

## OPERATIONAL AND FINANCIAL SUMMARY

Three months ended March 31,	2016	2015
<b>OPERATING</b>		
Average daily production		
Light oil (bbls/d)	1,812	2,269
Natural gas (mcf/d)	14,305	13,049
NGLs (bbls/d)	211	61
Total (boe/d)	4,407	4,504
Average realized sales price		
Light oil (\$/bbl)	36.48	48.77
Natural gas (\$/mcf)	2.03	2.89
NGLs (\$/bbl)	21.58	52.85
Total (\$/boe)	22.63	33.66
Undeveloped land (end of period)		
Gross (acres)	470,805	294,295
Net (acres)	434,121	272,729
<b>NETBACK AND COST (\$ per boe)</b>		
Petroleum and natural gas sales	22.63	33.66
Realized gain (loss) on financial instruments	39.72	13.54
Royalty income	-	-
Royalty expenses	(6.24)	(8.47)
Operating expenses, net of recoveries	(14.12)	(10.38)
Transportation and marketing expenses	(1.53)	(2.87)
Operating netback <sup>(1)</sup>	40.46	25.48
General and administrative expenses, net of recoveries	(3.85)	(4.34)
Interest and financing expenses	(4.14)	(1.62)
Interest and other income	0.02	0.02
Funds from operations netback <sup>(1)</sup>	32.49	19.54
<b>FINANCIAL</b>		
Petroleum and natural gas revenue (\$000)	9,074	13,645
Funds from operations (\$000) <sup>(1)</sup>	13,035	7,918
Per share – basic and diluted (\$) <sup>(1)</sup>	0.08	0.12
Net income (loss) (\$000)	3,602	(3,401)
Per share – basic and diluted (\$) <sup>(2)</sup>	0.02	(0.05)
Common shares outstanding		
End of period – basic	161,079,746	65,279,607
End of period – diluted	177,452,639	71,719,880
Weighted average for the period – basic	156,066,181	65,279,607
Weighted average for the period – diluted	156,339,714	65,279,607
Capital expenditures (\$000)	6,166	4,901
Adjusted working capital deficit (surplus) (\$000) <sup>(1)</sup>	141	(2,313)
Drawn on credit facilities (\$000)	44,529	75,379
Net bank debt <sup>(1)</sup> (\$000)	44,670	73,066
Long-term financial obligations (\$000)	14,925	2,494
Net debt <sup>(1)</sup> (\$000)	59,595	75,560

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, adjusted working capital deficit (surplus), net bank debt and net debt do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Measures paragraph in the Advisories section of this MD&A.

(2) The basic and diluted weighted average shares outstanding are the same for periods in which the Corporation records a net loss.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Manitok Energy Inc. ("**Manitok**" or the "**Corporation**") is a junior oil and gas exploration, development and production company based in Calgary, Alberta. The Corporation conducts its operations in the Western Canadian Sedimentary Basin and currently all of its activities are in Alberta. Additional information relating to the Corporation, including its Annual Information Form dated April 29, 2016, is available electronically under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.manitokenergy.com](http://www.manitokenergy.com). Manitok's common shares ("**Manitok Shares**") are listed for trading on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**".

The following Management's Discussion and Analysis ("**MD&A**") for Manitok is dated May 30, 2016. This MD&A and the unaudited condensed interim financial statements in respect of the three months ended March 31, 2016 (the "**Reporting Period**") as compared to the three months ended March 31, 2015 (the "**Comparable Prior Period**") has 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 condensed interim financial statements and related notes for the Reporting Period as well as the audited financial statements of the Corporation and related notes and MD&A for the year ended December 31, 2015. All financial information is expressed in Canadian dollars, unless otherwise stated.

### ADVISORIES

#### Unaudited Numbers

*All financial amounts referred to in this MD&A and the Corporation's first quarter report for the Reporting Period and the Comparable Prior Period ("**Q1 Report**") are management's best estimates and are unaudited.*

#### Non-GAAP Measures

*This MD&A and the Q1 Report contains references to measures used in the oil and natural gas industry such as "funds from operations", "funds from operations netback", "funds from operations per share", "operating netback", "adjusted working capital deficit (surplus)" "net bank debt" and "net debt". These measures do not have standardized meanings prescribed by International Financial Reporting Standards ("**IFRS**") and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader. These measures have been described and presented in the MD&A and Q1 Report in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.*

*Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income (loss) as determined in accordance with IFRS, as an indicator of Manitok's performance or liquidity. Funds from operations is used by Manitok to evaluate operating results and Manitok's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds from operations denotes cash flow from operating activities as it appears on the Corporation's Statement of Cash Flows before decommissioning expenditures, acquisition-related expenses and changes in non-cash operating working capital. Funds from operations is also derived from net income (loss) plus acquisition-related expenses and non-cash items including deferred income tax expense (recovery), depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Adjusted working capital deficit (surplus) includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and the deferred premium on financial instruments. Manitok uses net bank debt and net debt as a measure to assess its financial position. Net bank debt includes outstanding bank indebtedness plus adjusted working capital deficit (surplus) and net debt includes net bank debt plus the long-term financial obligations.*

## **Barrels of Oil Equivalent**

*The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.*

## **Forward-Looking Information**

*This MD&A and the Q1 Report contain forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to reserves is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities estimated and that it will be commercially viable to produce the reserves in the future. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words that convey certain events or conditions "may" or "will" occur are intended to identify forward-looking information. In particular, this MD&A and the Q1 Report contains forward-looking information relating to the Corporation's planned strategy in terms planned capital spending and sources of funding; and the intention to drill and complete future wells. Such statements reflect the Corporation's forecasts, estimates and expectations, as they relate to the Corporation's current views based on its experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.*

*While the Corporation anticipates remaining disciplined with its 2016 capital program, readers are cautioned that the Corporation may make adjustments depending on business conditions and commodity prices throughout the fiscal year. Actual spending may vary due to a variety of factors, including changes to certain key expectations and assumptions set out below.*

*By their nature, forward-looking information involves a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to the following: future commodity prices; currency exchange rates; inflation rates; well production rates; well drainage areas; success rates for future drilling; availability of labour and services; interest rates; and future availability of debt and equity financing being at levels and costs that allow the Corporation to manage, operate and finance its business, develop its properties and meet its future obligations. With respect to estimates of reserve volumes, a key assumption is the validity of the data used by Sproule Associates Limited in its independent reserves evaluation. With respect to future wells to be drilled, a key assumption is that geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic reserves can be recovered from the Corporation's land as a result of drilling such future wells, are valid. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.*

*Forward-looking information necessarily involves both known and unknown risks associated with oil and natural gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves estimates, operational risks, uncertainty in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production, costs and expenses, health, safety and environmental risks, uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, loss of market demand, general economic conditions affecting the ability to access*

sufficient capital, changes in law and government regulation of the oil and gas industry and competition from others for scarce resources.

The foregoing list of risk factors is not exhaustive. Additional information on these other risk factors that could affect operations or financial results are included in the Corporation's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update and does not intend or assume any obligation to update the forward-looking information after the date of this MD&A and Q1 Report to conform such information to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on the Corporation's behalf, are expressly qualified in their entirety by these cautionary statements.

## ABBREVIATIONS

### Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
bbls/d	barrels per day
Mbbls	thousand barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousand barrels of oil equivalent
NGLs	natural gas liquids

### Natural Gas

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
mmbtu	million British thermal units
GJ	Gigajoule
GJ/d	Gigajoules per day

### Other

AECO	benchmark natural gas price determined at the AECO "C" hub in southeast Alberta
WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma
°API	the measure of the density or gravity of liquid petroleum products

## GUIDANCE

The Corporation anticipates it will begin its 2016 drilling program in the second half of the year, with a minimum of approximately \$11.0 million of drilling and completion spending funded by its funds from operations, credit facility and proceeds from the recently announced equity financing, which, along with the drilling activity pursuant to a farm-out agreement, is anticipated to satisfy its drilling commitments for 2016.

## MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

- In January 2016, the \$45.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") was reduced to \$30.0 million and a fully drawn \$30.0 million non-revolving reducing demand loan facility ("**Non-Conforming Credit Facility**" and together with the Conforming Credit Facility, the "**Credit Facilities**") was maintained. In conjunction with an equity financing in December 2015 the following previously disclosed repayments are no longer required:
  - \$10.0 million on or before March 31, 2016; and
  - \$20.0 million on or before May 31, 2016.The Corporation is required to repay \$0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid.
- In January 2016 and February 2016, Manitok monetized crude oil derivative financial instruments with its counter-party for a cash receipt of \$12.3 million and the funds were used to reduce the Non-Conforming Credit Facility from \$30.0 million to \$20.0 million and as such, reduce the Credit Facilities from \$60.0 million to \$50.0 million. The Credit Facilities will be up for a customary review in June 2016.
- In the first quarter of 2016, Manitok closed the final two tranches of an equity financing for the issuance of 15,973,631 Manitok Shares at a price of \$0.13 per Manitok Share and 1,170,000 Manitok Shares on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian exploration expense ("**Manitok CEE Flow-through Shares**") at a price of \$0.15 per Manitok CEE Flow-through Share for net proceeds of \$2.0 million. The net cash proceeds from the final two tranches of the equity financing of the Manitok Shares were used to reduce the Corporation's bank indebtedness and the net cash proceeds from the final tranche of the equity financing of the Manitok CEE Flow-through Shares will be used to incur eligible Canadian exploration expenses.
- In February 2016, Manitok closed a non-cash asset exchange agreement, in which Manitok divested of a 19.9% non-operated working interest in a gas plant in a non-core area, where it had no current throughput volumes or value in its reserve report, in exchange for a 17.5% average working interest in petroleum and natural gas assets, along with an average 45% working interest in associated undeveloped land in the Stolberg area of Alberta ("**Stolberg Asset Exchange**"). The estimated fair value was determined to be \$7.0 million and was based on the fair value of the acquired assets. The net book value of the divested non-core asset was \$0.1 million and as a result Manitok recorded a gain of \$6.9 million for the three months ended March 31, 2016.
- In March 2016, Manitok closed an asset acquisition of a 14 Mmcf/d natural gas processing plant in the Carseland area of Alberta along with approximately 450 mcf/d (75 boe/d) of natural gas production, the related gathering systems, undeveloped land and an 11 kilometre sales gas line tied into the ATCO south sales system ("**Carseland Acquisition**"), with an effective date of January 1, 2016. Total cash consideration for the Carseland Acquisition was \$4.5 million after estimated post-closing adjustments and was financed using the Conforming Credit Facility.

## MAJOR TRANSACTIONS SUBSEQUENT TO THE REPORTING PERIOD

- In May 2016, Manitok closed the first tranche of a private placement equity financing for the issuance of 8,435,945 Manitok Shares at a price of \$0.18 per Manitok Share and 7,994,980 Manitok CEE Flow-through Shares at a price of \$0.21 per Manitok CEE Flow-through Share for gross proceeds of \$3.2 million. The net cash proceeds from the Manitok Shares were used to reduce the Corporation's bank indebtedness and the net cash proceeds from the Manitok CEE Flow-through Shares will be used to incur eligible Canadian exploration expenses.

## FUNDS FROM OPERATIONS AND NET INCOME (LOSS)

### Funds from Operations

Management uses funds from operations to analyze operating performance. Funds from operations and funds from operations per share are non-GAAP measures defined as cash flow from operating activities from the Statements of Cash Flows before decommissioning expenditures, acquisition-related expenses and changes in non-cash operating working capital. Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income (loss) as determined in accordance with GAAP, as an indicator of Manitok's performance or liquidity. Funds from operations per share is calculated based on the weighted average number of basic and diluted common shares outstanding. Manitok's calculation of funds from operations is considered to be a key measure of the ability to generate the cash necessary to fund capital expenditures and repay indebtedness.

The following schedule sets out the reconciliation of cash flow from operating activities, as determined in accordance with IFRS to funds from operations for the Reporting Period and the Comparable Prior Period:

<i>(\$000, except per share information)</i>	Three months ended	
	2016	March 31 2015
<b>Cash flow from operating activities</b>	<b>15,991</b>	7,628
Adjustments:		
Decommissioning expenditures	<b>42</b>	24
Changes in non-cash operating working capital	<b>(2,998)</b>	266
<b>Funds from operations</b>	<b>13,035</b>	7,918
<b>per share – basic and diluted</b>	<b>0.08</b>	0.12

Funds from operations increased by 65% to \$13.0 million (\$0.08 per diluted share) for the first quarter of 2016 as compared to \$7.9 million (\$0.12 per diluted share) in the Comparable Prior Period. The increase is due primarily to the monetization of crude oil derivative financial instruments for \$12.3 million and an aggregate decrease to royalty expenses partially offset by a decrease in petroleum and natural gas revenue from the sharp decline in commodity prices and increases in operating and interest expenses.

## Net Income (Loss)

The following table details Manitoak's net income (loss) for the Reporting Period and the Comparable Prior Period:

<i>(\$000, except per share information)</i>	Three months ended March 31	
	2016	2015
<b>Net income (loss)</b>	<b>3,602</b>	(3,401)
<b>per share – basic and diluted</b>	<b>0.02</b>	(0.05)

The net income increased to \$3.6 million (\$0.02 per diluted share) for the first quarter of 2015 as compared to a net loss of \$0.3 million (\$0.05 per diluted share) in the Comparable Prior Period. The increase in the net income and net income per share were due primarily to the realized gain on financial instruments, a gain on asset divestitures and decreased depletion and depreciation, partially offset by an increase in the unrealized loss on financial instruments and deferred income tax expense.

## RESULTS OF OPERATIONS

### Petroleum and Natural Gas Revenue

The following table details Manitoak's petroleum and natural gas ("P&NG") revenue, production and average realized sales prices by product for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2016				Three months ended March 31, 2015			
	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)
Light oil (bbls)	6,015	1,812	41	36.48	9,958	2,269	50	48.77
Natural gas (mcf)	2,645	14,305	54	2.03	3,397	13,049	48	2.89
NGLs (bbls)	414	211	5	21.58	290	61	2	52.85
<b>Total P&amp;NG revenue (boe)</b>	<b>9,074</b>	<b>4,407</b>	<b>100</b>	<b>22.63</b>	<b>13,645</b>	<b>4,504</b>	<b>100</b>	<b>33.66</b>

Total P&NG revenue for the first quarter of 2016 decreased 33% to \$9.1 million compared to \$13.6 million in the Comparable Prior Period. The decrease of \$4.6 million consists of \$4.2 million due to lower realized prices and \$0.4 million attributed to lower volumes of light oil, partially offset by higher natural gas and NGL volumes.

### Production

Production averaged 4,407 boe/d in the first quarter of 2016, as compared to 4,504 boe/d in the Comparable Prior Period. Although the Corporation has not drilled wells in 2015 and the first quarter of 2016 and had curtailed production due to TransCanada Pipeline restrictions in the foothills and third party gas plant restrictions in the Carseland area, it has maintained production primarily through the assets acquired in the Wayne area of southeast Alberta in June 2015 ("**Wayne Acquisition**") that contributed approximately 1,414 boe/d in the Reporting Period.

Light oil production has decreased to 1,812 bbls/d in the Reporting Period, as compared to 2,269 bbls/d in the Comparable Prior Period and natural gas production has increased to 14.3 Mmcf/d in the Reporting Period, as compared to 13.0 Mmcf/d in the Comparable Prior Period. The decrease in oil production is attributed to natural declines in the Stolberg area as no wells have been drilled since 2014 offset by the Wayne Acquisition, while the increase in gas production is attributed to the Wayne Acquisition and higher gas-oil ratios in the Stolberg area.

## Commodity Prices

Manitok sells all of its crude oil on a spot basis and its natural gas production for prices based on the AECO daily spot price and may enter into physical sales contracts. The following table details the average reference price for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2016	2015	Variance
<b>Benchmark prices</b>			
Light oil – WTI (\$US/bbl) <sup>(1)</sup>	33.45	48.63	(31%)
Light oil – WTI (\$CAD/bbl)	45.93	60.36	(24%)
Light oil – Canadian light sweet (\$/bbl) <sup>(1)</sup>	41.22	53.28	(23%)
Natural gas – AECO daily spot (\$/mmbtu) <sup>(2)</sup>	1.83	2.75	(33%)
Exchange rate – (\$CAD/\$US)	1.3732	1.2412	11%
<b>Average realized prices</b>			
Light oil (\$/bbl)	36.48	48.77	(25%)
Natural gas (\$/mcf)	2.03	2.89	(30%)
NGLs (\$/bbl)	21.58	52.85	(59%)
Average realized price (\$/boe)	22.63	33.66	(33%)
<b>Price differentials</b>			
Canadian light sweet/WTI CAD (\$/bbl)	(4.71)	(7.08)	(33%)
Realized light oil/Canadian light sweet (\$/bbl)	(4.74)	(4.51)	5%
Realized natural gas/AECO daily spot (\$/mcf)	0.20	0.14	43%

(1) Information obtained from the Sproule Associates Limited website at [www.sproule.com](http://www.sproule.com).

(2) \$1.00/mmbtu = \$1.00/mcf based on a standard heat value mcf.

The price the Corporation receives for its P&NG production depends on a number of factors, including the average benchmark prices for crude oil and natural gas, the Canadian/US dollar exchange rate and transportation and product quality differentials.

Manitok's average realized commodity price decreased 33% to \$22.63/boe from \$33.66/boe in the Comparable Prior Period, due to decreased benchmark prices for crude oil, natural gas and NGLs. In addition, the realized prices for NGLs were reduced due to a different NGL product mix as compared to the Comparable Prior Period as a result of the assets included in the Wayne Acquisition, which include a higher proportion of propane and butane volumes. Manitok's petroleum and natural gas sales are impacted by world events that dictate the level of supply and demand for petroleum and natural gas. The Corporation is subject to fluctuations in commodity prices, which is partially mitigated with the use of derivative risk management contracts.



## Financial Instruments

The Corporation has entered into certain commodity price risk management contracts in order to reduce volatility in its financial results and to protect its funds from operations and anticipated capital expenditure program. The Corporation's current strategy is to hedge a portion of its oil and natural gas production, using a combination of financial derivatives and/or physical delivery sales contracts to manage commodity risk.

### Financial Derivatives

As at March 31, 2016, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value (\$000)
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$80.15	Swap <sup>(1)</sup>	3,565
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$80.15	Option <sup>(1)</sup>	(43)
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$75.00-\$90.00	Collar <sup>(2)</sup>	2,903
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$70.00-\$90.00	Collar <sup>(3)</sup>	2,264
<b>Total</b>						<b>8,689</b>
<b>Current assets</b>						<b>8,689</b>

(1) The counter-party to this contract holds a one-time option no later than December 30, 2016 to extend a swap on 500 bbls/d of oil at CAD\$80.15 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(2) Manitoq recorded \$0.6 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of \$4.50/bbl.

(3) Manitoq recorded \$0.4 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of \$3.15/bbl.

In the first quarter of 2016, the Corporation monetized the following derivative financial instruments for a cash receipt of \$12.3 million or \$30.67/boe to reduce bank indebtedness, which was recorded in realized gain on financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$79.75	Swap
Oil	500 bbls/d	January 1, 2018 to December 31, 2018	CAD\$ WTI	\$79.75	Option
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$75.00-\$90.00	Collar
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$70.00-\$90.00	Collar

The following table provides a summary of the realized and unrealized gain (loss) on financial instruments:

	Three months ended March 31			
	2016		2015	
	\$000	\$/boe	\$000	\$/boe
Realized gain on financial instruments	15,929	39.72	5,488	13.54
Unrealized loss on financial instruments	(10,218)	(25.48)	(4,114)	(10.15)

## Royalty Expenses

Royalties are paid to the Government of Alberta and other land and mineral rights owners. The following table illustrates the Corporation's royalty expenses by product for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	(\$000)	Effective Royalty Rate <sup>(1)</sup>	Average (\$/unit)	(\$000)	Effective Royalty Rate <sup>(1)</sup>	Average (\$/unit)
Light oil and NGLs (bbls)	2,186	34.0%	11.88	3,017	29.4%	14.39
Natural Gas (mcf) <sup>(2)</sup>	315	11.9%	0.24	416	12.2%	0.35
<b>Total Royalties (boe)</b>	<b>2,501</b>	<b>27.6%</b>	<b>6.24</b>	<b>3,433</b>	<b>25.2%</b>	<b>8.47</b>

(1) The effective royalty rate is calculated by dividing the royalties into the applicable P&NG sales category and into total sales for the period.

(2) Includes natural gas cost allowance credits received from the government of Alberta.

Royalties in the Reporting Period decreased 27% to \$2.5 million, as compared to \$3.4 million for the Comparable Prior Period. The decrease is due to the lower Crown royalties associated with the decrease in commodity prices, partially offset by a gross overriding royalty and a production volume royalty utilized to partially finance the Wayne Acquisition in June 2015.

The Government of Alberta introduced the new Modernized Royalty Framework ("**MRF**") on January 29, 2016 and on April 21, 2016 it announced additional royalty details and technical formulas for the MRF. These details provide the necessary information to understand the economics for oil and gas producers and other stakeholders to continue to invest in Alberta. Production from wells drilled prior to January 1, 2017 will continue under the previous Alberta Royalty Framework ("**ARF**") for 10 years before transitioning to the MRF. Based on the details provided thus far, we believe that the MRF is generally consistent with the initial goal of incentivising the use of technology to improve productivity and rewards producers deploying the most competitive operating practices. As additional information continues to be provided, the Company will continue to monitor the overall impact on the Company starting in 2017.

## Operating Expenses

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

	Three months ended March 31, 2016		Three months ended March 31, 2015		Variance	
	\$000	\$/boe	\$000	\$/boe	\$	\$/boe
Field operating expenses	5,866	14.63	4,614	11.38	27%	29%
Recoveries	(321)	(0.80)	(407)	(1.00)	(21%)	(20%)
Field operating expenses, net	5,545	13.83	4,207	10.38	32%	33%
Expensed workovers and other	118	0.29	-	-	-	-
<b>Total operating expenses</b>	<b>5,663</b>	<b>14.12</b>	<b>4,207</b>	<b>10.38</b>	<b>35%</b>	<b>36%</b>

Operating expenses for the Reporting Period were \$5.7 million as compared to \$4.2 million for the Comparable Prior Period. Higher costs can be attributed primarily to the Wayne Acquisition, along with facility fees associated with an oil and gas infrastructure divestiture in June 2015 and workover costs incurred in southeast Alberta. On a per boe basis, operating expenses increased to \$14.12/boe as compared to \$10.38/boe in the Comparable Prior Period. The increases per unit are attributable to higher per unit costs in the Wayne area and higher per unit costs in the Stolberg area due to lower average daily production. The facility fees associated with the June 2015 facility divestiture represented \$0.70/boe in the Reporting Period as compared to \$NIL in the Comparable Prior Period. Manitok continually monitors its operations in an effort to lower service costs resulting from reduced industry activity, as well as implementing various cost reduction and infrastructure optimization initiatives to further lower costs.

## Transportation and Marketing Expenses

The following table illustrates the Corporation's transportation and marketing ("T&M") expenses for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2016	2015	Variance
Total T&M expenses (\$000)	612	1,163	(47%)
Total T&M expenses (\$/boe)	1.53	2.87	(47%)

Total T&M expenses for the Reporting Period were \$0.6 million as compared to \$1.2 million for the Comparable Prior Period and on a per boe basis, T&M expenses decreased to \$1.53/boe as compared to \$2.87/boe in the Comparable Prior Periods. The decreases are a result of reduced light oil production in the Stolberg area and increased crude oil production in the Wayne area, which is considered emulsion hauling included in operating expenses. Also there was a lower percentage of crude oil production relative to natural gas for the Reporting Period. Natural gas transportation costs are lower on a per boe basis than crude oil transportation costs, and natural gas volumes represented 54% in Reporting Period, as compared to 48% in the Comparable Prior Period.

## Operating Netback

The following table compares operating netbacks for the Reporting Period and the Comparable Prior Period:

(\$/boe)	Three months ended March 31		
	2016	2015	Variance
Realized P&NG sales price	22.63	33.66	(33%)
Royalty expenses	(6.24)	(8.47)	(26%)
Operating expenses, net of recoveries	(14.12)	(10.38)	36%
Transportation and marketing expenses	(1.53)	(2.87)	(47%)
Operating netback before realized gain on financial instruments	0.74	11.94	(94%)
Realized gain on financial instruments	39.72	13.54	193%
Operating netback	40.46	25.48	59%

Manitok's operating netback was \$40.46/boe in the first quarter of 2016, which is 59% higher than \$25.48/boe in the Comparable Prior Period. The increase was due primarily to the monetization of crude oil derivative financial instruments for a cash receipt of \$12.3 million or \$30.67/boe, which was recorded in realized gain on financial instruments, partially offset by lower realized P&NG prices and higher operating expenses.

## Administrative Expenses

The components of administrative expenses for the Reporting Period and the Comparable Prior Period are as follows:

	Three months ended March 31, 2016		Three months ended March 31, 2015		Variance
	\$000	%	\$000	%	\$
<i>Cash:</i>					
Salaries and benefits <sup>(1)</sup>	1,181	52	1,601	61	(26%)
Other <sup>(2)</sup>	1,074	48	1,029	39	4%
	2,255	100	2,630	100	(14%)
Operating overhead recoveries	(62)	(3)	(106)	(4)	(42%)
Capitalized overhead recoveries <sup>(3)</sup>	(651)	(29)	(763)	(29)	(15%)
General and administrative expenses, net	1,542	68	1,761	67	(12%)
General and administrative expenses, net per boe	3.85		4.34		(11%)
<i>Non-cash:</i>					
Stock-based compensation	231	100	416	100	(44%)
Capitalized stock-based compensation <sup>(3)</sup>	(112)	(48)	(197)	(47)	(43%)
Stock-based compensation, net	119	52	219	53	(46%)
Stock-based compensation, net per boe	0.30		0.54		(44%)
<b>Total administrative expenses, net</b>	<b>1,661</b>	<b>67</b>	<b>1,980</b>	<b>65</b>	<b>(16%)</b>
<b>Total administrative expenses, net per boe</b>	<b>4.15</b>		<b>4.88</b>		<b>(15%)</b>

(1) Includes salaries and benefits paid to all Officers, Directors, employees and consultants of the Corporation.

(2) Includes costs such as rent, professional fees, insurance, computer software licenses and other business expenses incurred by the Corporation.

(3) Represents a portion of salaries, benefits, software and stock-based compensation that are directly attributable to the exploration and development activities of the Corporation.

### General and administrative (cash)

Net General and Administrative ("G&A") expenses decreased 12% to \$1.5 million in the Reporting Period as compared to \$1.8 million in the Comparable Prior Period. The decrease is due mainly to initiatives implemented by the Corporation to reduce G&A in 2016.

### Stock-based compensation (non-cash)

Net stock-based compensation expense decreased in the first quarter of 2016 to \$0.1 million as compared to \$0.2 million in the Comparable Prior Period.

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

	Number	Weighted Average Exercise Price (\$)
<b>Outstanding, December 31, 2014</b>	<b>5,308,606</b>	<b>1.98</b>
Granted	1,302,500	0.77
Expired	(667,340)	(1.10)
Forfeited	(716,333)	(1.89)
<b>Outstanding, December 31, 2015</b>	<b>5,227,433</b>	<b>1.79</b>
Granted	10,421,000	0.16
Expired	(487,500)	(1.23)
Forfeited	(29,167)	(1.60)
<b>Outstanding, March 31, 2016</b>	<b>15,131,766</b>	<b>0.69</b>

In connection with equity issuance in December 2015 and January 2016, Manitok issued 1,241,127 Manitok Share purchase warrants ("Broker Warrants") with an exercise price of \$0.13 per Manitok Share for a period of 18 months after the date of issuance of such Broker Warrants.

Each stock option and Broker Warrant entitles the holder to purchase one Manitok Share upon payment of the exercise price.

## Finance Expenses

The components of the Corporation's finance expenses for the Reporting Period and Comparable Prior Period are as follows:

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	\$000	\$/boe	\$000	\$/boe
<i>Cash:</i>				
Interest and fees on credit facilities	1,659	4.14	658	1.62
<i>Non-cash:</i>				
Accretion on decommissioning obligations	149	0.37	46	0.11
<b>Total finance expenses</b>	<b>1,808</b>	<b>4.51</b>	704	1.73

The aggregate cash finance expenses in the Reporting Period included increased interest charges due to higher interest rates as compared to the Comparable Prior Period, a Credit Facilities commitment fee of \$0.4 million in the Reporting Period and interest on the increased long-term financial obligations.

The Corporation's average outstanding bank indebtedness was approximately \$48.1 million in the Reporting Period as compared to \$60.9 million in the Comparable Prior Period, calculated as the simple average of the daily amounts. The effective interest rate applicable to the credit facilities was 6.7% in the Reporting Period as compared to 4.2% in the Comparable Prior Period.

The aggregate accretion on decommissioning obligations in the first quarter of 2016 increased from the Comparable Prior Period due mainly to the Wayne Acquisition in the second quarter of 2015.

## Depletion and Depreciation Expense

The following table compares depletion and depreciation expenses ("D&D") for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2016	2015	Variance
Depletion and depreciation (\$000)	4,450	7,956	(44%)
Depletion and depreciation (\$/boe)	11.10	19.62	(43%)

D&D expense is a function of the estimated proved plus probable reserve additions, the finding and development costs attributable to those reserves, the associated future development capital required to recover those reserves and production in the period. The Corporation determines its D&D expenses on an area basis.

D&D expenses decreased in the first quarter of 2016 to \$4.5 million or \$11.10/boe as compared to \$8.0 million or \$19.62/boe for the Comparable Prior Period. The decrease is due mainly to a reduction in the net book value of the assets due to 2015 asset divestitures and impairment charges partially offset with the increase in proved plus probable reserves associated with the Wayne Acquisition.

## Asset Impairment Assessment

The Corporation reviews its petroleum and natural gas assets for impairment in accordance with International Accounting Standards ("IAS") 36 under International Financial Reporting Standards ("IFRS"). ManitoK's assets are grouped into cash generating units ("CGUs") for the purpose of determining impairment. A CGU represents the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. In determining the Corporation's CGUs, the Corporation took into consideration all available information, including, but not limited to, the geographical proximity, geological similarities (i.e. reservoir characteristic, production profiles), degree of shared infrastructure, independent versus interdependent cash flows, operating structure, regulatory environment, management decision-making and overall business strategy.

The Corporation's CGUs are reviewed at each reporting date for both internal and external indicators of potential impairment. Potential CGU impairment indicators include, but are not limited to: changes to ManitoK's business plan; deterioration in commodity prices; negative changes in technological, economic, legal, capital or operating environment; adverse changes to the physical condition of a CGU; current expectations that a material CGU (or a

significant component thereof) is more likely than not to be sold or otherwise disposed of before the end of its previously estimated useful life; non-compliance with the agreements governing the Corporation's bank credit facilities; deterioration in the financial and operational performance of a CGU; net assets exceeding market capitalization; and significant downward revisions of estimated recoverable proved plus probable reserves of a CGU. If impairment indicators exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount.

Manitok performed an impairment assessment of its exploration and evaluation and petroleum and natural gas properties and equipment on a CGU basis and determined there were no impairment indicators identified in the Reporting Period. As a result, an impairment test was not required as at March 31, 2016.

### Gain on Divestiture of Assets

In February 2016, the Corporation closed the non-cash Stolberg Asset Exchange, in which Manitok divested of a 19.9% non-operated working interest in a gas plant in a non-core area, where it had no current throughput volumes or value in its reserve report, in exchange for petroleum and natural gas assets and undeveloped land in the Stolberg area of Alberta. The estimated fair value was determined to be \$7.0 million and was based on the fair value of the acquired assets. The net book value of the divested non-core asset was \$0.1 million and as a result Manitok recorded a gain of \$6.9 million (\$5.0 million net of tax) in the first quarter of 2016.

### Income Taxes

The following table compares deferred income taxes for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2016	2015	Variance
Deferred income tax expense (recovery) (\$000)	1,390	(1,016)	237%
Deferred income tax expense (recovery) (\$/boe)	3.47	(2.51)	238%

The increase in the deferred income tax expense to \$1.4 million for the Reporting Period from a recovery of \$1.0 million in the Comparable Prior Period was due mainly to the increased net income before taxes in the Reporting Period.

## CAPITAL EXPENDITURES AND CAPITAL RESOURCES

### Capital Expenditures

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

(\$000)	Three months ended March 31	
	2016	2015
Land	55	328
Geologic and geophysical	86	143
Workovers and recompletions	227	74
Drilling and completions	116	1,354
Well equipment and facilities	508	2,081
Capitalized overhead <sup>(1)</sup>	651	763
<b>Total finding and development costs (F&amp;D)</b>	<b>1,643</b>	<b>4,743</b>
Acquisitions <sup>(2)</sup>	4,519	-
<b>Total finding, development and acquisition costs (FD&amp;A)</b>	<b>6,162</b>	<b>4,743</b>
Administrative and other assets	4	158
<b>Total capital expenditures<sup>(3)</sup></b>	<b>6,166</b>	<b>4,901</b>

(1) Represents a portion of salaries and benefits that are directly attributable to the exploration and development activities of the Corporation that have been capitalized.

(2) Includes the Carseland Acquisition.

(3) Excludes non-cash items such as capitalized stock-based compensation and decommissioning obligations and the Stolberg Asset Exchange.

In the first quarter of 2016, 2 gross (0.1 net carried interest) wells were drilled pursuant to a farm-out agreement in the Rockyford area of southeast Alberta and the Corporation executed workovers for 2 gross (2.0 net) wells in southeast Alberta and incurred lease construction costs for future drilling locations in southeast Alberta. The equipping and facilities capital spent relates mainly to facilities construction and tie-in costs in southeast Alberta.

In March 2016, Manitok closed the Carseland Acquisition for total cash consideration of \$4.5 million after estimated post-closing adjustments.

Capital expenditures in the Reporting Period and Comparable Prior Period were allocated as follows:

(\$000)	Three months ended March 31	
	2016	2015
Exploration and evaluation <sup>(1)</sup>	1,298	756
Petroleum and natural gas properties and equipment, net	4,868	4,145
<b>Total capital expenditures<sup>(2)</sup></b>	<b>6,166</b>	<b>4,901</b>

(1) Includes \$0.6 million related to undeveloped land included in the Carseland Acquisition.

(2) Excludes non-cash items such as capitalized stock-based compensation and decommissioning obligations.

### Decommissioning Obligations

At March 31, 2016, Manitok has recorded decommissioning obligations of \$32.3 million (December 2015 - \$27.7 million) for the future abandonment and reclamation of Manitok's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability has been discounted at the risk free rate of 2.0% (December 2015 – 2.2%). Abandonment cost estimates are derived from both third party and government sources and operational knowledge of the properties. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined. The increase in the obligation is due mainly to the Carseland Acquisition.

Accretion expense is the increase in the decommissioning obligations resulting from the passage of time. The Corporation's Liability Management Rating ("LMR") with the Alberta Energy Regulator ("AER") was 6.6 at March 31, 2016. The LMR reflects the results of a comparison of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating less than 1.0 would require the Corporation to pay a deposit to the AER.

## CAPITAL RESOURCES AND LIQUIDITY

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

(\$000)	Three months ended	
	2016	March 31 2015
Funds from operations	13,035	7,918
Changes in non-cash operating working capital	2,998	(266)
Decommissioning expenditures	(42)	(24)
Increase (decrease) in credit facilities	(17,869)	22,121
Decrease in long-term financial obligation	(23)	(6)
Proceeds for share issuances	2,252	-
Share issue costs	(279)	-
Changes in non-cash financing working capital	7,491	-
Changes in non-cash investing working capital	(1,397)	(24,842)
<b>Total capital resources</b>	<b>6,166</b>	<b>4,901</b>
Acquisitions	(4,519)	-
Exploration and evaluation asset expenditures	(678)	(756)
Petroleum and natural gas properties and equipment expenditures	(969)	(4,145)
<b>Net increase (decrease) in cash</b>	<b>-</b>	<b>-</b>

### Working Capital

The following schedule sets out the reconciliation of working capital in accordance with IFRS to adjusted working capital:

As at (\$000)	March 31, 2016	December 31, 2015
Working capital deficit	37,033	40,675
Current portion of the Credit Facilities	(44,529)	(62,398)
Current portion of the deferred premium on financial instruments	(1,052)	(1,400)
Current portion of the fair value of financial instruments	8,689	14,172
<b>Adjusted working capital deficit (surplus)</b>	<b>141</b>	<b>(8,951)</b>

The Corporation's adjusted working capital changed from a surplus of \$8.9 million at December 31, 2015 to a deficit of \$0.1 million as at March 31, 2016. The adjusted working capital surplus at December 31, 2015 is largely comprised of the net proceeds of \$7.5 million from an equity financing in December 2015, which were received in January 2016.

At March 31, 2016, the major component of Manito's current assets, excluding the fair value of financial instruments, was revenue (43%) to be received from its marketers in respect of March 2016 production, accounts receivable from joint venture partners (34%) related to joint capital and operating activities in which Manito is the operator and the realized gain of financial instruments for the month of March 2016 (17%). Manito routinely assesses the financial strength of its marketers and joint venture partners and at this time, Manito expects that such counterparties will be able to meet their financial obligations. Current liabilities excluding the amount drawn on the credit facilities and the deferred premium on financial instruments largely consist of trade and joint venture payables (52%) and accrued liabilities (48%) related to the Corporation's operations.

The Corporation manages its working capital using a combination of its funds from operations and advances under its Credit Facilities and if applicable funds from debt and equity issuances and asset divestitures. If applicable, Manito will invest any excess cash in a short-term interest bearing account with its lender.



## Bank Indebtedness

As at March 31, 2016, Manito's Credit Facilities consisted of a \$30.0 million Conforming Credit Facility and a fully drawn \$19.6 million Non-Conforming Credit Facility. The Corporation is required to repay \$0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid. In the first quarter of 2016, Manito monetized crude oil derivative financial instruments with its counterparty for a cash receipt of \$12.3 million and the funds were used to reduce the Credit Facilities.

The following table indicates the Corporation's total available credit:

As at	March 31, 2016	December 31, 2015
Maximum borrowing base limit		
Conforming Credit Facility <sup>(1)</sup>	30,000	45,000
Non-Conforming Credit Facility <sup>(1)</sup>	19,600	30,000
Long-term financial obligations	14,925	14,948
	64,525	89,948
Principle amount utilized		
Drawn Conforming Credit Facility	(24,929)	(32,398)
Drawn Non-Conforming Credit Facility	(19,600)	(30,000)
Long-term financial obligations	(14,925)	(14,948)
Outstanding letters of credit <sup>(2)</sup>	(290)	(290)
	(59,744)	(77,636)
<b>Undrawn credit facilities</b>	<b>4,781</b>	<b>12,312</b>

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) is not less than 1 to 1. As at March 31, 2016 the Corporation's working capital ratio was 1.7 to 1.

(2) Letters of credit are issued to service providers.

The Corporation's Credit Facilities are subject to a review of the borrowing base limit by the lender at any time in its sole discretion, and at least annually, which is directly impacted by the value of Manito's petroleum and natural gas reserves. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The Corporation believes it has sufficient funds from operations to meet its operating and capital commitments as they come due, however it is dependent on its lender. There can be no assurance that the Corporation will be successful in its efforts to renew the Credit Facilities at acceptable levels, or to arrange additional financing, if required, or complete other transactions on terms satisfactory to the Corporation or at all. Manito has not received an indication if its lender will demand repayment in the next twelve months, however, the demand nature including the Non-Conforming Facility does create uncertainty. The next review date for the Credit Facilities has been set for June 2016.

Management recognizes the current economic environment relating to the oil and gas industry has made access to both debt and equity capital challenging for many companies, and as such have made cost reduction and capital management initiatives to manage spending and indebtedness. The Corporation continually monitors its capital structure and capital program in response to changes in business conditions, including changes in economic conditions, forecasted commodity prices and resulting funds from operations, indebtedness and the risk and timing of capital investments.

The Corporation currently continues to meet all of its obligations with respect to ongoing operations and anticipates it will meet the capital commitments.

## Contractual Obligations

The Corporation enters into contractual obligations in the course of conducting its day-to-day business. The following table identifies Manitok's material contractual obligations at March 31, 2016:

(\$000)	2016	2017	2018 - 2020	Thereafter
Accounts payable and accrued liabilities	7,140	-	-	-
Drawn on Credit Facilities	44,529	-	-	-
Long-term financial obligations <sup>(1)</sup>	1,676	2,235	6,705	32,134
Deferred premium on financial instruments <sup>(2)</sup>	1,052	-	-	-
Minimum drilling and completion expenditures <sup>(3)(4)(5)</sup>	27,287	35,750	20,250	-
Firm transportation agreement <sup>(6)</sup>	452	764	-	-
Facility fees <sup>(7)</sup>	2,203	2,937	8,811	6,380
Office leases <sup>(8)</sup>	1,906	1,476	-	-
<b>Total estimated contractual obligations<sup>(7)</sup></b>	<b>86,245</b>	<b>43,162</b>	<b>35,766</b>	<b>38,514</b>

(1) In conjunction with facility financing agreements incurred in December 2014 and June 2015, Manitok is committed to pay monthly facility payments of \$0.2 million to June 2035, which relates primarily to interest charges.

(2) Manitok is committed to pay a deferred premium on certain financial instruments. See "Financial Instruments" section.

(3) Pursuant to a Lease Issuance and Drilling Commitment Agreement with PrairieSky Royalty Ltd. ("**PSK LIDCA**"), Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures until April 30, 2018. In an effort to reduce the Corporation's PSK LIDCA commitment in 2016 and potentially 2017, the Corporation entered into a farm-out agreement with a private oil and gas company ("**Farmee**") in 2015, whereby the Farmee has committed to spend up to \$20.0 million from the fourth quarter of 2015 to the end of 2016 in the Rockyford area of Alberta and depending on the level of success achieved with the drilling, may lead up to an additional \$20.0 million of capital spending, with the Farmee having an option to drill the offset wells before the end of 2017 ("**Farm-out Agreement**"). The entire capital spend from the Farm-out Agreement will be fully allocated to Manitok's PSK LIDCA capital. Should the Farmee fail to meet its \$20.0 million spending commitment in 2016, the Farmee shall compensate Manitok in an amount equal to the difference between the actual amount spent by the Farmee and the \$20.0 million commitment amount. The anticipated expenditures pursuant to the Farm-out Agreement are not included in the table.

(4) Pursuant to a production volume royalty divestiture in 2015, Manitok is committed to incur a minimum capital commitment of \$10.0 million per year in 2016, 2017 and 2018 on drilling, completion, re-completion, workover, equipping and tie-in for the production of wells targeting the Carseland and/or Wayne areas of Alberta. This commitment is concurrent with the PSK LIDCA commitment and is not an additional spending commitment. Additionally, Manitok has agreed, but is not obligated to drill at least two gross wells per year in 2016, 2017 and 2018 in the Stolberg area of Alberta. In the event Manitok does not meet this commitment, the royalty corporation may either grant an extension to Manitok, drill the wells itself or elect to do nothing.

(5) The flow-through share commitments related to the equity financings in 2015 are anticipated to be met with the PSK LIDCA commitment as there are several exploration opportunities within the undeveloped land acreage in the PSK LIDCA.

(6) The Corporation is committed to transport natural gas from a gas processing facility in the Ricinus area to the NOVA pipeline system.

(7) In conjunction with the oil and gas facility divestitures in December 2014 and June 2015, the Corporation is required to pay monthly facility fees of \$0.2 million until June 2023, which are included in operating expenses.

(8) Manitok is committed to operating leases relating to office premises expiring on November 30, 2017 and its previous office premises expiring on February 28, 2017. The Corporation has subleased all of its previous office space to arm's length parties for the remainder of the lease term. The recovery of rental costs from the subleases are not included in the table.

(9) 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. The Corporation's decommissioning obligations are excluded from the table as these obligations arise from a regulatory requirement rather than from a contractual arrangement. Manitok estimates the total inflation adjusted undiscounted cash flow to settle its decommissioning obligations at March 31, 2016 to be approximately \$46.5 million and will be incurred as follows: 2016 - \$0.3 million, 2017 - \$0.1 million, 2018 to 2020 - \$7.7 million and \$38.4 million thereafter. The estimate for undiscounted decommissioning obligations requires significant assumptions on both the abandonment cost and timing of the decommissioning and therefore the actual obligations may differ materially.

## OFF-BALANCE SHEET TRANSACTIONS

Manitok was not involved in any off-balance sheet transactions that would result in a material change to its financial position, performance or funds from operations during the Reporting Period and Comparable Prior Period.

## RELATED PARTY TRANSACTIONS

The Corporation has not entered into any related party transactions in the Reporting Period.

## OUTSTANDING SHARE DATA

At March 31, 2016, the Manitok Shares are the only class of shares issued and outstanding. Manitok Shares began trading on the TSX-V on July 29, 2010 under the symbol "**MEI**". The following table summarizes the Manitok Shares issued and outstanding:

	<b>Manitok Shares</b>
<b>Outstanding, December 31, 2014</b>	<b>65,279,607</b>
Issue of Manitok Shares in June 2015	19,810,177
Issue of Manitok Shares in December 2015	58,846,331
<b>Outstanding, December 31, 2015</b>	<b>143,936,115</b>
Issue of Manitok Shares in January and February 2016 <sup>(1)</sup>	17,143,631
<b>Outstanding, March 31, 2016</b>	<b>161,079,746</b>

(1) In the first quarter of 2016, Manitok closed the final tranches of a private equity financing for the issuance of 15,973,631 Manitok Shares at a price of \$0.13 per Manitok Share and 1,170,000 Manitok CEE Flow-through Shares at a price of \$0.15 per Manitok CEE Flow-through Share for gross proceeds of \$2.3 million (net proceeds - \$2.0 million).

At May 26, 2016, there were 177,510,671 Manitok Shares outstanding, 15,136,833 stock options and 1,241,127 broker warrants to purchase an equivalent number of Manitok Shares. The increase in Manitok Shares is due to the closing of the first tranche of a private placement equity financing in May 2016 (see "Major Transactions Subsequent to the Reporting Period").

## SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>OPERATING</b>								
Average daily production								
Light oil (bbls/d)	1,812	2,002	2,176	1,864	2,269	2,257	2,066	2,695
Natural gas (mcf/d)	14,305	13,540	12,412	15,435	13,049	10,713	10,931	11,417
NGLs (bbls/d)	211	200	190	84	61	30	74	46
Total (boe/d)	4,407	4,459	4,434	4,521	4,504	4,072	3,962	4,644
Average realized sales price (CAD\$)								
Light oil (\$/bbl)	36.48	47.83	51.85	63.71	48.77	71.96	95.17	103.18
Natural gas (\$/mcf)	2.03	2.73	3.20	2.89	2.89	3.83	4.25	4.81
NGLs (\$/bbl)	21.58	27.88	29.50	55.98	52.85	67.29	98.93	110.86
Total (\$/boe)	22.63	31.01	35.65	37.18	33.66	50.45	63.20	72.80
<b>OPERATING NETBACK (\$ per boe)<sup>(1)</sup></b>								
Petroleum and natural gas revenue	22.63	31.01	35.65	37.18	33.66	50.45	63.20	72.81
Realized gain (loss) on financial instruments	39.72	18.20	15.75	10.86	13.54	6.67	(4.69)	(6.19)
Royalty expenses	(6.24)	(8.30)	(10.13)	(8.78)	(8.47)	(11.61)	(19.64)	(23.98)
Operating expenses, net	(14.12)	(11.51)	(15.72)	(11.28)	(10.38)	(7.65)	(6.73)	(7.58)
Transportation and marketing expenses	(1.53)	(1.72)	(1.71)	(2.35)	(2.87)	(3.17)	(3.47)	(3.66)
Operating netback <sup>(1)</sup>	40.46	27.68	23.84	25.63	25.48	34.69	28.67	31.40
<b>FINANCIAL</b>								
Petroleum and natural gas revenue (\$000)	9,074	12,720	14,548	15,297	13,645	18,902	23,037	30,771
Royalty expenses (\$000)	(2,501)	(3,406)	(4,134)	(3,613)	(3,433)	(4,349)	(7,157)	(10,132)
Realized gain (loss) on financial instruments (\$000)	15,929	7,464	6,426	4,466	5,488	2,499	(1,709)	(2,618)
Unrealized gain (loss) on financial instruments (\$000)	(10,218)	2,518	11,014	(10,328)	(4,114)	27,577	8,394	(2,036)
Interest and other revenue (\$000)	9	7	7	7	7	6	22	-
Total revenue, net (\$000)	12,293	19,303	27,861	5,829	11,593	44,635	22,587	15,985
Funds from operations (\$000) <sup>(1)</sup>	13,035	8,488	6,643	7,341	7,918	10,766	8,556	11,197
Per share - basic (\$) <sup>(1)</sup>	0.08	0.10	0.08	0.11	0.12	0.16	0.13	0.16
Per share - diluted (\$) <sup>(1)</sup>	0.08	0.10	0.08	0.11	0.12	0.16	0.12	0.16
Net income (loss) (\$000)	3,602	(5,258)	8,316	(26,852)	(3,401)	(2,774)	7,900	(9,044)
Per share - basic (\$)	0.02	(0.06)	0.10	(0.39)	(0.05)	(0.04)	0.12	(0.13)
Per share - diluted (\$) <sup>(2)</sup>	0.02	(0.06)	0.10	(0.39)	(0.05)	(0.04)	0.11	(0.13)
Capital expenditures, net of divestitures (\$000)	6,166	2,847	3,890	28,959	4,901	26,949	22,832	17,669
Book value of total assets (\$000)	194,014	204,705	206,644	199,995	196,945	211,284	197,362	178,300
Adjusted working capital deficit (surplus) (\$000) <sup>(1)</sup>	141	(8,951)	598	(1,575)	(2,313)	22,795	11,067	17,676
Drawn on Credit Facilities (\$000)	44,529	62,398	65,371	69,949	75,379	53,258	48,098	22,311
Net bank debt (\$000) <sup>(1)</sup>	44,670	53,447	65,969	68,374	73,066	76,053	59,165	39,987
Long-term financial obligations (\$000)	14,925	14,948	14,966	14,984	2,494	2,500	-	-
Net debt (\$000) <sup>(1)</sup>	59,595	68,395	80,935	83,358	75,560	78,553	59,165	39,987
Shareholders' equity (\$000)	86,398	80,540	78,586	69,965	81,348	84,333	89,714	86,550
Common shares outstanding								
End of period - basic	161,079,746	143,936,115	85,089,784	85,089,784	65,279,607	65,279,607	66,996,440	69,020,407
End of period - diluted	177,452,639	150,334,260	90,553,217	91,564,557	71,719,880	70,588,213	71,566,714	74,114,181
Weighted average for the period - basic	156,066,181	85,729,418	85,089,784	68,749,889	65,279,607	65,924,473	68,143,633	70,390,367
Weighted average for the period - diluted	156,339,714	85,729,418	85,089,784	68,750,556	65,279,607	66,255,000	69,108,544	71,402,527

(1) Funds from operations, funds from operations per share, operating netback, adjusted working capital deficit (surplus), net bank debt and net debt do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Measures paragraph in the Advisories section of this MD&A.

(2) The basic and diluted weighted average shares outstanding are the same for periods in which the Corporation records a net loss and when all the outstanding stock options are anti-dilutive.

## Discussion of Quarterly Results

The P&NG industry is cyclical in nature and the Corporation's financial position, results of operations and funds from operations are principally impacted by production levels and commodity prices.

Significant events that have impacted the Corporation's results during the past eight quarters include:

- In the second quarter of 2014, Manitek recorded a net loss of \$9.0 million, which was primarily the result of an impairment expense of \$13.6 million.
- In the third quarter of 2014, average production volumes decreased to 3,962 boe/d compared to 4,644 boe/d in the second quarter of 2014. Approximately 450 boe/d of the decrease is attributed to 3 gross (1.5 net) Cardium oil wells that were shut-in July 2014 in order to properly manage the Stolberg reservoir pressure to ensure the maximum recovery of its oil in place and about 230 boe/d is attributed to natural production declines in the Stolberg area with limited new well production additions in the quarter.
- P&NG revenue decreased by \$7.7 million in the third quarter of 2014 from the second quarter of 2014 as a result of the decreased production volumes and decreased commodity prices.
- Funds from operations decreased by \$2.6 million in the third quarter of 2014 from the second quarter of 2014 mainly attributable to lower P&NG revenue.
- In the third quarter of 2014, Manitek recorded net income of \$7.9 million, which was primarily the result of an unrealized gain on financial instruments of \$8.4 million as a result of the decrease in WTI crude oil price.
- The Corporation repurchased 2,068,300 Manitek Shares in the third quarter of 2014 at an average price of \$2.39 per share, pursuant to its normal course issuer bid programs.
- P&NG revenue decreased by \$4.1 million in the fourth quarter of 2014 from the third quarter of 2014 as a result of the decreased realized commodity prices.
- Funds from operations increased by \$2.2 million in the fourth quarter of 2014 from the third quarter of 2014 mainly attributable to a realized gain on financial instruments and a decrease in royalty expenses, partially offset by lower P&NG revenue.
- In the fourth quarter of 2014, the unrealized gain on financial instruments increased by \$19.2 million from the third quarter of 2014 due to the significant decrease in commodity prices.
- Net loss for the fourth quarter of 2014 was \$2.8 million, compared to net income of \$7.9 million in the third quarter of 2014. The decrease was primarily the result of an impairment charge of \$34.0 million in the fourth quarter of 2014, partially offset by the increase in the unrealized gain on financial instruments.
- Net debt increased by \$19.4 million to \$78.6 million as at December 31, 2014 from September 30, 2014 due primarily to capital expenditures in the fourth quarter of 2014, partially offset by a facility divestiture in December 2014.
- The Corporation repurchased 1,878,500 Manitek Shares in the fourth quarter of 2014 at an average price of \$1.73 per share, pursuant to its normal course issuer bid programs.
- P&NG revenue decreased by \$5.3 million in the first quarter of 2015 from the fourth quarter of 2014 as a result of the decreased realized commodity prices.
- Funds from operations decreased by \$2.8 million in the first quarter of 2015 from the fourth quarter of 2014 mainly attributable to lower P&NG revenue and increased operating expenses, partially offset by an increased realized gain on financial instruments and a decrease in royalty expenses.
- Adjusted working capital changed to a surplus of \$2.3 million at March 31, 2015, compared to a deficit as at December 31, 2014 as a result of the significant decrease in capital expenditures in the first quarter of 2015 compared to the fourth quarter of 2014.
- Net loss for the second quarter of 2015 was \$26.9 million, compared to a net loss of \$3.4 million in the first quarter of 2015. The increase was primarily the result of an impairment charge of \$17.9 million, an increased unrealized loss on financial instruments and losses on a production volume royalty divestiture and a gross overriding royalty divestiture.
- In the second quarter of 2015, Manitek closed the Wayne Acquisition for cash consideration of \$61.1 million after post-closing adjustments.
- The Corporation closed an equity financing in June 2015 for net proceeds of \$15.8 million.
- Net income for the third quarter of 2015 was \$8.3 million, compared to a net loss of \$26.9 million in the second quarter of 2015. The increase was primarily the result of an increased unrealized gain on financial instruments in the third quarter of 2015, while the prior quarter included a \$3.6 million loss on a production

volume royalty divestiture and a gross overriding royalty divestiture and an impairment charge of \$17.9 million.

- The Corporation closed an equity financing in December 2015 for net proceeds of \$7.5 million.
- Adjusted working capital changed to a surplus of \$9.0 million at December 31, 2015, compared to a deficit as at September 30, 2015 due mainly to the net proceeds of \$7.5 million from the equity financing in December 2015 being received in January 2016.
- Net loss for the fourth quarter of 2015 was \$5.3 million compared to net income of \$8.3 million in the third quarter of 2015. The net loss was due mainly to an impairment charge of \$12.7 million in the fourth quarter of 2015.
- In the first quarter of 2016, the Corporation monetized crude oil derivative financial instruments for a cash receipt of \$12.3 million or \$30.67/boe to reduce bank indebtedness, which was recorded in realized gain on financial instruments.
- Funds from operations increased by \$4.5 million in the first quarter of 2016 from the fourth quarter of 2015 mainly attributable to the monetization of crude oil derivative financial instruments for \$12.3 million and an aggregate decrease to royalty expenses partially offset by a decrease in petroleum and natural gas revenue from the sharp decline in commodity prices and increases in operating and interest expenses.
- The net income in the first quarter of 2016 was \$3.2 million compared to a net loss of \$5.3 million in the fourth quarter of 2015. The increase in net income was due mainly to increased funds from operations and a \$6.9 million gain on an asset divestiture in the first quarter of 2016 and an impairment charge of \$12.7 million in the fourth quarter of 2015.

## POTENTIAL TRANSACTIONS

Within its focus area, the Corporation is always reviewing potential property acquisitions and corporate mergers and acquisitions for the purposes of determining whether any such potential transaction is of interest to the Corporation, as well as the terms on which such a potential transaction would be available. As a result, the Corporation may from time to time be involved in discussions or negotiations with other parties or their agents in respect of potential property acquisitions and corporate merger and acquisition opportunities. The Corporation is not committed to any such potential transaction and cannot be reasonably confident that it can complete any such potential transaction until appropriate legal documentation has been signed by the relevant parties.

The Corporation may fail to realize the perceived benefits of any proposed acquisition. The Corporation may not realize the expected benefits and synergies from any proposed acquisition or may encounter difficulties in achieving these anticipated benefits. There can be no assurance that the Corporation will realize these benefits in the time expected or at all. This could have a negative impact on the business, operating profit or overall financial condition of the Corporation.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Corporation's use of estimates, judgments and assumptions in preparing the condensed interim financial statements for the Reporting Period is discussed in Note 3 of the annual audited financial statements for the year ended December 31, 2015.

## FUTURE ACCOUNTING PRONOUNCEMENTS

Future accounting pronouncements with a potential impact on the Corporation are summarized in Note 4 of the Corporation's annual audited financial statements for the year ended December 31, 2015.

## **BUSINESS RISKS & UNCERTAINTIES**

The liquidity position of Manitok is restricted and the continued operation of Manitok will be improved by a material increase in future commodity prices and an increase in proved and probable reserves based on the Corporation's drilling program. The Corporation is involved in regular discussions with its lender and is continually pursuing other financing opportunities such as equity financings, alternative debt arrangements, joint venture opportunities, property acquisitions or divestitures and other recapitalization opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. Ongoing exploration and development of Manitok's properties will require substantial additional capital investment. Failure to secure additional financing may result in a delay or postponement of development of these properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to Manitok.

Manitok monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, royalty regime or taxation. In addition, Manitok maintains a level of liability, business interruption and property insurance which is believed to be adequate for the Corporation's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in Manitok's most recently filed Annual Information Form for additional information.

## **IMPACT OF NEW ENVIRONMENTAL REGULATIONS**

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

The use of fracture stimulations has been ongoing safely in an environmentally responsible manner in western Canada for decades. With the increase in the use of fracture stimulations in horizontal wells there is increased communication between the oil and natural gas industry and a wider variety of stakeholders regarding the responsible use of this technology. This increased attention to fracture stimulations may result in increased regulation or changes of law which may make the conduct of the Corporation's business more expensive or prevent the Corporation from conducting its business as currently conducted. Manitok focuses on conducting transparent, safe and responsible operations in the communities in which its people live and work.

**MANITOK ENERGY INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

Unaudited (expressed in thousands of Canadian dollars)

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Accounts receivable	6,201	18,026
Deposits and prepaid expenses	798	881
Fair value of financial instruments (note 16)	8,689	14,172
	<b>15,688</b>	<b>33,079</b>
Non-current assets:		
Fair value of financial instruments	-	6,479
Exploration and evaluation assets (note 5)	37,731	36,351
Petroleum and natural gas properties and equipment (note 6)	140,595	128,796
	<b>178,326</b>	<b>171,626</b>
	<b>194,014</b>	<b>204,705</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	7,140	9,956
Credit facilities (note 9)	44,529	62,398
Deferred premium on financial instruments (note 16)	1,052	1,400
	<b>52,721</b>	<b>73,754</b>
Non-current liabilities:		
Long-term financial obligations (note 10)	14,925	14,948
Deferred premium on financial instruments	-	1,396
Flow-through share premium	1,566	1,539
Decommissioning obligations (note 11)	32,282	27,718
Deferred income taxes	6,122	4,810
	<b>54,895</b>	<b>50,411</b>
	<b>107,616</b>	<b>124,165</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 12)	129,786	127,765
Contributed surplus	6,980	6,745
Deficit	(50,368)	(53,970)
	<b>86,398</b>	<b>80,540</b>
Liquidity (note 16)		
Commitments (note 17)		
Subsequent event (note 18)		
	<b>194,014</b>	<b>204,705</b>

The accompanying notes are an integral part of these condensed interim financial statements.



**MANITOK ENERGY INC.**  
**CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) AND**  
**COMPREHENSIVE INCOME (LOSS)**

*Unaudited (expressed in thousands of Canadian dollars, except per share amounts)*

<b>Three months ended March 31,</b>	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>		
Petroleum and natural gas	<b>9,074</b>	13,645
Royalty expenses	<b>(2,501)</b>	(3,433)
Net revenue from petroleum and natural gas sales	<b>6,573</b>	10,212
Realized gain on financial instruments	<b>15,929</b>	5,488
Unrealized loss on financial instruments	<b>(10,218)</b>	(4,114)
Interest and other	<b>9</b>	7
	<b>12,293</b>	11,593
<b>EXPENSES</b>		
Operating, net of recoveries	<b>5,663</b>	4,207
Transportation and marketing	<b>612</b>	1,163
Administrative, net of recoveries	<b>1,661</b>	1,980
Depletion and depreciation (note 6)	<b>4,450</b>	7,956
Finance	<b>1,808</b>	704
Gain on asset divestitures (note 8)	<b>(6,893)</b>	-
	<b>7,301</b>	16,010
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>4,992</b>	(4,417)
Deferred income tax expense (recovery)	<b>1,390</b>	(1,016)
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)</b>	<b>3,602</b>	(3,401)
Net income (loss) per common share (note 14)		
Basic and diluted	<b>0.02</b>	(0.05)

*The accompanying notes are an integral part of these condensed interim financial statements.*

**MANITOK ENERGY INC.****CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***Unaudited (expressed in thousands of Canadian dollars, except for share information)*

	<b>Number of common shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
As at December 31, 2014	65,279,607	105,701	5,407	(26,775)	84,333
Net loss and comprehensive loss	-	-	-	(3,401)	(3,401)
Stock-based compensation expensed	-	-	219	-	219
Stock-based compensation capitalized	-	-	197	-	197
<b>As at March 31, 2015</b>	<b>65,279,607</b>	<b>105,701</b>	<b>5,823</b>	<b>(30,176)</b>	<b>81,348</b>
As at December 31, 2015	143,936,115	127,765	6,745	(53,970)	80,540
Net income and comprehensive income	-	-	-	3,602	3,602
Share issuance (note 12)	17,143,631	2,229	-	-	2,229
Share issue costs, net of tax (note 12)	-	(208)	4	-	(204)
Stock-based compensation expensed	-	-	119	-	119
Stock-based compensation capitalized	-	-	112	-	112
<b>As at March 31, 2016</b>	<b>161,079,746</b>	<b>129,786</b>	<b>6,980</b>	<b>(50,368)</b>	<b>86,398</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**MANITOK ENERGY INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

Unaudited (expressed in thousands of Canadian dollars)

Three months ended March 31,	2016	2015
Cash provided by (used in):		
<b>OPERATING ACTIVITIES:</b>		
Net income (loss) and comprehensive income (loss)	3,602	(3,401)
Adjustments for items not affecting operating cash:		
Deferred income tax expense (recovery)	1,390	(1,016)
Depletion and depreciation	4,450	7,956
Stock-based compensation	119	219
Finance	1,808	704
Unrealized loss on financial instruments	10,218	4,114
Gain on asset divestiture	(6,893)	-
Interest paid	(1,659)	(658)
Decommissioning expenditures	(42)	(24)
Changes in non-cash operating working capital	2,998	(266)
	15,991	7,628
<b>FINANCING ACTIVITIES:</b>		
Increase (decrease) in credit facilities	(17,869)	22,121
Decrease in long-term financial obligation	(23)	(6)
Proceeds from share issuances (note 12)	2,252	-
Share issue costs (note 12)	(279)	-
Changes in non-cash financing working capital	7,491	-
	(8,428)	22,115
<b>INVESTING ACTIVITIES:</b>		
Acquisitions (note 7)	(4,519)	-
Exploration and evaluation asset expenditures	(678)	(756)
Petroleum and natural gas properties and equipment expenditures	(969)	(4,145)
Changes in non-cash investing working capital	(1,397)	(24,842)
	(7,563)	(29,743)
<b>NET CHANGE IN CASH</b>	-	-
<b>CASH, BEGINNING OF PERIOD</b>	-	-
<b>CASH, END OF PERIOD</b>	-	-
Cash interest paid	1,659	658

The accompanying notes are an integral part of these condensed interim financial statements.

## **1. REPORTING ENTITY AND NATURE OF OPERATIONS**

Manitok Energy Inc. ("**Manitok**" or the "**Corporation**") is domiciled and incorporated in Canada. The Corporation is engaged in the exploration for, and the development, production and acquisition of petroleum and natural gas reserves. Manitok conducts its operations in the Western Canadian Sedimentary Basin and currently all of the Corporation's activities are in Alberta. Manitok's financial year end is December 31<sup>st</sup> and the Corporation's registered office is located at Suite 1600, 421 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, Canada T2P 4K9. Manitok common shares ("**Manitok Shares**") are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**".

## **2. BASIS OF PREPARATION**

### **a) Statement of compliance**

These unaudited condensed interim financial statements ("**Financial Statements**") present Manitok's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three months ended March 31 2016, including the 2015 comparable period. The Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These Financial Statements were approved and authorized for issuance by the Board of Directors on May 30, 2016.

### **b) Basis of measurement**

The Financial Statements have been prepared following the same IFRS accounting policies and methods of computation, as disclosed in the annual audited financial statements for the year ended December 31, 2015. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the annual audited financial statements and the notes thereto for the year ended December 31, 2015.

The Financial Statements are prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair values are discussed in note 4. The Corporation's Financial Statements include the accounts of Manitok only and are expressed in Canadian dollars, unless otherwise stated. There are no subsidiary companies.

## **3. CHANGES IN ACCOUNTING POLICIES**

There were no new or amended accounting standards or interpretations issued during the period ended March 31, 2016 that will affect the Corporation's future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Corporation are described in the notes to the annual Financial Statements for the year ended December 31, 2015.

#### **4. DETERMINATION OF FAIR VALUES**

A number of the Corporation's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Corporation's financial instruments recorded at fair value are assessed based on the levels of observable inputs described in the following hierarchy:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level.

#### **5. EXPLORATION AND EVALUATION ASSETS**

The components of the Corporation's Exploration and Evaluation ("E&E") assets are as follows:

(\$000)	<b>Total</b>
As at December 31, 2014	26,759
Additions <sup>(1)</sup>	12,124
Acquisitions	4,973
Impairment	(7,505)
<b>As at December 31, 2015</b>	<b>36,351</b>
Additions <sup>(1)</sup>	820
Acquisitions <sup>(2)</sup>	560
<b>As at March 31, 2016</b>	<b>37,731</b>

(1) Includes non-cash items such as capitalized stock-based compensation and decommissioning obligations.

(2) In March 2016, the Corporation completed an acquisition in southeast Alberta for \$4.5 million as disclosed in note 7 and \$0.6 million was allocated to E&E assets.

E&E assets consist of the Corporation's exploration projects which are pending the determination of economic quantities of proven reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period. Manitok capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$0.5 million in the three months ended March 31, 2016 (March 31, 2015 – \$0.3 million).

#### **Impairment**

There are no indicators of impairment as at March 31, 2016.

## 6. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

The components of the Corporation's Petroleum and Natural Gas ("P&NG") Properties and Equipment are as follows:

(\$000)	P&NG	Corporate	Total
<i>Cost:</i>			
As at December 31, 2014	208,622	1,230	209,852
Additions	11,492	178	11,670
Asset acquisition	63,857	-	63,857
Asset divestitures	(68,316)	-	(68,316)
Change in decommissioning obligations	12,588	-	12,588
As at December 31, 2015	228,243	1,408	229,651
Additions	999	4	1,003
Asset acquisitions (note 7)	10,899	-	10,899
Asset divestiture (note 8)	(2,140)	-	(2,140)
Change in decommissioning obligations	4,455	-	4,455
<b>As at March 31, 2016</b>	<b>242,456</b>	<b>1,412</b>	<b>243,868</b>
<i>Accumulated depletion and depreciation and impairment:</i>			
As at December 31, 2014	(70,196)	(692)	(70,888)
Asset divestitures	20,492	-	20,492
Depletion and depreciation expense	(26,960)	(422)	(27,382)
Impairment	(23,077)	-	(23,077)
As at December 31, 2015	(99,741)	(1,114)	(100,855)
Asset divestiture (note 8)	2,032	-	2,032
Depletion and depreciation expense	(4,383)	(67)	(4,450)
<b>As at March 31, 2016</b>	<b>(102,092)</b>	<b>(1,181)</b>	<b>(103,273)</b>
<i>Net book value:</i>			
As at December 31, 2015	128,502	294	128,796
<b>As at March 31, 2016</b>	<b>140,364</b>	<b>231</b>	<b>140,595</b>

At March 31, 2016, estimated future development costs of \$60.8 million (December 31, 2015 – \$60.8 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Manitok capitalized cash and non-cash administrative costs directly attributable to P&NG properties and equipment of \$0.2 million in the three months ended March 31, 2016 (March 31, 2015 – \$0.7 million).

### Impairment

There are no indicators of impairment as at March 31, 2016.

## 7. ASSET ACQUISITIONS

The following transactions have been accounted for as business combinations pursuant to IFRS 3, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The revenue and net income for the post-acquisition period of the acquisitions listed below are included in the Financial Statements. The amounts below are estimates, which were made by management at the time of the preparation of these Financial Statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized. The pro-forma information from January 1, 2016 to the closing date of the following acquisitions are not material.

In February 2016, the Corporation closed a non-cash asset exchange agreement, in which Manitoq divested of a 19.9% non-operated working interest in a gas plant in a non-core area, where it has no current throughput volumes or value in its reserve report, in exchange for a 17.5% average working interest in petroleum and natural gas assets, along with an average 45% working interest in associated undeveloped land in the Stolberg area of Alberta. The estimated fair value was determined to be \$7.0 million and was based on the fair value of the acquired assets.

<b>Fair value of net assets acquired:</b>	<b>(\$000)</b>
Petroleum and natural gas properties and equipment	7,128
Decommissioning obligations	(102)
<b>Total net assets acquired</b>	<b>7,026</b>
<b>Consideration:</b>	
Non-operated working interest in a gas plant	<b>7,026</b>

The fair value of the P&NG assets have been estimated based on available third party land sale data for the undeveloped land and a third party reserve report using discount rates of 10% for the proved producing reserves. The decommissioning obligations have been estimated using a credit adjusted discount rate of 10%.

In March 2016, the Corporation closed an acquisition of petroleum and natural gas assets in the Carseland area of southeast Alberta ("**Carseland Acquisition**"), with an effective date of January 1, 2016, for total cash consideration of \$4.5 million after estimated post-closing adjustments. The consideration paid by Manitoq for the Carseland Acquisition was financed with the Corporation's credit facility.

<b>Fair value of net assets acquired:</b>	<b>(\$000)</b>
Exploration and evaluation assets	560
Petroleum and natural gas properties and equipment	4,246
Decommissioning obligations	(317)
<b>Total net assets acquired</b>	<b>4,489</b>
<b>Consideration:</b>	
Cash	<b>4,489</b>

The fair value of E&E assets have been estimated based on available third party land sale data, while P&NG assets have been estimated based on anticipated natural gas reserves using discount rates of 15% for the proved producing reserves and replacement values of the gas plant and pipelines. The decommissioning obligations have been estimated using a credit adjusted discount rate of 10%.

## **8. ASSET DIVESTITURES**

As disclosed in note 7, the Corporation closed a non-cash asset exchange agreement in February 2016, in which Manitoq divested of a 19.9% non-operated working interest in a gas plant in a non-core area, where it has no current throughput volumes or value in its reserve report, in exchange for a 17.5% average working interest in petroleum and natural gas assets, along with an average 45% working interest in associated undeveloped land in the Stolberg area of Alberta. The estimated fair value was determined to be \$7.0 million and was based on the fair value of the acquired assets. The net book value of the divested non-core asset was \$0.1 million and as a result Manitoq recorded a gain of \$6.9 million for the three months ended March 31, 2016.

## **9. CREDIT FACILITIES**

The components of the Corporation's credit facilities include:

(\$000)	<b>March 31, 2016</b>	December 31, 2015
Conforming Credit Facility	<b>24,929</b>	32,398
Non-conforming Credit Facility	<b>19,600</b>	30,000
<b>Credit Facilities</b>	<b>44,529</b>	62,398

As at March 31, 2016, the Corporation's credit facilities consisted of a \$30.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and a \$19.6 million non-revolving reducing demand loan facility ("**Non-Conforming Credit Facility**") and together with the Conforming Credit Facility, the "**Credit Facilities**", for total Credit Facilities of \$49.6 million. The Corporation is required to repay \$0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid.

The Credit Facilities are secured by a fixed charge debenture on the assets of the Corporation and are subject to review by the lender at any time in its sole discretion, and at least annually. The amount of the Credit Facilities are subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A change or redetermination of the borrowing base limit may result in a reduction in the Credit Facilities and a borrowing base shortfall must be remedied by the Corporation. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The next review date for the Credit Facilities has been set for June 2016. Information related to liquidity risk is disclosed in note 16.

Advances under the Credit Facilities are available by way of Canadian prime rate loans. The interest rates applicable to the advances are prime plus 3.0% on the Conforming Credit Facility and prime plus 5.0% on the Non-Conforming Credit Facility. The standby fees on the undrawn Credit Facilities are based on a pricing margin related to the ratio of outstanding indebtedness to cash flow, as defined by the lender and calculated at the Corporation's previous quarter end.

The effective interest rate applicable to the total debt issued under the Credit Facilities was 6.7% for the three months ended March 31, 2016 (March 31, 2015 – 4.2%).

The lending agreement provides for a financial covenant that requires the Corporation to maintain a working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) of at least 1 to 1. As of March 31, 2016, the Corporation's working capital ratio was 1.7 to 1.



## 10. LONG-TERM FINANCIAL OBLIGATIONS

In December 2014 and June 2015, the Corporation entered into financing arrangements with a third party, whereby the Corporation received \$15.0 million ("**Facility Financing Agreements**"). Pursuant to the Facility Financing Agreements, the Corporation is required to make annual payments of \$2.2 million over 20 years. The effective interest rate over the life of the obligation is 14.3% and the obligation is secured by certain facilities in the Stolberg and Wayne areas of Alberta.

Manitok has the option to terminate the Facility Financing Agreements at any time by paying consideration such that the third party earns a rate of return of 14.3% percent plus a penalty for the first four years and a 14.3% rate of return over the remaining sixteen years. Upon the total payment of fees equal to 110% of the original financing (\$16.5 million in payments over approximately 7.5 years), the third party has the option to require the Corporation to pay the remaining obligation, discounted at 16.2%.

A reconciliation of the long-term financial obligations is provided below:

(\$000)	March 31, 2016	December 31, 2015
<b>Opening Balance</b>	<b>14,948</b>	2,500
Facility Financing Agreement	-	12,500
Principal repayments	<b>(23)</b>	(52)
<b>Ending Balance</b>	<b>14,925</b>	14,948

## 11. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Manitok estimates the total inflation adjusted undiscounted amount of cash flows required to settle its decommissioning obligations as at March 31, 2016 to be approximately \$46.5 million (December 31, 2015 – \$39.2 million) with the majority of costs anticipated to be incurred between 2020 and 2035. A risk-free discount rate of 2.0% (December 31, 2015 – 2.2%) and an inflation rate of 2.0% (December 31, 2015 – 2.0%) was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

(\$000)	March 31, 2016	December 31, 2015
<b>Opening Balance</b>	<b>27,718</b>	8,516
Obligations incurred	-	4
Obligations acquired	<b>419</b>	7,280
Obligations disposed	<b>(482)</b>	-
Actual expenditures	<b>(42)</b>	(1,064)
Changes in estimates <sup>(1)</sup>	<b>766</b>	1,794
Revaluation of acquired decommissioning obligations	<b>3,754</b>	10,777
Accretion expense	<b>149</b>	411
<b>Ending Balance</b>	<b>32,282</b>	27,718

(1) The change in estimates consists of a change in the risk-free discount rate of \$0.8 million (December 31, 2015 – \$0.7 million) and a change in abandonment and remediation cost estimates and future abandonment dates of \$NIL (December 31, 2015 – \$1.1 million).

(2) These amounts relate to the revaluation of acquired decommissioning obligations related to the acquisitions disclosed in note 7 using a risk-free discount rate. At the date of the acquisitions decommissioning obligations were estimated using a credit adjusted discount rate of 10%.

## 12. SHARE CAPITAL

- (a) Authorized:
- Unlimited number of voting common shares
  - Unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance
- (b) Issued and outstanding:

	Number of common shares	Amount (\$000)
<b>Outstanding, December 31, 2014</b>	<b>65,279,607</b>	<b>105,701</b>
Issued, net of costs	12,587,600	9,466
Issued, net of costs	917,500	687
Issued, net of costs	6,305,077	4,685
Issued, net of costs (note 12c)	23,766,831	2,746
Issued, net of costs (note 12d)	35,079,500	3,975
Tax effect of share issue costs	-	505
<b>Outstanding, December 31, 2015</b>	<b>143,936,115</b>	<b>127,765</b>
Issued, net of costs (note 12e)	15,473,631	1,752
Issued, net of costs (note 12f)	1,170,000	129
Issued, net of costs (note 12g)	500,000	65
Tax effect of share issue costs (note 12h)	-	75
<b>Outstanding, March 31, 2016</b>	<b>161,079,746</b>	<b>129,786</b>

- (c) In December 2015, Manitok closed the first tranche of a private placement equity financing for the issuance of 23,766,831 Manitok Shares at a price of \$0.13 per Manitok Share for gross proceeds of \$3.1 million (net proceeds - \$2.7 million). A total of 800,000 Manitok Shares were purchased by insiders.
- (d) In December 2015, Manitok closed the first tranche of a private placement equity financing for the issuance of 35,079,500 Manitok CEE Flow-through Shares at a price of \$0.15 per Manitok CEE Flow-through Share for gross proceeds of \$5.3 million (net proceeds - \$4.7 million). A total of 310,700 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2016 to incur the \$5.3 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of \$4.0 million reflects the fair value of Manitok Shares, which was \$0.13 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of \$0.7 million is recognized as a flow-through share premium liability on the Financial Statements. As at March 31, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.
- (e) In January 2016, Manitok closed the second tranche of a private placement equity financing for the issuance of 15,473,631 Manitok Shares at a price of \$0.13 per Manitok Share for gross proceeds of \$2.0 million (net proceeds - \$1.8 million). A total of 26,500 Manitok Shares were purchased by insiders.
- (f) In January 2016, Manitok closed the second tranche of a private placement equity financing for the issuance of 1,170,000 Manitok CEE Flow-through Shares at a price of \$0.15 per Manitok CEE Flow-through Share for gross proceeds of \$0.2 million (net proceeds - \$0.2 million). A total of 200,000 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2017 to incur the \$0.2 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of \$0.1 million reflects the fair value of Manitok Shares, which was \$0.13 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of \$23,000 is recognized as a flow-through share premium liability on the Financial Statements. As at March 31, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.
- (g) In February 2016, Manitok closed the third and final tranche of a private placement equity financing for the issuance of 500,000 Manitok Shares at a price of \$0.13 per Manitok Share for gross proceeds of \$0.1 million (net proceeds - \$0.1 million). A total of 500,000 Manitok Shares were purchased by insiders.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

For the three months ended March 31, 2016 and 2015

- (h) Manitok recognized a deferred income tax benefit of \$0.1 million related to the share issue costs of \$0.3 million incurred with respect to the issuance of 15,473,631 Manitok Shares and 1,170,000 Manitok CEE Flow-through Shares in January 2016 and 500,000 Manitok Shares in February 2016.

**13. SHARE-BASED PAYMENTS****Stock Options**

At March 31, 2016, the Corporation's Incentive Stock Option Plan permitted the grant of options to a maximum of 16,107,975 Manitok Shares. At March 31, 2016, there remained available for issuance stock options in respect of 976,209 Manitok Shares. No stock options were exercised in the three months ended March 31, 2016 and March 31, 2015.

A summary of the Corporation's outstanding stock options as at March 31, 2016 is presented below:

	Number of stock options	Weighted Average Exercise Price (\$)
<b>Outstanding, December 31, 2014</b>	<b>5,308,606</b>	<b>1.97</b>
Granted	1,302,500	0.77
Expired	(667,340)	(1.10)
Forfeited	(716,333)	(1.89)
<b>Outstanding, December 31, 2015</b>	<b>5,227,433</b>	<b>1.79</b>
Granted	10,421,000	0.16
Expired	(487,500)	(1.23)
Forfeited	(29,167)	(1.60)
<b>Outstanding, March 31, 2016</b>	<b>15,131,766</b>	<b>0.69</b>

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2016 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low	High	Weighted Average Remaining Contractual Life Quantity	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life Quantity	Weighted Average Exercise Price (\$)		
(\$)	(\$)		(years)	(years)			
0.16	1.00	11,658,000	4.8	0.22	358,999	3.9	0.81
1.01	2.00	1,411,666	2.4	1.69	868,333	1.7	1.74
2.01	3.12	2,062,100	2.5	2.61	1,534,936	2.4	2.68
		<b>15,131,766</b>	<b>4.3</b>	<b>0.69</b>	<b>2,762,268</b>	<b>2.4</b>	<b>2.14</b>

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:

For the three months ended March 31	2016	2015
Weighted average fair value of options granted	<b>\$0.09</b>	\$0.44
Risk-free interest rate	<b>0.58%</b>	0.64%
Expected life (years)	<b>3.5</b>	4.1
Expected volatility	<b>77%</b>	73%
Estimated forfeiture rate	<b>17%</b>	9%
Expected dividends	-	-

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### Broker Warrants

In connection with the equity issuance as disclosed in notes 12e and 12f, Manitok issued 70,414 Manitok Share purchase warrants ("**Broker Warrants**"), with each Broker Warrant entitling the holder to acquire one Manitok Share at an exercise price of \$0.13 per Manitok Share for a period of 18 months after the date of issuance of such Broker Warrants.

A summary of the Corporation's outstanding Broker Warrants as at March 31, 2016 is presented below:

	Number of Broker Warrants	Weighted Average Exercise Price (\$)
<b>Outstanding, December 31, 2014</b>	-	-
Issued	1,170,713	0.13
<b>Outstanding, December 31, 2015</b>	<b>1,170,713</b>	<b>0.13</b>
Issued	70,414	0.13
<b>Outstanding, March 31, 2016</b>	<b>1,241,127</b>	<b>0.13</b>

The fair value of each broker warrant granted in the period of \$4,000 was included in share issue costs and was estimated using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

For the three months ended March 31	2016
Weighted average fair value of warrants granted	\$0.06
Risk-free interest rate	0.48%
Expected life (years)	1.5
Expected volatility	98%
Estimated forfeiture rate	-
Expected dividends	-

## 14. PER SHARE INFORMATION

For the three months ended March 31	2016	2015
Net income (loss) and comprehensive income (loss) (\$000)	3,602	(3,401)
Weighted average Manitok Shares outstanding - basic	156,066,181	65,279,607
Weighted average Manitok Shares outstanding - diluted	156,339,714	65,279,607
Net income (loss) per share – basic and diluted (\$)	0.02	(0.05)

The weighted average diluted Manitok Shares outstanding at March 31, 2016 excludes 15,131,766 (March 31, 2015 – 6,440,273) stock options that are anti-dilutive. As the Corporation reported a loss for the three months ended March 31, 2015, the basic and diluted weighted average shares outstanding are the same for that period.

## 15. CAPITAL MANAGEMENT

The Corporation's general policy is to maintain a sufficient capital base in order to manage its business in the most effective manner with the goal of increasing the value of its assets and thus its underlying share value. The Corporation's objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from acquisitions; to maintain a capital structure that allows Manitok to finance its growth strategy using internally-generated cash flow from operating activities 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 Manitok Shares or debt, obtain other third party

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)****For the three months ended March 31, 2016 and 2015**

funding alternatives, divest of assets or adjust its capital spending to manage current and projected debt levels. Management anticipates it will be able to continue to obtain financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

The Corporation's Credit Facilities are subject to a review of the borrowing base limit by the lender at any time in its sole discretion, and at least annually, which is directly impacted by the value of Manitoak's petroleum and natural gas reserves. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The Corporation is required to repay \$0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid.

The following table shows the Corporation's total available credit:

<b>As at</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Maximum borrowing base limit		
Conforming Credit Facility <sup>(1)</sup>	<b>30,000</b>	45,000
Non-Conforming Credit Facility <sup>(1)</sup>	<b>19,600</b>	30,000
Long-term financial obligations (note 10)	<b>14,925</b>	14,948
	<b>64,525</b>	89,948
Principle amount utilized		
Drawn Conforming Credit Facility	<b>(24,929)</b>	(32,398)
Drawn Non-Conforming Credit Facility	<b>(19,600)</b>	(30,000)
Long-term financial obligations (note 10)	<b>(14,925)</b>	(14,948)
Outstanding letters of credit <sup>(2)</sup>	<b>(290)</b>	(290)
	<b>(59,744)</b>	(77,636)
<b>Undrawn Credit Facilities</b>	<b>4,781</b>	12,312

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) is not less than 1 to 1. As at March 31, 2016 the Corporation's working capital ratio was 1.7 to 1.

(2) Letters of credit are issued to service providers.

The capital structure of the Corporation is as follows:

<b>(\$000)</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Total shareholders' equity <sup>(1)</sup>	<b>86,398</b>	80,540
Total shareholders' equity as a % of total capital	<b>59%</b>	54%
Adjusted working capital deficit (surplus) <sup>(2)</sup>	<b>141</b>	(8,951)
Drawn on Credit Facilities	<b>44,529</b>	62,398
Long-term financial obligations	<b>14,925</b>	14,948
Total net debt	<b>59,595</b>	68,395
Total net debt as a % of total capital	<b>41%</b>	46%
<b>Total Capital<sup>(3)</sup></b>	<b>145,993</b>	148,935

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

(2) Adjusted working capital deficit (surplus) is defined as current assets less current liabilities excluding the amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments.

(3) Total capital is defined as total shareholders' equity plus total net debt.

## 16. FINANCIAL 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 the results of all risk management activities and all outstanding positions. Management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and market conditions and the Corporation's activities.

### Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations associated with financial liabilities that are settled by cash as they become due. Manitok's approach to managing liquidity 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 can be settled in cash. Typically, the Corporation ensures that it has sufficient cash on demand to meet expected operational expenditures, including the servicing of financial obligations. To achieve this objective, the Corporation prepares annual capital expenditure budgets, which are approved by the Board of Directors and are regularly reviewed and updated as considered necessary. Petroleum and natural gas production is monitored daily and is used to provide monthly cash flow estimates. Also, Manitok utilizes authorizations for expenditures on both operated and non-operated projects to manage capital expenditures. The Corporation also attempts to match its payment cycle with the collection of petroleum and natural gas revenue on the 25th day of each month. Should commodity prices deteriorate materially, Manitok may adjust its capital spending accordingly to ensure that it is able to service its short-term financial obligations.

To facilitate the capital expenditure program, the Corporation has reserve-based Credit Facilities, as disclosed in note 9. The current economic environment relating to the oil and gas industry has made access to both debt and equity capital challenging for many companies. Manitok is evaluating measures such as, equity financing, alternative debt arrangements, joint venture opportunities, asset acquisitions or divestitures and other third party funding alternatives that will reduce the Corporation's bank indebtedness. The Corporation believes it has sufficient cash flow to meet its operating and capital commitments as disclosed in note 17, however the Corporation is dependent on its lender. There can be no assurance that the Corporation will be successful in its efforts to renew the Credit Facilities at acceptable levels, or to arrange additional financing, if required, or complete other transactions on terms satisfactory to the Corporation or at all. The next review date for the Credit Facilities has been set for June 2016. While Manitok has not received an indication if its lender will demand repayment in the next twelve months, the demand nature including the Non-Conforming Facility does create uncertainty.

The following table lists the contractual obligations of the Corporation's financial liabilities as at March 31, 2016:

(\$000)	Carrying Amount	2016	2017 - 2018	2019 – 2020	Thereafter
Accounts payable and accrued liabilities	7,140	7,140	-	-	-
Drawn Credit Facilities	44,529	44,529	-	-	-
Deferred premium on financial instruments	1,052	1,052	-	-	-
Long-term financial obligations <sup>(1)</sup>	14,925	1,676	4,470	4,470	32,134
<b>Total Financial Liabilities</b>	<b>67,646</b>	<b>54,397</b>	<b>4,470</b>	<b>4,470</b>	<b>32,134</b>

(1) The long-term financial obligations are \$2.2 million per year for 20 years as set forth in note 10. The majority of the annual payment relates to interest and the current portion of the principal payments are immaterial.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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### Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, exchange rates and interest rates, will affect the Corporation's income or loss or the value of its derivative financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. These risks are consistent with prior years. All risk management transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

### 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 commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its Credit Facilities. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada ("CAD") and the United States of America ("US"), but also by world events that dictate the levels of supply and demand.

The Corporation attempts to mitigate commodity price risk through the use of various derivative financial instruments and physical delivery sales contracts to reduce volatility in its financial results and protect its cash flows and capital expenditure program. These instruments are not used for trading or speculative purposes. Manitok has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial derivative contracts are recorded on the Financial Statements at fair value, with the changes in fair value being recognized in income or loss.

### Financial Derivatives

As at March 31, 2016, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value (\$'000)
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$80.15	Swap <sup>(1)</sup>	3,565
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$80.15	Option <sup>(1)</sup>	(43)
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$75.00 - \$90.00	Collar <sup>(2)</sup>	2,903
Oil	500 bbls/d	April 1, 2016 to December 31, 2016	CAD\$ WTI	\$70.00 - \$90.00	Collar <sup>(3)</sup>	2,264
<b>Total</b>						<b>8,689</b>

**Current assets** **8,689**

- (1) The counter-party to this contract holds a one-time option no later than December 30, 2016 to extend a swap on 500 barrels per day of oil at CAD\$80.15 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.
- (2) Manitok recorded \$0.6 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of \$4.50 per barrel.
- (3) Manitok recorded \$0.4 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of \$3.15 per barrel.

The fair value of these commodity risk management liabilities at March 31, 2016 was \$8.7 million (December 31, 2015 –\$20.7 million). The fair value measurement of derivative financial instruments is classified as level 2 of the fair value hierarchy in note 4. As at March 31, 2016, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately \$2.1 million of additional pre-tax income.

In the first quarter of 2016, the Corporation monetized the following derivative financial instruments for a cash receipt of \$12.3 million to reduce bank indebtedness, which has been recorded in the realized gain on financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$79.75	Swap
Oil	500 bbls/d	January 1, 2018 to December 31, 2018	CAD\$ WTI	\$79.75	Option
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$75.00 - \$90.00	Collar
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD\$ WTI	\$70.00 - \$90.00	Collar

## 17. COMMITMENTS

### *Lease Issuance and Drilling Commitment Agreement*

According to a Lease Issuance and Drilling Commitment Agreement with PrairieSky Royalty Ltd. ("**PSK LIDCA**"), Manitok committed to the following annual work program including minimum annual drilling and completion expenditures and a minimum annual number of wells drilled, completed and tied-in or abandoned:

<b>Original Minimum Commitment</b>		
Year	Number of wells	Drilling and Completion Expenditures (\$000)
2014	13	34,000
2015	3	21,000
2016	7	24,000
2017	8	29,000
April 30, 2018	5	18,000
<b>Total</b>	<b>36</b>	<b>126,000</b>

In accordance with the PSK LIDCA agreement and based on the level of crude oil prices in the 2015 calendar year, Manitok was allowed to defer \$15.75 million of the 2015 minimum drilling and completion expenditures commitment to be allocated evenly over the remaining commitments periods of 2016 through to 2018. As at March 31, 2016, the Corporation is committed to the following minimum number of wells and minimum drilling and completion expenditures in southeast Alberta:

<b>Revised Minimum Commitment</b>			<b>Work Program Incurred</b>		<b>Remaining Minimum Commitment</b>	
Year	Number of wells	Drilling and Completion Expenditures (\$000)	Number of wells	Drilling and Completion Expenditures (\$000)	Number of wells	Drilling and Completion Expenditures (\$000)
2014	13	34,000	13	34,000	-	-
2015	1	5,250	1	5,250	-	-
2016	9	30,750	2	3,463	7	27,287
2017	8	35,750	-	-	8	35,750
April 30, 2018	5	20,250	-	-	5	20,250
<b>Total</b>	<b>36</b>	<b>126,000</b>	<b>16</b>	<b>42,713</b>	<b>20</b>	<b>83,287</b>

In 2015, the Corporation entered into a farm-out agreement with a private oil and gas company ("**Farmee**") whereby the Farmee has committed to spend up to \$20.0 million from the fourth quarter of 2015 to the end of 2016 in the Rockyford area of southeast Alberta and depending on the level of success achieved with the drilling, may lead up to an additional \$20.0 million of capital spending, with the Farmee having an option to drill the offset wells before the end of 2017 ("**Farm-out Agreement**"). Manitok will have the option, but not the obligation to participate in each well and will be carried for a 5% working interest by the Farmee in each well it does not participate. The entire capital spend from the Farm-out Agreement will be fully allocated to the Corporation's capital commitment pursuant to the PSK LIDCA. Should the Farmee fail to meet its \$20.0 million spending commitment in 2016, the Farmee shall compensate Manitok in an amount equal to the difference between the actual amount spent by the Farmee and the \$20.0 million commitment amount.

In the first quarter of 2016, the Farmee has drilled 2 wells in the Rockyford area for approximately \$3.5 million.



***Production Volume Royalty Divestiture Capital Commitments***

Pursuant to a production volume royalty divestiture in June 2015, with a royalty corporation for net cash proceeds of \$24.4 million after post-closing adjustments, Manitok is committed to incur a minimum capital commitment of \$10.0 million per year in 2016, 2017 and 2018 on drilling, completion, re-completion, workover, equipping and tie-in for the production of wells targeting the Carseland and/or Wayne areas of southeast Alberta. This commitment is concurrent with the PSK LIDCA commitment and is not an additional spending commitment.

Additionally, Manitok has agreed, but is not obligated to drill at least two gross wells per year in 2016, 2017 and 2018 in the Stolberg area in Alberta. In the event Manitok does not meet this commitment, the royalty corporation may either grant an extension to Manitok, drill the wells itself or elect to do nothing.

***Flow-through Share Commitments***

The Corporation is committed to incur exploration expenditures of \$11.3 million on or before December 31, 2016, related to a Manitok CEE Flow-through Share issuance completed in June 2015 and December 2015. As at March 31, 2016, the costs incurred for exploration expenditures were \$0.7 million leaving \$10.6 million to be spent on or before December 31, 2016.

The Corporation is committed to incur exploration expenditures of \$0.2 million on or before December 31, 2017, related to the Manitok CEE Flow-through Share issuance completed in January 2016, as indicated in note 12f. As at March 31, 2016, no costs have been incurred for exploration expenditures, leaving \$0.2 million to be spent on or before December 31, 2017.

The total Flow-through Share commitments of \$10.8 million are anticipated to be met with the PSK LIDCA commitment as there are several exploration opportunities within the undeveloped land acreage in the PSK LIDCA.

***Facility Fee Commitments***

In December 2014 and June 2015, Manitok divested its interest in certain oil and gas infrastructure in the Stolberg, Carseland and Wayne areas for gross cash proceeds of \$20.0 million. The Corporation has entered into an agreement for the exclusive use of the above-noted oil and gas infrastructure, which includes a monthly facility fee that is included in operating expenses. The Corporation is committed to the following annual facility fees associated with the agreements for the exclusive use of oil and gas infrastructure:

<b>Year</b>	<b>(\$000)</b>
2016	2,203
2017	2,937
2018	2,937
2019	2,937
2020	2,937
2021	2,937
2022	2,937
2023	506

***Office Rent Commitment***

Manitok is committed to operating leases relating to office premises expiring on November 30, 2017 and its previous office premises expiring on February 28, 2017. The Corporation has subleased all of its previous office space to arm's length parties for the remainder of the lease term. The Corporation is committed to the following aggregate minimum lease payments including expected operating costs:

<b>Year</b>	<b>(\$000)</b>
2016	1,906
2017	1,476

**18. SUBSEQUENT EVENT**

In May 2016, Manitok closed the first tranche of a private placement equity financing for the issuance of 8,435,945 Manitok Shares at a price of \$0.18 per Manitok Share and 7,994,980 Manitok CEE Flow-through Shares at a price of \$0.21 per Manitok CEE Flow-through Share for gross proceeds of \$3.2 million. The net cash proceeds from the Manitok Shares were used to reduce the Corporation's bank indebtedness and the net cash proceeds from the Manitok CEE Flow-through Shares will be used to incur eligible Canadian exploration expenses.

## OFFICERS

**Massimo M. Geremia**  
President and Chief Executive Officer

**Cameron G. Vouri, P. Eng.**  
Vice President and Chief Operating Officer

**Robert G. Dion, C.A.**  
Vice President, Finance and Chief Financial Officer

**Timothy F. Jerhoff, P. Eng.**  
Vice President, Engineering and Production

**Donald R. Martin, P. Geol**  
Vice President, Exploration - Plains

**Gregory E. Peterson, LL.B.**  
Corporate Secretary

## DIRECTORS

**Bruno P. Geremia, C.A.** <sup>(1)(2)(3)</sup>  
Chairman of the Board  
Calgary, Alberta

**Massimo M. Geremia**  
Calgary, Alberta

**R. Keith Macleod, P. Eng.** <sup>(1)(2)(3)</sup>  
Calgary, Alberta

**Dennis L. Nerland, QC** <sup>(1)(2)(3)</sup>  
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**Gregory E. Peterson, LL.B.** <sup>(1)(3)</sup>  
Calgary, Alberta

**Tom Spoletini** <sup>(1)(2)(3)</sup>  
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**Cameron G. Vouri, P. Eng.** <sup>(2)</sup>  
Calgary, Alberta

## SOLICITOR

**Gowling WLG (Canada) LLP**  
Calgary, Alberta

## AUDITOR

**KPMG LLP**  
Chartered Professional Accountants  
Calgary, Alberta

## INDEPENDENT RESERVE EVALUATOR

**Sproule Associates Limited**  
Calgary, Alberta

## BANKER

**National Bank of Canada**  
Calgary, Alberta

## TRANSFER AGENT

**Computershare Trust Company of Canada**  
Calgary, Alberta

## STOCK EXCHANGE LISTING

**TSX Venture Exchange**  
Symbol: MEI.V

## WEBSITE

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<sup>(2)</sup> Reserve and Occupational Health & Safety Committee Member

<sup>(3)</sup> Compensation Committee Member

