts receivable, accounts payable and accrued liabilities, their carrying values approximate their fair values. The revolving credit 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 and equipment including well sites, gathering systems, processing facilities and pipelines. Manitok estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations as at March 31, 2010 to be approximately $1,458,500 (June 30, 2009 –

$1,862,820) which will be incurred at the end of the operating lives of the underlying petroleum and natural gas assets, estimated to be over the next 20 years, with the majority of costs estimated to be incurred between 2018 and 2030. 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 obligations.

A reconciliation of the asset retirement obligations is provided below:

($)	March 31, 2010	June 30, 2009
Opening Balance	**1,010,190**	889,890
Obligations incurred	**-**	47,070
Obligations acquired (disposed), net	**(32,490)**	-
Changes in estimates	**(275,870)**	-
Accretion expense	**60,200**	73,230
Ending Balance	**762,030**	**1,010,190**

9. SHARE CAPITAL

(a) Authorized:
Unlimited number of voting Class "A" common shares ("**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**
Issued, net of costs (note 9n)	1,237,000	1,343,338
Tax effect of share issue costs (note 9o)	-	20,849
Tax effect of flow through shares (Note (9l)	-	(362,273)
Balance, March 31, 2010	**10,649,567**	**16,955,539**

(c) On July 10, 2008, Manitok issued a private placement of 667,959 flow-through Common 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 Common 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 Common 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 Common 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 Common 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 $503,300 of qualified 100% deductible tax pools with respect to the flow-through Common 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 Common 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 Common Shares at a price of $1.30 per share for total net proceeds of $1,303,336. The Corporation has until December 31, 2010 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 Shares and 1,058,785 flow-through Common Shares on December 31, 2009.

(n) On February 12, 2010, Manitok issued a private placement of 1,237,000 Common Shares at a price of $1.15 per share for total net proceeds of $1,343,338.

(o) Manitok recognized a future income tax benefit of $20,849 in respect of share issue costs of $79,212 incurred with respect to the issuance of 1,237,000 Common Shares on February 12, 2010.

10. STOCK-BASED COMPENSATION

Stock Options

The Corporation has established an incentive stock option plan whereby officers, employees, directors and key consultants may be granted options 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.

A summary of the Corporation's outstanding stock options as at March 31, 2010 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, June 30, 2008	**664,500**	**1.88**
Granted	185,500	2.45
Outstanding, March 31, 2009	**850,000**	**2.01**
Forfeited	(147,500)	(1.63)
Outstanding, March 31, 2010	**702,500**	**2.09**

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2010 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	0.4	$1.45	207,500	0.4	$1.45
$2.00	$2.45	495,000	3.0	$2.35	303,167	2.7	$2.29
		702,500	**2.2**	**$2.09**	**510,667**	**1.8**	**$1.95**

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 Corporation to become a public entity.

At March 31, 2010 there were 267,500 performance warrants outstanding (June 30, 2009 – 300,000).

Stock-Based Compensation Expense

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.

For the three and nine months ended March 31, 2010, the Corporation recorded $32,317 and $78,331 (three and nine months ended March 31, 2009 - $32,130 and $85,903) of non-cash stock-based compensation expense and a corresponding increase to contributed surplus.

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 March 31,		Nine months ended March 31,	
	2010	**2009**	**2010**	**2009**
Weighted average fair value of options granted	-	-	-	$0.74
Risk-free interest rate	-	-	-	1.69%
Expected life (years)	-	-	-	3.0
Expected volatility	-	-	-	42%

Contributed Surplus Continuity

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

($)	March 31, 2010	June 30, 2009
Opening Balance	**458,861**	340,471
Stock-based compensation expense	**78,331**	118,390
Ending Balance	**537,192**	**458,861**

11. COMMITMENTS AND CONTINGENT LIABILITIES

The Corporation is committed to incur exploration expenditures of $1,376,421 related to the flow-through Common 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 March 31, 2010, the costs incurred were nil.

On February 17, 2010, Manitok committed to an operating lease relating to its office premises beginning May 1, 2010 which expires on June 30, 2015. Under this commitment the Corporation will pay a monthly rate of approximately $25,220, excluding occupancy costs, until the lease expires. The Corporation is committed to the following aggregate minimum lease payments:

Year	$
2010	176,540
2011	302,640
2012	302,640
2013	302,640
2014	302,640
Thereafter	126,100

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 March 31,		Nine months ended March 31,
($)	2010	2009	2010	2009
Provided by (used in)				
Accounts receivable	(42,494)	402,752	(147,231)	686,931
Prepaid and other	(11,244)	(779)	(8,053)	(24,397)
Accounts payable and accrued liabilities	(35,214)	(1,323,924)	24,804	(2,189,775)
	(88,952)	**(921,951)**	**(130,480)**	**(1,527,241)**
Provided by (used in)				
Operating	(85,669)	(216,236)	62,458	53,311
Investing	(3,283)	(705,715)	(192,938)	(1,580,552)
	(88,952)	**(921,951)**	**(130,480)**	**(1,527,241)**

13. SUBSEQUENT EVENTS

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. A joint management information circular dated May 28, 2010 for use at the annual and special meeting of Manitok shareholders to be held on June 25, 2010 has been distributed to shareholders.

Equity Financing

Manitok has entered into a letter agreement with Desjardins Securities Inc. ("**Desjardins**"), as lead agent and a syndicate of agents (collectively with Desjardins, the "**Agents**") in connection with a "best efforts" private placement offering up to a maximum of $25.0 million Common Shares in the capital of Manitok and up to a maximum of $5.0 million Common Shares to be issued on a "flow-through" basis under the Income Tax Act (Canada). The price of the Common Shares and the flow-through Common Shares to be issued pursuant to the private placement will be determined at a later date in context of current market conditions. The Agents were granted an over-allotment option to sell up to an additional $5.0 million of Common Shares, which shall be exercisable up to the day prior to the closing of the private placement. The closing of the private placement is not a condition to the completion of the amalgamation with Desco. The private placement is expected to close immediately prior to the completion of the amalgamation with Desco, on or about June 25, 2010.

14. RECLASSIFICATION

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

OFFICERS

Massimo M. Geremia
President and Chief Executive Officer

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

Gregory E. Peterson
Corporate Secretary

DIRECTORS

Bruno P. Geremia, C.A. (1) (2) (3)
Chairman of the Board
Calgary, Alberta

Massimo M. Geremia (1) (2)
Calgary, Alberta

Wilfred A. Gobert (2) (3)
Calgary, Alberta

Gregory E. Peterson (3)
Calgary, Alberta

Tom Spoletini (2) (3)
Calgary, Alberta

Cameron G. Vouri, P.Eng. (1)
Calgary, Alberta

SOLICITORS:
Gowling Lafleur Henderson LLP
Calgary, Alberta

AUDITORS:
Kenway Mack Slusarchuk Stewart LLP
Chartered Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS:
Sproule Associates Limited
Petroleum Consultants
Calgary, Alberta

BANKERS:
Alberta Treasury Branch
Calgary, Alberta

HEAD OFFICE:
2500, 639 – 5th Avenue S.W.
Calgary, Alberta T2P 0M9
Phone: 403-984-1750
Fax: 403-984-1749

(1) Reserve Committee Member
(2) Audit Committee Member
(3) Compensation Committee Member