OPERATIONS AND FINANCIAL HIGHLIGHTS

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	**2014**	2013
OPERATING				
Average daily production				
Light oil (bbls/d)	**2,695**	2,016	**2,861**	1,860
Natural gas (mcf/d)	**11,417**	11,692	**12,379**	11,253
NGLs (bbls/d)	**46**	81	**72**	82
Total (boe/d)	**4,644**	4,045	**4,996**	3,817
Average realized sales price				
Light oil ($/bbl)	**103.18**	89.77	**99.89**	89.46
Natural gas ($/mcf)	**4.81**	3.95	**5.72**	3.83
NGLs ($/bbl)	**110.86**	73.92	**102.13**	79.14
Total ($/boe)	**72.80**	57.64	**72.85**	56.59
Undeveloped land (end of period)				
Gross (acres)	**308,088**	258,069	**308,088**	258,069
Net (acres)	**292,605**	206,383	**292,605**	206,383
NETBACK AND COST ($ per boe)				
Petroleum and natural gas sales	**72.80**	57.64	**72.85**	56.59
Realized loss on financial instruments	**(6.19)**	(0.96)	**(5.08)**	(0.11)
Royalty income	**0.01**	0.61	**0.02**	0.53
Royalty expenses	**(23.98)**	(13.21)	**(23.04)**	(14.56)
Operating expenses, net of recoveries	**(7.58)**	(6.42)	**(7.46)**	(7.69)
Transportation and marketing expenses	**(3.66)**	(2.93)	**(3.42)**	(2.86)
Operating netback(1)	**31.40**	34.73	**33.87**	31.90
General and administrative expenses, net of recoveries	**(4.64)**	(3.62)	**(4.04)**	(3.85)
Interest and financing expenses	**(0.26)**	(0.41)	**(0.34)**	(0.36)
Interest and other income	**-**	0.07	**-**	0.09
Funds from operations netback(1)	**26.50**	30.77	**29.49**	27.78
FINANCIAL				
Petroleum and natural gas revenue ($000)	**30,771**	21,441	**65,883**	39,462
Funds from operations ($000)(1)	**11,197**	11,324	**26,658**	19,185
Per share – basic ($)(1)	**0.16**	0.16	**0.37**	0.27
Per share – diluted ($)(1)	**0.16**	0.16	**0.37**	0.27
Net income (loss) ($000)	**(9,044)**	4,831	**(8,713)**	4,696
Per share – basic ($)	**(0.13)**	0.07	**(0.12)**	0.07
Per share – diluted ($)(2)	**(0.13)**	0.07	**(0.12)**	0.06
Common shares outstanding				
End of period – basic	**69,020,407**	70,086,140	**69,020,407**	70,086,140
End of period – diluted	**74,114,181**	76,661,580	**74,114,181**	76,661,580
Weighted average for the period – basic	**70,390,367**	70,219,904	**71,736,477**	70,319,686
Weighted average for the period – diluted	**71,402,527**	72,139,108	**72,870,129**	72,290,765
Capital expenditures, net of divestitures ($000)	**17,669**	6,335	**19,909**	17,630
Working capital deficit ($000)(1)	**17,676**	9,226	**17,676**	9,226
Drawn on credit facilities ($000)	**22,311**	-	**22,311**	-
Total net debt(1) ($000)	**39,987**	9,226	**39,987**	9,226

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, working capital deficit 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.

(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 23, 2014, is available electronically under the Corporation's profile on the System for Electronic Document Analysis and Retrieval (**"SEDAR"**) website at www.sedar.com and on the Corporation's website at www.manitokenergy.com. Manitok's common shares are listed for trading on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**" and are included in Standard and Poor's S&P/TSX-V Select Index.

The following Management's Discussion and Analysis (**"MD&A"**) is dated August 26, 2014. The unaudited condensed interim financial statements in respect of the three and six months ended June 30, 2014 (the **"Reporting Periods"**) as compared to the three and six months ended June 30, 2013 (the **"Comparable Prior Periods"**) and this MD&A 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 Periods and the 2013 Annual Report. 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 second quarter report for the Reporting Periods and the Comparable Prior Periods ("**Q2 Report**") are management's best estimates and are unaudited.*

Non-GAAP Measures

*This MD&A and the Q2 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", "working capital deficit" and "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**") 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 Q2 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 as determined in accordance with GAAP, 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 and changes in non-cash operating working capital. Funds from operations is also derived from net income (loss) plus non-cash items including deferred income tax expense, depletion and depreciation expense, exploration and evaluation 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. Working capital deficit 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 debt as a measure to assess its financial position. Net debt includes current assets less current liabilities excluding the current portion of the fair value of financial instruments and the deferred premium on financial instruments.

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 Q2 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 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 Q2 Report contains forward-looking information relating to the anticipated 2014 average and exit rates of production, the anticipated annual funds from operations in 2014, the anticipated year end capital expenditures, the anticipated year end net debt, the Corporation's planned strategy in terms of hedging, estimates of recoverable reserves; expected production volumes; planned production increases; 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 2014 capital program, readers are cautioned that the Corporation may make adjustments to its 2014 capital program, 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.

The forward-looking statements regarding Manitok's expected 2014 funds from operations and net debt are included herein to provide readers with an understanding of Manitok's anticipated funds from operations and Manitok's ability to fund its expenditures based on the assumptions described herein. Readers are cautioned that this information may not be appropriate for other purposes.

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 reserves, 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 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, intensions 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, 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 Q2 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
MMboe	million 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
Bcf	billion cubic feet
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

Manitok has updated its guidance for projected 2014 results. Previous guidance was provided in the Corporation's press release dated February 27, 2014, a copy of which is available under Manitok's profile on SEDAR at www.sedar.com or on Manitok's website at manitokenergy.com. The table below provides Manitok's revised guidance for 2014 along with a comparison to previous guidance.

	Revised 2014 Guidance	Previous 2014 Guidance	% Variance
Average Daily Production			
Annual (boe/d)	4,750 – 4,950	6,000 – 6,200	(20 – 21%)
% light oil and liquids	57% – 59%	62% – 65%	(8 – 9%)
Exit rate (boe/d)	6,100 – 6,500	7,100 – 7,500	(13 – 14%)
% light oil and liquids	54% – 56%	67% – 70%	(19 – 20%)
Average Benchmark pricing			
Crude oil – WTI ($US)	97.67	92.00	6%
$CAD/$US exchange rate	1.09	1.06	3%
Crude oil – WTI ($CAD)	106.67	97.52	9%
Differential – Realized to WTI ($CAD)	(10.88)	(10.77)	1%
Natural gas – AECO daily spot ($/mmbtu)	4.61	3.30	40%
Funds from operations ($ millions)	48 – 50	69 – 71	(30%)
Capital expenditures, net of divestitures ($ millions)	73.6	93.1	(21%)
Net debt at year end ($ millions)	72 – $74	56 – 58	28 – 29%

Expected average daily production for 2014 has been revised lower due to a number of events including: facility issues delaying the tie-in of 6 gross (2.6 net) Stolberg Cardium oil wells, delays and constraints on 1 gross (0.8 net) Mannville gas well due to pressure differential issues associated with bringing the well on-stream, the delay in an exploration well outside of Stolberg to 2015, and 3 gross (1.5 net) Cardium oil wells, producing approximately 416 net boe/d, were shut-in earlier than originally anticipated in order to properly manage the Stolberg reservoir pressure, to ensure the maximum recovery of its oil in place.

The lower forecasted production volumes, partially offset by increased commodity prices, result in anticipated funds from operations for 2014 being approximately 30% lower than previous guidance.

Expected net capital expenditures for 2014 have been lowered from $93.1 million to $73.6 million. The change includes a reduction of about $6.8 million at Stolberg due to capital efficiencies and timing adjustments, a reduction of about $11.9 million at Quirk Creek, an increase of about $8.2 million at Entice, a reduction of about $6.4 million due to the postponement of a foothills exploration well outside of Stolberg, a disposition of land for $1.0 million, and reduced land, seismic, and other costs of $1.6 million.

Expected net debt has increased from the previous guidance as a result of share repurchases under the normal course issuer bid program and a decrease in anticipated 2014 funds from operations, partially offset by decreased net capital expenditures.

Manitok would like to caution the readers that changes to the drilling and production schedules may be necessary from time to time in order to capture value from new opportunities or gain efficiencies in its operations. Given the relatively low number of drills Manitok will execute in a one year period and the potentially high initial production rates associated with these wells, these changes may initially have a negative short term impact to funds from operations. However that does not materially change the ultimate value created over the life of the well.

Manitok's anticipated capital expenditures and estimated production results are based upon various assumptions as to equipment availability, well production rates, well drainage areas, success rates, timing and costs of future well drilling, the availability of capital, future costs and availability of labour and services.

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 and changes in non-cash operating working capital. Funds from operations as presented is not intended to represent cash flow from operating activities, net income or other measures of financial performance calculated in accordance with GAAP. 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 International Financial Reporting Standards ("**IFRS**") to funds from operations:

	Three months ended June 30		**Six months ended June 30**	
($000, except per share information)	**2014**	2013	**2014**	2013
Cash flow from operating activities	**14,315**	10,187	**32,835**	15,406
Adjustments:				
Decommissioning expenditures	**-**	20	**16**	130
Changes in non-cash operating working capital	**(3,118)**	1,117	**(6,193)**	3,649
Funds from operations	**11,197**	11,324	**26,658**	19,185
per share – basic	**0.16**	0.16	**0.37**	0.27
per share – diluted	**0.16**	0.16	**0.37**	0.27

Funds from operations decreased by 1% to $11.2 million ($0.16 per diluted share) for the second quarter of 2014 as compared to $11.3 million ($0.16 per diluted share) in the Comparable Prior Period. Petroleum and natural gas revenue increased 44% in the Reporting Period as compared to the Comparable Prior Period, but funds from operations was negatively impacted by a significant increase to royalty expenses and the increased realized loss on financial instruments. Other costs including operating, transportation and marketing, and general and administrative expenses also increased due to the increase in average daily production.

Funds from operations increased by 39% to $26.7 million ($0.37 per diluted share) for the first half of 2014 as compared to $19.2 million ($0.27 per diluted share) in the Comparable Prior Period. The increase in funds from operations and funds from operations per share were due to a 67% increase in petroleum and natural gas revenue, partially offset by an increased realized loss on financial instruments and aggregate increases to royalty, operating, transportation and marketing, and general and administrative expenses associated with the increase in average daily production.

Funds from operations decreased by 28% to $11.2 million ($0.16 per diluted share) for the second quarter of 2014 as compared to $15.5 million ($0.21 per diluted share) in the first quarter of 2014. The decrease in funds from operations and funds from operations per share were due primarily to a 12% decrease in petroleum and natural gas revenue. Average daily production volumes decreased by 707 boe/d from the first quarter of 2014; 507 boe/d of the decrease is attributed to the asset disposition in the central Alberta foothills region on February 28, 2014 for total cash consideration of approximately $22.0 million after post-closing adjustments ("**Foothills Asset Divestiture**") and 200 boe/d is attributed to natural production declines in the Stolberg area with limited new well production additions in the quarter.

Net Income (Loss)

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

	Three months ended June 30		Six months ended June 30	
($000, except per share information)	**2014**	2013	**2014**	2013
Net income (loss)	**(9,044)**	4,831	**(8,713)**	4,696
per share – basic	**(0.13)**	0.07	**(0.12)**	0.07
per share – diluted	**(0.13)**	0.07	**(0.12)**	0.06

Manitok had a net loss of $9.0 million and $8.7 million ($0.13 and $0.12 loss per basic share) in the three and six month Reporting Periods as compared to net income of $4.8 million and $4.7 million ($0.07 and $0.07 per basic share) in the Comparable Prior Periods. The net loss is mainly attributable to the $13.6 million exploration and evaluation expense recorded in the second quarter of 2014 coupled with increases in depletion and depreciation and the unrealized and realized loss on financial instruments, partially offset by a deferred tax recovery.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

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

	Three months ended June 30, 2014				Three months ended June 30, 2013			
	Total Revenue ($000)	**Average Daily Production**	**%**	**Average ($/unit)**	Total Revenue ($000)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	**25,302**	**2,695**	**58**	**103.18**	16,470	2,016	50	89.77
Natural gas (mcf)[1]	**4,995**	**11,417**	**41**	**4.81**	4,206	11,692	48	3.95
NGLs (bbls)	**470**	**46**	**1**	**110.86**	542	81	2	73.92
Total P&NG sales (boe)	**30,767**	**4,644**	**100**	**72.80**	21,218	4,045	100	57.64
Royalty revenue	**4**			**0.01**	223			0.61
Total P&NG revenue (boe)	**30,771**	**4,644**	**100**	**72.81**	21,441	4,045	100	58.25

	Six months ended June 30, 2014				Six months ended June 30, 2013			
	Total Revenue ($000)	**Average Daily Production**	**%**	**Average ($/unit)**	Total Revenue ($000)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	**51,719**	**2,861**	**57**	**99.89**	30,111	1,860	49	89.46
Natural gas (mcf)[1]	**12,820**	**12,379**	**41**	**5.72**	7,811	11,253	49	3.83
NGLs (bbls)	**1,329**	**72**	**2**	**102.13**	1,174	82	2	79.14
Total P&NG sales (boe)	**65,868**	**4,996**	**100**	**72.85**	39,096	3,817	100	56.59
Royalty revenue	**15**			**0.02**	366			0.53
Total P&NG revenue (boe)	**65,883**	**4,996**	**100**	**72.87**	39,462	3,817	100	57.12

(1) Includes sulphur revenue, but sulphur production volumes are excluded.

Total P&NG sales for the second quarter of 2014 increased 45% compared to the Comparable Prior Period as a result of a 15% increase in production and a 26% increase in average realized sales prices. For the first half of 2014, total P&NG sales increased 68% compared to the Comparable Prior Period as a result of a 31% increase in production and a 29% increase in average realized sales prices.

Production

Production averaged 4,644 boe/d and 4,996 boe/d in the three and six month Reporting Periods, as compared to 4,045 boe/d and 3,817 boe/d in the Comparable Prior Periods. The increase in average daily production in the Reporting Periods as compared to the Comparable Prior Periods was due to the successful drilling program in the Stolberg area for light oil and associated gas from the Cardium Formation and liquids rich natural gas from the Ostracod Formation, partially offset by the Foothills Asset Divestiture in the first quarter of 2014.

Commodity Prices

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

	Three months ended June 30			Six months ended June 30		
	2014	2013	Variance	**2014**	2013	Variance
Benchmark prices						
Light oil – WTI ($US/bbl)	**102.99**	94.29	9%	**100.84**	94.32	7%
Light oil – WTI ($CAD/bbl)	**112.31**	96.46	16%	**110.60**	95.83	15%
Light oil – Edmonton Par ($/bbl)	**106.72**	92.94	15%	**103.45**	90.77	14%
Natural gas – AECO daily spot ($/mmbtu) (1)	**4.69**	3.54	32%	**5.20**	3.37	54%
Exchange rate – ($CAD/$US)	**1.090**	1.023	7%	**1.097**	1.016	8%
Average realized prices						
Light oil ($/bbl)	**103.18**	89.77	15%	**99.89**	89.46	12%
Natural gas ($/mcf)	**4.81**	3.95	22%	**5.72**	3.83	49%
NGLs ($/bbl)	**110.86**	73.92	50%	**102.13**	79.14	29%
Average realized price ($/boe)	**72.80**	57.64	26%	**72.85**	56.59	29%
Oil price differentials						
Edmonton Par/WTI CAD ($/bbl)	**(5.59)**	(3.52)	59%	**(7.15)**	(5.06)	41%
Realized light oil/Edmonton Par ($/bbl)	**(3.54)**	(3.17)	12%	**(3.56)**	(1.31)	172%

(1) $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 Canadian dollar AECO spot market prices for natural gas, Canadian dollar Edmonton Par crude oil prices, US dollar WTI oil prices, the Canadian/US dollar exchange rate and transportation and product quality differentials.

In the second quarter of 2014, Manitok's average realized commodity price increased 26% to $72.80/boe from $57.64/boe in the Comparable Prior Period, due to increased prices for light oil, natural gas and NGLs. Additionally, crude oil and NGL production increased from 52% of total production in the second quarter of 2013 to 59% of total production in the second quarter of 2014.

Manitok's average realized commodity price increased 29% to $72.85/boe in the first half of 2014 from $56.59/boe in the Comparable Prior Period, due to increased prices for light oil, natural gas and NGLs. Additionally, crude oil and NGL production increased from 51% of total production in the first half of 2013 to 59% of total production in the first half of 2014.

The Corporation's realized average natural gas price includes a negative differential on physical sales contracts of $0.37/mcf and $0.17/mcf for the three and six month Reporting Periods, compared to $NIL in the Comparable Prior Periods. The following table provides a reconciliation of the AECO daily spot price to the Corporation's realized average natural gas price for the Reporting Periods and the Comparable Prior Periods:

	Three months ended June 30			Six months ended June 30		
	2014	2013	Variance	**2014**	2013	Variance
Natural gas – AECO daily spot ($/mmbtu) (1)	**4.69**	3.54	32%	**5.20**	3.37	54%
Heat/quality differential ($/mcf)(2)	**0.49**	0.41	20%	**0.69**	0.46	50%
Physical sales/AECO daily spot differential ($/mcf)	**(0.37)**	-	-	**(0.17)**	-	-
Realized natural gas ($/mcf)	**4.81**	3.95	22%	**5.72**	3.83	49%

(1) $1.00/mmbtu = $1.00/mcf based on a standard heat value mcf.
(2) Includes sulphur revenue

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. See "Financial Instruments."

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 physical delivery sales contracts to manage commodity risk.

Financial Derivatives

As at June 30, 2014, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Remaining Term	Reference	Strike Price	Type of Contract	Fair Value
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$96.00	Swap	(1,313)
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$93.35	Swap	(1,556)
Oil	300 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$94.00	Swap	(898)
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$105.17	Swap	(473)
Oil	1,000 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$95.00	Swap	(3,310)
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$91.00	Swap	(2,372)
Oil	1,000 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI - DIFF	$8.67	Swap	(117)
Natural gas	5,000 GJ/d	July 1, 2014 to December 31, 2014	CAD$ AECO	$3.35	Put option(1)	13
Natural gas	5,000 GJ/d	July 1, 2014 to December 31, 2014	CAD$ AECO	$3.75	Put option(1)	45
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.73	Put option(1)	556
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.85	Put option(1)	663
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.85	Put option(1)	663
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.80	Put option(1)	616
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$96.00	Swaption(2)	(1,681)
Oil	1,000 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$95.00	Swaption(3)	(3,098)
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$91.00	Swaption(4)	(1,801)
Total						**(14,063)**

(1) As at June 30, 2014 Manitok recorded $3.1 million ($1.9 million current and $1.2 million non-current) as a deferred premium on financial instruments liability, which represents the deferred put option premium payable to the counter-party on these contracts at a weighted average of $0.34/GJ.

(2) The counter-party to this contract holds a one-time option no later than December 31, 2014 to extend a swap on 500 barrels per day of oil at CAD$96.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(3) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 1,000 barrels per day of oil at CAD$95.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(4) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 500 barrels per day of oil at CAD$91.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

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

	Three months ended June 30				**Six months ended June 30**			
	2014		2013		**2014**		2013	
	$000	**$/boe**	$000	$/boe	**$000**	**$/boe**	$000	$/boe
Realized (loss) on financial instruments	**(2,618)**	**(6.19)**	(355)	(0.96)	**(4,594)**	**(5.08)**	(77)	(0.11)
Unrealized gain (loss) on financial instruments	**(2,036)**	**(4.82)**	148	0.40	**(8,211)**	**(9.08)**	(2,887)	(4.18)

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation has entered in physical sales contracts to manage commodity risk. These contracts are considered normal executory contracts and are not recorded at fair value in the financial statements. The Corporation has entered into the following physical sales contracts as at June 30, 2014:

Product	Volume	Remaining Term(1)	Strike Price	Type of Contract
Natural gas	6,000 GJ/d	July 1, 2014 to October 31, 2014	$3.77	AECO fixed price

(1) Transactions with common terms have been aggregated and presented as the weighted average price.

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 Periods and the Comparable Prior Periods:

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	($000)	**Effective Royalty Rate[1]**	**Average ($/unit)**	($000)	Effective Royalty Rate[1]	Average ($/unit)
Light oil and NGLs (bbls)	**9,115**	**35.4%**	**36.54**	4,825	28.4%	25.28
Natural Gas (mcf)[2][3]	**1,017**	**20.4%**	**0.98**	38	0.9%	0.04
Total Royalties (boe)	**10,132**	**32.9%**	**23.98**	4,863	22.9%	13.21

	Six months ended June 30, 2014			Six months ended June 30, 2013		
	($000)	**Effective Royalty Rate[1]**	**Average ($/unit)**	($000)	Effective Royalty Rate[1]	Average ($/unit)
Light oil and NGLs (bbls)	**18,629**	**35.1%**	**35.10**	9,614	30.7%	27.36
Natural Gas (mcf)[2][3]	**2,208**	**17.2%**	**0.99**	451	5.8%	0.22
Total Royalties (boe)	**20,837**	**31.6%**	**23.04**	10,065	25.7%	14.56

(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 royalty expenses for sulphur, but sulphur production volumes are excluded.
(3) Includes natural gas cost allowance credits received from the government of Alberta.

Royalties for the three and six months Reporting Periods were $10.1 million and $20.8 million, as compared to $4.9 million and $10.1 million for the Comparable Prior Periods. The increase is due to increased production volumes and effective royalty rates in the Reporting Periods. The increased effective royalty rate for light oil and NGLs is due to an increased percentage of production subject to a maximum royalty rate of 40% in the Reporting Periods compared to the Comparable Prior Periods. The effective royalty rate for natural gas has increased due to increased natural gas sales prices, and the annual adjustment to gas cost allowance credits recorded in the second quarter of 2014 was lower than the annual adjustment recorded in the Comparable Prior Periods.

Operating Expenses

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

	Three months ended June 30, 2014		Three months ended June 30, 2013		Variance	
	$000	**$/boe**	$000	$/boe	$	$/boe
Field operating expenses	**3,593**	**8.50**	2,474	6.72	45%	26%
Recoveries	**(437)**	**(1.03)**	(235)	(0.64)	86%	61%
Field operating expenses, net	**3,156**	**7.47**	2,238	6.08	41%	23%
Expensed workovers and other	**47**	**0.11**	124	0.34	(62%)	(68%)
Total operating expenses	**3,203**	**7.58**	2,362	6.42	36%	18%

	Six months ended June 30, 2014		Six months ended June 30, 2013		Variance	
	$000	**$/boe**	$000	$/boe	$	$/boe
Field operating expenses	**7,493**	**8.29**	5,658	8.19	32%	1%
Recoveries	**(807)**	**(0.89)**	(471)	(0.68)	71%	31%
Field operating expenses, net	**6,686**	**7.40**	5,187	7.51	29%	(1%)
Expensed workovers and other	**56**	**0.06**	124	0.18	(55%)	(67%)
Total operating expenses	**6,742**	**7.46**	5,311	7.69	27%	(3%)

The increase in aggregate operating expenses in the three and six month Reporting Periods as compared to the Comparable Prior Periods was due to the increase in production volumes attributed to the successful Stolberg drilling program.

Total operating expenses per boe increased 18% in the second quarter of 2014 as compared to the Comparable Prior Period. The increase is attributable to increased production volumes through temporary facilities which have higher operating costs than permanent facilities. In the first half of 2014, total operating expenses per boe decreased 3% as compared to the Comparable Prior Period due to cost efficiencies from the increased production volumes.

Transportation and Marketing Expenses

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

	Three months ended June 30			**Six months ended June 30**		
	2014	2013	Variance	**2014**	2013	Variance
Total T&M expenses ($000)	**1,548**	1,076	44%	**3,094**	1,978	56%
Total T&M expenses ($/boe)	**3.66**	2.93	25%	**3.42**	2.86	20%

These costs consist primarily of transportation costs, and the significant increase in aggregate T&M expenses in the Reporting Periods as compared to the Comparable Prior Periods was due to the increase in production volumes.

Total T&M expenses of $3.66/boe and $3.42/boe for the three and six month Reporting Periods increased 25% and 20% from $2.93/boe and $2.86/boe in the Comparable Prior Periods due primarily to a higher percentage of crude oil production relative to natural gas. Crude oil transportation costs are higher on a per boe basis than natural gas transportation costs, and crude oil volumes represented 58% and 57% of total production volumes in the Reporting Periods, as compared to 50% and 49% in the Comparable Prior Periods.

Operating Netback

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

	Three months ended June 30			Six months ended June 30		
($/boe)	**2014**	2013	Variance	**2014**	2013	Variance
Realized P&NG sales price	**72.80**	57.64	26%	**72.85**	56.59	29%
Royalty income	**0.01**	0.61	(98%)	**0.02**	0.53	(96%)
Royalty expenses	**(23.98)**	(13.21)	82%	**(23.04)**	(14.56)	58%
Operating expenses, net of recoveries	**(7.58)**	(6.42)	18%	**(7.46)**	(7.69)	(3%)
Transportation and marketing expenses	**(3.66)**	(2.93)	25%	**(3.42)**	(2.86)	20%
Operating netback before realized loss on financial instruments	**37.59**	35.69	5%	**38.95**	32.01	22%
Realized loss on financial instruments	**(6.19)**	(0.96)	545%	**(5.08)**	(0.11)	-
Operating netback	**31.40**	34.73	(10%)	**33.87**	31.90	6%

Manitok's operating netback was $31.40/boe and $33.87/boe in the three and six month Reporting Periods, which is a 10% decrease and 6% increase from the Comparable Prior Periods. The decrease in the three month operating netback in 2014 from the Comparable Prior Period was due to higher royalty expenses, realized losses on financial instruments, operating and T&M expenses, partially offset by increased realized petroleum and natural gas prices. The increase in operating netback in the first half of 2014 was due to higher realized petroleum and natural gas prices, partially offset by higher realized losses on financial instruments and an increase in royalty and T&M expenses.

Administrative Expenses

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

	Three months ended June 30, 2014		Three months ended June 30, 2013		Variance
	$000	**%**	$000	%	$
Cash:					
Salaries and benefits[1]	**1,819**	**66**	1,080	61	68%
Other[2]	**955**	**34**	677	39	41%
	2,774	**100**	1,757	100	58%
Operating overhead recoveries	**(200)**	**(7)**	(101)	(6)	98%
Capitalized overhead recoveries[3]	**(612)**	**(22)**	(321)	(18)	91%
General and administrative expenses, net	**1,962**	**71**	1,335	76	47%
General and administrative expenses, net per boe	**4.64**		3.62		28%
Non-cash:					
Stock-based compensation	**221**	**100**	734	100	(70%)
Capitalized stock-based compensation[3]	**(76)**	**(34)**	(232)	(32)	(67%)
Stock-based compensation, net	**145**	**66**	502	68	(71%)
Stock-based compensation, net per boe	**0.34**		1.37		(75%)
Total administrative expenses, net	**2,107**	**70**	1,837	74	15%
Total administrative expenses, net per boe	**4.98**		4.99		-

	Six months ended June 30, 2014		Six months ended June 30, 2013		Variance
	$000	**%**	$000	%	$
Cash:					
Salaries and benefits[1]	**3,466**	**65**	2,154	61	61%
Other[2]	**1,890**	**35**	1,394	39	36%
	5,356	**100**	3,548	100	51%
Operating overhead recoveries	**(380)**	**(7)**	(253)	(7)	50%
Capitalized overhead recoveries[3]	**(1,323)**	**(25)**	(634)	(18)	109%
General and administrative expenses, net	**3,653**	**68**	2,661	75	37%
General and administrative expenses, net per boe	**4.04**		3.85		5%
Non-cash:					
Stock-based compensation	**373**	**100**	1,434	100	(74%)
Capitalized stock-based compensation[3]	**(136)**	**(36)**	(488)	(34)	(72%)
Stock-based compensation, net	**237**	**64**	946	66	(75%)
Stock-based compensation, net per boe	**0.26**		1.37		(81%)
Total administrative expenses, net	**3,890**	**68**	3,607	72	8%
Total administrative expenses, net per boe	**4.30**		5.22		(18%)

(1) Includes salaries and benefits paid to all Officers, Directors and employees 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 increased 47% and 37% on an aggregate basis in the three and six month Reporting Periods as compared to the Comparable Prior Periods. On a per boe basis, G&A has increased 28% and 5% in the three and six month Reporting Periods as compared to the Comparable Prior Periods. The increase is due primarily to severance costs and higher salaries and benefits due to an increase in the number of professional staff to accommodate the Corporation’s growth in the Entice area of Alberta.

Stock-based compensation (non-cash)

Stock-based compensation decreased in the three and six month reporting periods to $145,000 and $237,000 as compared to $502,000 and $946,000 in the Comparable Prior Periods. The decrease is related to increased forfeitures of unvested stock options partially offsetting the amount expensed in the periods.

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

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2012	**4,783,833**	**1.46**
Granted	2,171,100	2.99
Exercised	(742,826)	1.23
Forfeited	(604,667)	2.41
Outstanding, December 31, 2013	**5,607,440**	**1.98**
Granted	1,614,000	2.40
Exercised	(1,073,167)	1.47
Forfeited	(1,054,499)	2.61
Outstanding, June 30, 2014	**5,093,774**	**2.09**

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

Depletion and Depreciation Expense

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

	Three months ended June 30			Six months ended June 30		
	2014	2013	Variance	**2014**	2013	Variance
Depletion and depreciation ($000)	**6,493**	4,855	34%	**12,885**	9,069	42%
Depletion and depreciation ($/boe)	**15.36**	13.19	16%	**14.25**	13.13	9%

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 increased on an aggregate basis in the three and six month Reporting Periods due to the increase in production volumes from the Comparable Prior Periods. On a boe basis, D&D expense has increased by 16% and 9% for the three and six month Reporting Periods as compared to the Comparable Prior Periods due to proved plus probable reserves being added during 2014, at a higher cost than the cumulative amounts for prior periods.

Asset Impairment Review

The Corporation's cash-generating units ("**CGUs**") are reviewed at each reporting date for indicators of potential impairment. Such indicators may include, but are not limited to, changes in the Corporation's business plan, deterioration in commodity prices or a significant downward revision of estimated recoverable reserves. If indicators of asset impairment exist, an impairment test is performed by comparing the carrying value of Manitok's CGUs to its recoverable amount.

Manitok performed an impairment indicator 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 Periods. As a result, an impairment test was not required as at June 30, 2014.

Exploration and Evaluation Expense

In the second quarter of 2014, the Corporation recorded an exploration and evaluation expense ("**E&E Expense**") of $13.6 million (June 30, 2013 – $NIL) related to exploration activities in the Quirk Creek area of Alberta. Two wells have been drilled and completed in the area totaling $13.0 million and $0.6 million of land and geological and geophysical costs have been incurred. The first well commenced production in April 2014 at approximately 35 bbls/d of oil, however oil rates declined during the quarter and the well was shut-in in June 2014 as it was uneconomic.

The second well experienced operational issues during the original completion in the first quarter of 2014. A work-over was required, but was delayed to the second quarter of 2014 due to wet weather conditions. In June 2014 a work-over was performed but was unsuccessful. All costs had been recorded to E&E expense as the two wells did not result in economic quantities of proved reserves and the Corporation does not anticipate spending additional capital in the area in the foreseeable future.

Finance Expenses

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

	Three months ended June 30, 2014		Three months ended June 30, 2013		Variance	
	$000	**$/boe**	$000	$/boe	$	$/boe
Cash:						
Interest and fees on credit facilities	**111**	**0.26**	150	0.41	(26%)	(37%)
Non-cash:						
Accretion on decommissioning obligations	**32**	**0.08**	78	0.21	(59%)	(62%)
Total finance expenses	**143**	**0.34**	228	0.62	(37%)	(45%)

	Six months ended June 30, 2014		Six months ended June 30, 2013		Variance	
	$000	**$/boe**	$000	$/boe	$	$/boe
Cash:						
Interest and fees on credit facilities	**308**	**0.34**	245	0.36	26%	(6%)
Non-cash:						
Accretion on decommissioning obligations	**100**	**0.11**	148	0.21	(32%)	(48%)
Total finance expenses	**408**	**0.45**	393	0.57	4%	(21%)

The aggregate cash finance expenses in the three and six month Reporting Periods included increased interest charges from higher average outstanding bank indebtedness as compared to the Comparable Prior Periods offset by credit facility commitment fees incurred only in the Comparable Prior Period.

The Corporation's average outstanding bank indebtedness was approximately $8.1 million and $12.8 million in the three and six month Reporting Periods as compared to $2.4 million and $3.1 million in the Comparable Prior Periods, calculated as the simple average of the daily amounts. The effective interest rate applicable to the credit facilities was 3.5% in the three and six month Reporting Periods as compared to 3.5% and 3.6% in the Comparable Prior Periods.

The aggregate non-cash finance expenses in the three and six month Reporting Periods decreased 59% and 32% from the Comparable Prior Periods due mainly to the Foothills Asset Divestiture.

(Gain) Loss on Divestiture of Assets

In the second quarter of 2014, the Corporation divested of minor non-producing properties for total cash consideration of $0.9 million. The Corporation recorded a net gain of $0.4 million ($0.3 million, net of tax) on the divestiture during the three and six months ended June 30, 2014.

In the first half of 2014, Manitok completed the Foothills Asset Divestiture for total cash consideration of approximately $22.0 million after post-closing adjustments. Manitok recorded a loss of approximately $1.2 million ($0.9 million, net of tax), as a result of the disposition.

Income Taxes

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

	Three months ended June 30			Six months ended June 30		
	2014	2013	Variance	**2014**	2013	Variance
Deferred income tax expense (recovery) ($000)	**(1,852)**	1,928	(196%)	**(498)**	2,161	(123%)
Deferred income tax expense (recovery) ($/boe)	**(4.38)**	5.24	(184%)	**(0.55)**	3.13	(118%)

The decrease in deferred income tax expense to a $1.9 million and $0.5 million recovery for the three and six month Reporting Periods from the Comparable Prior Periods was due to the net loss before taxes, partially offset by exploration expenditures utilized in the flow through share renunciation.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital Expenditures

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

	Three months ended June 30		Six months ended June 30	
($000)	**2014**	2013	**2014**	2013
Land	**(55)**	440	**125**	1,826
Seismic	**336**	78	**1,065**	240
Workovers and recompletions	**804**	430	**1,038**	505
Drilling and completions	**14,826**	6,545	**34,665**	12,443
Well equipment and facilities	**2,008**	1,796	**4,456**	5,130
Capitalized overhead(1)	**612**	321	**1,323**	634
Total finding and development costs (F&D)	**18,531**	9,610	**42,672**	20,778
Divestitures(2)	**(1,006)**	(3,378)	**(22,938)**	(3,445)
Total finding, development and acquisition costs (FD&A)	**17,525**	6,232	**19,734**	17,333
Administrative and other assets	**144**	103	**175**	297
Total capital expenditures(3)	**17,669**	6,335	**19,909**	17,630

(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 Foothills Asset Divestiture and the divestiture of minor non-producing proper in the second quarter of 2014.
(3) Excludes non-cash items such as capitalized stock-based compensation and decommissioning obligations.

In the second quarter of 2014, the Corporation drilled a total of 6 gross (4.1 net) wells. Of these 6 wells, 4 (2.1 net) were drilled in the Stolberg area of Alberta and 2 (2.0 net) were drilled in the Entice area of Alberta. The equipping and facility capital spent relates to well equipping, tie-in costs and facility costs in the Stolberg area.

In the first half of 2014, Manitok has drilled a total of 15 gross (10.9 net) wells. Of these 15 wells, 9 (4.9 net) were drilled in the Stolberg area of Alberta and 6 (6.0 net) were drilled in the Entice area of Alberta.

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

	Three months ended June 30		Six months ended June 30	
($000)	**2014**	2013	**2014**	2013
Exploration and evaluation	**6,805**	3,108	**16,538**	4,592
Petroleum and natural gas properties and equipment, net	**10,864**	3,227	**3,371**	13,038
Total capital expenditures(1)	**17,669**	6,335	**19,909**	17,630

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

The Corporation incurred $6.8 million of exploration and evaluation additions in the second quarter of 2014. Approximately $5.3 million related to drilling and completion costs in the Entice area, $0.9 million related to work-over costs in the Quirk Creek area and $0.6 million related to other costs.

Capital Resources and Liquidity

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

($000)	Three months ended June 30 2014	2013	Six months ended June 30 2014	2013
Funds from operations	**11,197**	11,324	**26,658**	19,185
Changes in non-cash operating working capital	**3,118**	(1,117)	**6,193**	(3,649)
Decommissioning expenditures	**-**	(20)	**(16)**	(130)
Increase (decrease) in credit facilities	**15,626**	(7,130)	**6,074**	(3,101)
Proceeds from the exercise of stock options	**871**	14	**1,580**	35
Repurchase of common shares	**(7,754)**	(725)	**(15,786)**	(725)
Changes in non-cash investing working capital	**(5,389)**	5,379	**(4,794)**	8,429
Total capital resources	**17,669**	7,725	**19,909**	20,044
Exploration and evaluation asset expenditures	**(6,805)**	(3,108)	**(16,538)**	(4,592)
Petroleum and natural gas properties and equipment expenditures	**(11,870)**	(6,605)	**(26,309)**	(16,483)
Property divestitures (acquisitions)	**1,006**	3,378	**22,938**	3,445
Net increase (decrease) in cash	**-**	1,390	**-**	2,414

Working Capital

The Corporation's working capital deficit (current assets less current liabilities), which excludes 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 increased to $17.7 million at June 30, 2014 as compared to $16.3 million at December 31, 2013. The working capital deficit at June 30, 2014 is largely comprised of costs incurred on the Corporation's drilling program in the Stolberg and Entice areas and will be financed with funds from operations and the Corporation's credit facilities.

At June 30, 2014, the major component of Manitok's current assets was revenue (42%) to be received from its marketers in respect of June 2014 production that was subsequently received in July 2014 and accounts receivable from joint interest partners (50%) related to joint capital and operating activities in which Manitok is the operator. Current liabilities excluding the amount drawn on the credit facilities, the fair value of financial instruments and the deferred premium on financial instruments largely consisted of trade payables (51%) and accrued liabilities (15%) related to the Corporation's capital expenditure program. Manitok routinely assesses the financial strength of its marketers and joint venture partners. At this time, Manitok expects that such counterparties will be able to meet their financial obligations.

The Corporation manages its working capital using its funds from operations, funds from equity issuances, advances under its credit facilities, and asset divestitures. If applicable, Manitok will invest any excess cash in a short-term interest bearing account with its lender. The Corporation did not identify any liquidity issues with respect to the operation of its petroleum and natural gas business during the year.

Bank Indebtedness

The amount outstanding on the Corporation's credit facilities was $22.3 million as at June 30, 2014, with an aggregate limit of $105.0 million as compared to $16.2 million as at December 31, 2013, with an aggregate limit of $105.0 million.

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

As at, ($000)	**June 30, 2014**	December 31, 2013
Maximum borrowing base limit(1)(2)		
Revolving operating demand loan facility	**85,000**	85,000
Acquisition and development demand loan facility(3)	**20,000**	20,000
	105,000	105,000
Principle amount utilized		
Drawn revolving operating demand loan facility	**(22,311)**	(16,237)
Drawn acquisition and development demand loan facility	**-**	-
	(22,311)	(16,237)
Undrawn credit facilities	**82,689**	88,763

(1) 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 Manitok's petroleum and natural gas reserves. The credit facilities are currently under review with no anticipated changes in the total borrowing base.

(2) 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 revolving operating demand loan 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 1:1. Manitok was in compliance with the financial covenant as at June 30, 2014 and December 31, 2013.

(3) The acquisition and development demand loan facility is restricted and subject to approval when utilized by the Corporation's lender, to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

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 June 30, 2014:

	2014	**2015**	**2016 - 2018**	**Thereafter**
Accounts payable and accrued liabilities	35,989	-	-	-
Drawn on credit facilities	22,311	-	-	-
Deferred premium on financial instruments(1)	644	2,500	-	-
Minimum drilling and completion expenditures(2)	11,953	33,000	51,000	-
Firm transportation agreement(3)	157	315	393	
Office leases(4)	560	2,454	3,915	-
Total estimated contractual obligations(5)	**71,614**	**38,269**	**55,308**	**-**

(1) Manitok is committed to pay a deferred premium on financial instruments liability, which represents the deferred put option premium payable to the counter-party of the contracts at a weighted average of $0.34/GJ.

(2) Pursuant to a lease issuance and drilling commitment agreement with Encana Corporation ("**Encana Agreement**"), Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures over a three year term.

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

(4) Manitok is committed to operating leases relating to new office premises commencing on November 1, 2014 and expiring on November 30, 2017 and its current office premises which expires on February 28, 2017. In anticipation of relocating to new office space in the fourth quarter of 2014, the Corporation has subleased one of the two floors of its current premises effective from November 1, 2014 for the remainder of the lease term and is currently attempting to sublease the remaining floor. The recovery of rental costs from the sublease is not included in the table.

(5) 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 undiscounted cash flow to settle its decommissioning obligations at June 30, 2014 to be approximately $9.9 million and will be incurred as follows: 2015 - $0.4 million, 2016 to 2018 - $NIL and $9.5 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 obligation 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 Periods and Comparable Prior Periods.

OUTSTANDING SHARE DATA

At June 30, 2014, the common shares of Manitok ("**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:

	Manitok Shares
Outstanding, December 31, 2012	**70,339,014**
Issue of Manitok Shares on November 8, 2013(1)	7,041,900
Issue of Manitok Shares upon exercise of options	742,826
Repurchase of Manitok Shares(2)	(3,631,400)
Outstanding, December 31, 2013	**74,492,340**
Issue of Manitok Shares upon exercise of options	1,073,167
Repurchase of Manitok Shares(2)	(6,545,100)
Outstanding, June 30, 2014	**69,020,407**

(1) On November 8, 2013, Manitok completed a bought deal equity issuance pursuant to a short form prospectus offering whereby Manitok issued an aggregate of 1,403,000 Manitok Shares on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian development expense ("**Manitok CDE Flow-through Shares**") at a price of $3.35 per Manitok CDE Flow-through Share and 5,638,900 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 $3.60 per Manitok CEE Flow-through Share for net proceeds of approximately $23.5 million. Proceeds of the equity issuance were used to temporarily reduce the outstanding bank indebtedness from the Corporation's capital expenditure program, which has been redrawn and applied to fund a portion of the 2014 capital expenditure program.

(2) On June 15, 2012, the TSX-V authorized the Corporation's notice to make a normal course issuer bid (**"2012 NCIB"**) to purchase for cancellation up to 4.4 million Manitok Shares on the open market during the period from June 18, 2012 to June 17, 2013. On January 28, 2013 the Corporation received approval from the TSX-V to increase the number of Manitok Shares that may be purchased under the 2012 NCIB to 5.8 million. For the year ended December 31, 2013, the Corporation purchased a total of 282,700 Manitok Shares for cancellation at a weighted average price of $2.54 per Manitok Share pursuant to the 2012 NCIB program. On June 18, 2013, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**2013 NCIB**") to purchase for cancellation up to 6.5 million Manitok Shares on the open market during the period from June 18, 2013 to June 17, 2014. For the year ended December 31, 2013, the Corporation purchased a total of 3,348,700 Manitok Shares for cancellation at a weighted average price of $2.44 per Manitok Share pursuant to the 2013 NCIB program. For the six months ended June 30, 2014, the Corporation purchased a total of 2,865,900 Manitok Shares for cancellation at a weighted average price of $2.39 per Manitok Share pursuant to the 2013 NCIB program. On March 11, 2014, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**2014 NCIB**") to purchase for cancellation up to 6.8 million Manitok Shares on the open market during the period from March 17, 2014 to March 16, 2015. For the six months ended June 30, 2014, the Corporation purchased a total of 3,679,200 Manitok Shares for cancellation at a weighted average price of $2.41 per Manitok share pursuant to the 2014 NCIB program.

At August 26, 2014, there were 68,207,840 Manitok Shares outstanding and 4,614,607 stock options to purchase an equivalent number of Manitok Shares. The reduction in Manitok Shares as compared to June 30, 2014 relates to the activity in the 2014 NCIB program.

SUMMARY OF QUARTERLY INFORMATION

	2014		2013				2012	
Quarters Ended	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
OPERATING								
Average daily production								
Light oil (bbls/d)	**2,695**	3,028	2,755	1,781	2,016	1,701	1,618	1,171
Natural gas (mcf/d)	**11,417**	13,352	12,868	11,735	11,692	10,810	8,344	7,706
NGLs (bbls/d)	**46**	98	89	82	81	83	69	70
Total (boe/d)	**4,644**	5,351	4,989	3,819	4,045	3,586	3,078	2,525
Average realized sales price (CAD$)								
Light oil ($/bbl)	**103.18**	96.92	82.30	101.86	89.77	89.09	82.53	82.88
Natural gas ($/mcf)	**4.81**	6.51	4.03	2.73	3.95	3.70	3.64	2.52
NGLs ($/bbl)	**110.86**	97.92	76.48	77.70	73.92	84.25	77.71	72.46
Total ($/boe)	**72.80**	72.88	57.21	57.55	57.64	55.39	54.99	48.14
OPERATING NETBACK ($ per boe)(1)								
Petroleum and natural gas sales	**72.80**	72.88	57.21	57.55	57.64	55.39	54.99	48.14
Realized gain (loss) on financial instruments	**(6.19)**	(4.10)	(0.48)	(4.59)	(0.96)	0.86	3.37	2.07
Royalty income	**0.01**	0.02	0.01	0.03	0.61	0.44	0.43	0.38
Royalty expenses	**(23.98)**	(22.23)	(10.18)	(16.55)	(13.21)	(16.12)	(11.22)	(6.60)
Operating expenses, net	**(7.58)**	(7.35)	(8.83)	(5.90)	(6.42)	(9.14)	(10.48)	(7.26)
Transportation and marketing expenses	**(3.66)**	(3.21)	(3.10)	(2.56)	(2.93)	(2.79)	(3.17)	(2.62)
Operating netback(1)	**31.40**	36.01	34.63	27.98	34.73	28.64	33.92	34.11
FINANCIAL								
Petroleum and natural gas revenue ($000)	**30,771**	35,112	26,260	20,228	21,441	18,021	15,696	11,272
Royalty (expenses) recovery ($000)	**(10,132)**	(10,705)	(4,670)	(5,814)	(4,863)	(5,202)	(3,177)	(1,534)
Realized gain (loss) on financial instruments ($000)	**(2,618)**	(1,976)	(220)	(1,614)	(355)	278	955	480
Unrealized gain (loss) on financial instruments ($000)	**(2,036)**	(6,175)	(3,591)	(2,063)	148	(3,035)	19	(1,340)
Interest and other revenue ($000)	**-**	3	13	34	24	36	29	-
Total revenue, net ($000)	**15,985**	16,259	17,792	10,771	16,395	10,098	13,522	8,878
Funds from operations ($000)(1)	**11,197**	15,461	14,117	8,252	11,324	7,861	7,651	6,977
Per share - basic ($)(1)	**0.16**	0.21	0.19	0.12	0.16	0.11	0.11	0.11
Per share - diluted ($)(1)	**0.16**	0.21	0.19	0.12	0.16	0.11	0.11	0.11
Net income (loss) ($000)	**(9,044)**	331	(1,417)	336	4,831	(135)	(2,157)	1,460
Per share - basic ($)	**(0.13)**	-	(0.02)	-	0.07	-	(0.03)	0.02
Per share - diluted ($)(2)	**(0.13)**	-	(0.02)	-	0.07	-	(0.03)	0.02
Capital expenditures, net ($000)	**17,669**	2,240	44,236	17,499	6,335	11,295	13,422	16,230
Book value of total assets ($000)	**178,300**	185,390	192,580	150,129	139,671	135,648	126,322	120,553
Working capital deficit ($000)(1)	**17,676**	19,947	16,277	16,855	9,226	6,354	6,861	10,668
Drawn on credit facilities ($000)	**22,311**	6,685	16,237	4,565	-	7,130	3,101	9,638
Total net debt ($000)(1)	**39,987**	26,632	32,514	21,420	9,226	13,484	9,962	20,306
Shareholders' equity ($000)	**86,550**	102,256	109,096	94,076	95,877	91,024	90,437	77,027
Common shares outstanding								
End of period - basic	**69,020,407**	71,615,406	74,492,340	68,999,040	70,086,140	70,357,180	70,339,014	61,726,031
End of period - diluted	**74,114,181**	77,689,147	80,099,780	75,704,480	76,661,580	76,759,280	75,122,847	66,541,531
Weighted average for the period - basic	**70,390,367**	73,097,543	72,638,096	69,401,001	70,219,904	70,348,151	68,908,419	61,726,357
Weighted average for the period - diluted	**71,402,527**	74,334,096	74,371,392	71,431,314	72,139,108	72,758,478	70,986,540	62,735,423

(1) Funds from operations, funds from operations per share, operating netback, working capital deficit and net debt do not have standardized meanings prescribed by GAAP 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.

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 fourth quarter of 2012, the Corporation completed an equity financing issuing 3.0 million Manitok Shares, 1.4 million Manitok CDE Flow-Through Shares and 4.0 million Manitok CEE Flow-Through Shares for net proceeds of approximately $16.5 million, which resulted in the significant increase to total assets and shareholders' equity.
- In the fourth quarter of 2012, Manitok recorded a net loss of $2.2 million, which was primarily a result of an impairment expense of $4.4 million and an exploration and evaluation expense of $1.0 million.
- In the first quarter of 2013, the Corporation recorded a net loss of $0.1 million, which was primarily a result of an unrealized loss on financial instruments of $3.0 million.
- Royalty expenses increased 64% in the first quarter of 2013 compared to the fourth quarter of 2012 as a result of four light oil wells drilled in 2012 that each exceeded the royalty incentive production volume maximum of 50,000 bbls of oil in approximately four to five months of production and were subject to a maximum royalty rate of 40% for the entire first quarter of 2013 as compared to a 5% new well royalty rate before the production volume threshold of 50,000 bbls of oil was exceeded.
- P&NG revenue was $2.3 million higher in the first quarter of 2013 compared to the fourth quarter of 2012; however, net total revenue was $3.4 million lower as a result of the significant increase in royalty expenses and an unrealized loss on financial instruments.
- In the second quarter of 2013, Manitok recorded net income of $4.8 million, which was primarily the result of increased revenue and a $0.7 million gain with respect to the divestiture of royalty interest properties.
- In the second quarter of 2013, the Corporation decreased net debt by $4.3 million from the first quarter of 2013 from increased funds from operations, reduced capital spending and proceeds from a divestiture of royalty interest properties.
- In the third quarter of 2013, net income decreased to $0.3 million from $4.8 million in the second quarter of 2013 due to a $1.2 million decrease in natural gas revenue, a $1.0 million increase in royalty expenses, a $1.3 million increase in the realized loss on financial instruments and a $2.2 million increase in the unrealized loss on financial instruments offset by the $1.3 million decrease in deferred income tax expense.
- Total net debt increased by $12.2 million in the third quarter of 2013 to $21.4 million as at September 30, 2013 due primarily to the $11.2 million increase in capital expenditures compared to the second quarter of 2013.
- The Corporation repurchased 1,087,100 Manitok shares in the third quarter of 2013 at an average price of $2.65 per share, pursuant to its 2013 NCIB.
- In the fourth quarter of 2013, Manitok increased average production to 4,989 boe/d compared to 3,819 boe/d in the third quarter of 2013 from bringing on new wells that were drilled in the second half of 2013. The higher production levels increased total revenue and funds from operations.
- In the fourth quarter of 2013, Manitok recorded a net loss of $1.4 million, which was primarily the result of an impairment expense of $1.5 million and an exploration and evaluation expense of $3.4 million.
- The Corporation completed an equity financing in the fourth quarter of 2013, issuing 1.4 million Manitok CDE Flow-Through Shares and 5.6 million Manitok CEE Flow-Through Shares for net proceeds of approximately $23.5 million, which contributed to the significant increase in total assets and shareholders' equity.
- In the fourth quarter of 2013, Manitok closed the Encana Agreement for approximately $19.7 million and incurred additional seismic processing costs of about $0.4 million in the Entice area for total capital expenditures of $20.1 million.
- The Corporation repurchased 2,261,600 Manitok shares in the fourth quarter of 2013 at an average price of $2.34 per share, pursuant to its 2013 NCIB.
- Total net debt increased by $11.1 million in the fourth quarter of 2013 to $32.5 million as at December 31, 2013 due primarily to the $44.2 million of capital expenditures, which was partially offset by the equity financing and funds from operations in the quarter.
- In the first quarter of 2014, the Corporation completed the Foothills Asset Divestiture, which resulted in a reduction of production volumes, lower net capital expenditures in the quarter and a loss on the asset divestiture of $1.0 million.

- In the first quarter of 2014, petroleum and natural gas revenue increased 34% from the fourth quarter of 2013 as a result of increased production volumes and higher commodity prices.
- Royalty expenses increased 129% in the first quarter of 2014 compared to the fourth quarter of 2013 as a result of higher commodity prices and three light oil wells drilled in 2013 that each exceeded the royalty incentive production volume maximum of 50,000 bbls of oil in approximately three to four months of production and were subject to a maximum royalty rate of 40% for the majority of the first quarter of 2014 as compared to a 5% new well royalty rate before the production volume threshold of 50,000 bbls of oil was exceeded.
- The Corporation repurchased 3,350,300 Manitok shares in the first quarter of 2014 at an average price of $2.39 per share, pursuant to its 2013 NCIB and 2014 NCIB.
- Total net debt decreased by $5.9 million to $26.6 million as at March 31, 2014 from December 31, 2013 due primarily to proceeds from the Foothills Asset Divestiture and funds from operations, which was partially offset by the share repurchases and capital expenditures in the first quarter of 2014.
- In the second quarter of 2014, average production volumes decreased to 4,644 boe/d compared to 5,351 boe/d in the first quarter of 2014 mainly attributed to the Foothills Asset Divesture that closed on February 28, 2014.
- P&NG revenue decreased by $4.3 million in the second quarter of 2014 from the first quarter of 2014 as a result of the decreased production volumes.
- Funds from operations decreased by $4.3 million in the second quarter of 2014 from the first quarter of 2014 mainly attributable to lower revenue and an increase to the realized loss on financial instruments.
- In the second quarter of 2014, Manitok recorded a net loss of $9.0 million, which was primarily the result of an E&E Expense of $13.6 million.
- The Corporation repurchased 3,194,800 Manitok shares in the second quarter of 2014 at an average price of $2.41 per share, pursuant to its 2014 NCIB.

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.

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.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying the Corporation's IFRS accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

(i) Identification of CGUs

Manitok's assets are aggregated into CGUs for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. CGUs have been determined based on similar geological structure, shared infrastructure, geographical proximity, operating structure, commodity type and similar exposures to market risks. By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Corporation's assets in future periods.

(ii) Identification of impairment indicators

IFRS requires Manitok to assess, at each reporting date, whether there are any indicators that its assets may be impaired. Manitok is required to consider information from both external sources (such as a negative downturn in commodity prices and significant adverse changes in the technological, market, economic or legal environment in which the entity operates) and internal sources (such as downward revisions in reserves, significant adverse effect on the financial and operational performance of a CGU and evidence of obsolescence or physical damage to the asset). By their nature, these assumptions are subject to management's judgment and may impact the carrying value of the Corporation's assets in future periods.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the sources of estimation uncertainty at the end of the Reporting Period that have a significant risk of causing adjustments to the carrying amounts of assets and liabilities within the next financial year.

(i) Reserves

Reported recoverable quantities of proved and probable reserves requires estimation regarding production profile, commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economical, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Corporation's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Manitok's petroleum and natural gas interests are evaluated by independent reserve engineers at least annually.

The Corporation's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be economically recoverable in future years from known reservoirs and which are considered commercially producible. Such reserves may be considered commercially producible if management has the intention of developing and producing them and such intention is based upon (i) a reasonable assessment of the future economics of such production; (ii) a reasonable expectation that there is a market for all or substantially all the expected petroleum and natural gas production; and (iii) evidence that the necessary production, transmission and transportation facilities are available or can be made available. Reserves may only be considered proved and probable if producibility is supported by either production or conclusive formation tests. Manitok's oil and gas reserves are determined in accordance with the standards contained in National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* and the *Canadian Oil and Gas Evaluation Handbook*.

(ii) Share-based payments

All equity-settled, share-based awards issued by the Corporation are fair valued using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, weighted average expected life of the instrument, expected dividend yield, risk-free interest rate and estimated forfeiture rate at the initial grant date.

(iii) Decommissioning obligations

The Corporation estimates future remediation costs of production facilities, well sites, gathering systems and facilities at different stages of development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires an estimate regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iv) Impairment of non-financial assets

For the purposes of determining the extent of any impairment or its reversal, estimates must be made regarding future cash flows taking into account key assumptions including future petroleum and natural gas prices, expected forecasted production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amount of the Corporation's assets, and impairment charges and reversals will affect income or loss.

(v) Taxes

Manitok files corporate income tax, goods and service tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of any differing tax positions through negotiations or litigation with tax authorities can take several years to complete. The Corporation does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. Estimates of future taxable income are based on forecasted cash flows from operations. To the extent that any interpretation of tax law is challenged by the tax authorities or future cash flows and taxable income differ significantly from estimates, the ability of Manitok to realize the deferred tax assets recorded at the balance sheet date could be impacted.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2014, the Corporation adopted the following new standards:

(i) Levies

IFRS Interpretations Committee ("**IFRIC**") 21 *Levies* is effective January 1, 2014, and addresses payments made to government bodies. There was no impact to the Corporation's financial statements as a result of adopting this new standard.

(ii) Financial Instruments: Presentation

IAS 32 *Financial Instruments: Presentation* is effective January 1, 2014, and has been amended to clarify certain requirements for offsetting financial assets and liabilities. There was no impact to the Corporation's financial statements as a result of adopting this new standard.

Future Changes in Accounting Standards and Interpretations

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition. IFRS 9 addresses the classification and measurement of financial instruments, sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The new standard simplifies the measurement of financial assets by classifying all financial assets as those being recorded at amortized cost or being recorded at fair value. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized. The Corporation has not fully completed its evaluation of the effect of adopting the standard on its financial statements.

RISK FACTORS & RISK MANAGEMENT

Manitok monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations 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.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited *(expressed in thousands of Canadian dollars)*

As at	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Accounts receivable	**17,714**	18,579
Deposits and prepaid expenses	**599**	457
	18,313	19,036
Non-current assets:		
Exploration and evaluation (note 5)	**49,682**	54,106
Petroleum and natural gas properties and equipment (note 6)	**110,305**	119,438
	159,987	173,544
Total assets	**178,300**	192,580
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**35,989**	35,313
Credit facilities (note 7)	**22,311**	16,237
Deferred premium on financial instruments (note 13)	**1,884**	1,278
Fair value of financial instruments (note 13)	**8,244**	3,842
	68,428	56,670
Non-current liabilities:		
Deferred premium on financial instruments (note 13)	**1,260**	-
Fair value of financial instruments (note 13)	**5,819**	3,876
Flow-through share premium	**-**	2,102
Decommissioning obligations (note 8)	**5,028**	11,225
Deferred income taxes	**11,215**	9,611
	23,322	26,814
Total liabilities	**91,750**	83,484
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**111,613**	119,586
Contributed surplus	**4,811**	5,451
Deficit	**(29,874)**	(15,941)
	86,550	109,096
Commitments (note 14)		
Total shareholders' equity and liabilities	**178,300**	192,580

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

CONDENSED INTERIM STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
REVENUE				
Petroleum and natural gas	**30,771**	21,441	**65,883**	39,462
Royalty expenses	**(10,132)**	(4,863)	**(20,837)**	(10,065)
Net revenue from petroleum and natural gas sales	**20,639**	16,578	**45,046**	29,397
Realized loss on financial instruments	**(2,618)**	(355)	**(4,594)**	(77)
Unrealized gain (loss) on financial instruments	**(2,036)**	148	**(8,211)**	(2,887)
Interest and other	**-**	24	**3**	60
	15,985	16,395	**32,244**	26,493
EXPENSES				
Operating, net of recoveries	**3,203**	2,362	**6,742**	5,311
Transportation and marketing	**1,548**	1,076	**3,094**	1,978
Administrative, net of recoveries	**2,107**	1,837	**3,890**	3,607
Depletion and depreciation (note 6)	**6,493**	4,855	**12,885**	9,069
Finance	**143**	228	**408**	393
Exploration and evaluation (note 5)	**13,634**	-	**13,634**	-
(Gain) loss on asset divestitures	**(247)**	(722)	**802**	(722)
	26,881	9,636	**41,455**	19,636
INCOME (LOSS) BEFORE INCOME TAXES	**(10,896)**	6,759	**(9,211)**	6,857
Deferred income tax expense (recovery)	**(1,852)**	1,928	**(498)**	2,161
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(9,044)**	4,831	**(8,713)**	4,696
Net income (loss) per common share (note 11)				
basic	**(0.13)**	0.07	**(0.12)**	0.07
diluted	**(0.13)**	0.07	**(0.12)**	0.06

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited *(expressed in thousands of Canadian dollars, except for share information)*

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
As at December 31, 2012	70,339,014	102,668	3,753	(15,984)	90,437
Net income and comprehensive income	-	-	-	4,696	4,696
Issued on exercise of stock options	29,826	59	(24)	-	35
Normal course issuer bid	(282,700)	(418)	(44)	(263)	(725)
Stock-based compensation expensed	-	-	946	-	946
Stock-based compensation capitalized	-	-	488	-	488
As at June 30, 2013	70,086,140	102,309	5,119	(11,551)	95,877
As at December 31, 2013	74,492,340	119,586	5,451	(15,941)	109,096
Net loss and comprehensive loss	-	-	-	(8,713)	(8,713)
Issued on exercise of stock options (note 10)	1,073,167	2,593	(1,013)	-	1,580
Normal course issuer bid (note 9f)	(6,545,100)	(10,566)	-	(5,220)	(15,786)
Stock-based compensation expensed	-	-	237	-	237
Stock-based compensation capitalized	-	-	136	-	136
As at June 30, 2014	**69,020,407**	**111,613**	**4,811**	**(29,874)**	**86,550**

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

Unaudited *(expressed in thousands of Canadian dollars)*

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Cash provided by (used in):				
OPERATING ACTIVITIES:				
Net income (loss) and comprehensive income (loss)	**(9,044)**	4,831	**(8,713)**	4,696
Adjustments for items not affecting operating cash:				
Deferred income tax	**(1,852)**	1,928	**(498)**	2,161
Depletion and depreciation	**6,493**	4,855	**12,885**	9,069
Exploration and evaluation	**13,634**	-	**13,634**	-
Stock-based compensation	**145**	502	**237**	946
Finance	**143**	228	**408**	393
Unrealized (gain) loss on financial instruments	**2,036**	(148)	**8,211**	2,887
(Gain) loss on asset divestitures	**(247)**	(722)	**802**	(722)
Interest paid	**(111)**	(150)	**(308)**	(245)
Decommissioning expenditures (note 8)	-	(20)	**(16)**	(130)
Changes in non-cash operating working capital	**3,118**	(1,117)	**6,193**	(3,649)
	14,315	10,187	**32,835**	15,406
FINANCING ACTIVITIES:				
Increase (decrease) in credit facilities	**15,626**	(7,130)	**6,074**	(3,101)
Proceeds from the exercise of stock options	**871**	14	**1,580**	35
Repurchase of common shares	**(7,754)**	(725)	**(15,786)**	(725)
	8,743	(7,841)	**(8,132)**	(3,791)
INVESTING ACTIVITIES:				
Exploration and evaluation asset expenditures	**(6,805)**	(3,108)	**(16,538)**	(4,592)
Petroleum and natural gas properties and equipment expenditures	**(11,870)**	(6,605)	**(26,309)**	(16,483)
Net divestitures of petroleum and natural gas properties and equipment	**1,006**	3,378	**22,938**	3,445
Changes in non-cash investing working capital	**(5,389)**	5,379	**(4,794)**	8,429
	(23,058)	(956)	**(24,703)**	(9,201)
NET INCREASE IN CASH	-	1,390	-	2,414
CASH, BEGINNING OF PERIOD	-	1,169	-	145
CASH, END OF PERIOD	-	2,559	-	2,559
Cash interest paid	**111**	150	**308**	245

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 in Western Canada. 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 and the Corporation's registered office is located at Suite 1600, 421 – 7th Avenue S.W., Calgary, Alberta, Canada T2P 4K9. Manitok common shares are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**".

These unaudited condensed interim financial statements ("**Financial Statements**") were approved and authorized for issuance by the Board of Directors on August 26, 2014.

2. BASIS OF PREPARATION

The Financial Statements present Manitok's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three and six months ended June 30, 2014, including the 2013 comparative periods. 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**").

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, 2013, except as detailed in note 3. 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, 2013.

The Financial Statements have been prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The 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

(i) Levies

IFRS Interpretations Committee ("**IFRIC**") 21 *Levies* is effective January 1, 2014, and addresses payments made to government bodies. There was no impact to the Corporation's Financial Statements as a result of adopting this new standard.

(ii) Financial Instruments: Presentation

IAS 32 *Financial Instruments: Presentation* is effective January 1, 2014, and has been amended to clarify certain requirements for offsetting financial assets and liabilities. There was no impact to the Corporation's Financial Statements as a result of adopting this new standard.

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.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

The Corporation's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of 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.

The fair value measurement of derivative financial instruments has a fair value hierarchy of level 2.

5. EXPLORATION AND EVALUATION ASSETS

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

	Total
As at December 31, 2012	20,311
Additions(1)	37,145
Exploration and evaluation expense	(3,350)
As at December 31, 2013	54,106
Additions(1)	17,249
Dispositions(2)	(8,039)
Exploration and evaluation expense	(13,634)
As at June 30, 2014	**49,682**

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

(2) On February 28, 2014, the Corporation divested of oil and gas properties for total cash consideration of approximately $22.0 million after post-closing adjustments. The Corporation recorded a loss of $1.2 million on the divestiture during the six months ended June 30, 2014. In May 2014, the Corporation divested of non-producing properties for total cash consideration of $0.9 million. The Corporation recorded a net gain of $0.4 million on the divestiture during the three and six months ended June 30, 2014.

E&E assets consist of the Corporation's exploration projects which are pending the determination of economic quantities of proved and probable 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 $0.8 million in the six months ended June 30, 2014 (June 30, 2013 – $0.3 million).

In the three months ended June 30, 2014, Manitok recognized a $13.6 million exploration and evaluation expense (June 30, 2013 – $NIL) related to unsuccessful exploration activities in the Quirk Creek area. The Corporation does not intend to allocate any additional capital to the area and therefore, all costs accumulated in E&E assets related to Quirk Creek have been expensed.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

6. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

	P&NG	Corporate	Total
Cost:			
As at December 31, 2012	118,595	889	119,484
Additions	46,697	379	47,076
Asset divestiture(1)	(2,696)	-	(2,696)
Change in decommissioning obligations	(724)	-	(724)
As at December 31, 2013	161,872	1,268	163,140
Additions	26,130	175	26,305
Asset divestitures(2)	(37,306)	-	(37,306)
Change in decommissioning obligations	1,122	-	1,122
As at June 30, 2014	**151,818**	**1,443**	**153,261**
Accumulated depletion and depreciation and impairment:			
As at December 31, 2012	(22,328)	(265)	(22,593)
Depletion and depreciation expense	(19,378)	(266)	(19,644)
Impairment expense	(1,465)	-	(1,465)
As at December 31, 2013	(43,171)	(531)	(43,702)
Asset divestitures(2)	13,631	-	13,631
Depletion and depreciation expense	(12,730)	(155)	(12,885)
As at June 30, 2014	**(42,270)**	**(686)**	**(42,956)**
Net book value:			
As at December 31, 2013	118,701	737	119,438
As at June 30, 2014	**109,548**	**757**	**110,305**

(1) In June 2013, the Corporation divested of non-core royalty interest properties for total cash consideration of $3.4 million after post-closing adjustments. The Corporation recorded a gain of $0.7 million on the divestiture during the year ended December 31, 2013.

(2) On February 28, 2014, the Corporation divested of oil and gas properties for total cash consideration of approximately $22.0 million after post-closing adjustments. The Corporation recorded a loss of $1.2 million on the divestiture during the six months ended June 30, 2014. In May 2014, the Corporation divested of non-producing properties for total cash consideration of $0.9 million. The Corporation recorded a net gain of $0.4 million on the divestiture during the three and six months ended June 30, 2014.

At June 30, 2014, estimated future development costs of $32.1 million (December 31, 2013 – $69.0 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 $0.6 million in the six months ended June 30, 2014 (June 30, 2013 – $0.8 million).

7. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

	June 30, 2014	December 31, 2013
Revolving operating demand loan facility	**22,311**	16,237
Acquisition and development demand loan facility(1)	**-**	-
Credit facilities	**22,311**	16,237

(1) The acquisition and development demand loan facility is restricted and subject to approval when utilized, by the Corporation's lender, to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

The Corporation's credit facilities consist of an $85.0 million revolving operating demand loan facility and a $20.0 million acquisition and development demand loan facility, for total credit facilities of $105.0 million. The credit facilities are secured by a fixed charge debenture on the assets of the Corporation.

Advances under the credit facilities are available by way of Canadian prime rate loans and bankers' acceptances at the prevailing interest rates plus borrowing margins based on a pricing grid dependent on the net debt to cash flow ratio (as defined by the lender) calculated at the Corporation's previous quarter end. Standby fees are charged on the undrawn facilities. The effective interest rate applicable to the total debt issued under the revolving operating demand loan facility was 3.5% (June 30, 2013 – 3.5%).

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

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 revolving operating demand loan 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 1:1. As of June 30, 2014, the Company was compliant with the covenant.

The credit facilities are subject to review by the lender at any time in its sole discretion, and at least annually and any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall must be eliminated by the Corporation. The credit facilities are currently under review with no anticipated changes in the total borrowing base.

8. 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 undiscounted amount of cash flows required to settle its decommissioning obligations as at June 30, 2014 to be approximately $9.9 million (December 31, 2013 – $21.0 million) with the majority of costs anticipated to be incurred between 2029 and 2045. A risk-free discount rate of 2.8% (December 31, 2013 – 3.2%) and an inflation rate of 2.0% (December 31, 2013 – 2.0%) was used to calculate the fair value of the decommissioning obligation.

A reconciliation of the decommissioning obligations is provided below:

	June 30, 2014	December 31, 2013
Opening Balance	**11,225**	11,476
Obligations incurred	**966**	995
Obligations disposed	**(7,974)**	-
Actual expenditures	**(16)**	(222)
Changes in estimates(1)	**727**	(1,330)
Accretion expense	**100**	306
Ending Balance	**5,028**	11,225

(1) Changes are largely due to the revision in the cost estimates and a change in the risk-free discount rate.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

9. 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
Outstanding, December 31, 2012	**70,339,014**	**102,668**
Issued, net of costs (note 9c)	1,403,000	4,065
Issued, net of costs (note 9d)	5,638,900	16,253
Tax effect of share issue costs (note 9e)	-	378
Issued on exercise of stock options (note 10)	742,826	1,529
Normal course issuer bid (note 9f)	(3,631,400)	(5,307)
Outstanding, December 31, 2013	**74,492,340**	**119,586**
Issued on exercise of stock options (note 10)	1,073,167	2,593
Normal course issuer bid (note 9f)	(6,545,100)	(10,566)
Outstanding, June 30, 2014	**69,020,407**	**111,613**

(c) On November 8, 2013, Manitok closed a bought deal equity financing completed by way of a short form prospectus, for the issuance of 1,403,000 common shares of Manitok ("**Manitok Shares**") on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian development expense ("**Manitok CDE Flow-through Shares**") at a price of $3.35 per Manitok CDE Flow-through Share for gross proceeds of $4.7 million (net proceeds - $4.4 million). The Corporation had until December 31, 2013 to incur the $4.7 million in development expenditures. The amount recorded to share capital from the issuance of Manitok CDE Flow-through Shares reflects the fair market value of Manitok Shares, which was $3.10 per Manitok Share less share issue costs. The difference between the total value of Manitok CDE Flow-through Shares and the fair value of Manitok Shares of $0.4 million was initially recognized as a flow-through share premium liability on the Statements of Financial Position when the Manitok CDE Flow-through Shares were issued. In 2013, the Corporation fulfilled the entire $4.7 million of eligible development expenditures and fully reversed the $0.4 million flow-through share premium liability.

(d) On November 8, 2013, Manitok closed a bought deal equity financing completed by way of a short form prospectus, for the issuance of 5,638,900 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 $3.60 per Manitok CEE Flow-through Share for gross proceeds of $20.3 million (net proceeds - $19.1 million). A total of 57,800 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2014 to incur the $20.3 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares reflects the fair market value of Manitok Shares, which was $3.10 per Manitok Share less share issue costs. The difference between the total value of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $2.8 million was initially recognized as a flow-through share premium liability on the Statements of Financial Position when the Manitok CEE Flow-through Shares were issued. As at June 30, 2014, the Corporation fulfilled the entire $20.3 million of eligible exploration expenditures and fully reversed the $2.8 million flow-through share premium liability.

(e) Manitok recognized a deferred income tax benefit of $0.4 million related to the share issue costs of $1.5 million incurred with respect to the issuance of 1,403,000 Manitok CDE Flow-through Shares and 5,638,900 Manitok CEE Flow-through Shares on November 8, 2013.

(f) On June 15, 2012, the TSX-V authorized the Corporation's notice to make a normal course issuer bid (**"2012 NCIB"**) to purchase for cancellation up to 4.4 million Manitok Shares on the open market during the period from June 18, 2012 to June 17, 2013. On January 28, 2013, Manitok received approval of the TSX-V to increase the number of Manitok Shares that may be repurchased under the 2012 NCIB to an aggregate of up to 5.8 million Manitok Shares. For the year ended December 31, 2013, the Corporation purchased a total of 282,700

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

Manitok Shares for cancellation at a weighted average price of $2.54 per Manitok Share pursuant to the 2012 NCIB, which excludes the fees incurred to implement the 2012 NCIB program. The excess of the purchase price over the book value of $307,000 was recorded partially to contributed surplus ($44,000) and the remaining ($263,000) was charged to deficit.

On June 18, 2013, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**2013 NCIB**") to purchase for cancellation up to 6.5 million Manitok Shares on the open market during the period from June 18, 2013 to June 17, 2014. For the year ended December 31, 2013, the Corporation purchased a total of 3,348,700 Manitok Shares for cancellation at a weighted average price of $2.44 per Manitok Share pursuant to the 2013 NCIB, which excludes the fees incurred to implement the 2013 NCIB program. The excess of the purchase price over the book value of $3.3 million was charged to retained earnings. For the six months ended June 30, 2014, the Corporation purchased a total of 2,865,900 Manitok Shares for cancellation at a weighted average price of $2.39 per Manitok Share pursuant to the 2013 NCIB, which excludes the fees incurred to implement the 2013 NCIB program. The excess of the purchase price over the book value of $2.3 million was charged to deficit.

On March 11, 2014, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**2014 NCIB**") to purchase for cancellation up to 6.8 million Manitok Shares on the open market during the period from March 17, 2014 to March 16, 2015. For the six months ended June 30, 2014, the Corporation purchased a total of 3,679,200 Manitok Shares for cancellation at a weighted average price of $2.41 per Manitok Share pursuant to the 2014 NCIB, which excludes the fees incurred to implement the 2014 NCIB program. The excess of the purchase price over the book value of $2.9 million was charged to deficit.

10. STOCK-BASED COMPENSATION

At June 30, 2014, the Corporation's stock option plan permitted the grant of options to a maximum of 6,902,041 Manitok Shares. At June 30, 2014, there remained available for issuance stock options in respect of 1,808,267 Manitok Shares. For stock options exercised during the six months ended June 30, 2014, the weighted average trading price was $2.47 (June 30, 2013 - $3.00) per Manitok Share.

A summary of the Corporation's outstanding stock options as at June 30, 2014 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2012	**4,783,833**	**1.46**
Granted	2,171,100	2.99
Exercised	(742,826)	1.23
Forfeited	(604,667)	2.41
Outstanding, December 31, 2013	**5,607,440**	**1.98**
Granted	1,614,000	2.40
Exercised	(1,073,167)	1.47
Forfeited	(1,054,499)	2.61
Outstanding, June 30, 2014	**5,093,774**	**2.09**

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

The range of exercise prices for stock options outstanding and exercisable under the plan at June 30, 2014 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$1.10	$1.50	1,509,673	1.4	$1.17	1,407,340	1.4	$1.17
$1.51	$3.25	3,584,101	3.9	$2.47	836,530	3.0	$2.41
		5,093,774	**3.2**	**$2.09**	**2,243,870**	**2.0**	**$1.63**

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Weighted average fair value of options granted	**$1.25**	1.60	**$1.33**	$1.88
Risk-free interest rate	**1.31%**	1.26%	**1.43%**	1.37%
Expected life (years)	**3.8**	3.7	**4.2**	4.1
Expected volatility	**71%**	79%	**72%**	83%
Estimated forfeiture rate	**13.3%**	3.9%	**9.0%**	4.3%
Expected dividends	**-**	-	**-**	-

11. PER SHARE INFORMATION

	Three months ended June 30		Six months ended June 30	
	2014	2013	**2014**	2013
Net income (loss)	**(9,044)**	4,831	**(8,713)**	4,696
Weighted average Manitok shares outstanding - basic	**70,390,367**	70,219,904	**71,736,477**	70,319,686
Weighted average Manitok shares outstanding - diluted	**70,390,367**	72,139,108	**71,736,477**	72,290,765
Net income (loss) per share – basic ($)	**(0.13)**	0.07	**(0.12)**	0.07
Net income (loss) per share – diluted ($)	**(0.13)**	0.07	**(0.12)**	0.06

The weighted average diluted Manitok Shares outstanding for the three and six months ended June 30, 2014 excludes 5,093,774 (June 30, 2013 – 1,904,600) stock options that are anti-dilutive.

12. 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, increase the credit facility limits, or adjust its capital spending to manage current and projected debt levels. Management expects to be able to continue to raise equity and obtain debt financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

There were no changes in the Corporation's approach to capital management during the three and six months ended June 30, 2014 reporting period.

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

As at	**June 30, 2014**	December 31, 2013
Maximum borrowing base limit(1)(2)		
Revolving operating demand loan facility	**85,000**	85,000
Acquisition and development demand loan facility(3)	**20,000**	20,000
	105,000	105,000
Principle amount utilized		
Drawn revolving operating demand loan facility	**(22,311)**	(16,237)
Drawn acquisition and development demand loan facility	**-**	-
	(22,311)	(16,237)
Undrawn credit facilities	**82,689**	88,763

(1) 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 Manitok's petroleum and natural gas reserves. The credit facilities are currently under review with no anticipated changes in the total borrowing base.

(2) 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 revolving operating demand loan 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 1:1. Manitok was in compliance with the financial covenant as at June 30, 2014 and December 31, 2013.

(3) The acquisition and development demand loan facility is restricted and subject to approval when utilized, by the Corporation's lender, to assist in the acquisition of producing petroleum and natural gas reserves and/or development of proved non-producing/undeveloped petroleum and natural gas reserves.

The capital structure of the Corporation is as follows:

As at	**June 30, 2014**	December 31, 2013
Total shareholders' equity(1)	**86,550**	109,096
Total shareholders' equity as a % of total capital	**68%**	77%
Working capital deficit(2)	**17,676**	16,277
Drawn on credit facilities	**22,311**	16,237
Total net debt	**39,987**	32,514
Total net debt as a % of total capital	**32%**	23%
Total capital	**126,537**	141,610

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

(2) Working capital deficit 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.

13. FINANCIAL INSTRUMENTS & RISK MANAGEMENT CONTRACTS

Manitok is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews risk management activities and all outstanding positions. 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.

The Corporation attempts to mitigate commodity price risk through the use of various derivative financial instruments and physical delivery sales contracts. 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 Statements of Financial Position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in income or loss.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

Financial Derivatives

As at June 30, 2014, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Remaining Term	Reference	Strike Price	Type of Contract	Fair Value
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$96.00	Swap	(1,313)
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$93.35	Swap	(1,556)
Oil	300 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$94.00	Swap	(898)
Oil	500 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI	$105.17	Swap	(473)
Oil	1,000 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$95.00	Swap	(3,310)
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$91.00	Swap	(2,372)
Oil	1,000 bbls/d	July 1, 2014 to December 31, 2014	CAD$ WTI - DIFF	$8.67	Swap	(117)
Natural gas	5,000 GJ/d	July 1, 2014 to December 31, 2014	CAD$ AECO	$3.35	Put option(1)	13
Natural gas	5,000 GJ/d	July 1, 2014 to December 31, 2014	CAD$ AECO	$3.75	Put option(1)	45
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.73	Put option(1)	556
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.85	Put option(1)	663
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.85	Put option(1)	663
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD$ AECO	$3.80	Put option(1)	616
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD$ WTI	$96.00	Swaption(2)	(1,681)
Oil	1,000 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$95.00	Swaption(3)	(3,098)
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$91.00	Swaption(4)	(1,801)
Total						**(14,063)**
Fair Value of Financial Instruments - Current						**(8,244)**
Fair Value of Financial Instruments - Non-current						**(5,819)**

(1) As at June 30, 2014 Manitok recorded $3.1 million ($1.9 million current and $1.2 million non-current) as a deferred premium on financial instruments liability, which represents the deferred put option premium payable to the counter-party on these contracts at a weighted average of $0.34/Gigajoule.

(2) The counter-party to this contract holds a one-time option no later than December 31, 2014 to extend a swap on 500 barrels per day of oil at CAD$96.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(3) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 1,000 barrels per day of oil at CAD$95.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(4) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 500 barrels per day of oil at CAD$91.00 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

The fair value of these commodity risk management liabilities at June 30, 2014 was $14.1 million (December 31, 2013 – $7.7 million). As at June 30, 2014, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $14.1 million of additional pre-tax income.

The Corporation has not entered into any derivative financial instruments subsequent to June 30, 2014.

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation has entered in physical sales contracts to manage commodity risk. These contracts are considered normal executory contracts and are not recorded at fair value in the financial statements. The Corporation has entered into the following physical sales contracts as at June 30, 2014:

Product	Volume	Remaining Term(1)	Strike Price	Type of Contract
Natural gas	6,000 GJ/d	July 1, 2014 to October 31, 2014	$3.77	AECO fixed price

(2) Transactions with common terms have been aggregated and presented as the weighted average price.

The Corporation has not entered into any physical sales contracts subsequent to June 30, 2014.

Unaudited (Tabular amounts expressed in thousands of Canadian dollars, except for share information)

14. COMMITMENTS

The Corporation was committed to incur exploration expenditures of $20.3 million on or before December 31, 2014, related to the Manitok CEE Flow-through Share issuance completed on November 8, 2013, as indicated in note 9d. Manitok fulfilled the $20.3 million commitment in the six months ended June 30, 2014.

On October 21, 2013, the Corporation announced that it entered into a three year Lease Issuance and Drilling Commitment Agreement with Encana Corporation ("**Encana Agreement**"), whereby Manitok acquired petroleum and natural gas leases in the Entice area of southeast Alberta. Pursuant to the Encana Agreement, Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures and a minimum annual number of wells drilled, completed and tied-in or abandoned over a three year term. As at June 30, 2014, the Corporation is committed to the following minimum number of wells and minimum drilling and completion expenditures in the Entice area:

	Original Minimum Commitment		Work Program		Remaining Minimum Commitment	
Year	Number of wells	Drilling and Completion Expenditures	Number of wells	Drilling and Completion Expenditures	Number of wells	Drilling and Completion Expenditures
2014	7	22,000	6	10,047	1	11,953
2015	9	33,000	-	-	9	33,000
2016	14	51,000	-	-	14	51,000
Total	30	106,000	6	10,047	24	95,953

In June 2014, the Corporation entered into a Lease Issuance and Drilling Commitment Agreement with PrairieSky Royalty Ltd. ("**PrairieSky Agreement**"), whereby Manitok acquired additional petroleum and natural gas leases in the Entice area of southeast Alberta. Pursuant to the PrairieSky Agreement, Manitok has agreed to drill one horizontal commitment well by June 15, 2015. The Corporation is subject to a non-performance penalty of $0.5 million if the commitment is not fulfilled.

Manitok is committed to operating leases relating to new office space commencing on November 1, 2014 and expiring on November 30, 2017 and its current office premises which expires on February 28, 2017. In anticipation of relocating to new office space in the fourth quarter of 2014, the Corporation has subleased one of the two floors of its current premises effective from November 1, 2014 for the remainder of the lease term and is currently attempting to sublease the remaining floor. The Corporation is committed to the following aggregate minimum lease payments including expected operating costs**:**

Year	
2014	560
2015	2,454
2016	2,465
2017	1,450

OFFICERS

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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

Tim Jerhoff, P.Eng.
Vice President, Production and Engineering

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

Gregory E. Peterson, LL.B.
Corporate Secretary

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Chartered Accountants
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INDEPENDENT RESERVE EVALUATOR

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(3) Compensation Committee Member

MANITOK ENERGY INC.