

Q4

THREE & TWELVE MONTHS ENDED DECEMBER 31, 2014
TSX Venture MEI

OPERATIONS AND FINANCIAL SUMMARY

	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
OPERATING				
Average daily production				
Light oil (bbls/d)	2,257	2,755	2,508	2,065
Natural gas (mcf/d)	10,713	12,868	11,594	11,782
NGLs (bbls/d)	30	89	62	84
Total (boe/d)	4,072	4,989	4,502	4,113
Average realized sales price				
Light oil (\$/bbl)	71.96	82.30	92.57	89.75
Natural gas (\$/mcf)	3.83	4.03	4.93	3.61
NGLs (\$/bbl)	67.29	76.48	96.93	78.07
Total (\$/boe)	50.45	57.21	65.60	57.00
Undeveloped land (end of period)				
Gross (acres)	306,776	375,793	306,776	375,793
Net (acres)	290,971	323,907	290,971	323,907
NETBACK AND COST (\$ per boe)				
Petroleum and natural gas sales	50.45	57.21	65.60	57.00
Realized gain (loss) on financial instruments	6.67	(0.48)	(2.31)	(1.27)
Royalty income	-	0.01	0.01	0.25
Royalty expenses	(11.61)	(10.18)	(19.68)	(13.69)
Operating expenses, net of recoveries	(7.65)	(8.83)	(7.34)	(7.62)
Transportation and marketing expenses	(3.17)	(3.10)	(3.37)	(2.87)
Operating netback ⁽¹⁾	34.69	34.63	32.91	31.80
General and administrative expenses, net of recoveries	(4.59)	(3.53)	(4.18)	(3.82)
Interest and financing expenses	(1.39)	(0.37)	(0.76)	(0.38)
Interest and other income	0.02	0.03	0.02	0.07
Funds from operations netback ⁽¹⁾	28.73	30.76	27.99	27.67
FINANCIAL				
Petroleum and natural gas revenue (\$000)	18,902	26,260	107,822	85,950
Funds from operations (\$000) ⁽¹⁾	10,766	14,117	45,980	41,554
Per share – basic (\$) ⁽¹⁾	0.16	0.19	0.66	0.59
Per share – diluted (\$) ⁽¹⁾	0.16	0.19	0.65	0.57
Net income (loss) (\$000)	(2,774)	(1,417)	(3,587)	3,615
Per share – basic (\$) ⁽¹⁾	(0.04)	(0.02)	(0.05)	0.05
Per share – diluted (\$) ⁽²⁾	(0.04)	(0.02)	(0.05)	0.05
Common shares outstanding				
End of period – basic	65,279,607	74,492,340	65,279,607	74,492,340
End of period – diluted	70,588,213	80,099,780	70,588,213	80,099,780
Weighted average for the period – basic	65,924,473	72,638,096	69,365,940	70,654,634
Weighted average for the period – diluted	66,255,000	74,371,392	70,321,234	72,596,161
Capital expenditures (\$000)	26,949	44,236	69,690	79,365
Adjusted working capital deficit (\$000) ⁽¹⁾	22,795	16,277	22,795	16,277
Drawn on credit facilities (\$000)	53,258	16,237	53,258	16,237
Long-term financial obligation (\$000)	2,500	-	2,500	-
Total net debt ⁽¹⁾ (\$000)	78,553	32,514	78,553	32,514

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, adjusted 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. Refer to the Non-GAAP Measures paragraph in the Advisories section of this MD&A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manitok Energy Inc. ("**Manitok**" or the "**Corporation**") is a junior oil and gas exploration, development and production company based in Calgary, Alberta. The Corporation conducts its operations in the Western Canadian Sedimentary Basin and currently all of its activities are in Alberta. Additional information relating to the Corporation, including its Annual Information Form, 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**".

The following Management's Discussion and Analysis ("**MD&A**") is dated April 29, 2015. The annual financial information in respect of the three and twelve months ended December 31, 2014 (the "**Reporting Periods**") as compared to the three and twelve months ended December 31, 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 audited financial statements of the Corporation and related notes as at and for the years ended December 31, 2014 and 2013. All financial information is expressed in Canadian dollars, unless otherwise stated.

ADVISORIES

Non-GAAP Measures

*This MD&A and the Annual Report contains references to measures used in the oil and natural gas industry such as "funds from operations", "funds from operations netback", "funds from operations per share", "operating netback", "adjusted working capital deficit" 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 Annual 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, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments and gains or losses on asset divestitures. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Adjusted working capital deficit 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, plus the long-term financial obligation.

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 Annual 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 Annual Report contains forward-looking information relating to the Corporation's planned strategy in terms of hedging; 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 2015 capital program, readers are cautioned that the Corporation may make adjustments to its 2015 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.

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, intentions or expectations upon which it is based will occur. Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Forward-looking information necessarily involves both known and unknown risks associated with oil and natural gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves estimates, operational risks, 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 Annual 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

Previous updated 2014 guidance was provided in the Corporation's press release dated November 17, 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 guidance for 2014 along with actual results.

	Guidance	Actual	Average % Variance
Average Daily Production			
Annual (boe/d)	4,750 – 4,950	4,502	(7%)
% light oil and liquids	57% – 59%	57%	-
Exit rate (boe/d)	6,100 – 6,500	4,340	(31%)
% light oil and liquids	54% – 56%	56%	-
Funds from operations (\$ millions)	48.0 – 50.0	46.0	(6%)
Capital expenditures, net of divestitures (\$ millions)	82.0	69.7	(15%)
Net debt at year end (\$ millions)	87.0 – 89.0	78.6	(11%)

Actual exit and annual production rates were lower than guidance due to facility construction issues in December 2014 that delayed new well production in the Entice area to January 2015. Funds from operations was negatively impacted by the lower actual production volumes and a decrease in realized oil and natural gas prices. The decrease in capital expenditures from guidance relates to the divestiture of oil and gas infrastructure for total cash consideration of \$12.3 million, as disclosed in this MD&A (see "Major Transactions Affecting Financial Results"). Net debt has decreased from previous guidance due to the divestiture, partially offset by lower funds from operations and activity in the normal course issuer bid program.

Due to the current low commodity price environment, the Corporation will not drill any wells in the Entice or Stolberg areas during the first half of 2015. Manitok anticipates about \$6.0 to \$6.5 million of capital expenditures in the first half of 2015 that would include completions and facilities capital required on wells already drilled. Approximately 60% to 65% of cash flow will be applied towards debt reduction in the first half of 2015. Manitok will evaluate its production and the level of commodity prices in the second quarter of 2015 before planning and executing the bulk of its 2015 capital expenditure program in the second half of the year.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

- On February 28, 2014, Manitok completed an asset divestiture of approximately 777 boe/d (94% natural gas) in the central Alberta foothills region ("**Foothills Asset Divestiture**"), with an effective date of January 1, 2014 for total cash consideration of \$21.9 million after closing adjustments.
- On March 11, 2014, Manitok received approval of the TSX-V to commence a new Normal Course Issuer Bid ("**March 2014 NCIB**") program to purchase for cancellation up to 6.8 million common shares of Manitok ("**Manitok Shares**") on the open market during the period from March 17, 2014 and March 16, 2015.
- On October 30, 2014, Manitok received approval of the TSX-V to commence a new Normal Course Issuer Bid ("**November 2014 NCIB**") program to purchase for cancellation up to 6.3 million Manitok Shares on the open market during the period from November 3, 2014 and November 2, 2015.
- On October 31, 2014, the Corporation completed an acquisition of approximately 290 boe/d (15% oil and liquids) in the Stolberg area ("**Stolberg Acquisition**"), with an effective date of October 1, 2014, for total cash consideration of approximately \$7.4 million. The acquisition was financed using the Corporation's credit facilities.
- On December 30, 2014, Manitok divested its interest in certain oil and gas infrastructure ("**Facility Divestiture**") for \$12.3 million after post-closing adjustments. The Corporation has entered into an agreement for the exclusive use of the oil and gas infrastructure, which include monthly facility fees (see "Contractual Obligations").

SELECTED ANNUAL INFORMATION

For the years ended December 31			
<i>(\$000, except for production and share information)</i>	2014	2013	2012
Average daily production (boe/d)	4,502	4,113	2,389
Petroleum and natural gas revenue	107,822	85,950	37,349
Net revenue from petroleum and natural gas sales	75,479	65,401	32,455
Funds from operations ⁽¹⁾	45,980	41,554	19,081
Per share – basic ⁽¹⁾	0.66	0.59	0.30
Per share – diluted ⁽¹⁾	0.65	0.57	0.29
Net income (loss)	(3,587)	3,615	(2,657)
Per share – basic	(0.05)	0.05	(0.04)
Per share – diluted ⁽²⁾	(0.05)	0.05	(0.04)
Capital expenditures, net of divestitures	69,690	79,365	36,965
Total assets	211,284	192,580	126,322
Adjusted working capital deficit ⁽¹⁾	22,795	16,277	6,861
Drawn on credit facilities	53,258	16,237	3,101
Long-term financial obligations	2,500	-	-
Total net debt ⁽¹⁾	78,553	32,514	9,962
Shareholders' equity	84,333	109,096	90,437
Common shares outstanding			
End of period – basic	65,279,607	74,492,340	70,339,014
End of period – diluted	70,588,213	80,099,780	75,122,847
Weighted average shares for period – basic	69,365,940	70,654,634	63,567,788
Weighted average shares for period – diluted	70,321,234	72,596,161	64,702,325

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, adjusted 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 years in which the Corporation records a net loss.

The Corporation has had continued growth in production, revenue and funds from operations on an absolute and per share basis over the last three years summarized in the table above. ManitoK's average daily production has increased as a result of the successful light oil drilling program in the Stolberg area offset by the Foothills Asset Divestiture. The decrease in shareholders' equity in 2014 is primarily a result of activity in the normal course issuer bid programs and an impairment charge of \$47.6 million, partially offset by an unrealized gain on financial instruments of \$27.8 million.

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 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 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 for the Reporting Periods and the Comparable Prior Periods:

<i>(\$000, except per share information)</i>	Three months ended December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Cash flow from operating activities	8,626	11,504	49,094	37,166
Adjustments:				
Decommissioning expenditures	160	38	180	222
Changes in non-cash operating working capital	1,980	2,575	(3,294)	4,166
Funds from operations	10,766	14,117	45,980	41,554
per share – basic	0.16	0.19	0.66	0.59
per share – diluted	0.16	0.19	0.65	0.57

Funds from operations decreased by 24% to \$10.8 million (\$0.16 per diluted share) for the fourth quarter of 2014 as compared to \$14.1 million (\$0.19 per diluted share) in the Comparable Prior Period. The decrease in funds from operations and funds from operations per share was due mainly to a \$7.4 million decrease in petroleum and natural gas sales from lower average production volumes and the decline in commodity prices, partially offset by a realized gain on financial instruments of \$2.5 million and an aggregate decrease to royalty, operating, transportation and marketing expenses.

Funds from operations increased by 11% to \$46.0 million (\$0.65 per diluted share) in 2014 as compared to \$41.6 million (\$0.57 per diluted share) in 2013. The increase in funds from operations and funds from operations per share were due mainly to a \$21.9 million increase in petroleum and natural gas sales, partially offset by an increased realized loss on financial instruments and aggregate increases to royalty, operating, transportation and marketing, general and administrative and interest expenses.

Net Income (Loss)

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

<i>(\$000, except per share information)</i>	Three months ended December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Net income (loss)	(2,774)	(1,417)	(3,587)	3,615
per share – basic	(0.04)	(0.02)	(0.05)	0.05
per share – diluted	(0.04)	(0.02)	(0.05)	0.05

Net loss increased to \$2.8 million (\$0.04 per diluted share) for the fourth quarter of 2014 as compared to \$1.4 million (\$0.02 per diluted share) in the Comparable Prior Period. The increase in the net loss and net loss per share were due primarily to decreased funds from operations and increased impairment and depletion and depreciation, partially offset by an increased unrealized gain on financial instruments.

ManitoK had a net loss of \$3.6 million (\$0.05 loss per diluted share) in 2014 as compared to net income of \$3.6 million (\$0.05 per diluted share) in 2013. The net loss is mainly attributable to the \$47.6 million impairment charge coupled with an increase in depletion and depreciation and a loss on asset divestitures, partially offset by increased funds from operations, an increased unrealized gain on financial instruments and a decrease in deferred income tax expense.

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 December 31, 2014				Three months ended December 31, 2013			
	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)
Light oil (bbls)	14,942	2,257	55	71.96	20,857	2,755	55	82.30
Natural gas (mcf) ⁽¹⁾	3,775	10,713	44	3.83	4,772	12,868	43	4.03
NGLs (bbls)	185	30	1	67.29	628	89	2	76.48
Total P&NG sales (boe)	18,902	4,072	100	50.45	26,257	4,989	100	57.21
Royalty revenue	-	-	-	-	3	-	-	0.01
Total P&NG revenue (boe)	18,902	4,072	100	50.45	26,260	4,989	100	57.22

	Twelve months ended December 31, 2014				Twelve months ended December 31, 2013			
	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)	Total Revenue (\$000)	Average Daily Production	%	Average (\$/unit)
Light oil (bbls)	84,750	2,508	56	92.57	67,655	2,065	50	89.75
Natural gas (mcf) ⁽¹⁾	20,869	11,594	43	4.93	15,528	11,782	48	3.61
NGLs (bbls)	2,187	62	1	96.93	2,388	84	2	78.07
Total P&NG sales (boe)	107,806	4,502	100	65.60	85,571	4,113	100	57.00
Royalty revenue	16	-	-	0.01	379	-	-	0.25
Total P&NG revenue (boe)	107,822	4,502	100	65.61	85,950	4,113	100	57.25

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

Total P&NG sales for the fourth quarter of 2014 decreased 28% to \$18.9 million compared to \$26.3 million in the Comparable Prior Period. The decrease of \$7.4 million consists of \$5.0 million attributed to lower production volumes and \$2.4 million due to lower realized prices. For the year, total P&NG sales increased 26% to \$107.8 million compared to \$85.6 million in 2013. The increase of \$22.2 million consists of \$13.9 million attributed to higher production volumes and \$8.3 million due to higher realized prices.

Production

Production averaged 4,072 boe/d in the fourth quarter of 2014, as compared to 4,989 boe/d in the Comparable Prior Period. The decrease in average daily production was due mainly to the Foothills Asset Divestiture which contributed 879 boe/d in the Comparable Prior Period and maximum production rate limitations ("MRLs") imposed by the Alberta Energy Regulator along with natural production declines in the Stolberg area, partially offset by the Stolberg Acquisition of 290 boe/d in October 2014.

In 2014, production averaged 4,502 boe/d, as compared to 4,113 boe/d in 2013. The increase in average daily production was due mainly 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, which contributed 955 boe/d in 2013.

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 December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Benchmark prices						
Light oil – WTI (\$US/bbl)	73.15	97.46	(25%)	93.00	97.98	(5%)
Light oil – WTI (\$CAD/bbl)	83.07	102.27	(19%)	102.72	100.91	2%
Light oil – Canadian light sweet (\$/bbl)	75.11	86.38	(13%)	94.18	93.27	1%
Natural gas – AECO daily spot (\$/mmbtu) ⁽¹⁾	3.60	3.53	2%	4.50	3.18	42%
Exchange rate – (\$CAD/\$US)	1.1356	1.0494	8%	1.1045	1.0300	7%
Average realized prices						
Light oil (\$/bbl)	71.96	82.30	(13%)	92.57	89.75	3%
Natural gas (\$/mcf)	3.83	4.03	(5%)	4.93	3.61	37%
NGLs (\$/bbl)	67.29	76.48	(12%)	96.93	78.07	24%
Average realized price (\$/boe)	50.45	57.21	(12%)	65.60	57.00	15%
Price differentials						
Canadian light sweet/WTI CAD (\$/bbl)	(7.96)	(15.89)	(50%)	(8.54)	(7.64)	12%
Realized light oil/Canadian light sweet (\$/bbl)	(3.15)	(4.08)	(23%)	(1.61)	(3.52)	(54%)
Realized natural gas/AECO daily spot (\$/mcf)	0.23	0.50	(54%)	0.43	0.43	-

(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 the average benchmark prices for crude oil and natural gas, the Canadian/US dollar exchange rate and transportation and product quality differentials.

In the fourth quarter of 2014, Manitok's average realized commodity price decreased 12% to \$50.45/boe from \$57.21/boe in the Comparable Prior Period, due to decreased benchmark prices for crude oil, natural gas and NGLs.

Manitok's average realized commodity price increased 15% to \$65.60/boe in 2014 from \$57.00/boe in 2013, due mainly to increased prices for natural gas and NGLs. Additionally, higher priced crude oil and NGL production increased from 52% of total production in 2013 to 57% of total production in 2014.

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 December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Natural gas – AECO daily spot (\$/mmbtu) ⁽¹⁾	3.60	3.53	2%	4.50	3.18	42%
Heat/quality differential (\$/mcf) ⁽²⁾	0.17	0.50	(66%)	0.51	0.43	19%
Physical sales/AECO daily spot differential (\$/mcf)	0.06	-	-	(0.08)	-	-
Realized natural gas (\$/mcf)	3.83	4.03	(5%)	4.93	3.61	37%

(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/or physical delivery sales contracts to manage commodity risk.

Financial Derivatives

As at December 31, 2014, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value
Oil	1,000 bbls/d	January 1, 2015 to December 31, 2015	CAD\$ WTI	\$95.00	Swap	10,455
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD\$ WTI	\$91.00	Swap	4,488
Natural gas	1,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.73	Put option ⁽¹⁾	396
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.85	Put option ⁽¹⁾	2,184
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.85	Put option ⁽¹⁾	2,184
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.80	Put option ⁽¹⁾	2,100
Oil	1,000 bbls/d	January 1, 2016 to December 31, 2016	CAD\$ WTI	\$95.00	Swaption ⁽²⁾	(556)
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD\$ WTI	\$91.00	Swaption ⁽³⁾	(468)
Total						20,783
Current assets						20,783

- (1) ManitoK recorded \$2.0 million as a deferred premium on financial instruments, which represents the amount payable to the counter-party on these contracts for the deferred put option premium of \$0.35/GJ.
- (2) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 1,000 bbls/d 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.
- (3) The counter-party to this contract holds a one-time option no later than December 31, 2015 to extend a swap on 500 bbls/d 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 December 31				Twelve months ended December 31			
	2014		2013		2014		2013	
	\$000	\$/boe	\$000	\$/boe	\$000	\$/boe	\$000	\$/boe
Realized gain (loss) on financial instruments	2,499	6.67	(220)	(0.48)	(3,804)	(2.31)	(1,911)	(1.27)
Unrealized gain (loss) on financial instruments	27,577	73.61	(3,591)	(7.82)	27,760	16.89	(8,541)	(5.69)

Subsequent to December 31, 2014, the Corporation entered into the following derivative financial instrument:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$75.00-\$90.00	Collar ⁽¹⁾
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$70.00-\$90.00	Collar ⁽²⁾

- (1) The counter-party to this contract receives a deferred premium of \$4.50/bbl.
- (2) The counter-party to this contract receives a deferred premium of \$3.15/bbl.

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation may enter into 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. There are no physical sales contracts outstanding as at December 31, 2014.

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 December 31, 2014			Three months ended December 31, 2013		
	(\$000)	Effective Royalty Rate ⁽¹⁾	Average (\$/unit)	(\$000)	Effective Royalty Rate ⁽¹⁾	Average (\$/unit)
Light oil and NGLs (bbls)	4,552	30.1%	21.64	4,329	20.1%	16.55
Natural Gas (mcf) ⁽²⁾⁽³⁾	(203)	(5.4%)	(0.21)	341	7.1%	0.29
Total Royalties (boe)	4,349	23.0%	11.61	4,670	17.8%	10.18

	Twelve months ended December 31, 2014			Twelve months ended December 31, 2013		
	(\$000)	Effective Royalty Rate ⁽¹⁾	Average (\$/unit)	(\$000)	Effective Royalty Rate ⁽¹⁾	Average (\$/unit)
Light oil and NGLs (bbls)	30,082	34.6%	32.07	19,585	28.0%	24.97
Natural Gas (mcf) ⁽²⁾⁽³⁾	2,261	10.8%	0.53	964	6.2%	0.22
Total Royalties (boe)	32,343	30.0%	19.68	20,549	24.0%	13.69

(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 fourth quarter of 2014 were \$4.3 million as compared to \$4.7 million for the Comparable Prior Period. The decrease is due to decreased production volumes and decreased realized commodity prices, partially offset by higher effective light oil and NGL royalty rates in the Reporting Period. The higher 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 Period compared to the Comparable Prior Period. Natural gas royalty expense in the fourth quarter of 2014 is a net recovery of \$0.2 million due to a credit received in the fourth quarter relating to the Crown's natural gas deep drilling program.

Royalties for 2014 were \$32.3 million, as compared to \$20.5 million in 2013. The increase is due to increased production volumes and higher effective royalty rates in the year. The higher 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 2014 compared to 2013. The effective royalty rate for natural gas increased in 2014 compared to 2013 due to increased natural gas sales prices and a higher average gas production rate per well as a result of the Foothills Asset Divestiture, which included many low rate gas wells.

Operating Expenses

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

	Three months ended December 31, 2014		Three months ended December 31, 2013		Variance	
	\$000	\$/boe	\$000	\$/boe	\$	\$/boe
Field operating expenses	3,087	8.23	4,589	10.00	(33%)	(18%)
Recoveries	(220)	(0.58)	(535)	(1.17)	(59%)	(50%)
Total operating expenses	2,867	7.65	4,054	8.83	(29%)	(13%)

	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013		Variance	
	\$000	\$/boe	\$000	\$/boe	\$	\$/boe
Field operating expenses	13,373	8.14	12,890	8.59	4%	(5%)
Recoveries	(1,311)	(0.80)	(1,452)	(0.97)	(10%)	(18%)
Total operating expenses	12,062	7.34	11,438	7.62	5%	(4%)

Operating expenses for the fourth quarter of 2014 decreased to \$2.9 million as compared to \$4.1 million in 2013 due to lower production volumes and increased efficiencies. On a per boe basis, operating expenses decreased to \$7.65/boe as compared to \$8.83/boe in the comparable prior period. The decrease is attributable to increased production volumes through permanent facilities in the fourth quarter of 2014, which have lower operating expenses than temporary facilities.

In 2014, operating expenses increased to \$12.1 million as compared to \$11.4 million in 2013 due to higher production volumes. On a per boe basis, operating expenses decreased to \$7.34/boe as compared to \$7.62/boe in 2013. The decrease is attributable to increased production volumes through permanent facilities in 2014 which have lower operating expenses than temporary facilities.

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 December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Total T&M expenses (\$000)	1,186	1,424	(17%)	5,545	4,302	29%
Total T&M expenses (\$/boe)	3.17	3.10	2%	3.37	2.87	17%

In the fourth quarter of 2014, T&M expenses decreased to \$1.2 million as compared to \$1.4 million in the Comparable Prior Period due to lower production volumes. On a per boe basis, T&M expenses in the fourth quarter of 2014 were consistent with the Comparable Prior Period.

In 2014, T&M expenses increased to \$5.5 million as compared to \$4.3 million in the Comparable Prior Period due to higher production volumes. On a per boe basis, T&M expenses in 2014 increased to \$3.37/boe compared to \$2.87/boe 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 56% of total production volumes in 2014, as compared to 50% in 2013.

Operating Netback

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

(\$/boe)	Three months ended December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Realized P&NG sales price	50.45	57.21	(12%)	65.60	57.00	15%
Royalty income	-	0.01	-	0.01	0.25	(96%)
Royalty expenses	(11.61)	(10.18)	14%	(19.68)	(13.69)	44%
Operating expenses, net of recoveries	(7.65)	(8.83)	(13%)	(7.34)	(7.62)	(4%)
Transportation and marketing expenses	(3.17)	(3.10)	2%	(3.37)	(2.87)	17%
Operating netback before realized gain (loss) on financial instruments	28.02	35.11	(20%)	35.22	33.07	7%
Realized gain (loss) on financial instruments	6.67	(0.48)	1,490%	(2.31)	(1.27)	82%
Operating netback	34.69	34.63	-	32.91	31.80	3%

Manitok's operating netback was \$34.69/boe in the fourth quarter of 2014, which is consistent with \$34.63/boe in the Comparable Prior Period. However, realized P&NG prices were \$6.76/boe lower, offset by an increase in the realized gain on financial instruments of \$7.15/boe.

In 2014, the operating netback was \$32.91/boe compared to \$31.80/boe in 2013. The increase was due to higher realized P&NG prices, partially offset by higher royalties and an increased realized loss on financial instruments.

Administrative Expenses

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

	Three months ended December 31, 2014		Three months ended December 31, 2013		Variance
	\$000	%	\$000	%	\$
<i>Cash:</i>					
Salaries and benefits ⁽¹⁾	1,353	52	1,571	63	(14%)
Other ⁽²⁾	1,253	48	938	37	34%
	2,606	100	2,509	100	4%
Operating overhead recoveries	(130)	(5)	(96)	(4)	35%
Capitalized overhead recoveries ⁽³⁾	(756)	(29)	(793)	(31)	(5%)
General and administrative expenses, net	1,720	66	1,620	65	6%
General and administrative expenses, net per boe	4.59		3.53		30%
<i>Non-cash:</i>					
Stock-based compensation	438	100	167	100	162%
Capitalized stock-based compensation ⁽³⁾	(199)	(45)	(270)	(162)	(26%)
Stock-based compensation, net	239	55	(103)	(62)	332%
Stock-based compensation, net per boe	0.64		(0.22)		391%
Total administrative expenses, net	1,959	64	1,517	57	29%
Total administrative expenses, net per boe	5.23		3.31		58%

	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013		Variance
	\$000	%	\$000	%	\$
<i>Cash:</i>					
Salaries and benefits ⁽¹⁾	6,180	60	4,913	61	26%
Other ⁽²⁾	4,118	40	3,077	39	34%
	10,298	100	7,990	100	29%
Operating overhead recoveries	(622)	(6)	(460)	(6)	35%
Capitalized overhead recoveries ⁽³⁾	(2,806)	(27)	(1,800)	(22)	56%
General and administrative expenses, net	6,870	67	5,730	72	20%
General and administrative expenses, net per boe	4.18		3.82		9%
<i>Non-cash:</i>					
Stock-based compensation	973	100	2,355	100	(59%)
Capitalized stock-based compensation ⁽³⁾	(376)	(39)	(1,054)	(45)	(64%)
Stock-based compensation, net	597	61	1,301	55	(54%)
Stock-based compensation, net per boe	0.36		0.86		(58%)
Total administrative expenses, net	7,467	66	7,031	68	6%
Total administrative expenses, net per boe	4.54		4.68		(3%)

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

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

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

General and administrative (cash)

Net General and Administrative ("G&A") expenses increased 6% on an aggregate basis to \$1.7 million in the fourth quarter of 2014 as compared to \$1.6 million in the Comparable Prior Period due mainly to increased office rent costs related to the office move in October 2014, partially offset by lower salaries and benefits due to decreased management and employee bonuses for 2014.

In 2014, net G&A expenses increased 20% on an aggregate basis to \$6.9 million as compared to \$5.7 million in 2013, due mainly to severance costs related to employee terminations in 2014, higher salaries and benefits due to an increase in the number of new professional staff to accommodate the Corporation's activities in the Entice area and increased office rent costs related to the office move in October 2014.

Stock-based compensation (non-cash)

Net stock-based compensation expense increased in the fourth quarter of 2014 to \$0.2 million as compared to a net recovery of \$0.1 million in the Comparable Prior Period due to forfeitures of unvested stock options related to staff departures in 2013.

In 2014, net stock-based compensation expense decreased in 2014 to \$0.6 million as compared to \$1.3 million in 2013. The decrease is related to increased forfeitures of unvested stock options due to staff departures, partially offsetting the amount expensed in the year.

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	2,601,500	2.09
Exercised	(1,279,167)	(1.46)
Forfeited	(1,621,167)	(2.61)
Outstanding, December 31, 2014	5,308,606	1.97

Each stock option entitles the holder to purchase one Manitoq 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 December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Depletion and depreciation (\$000)	7,663	5,911	30%	26,552	19,644	35%
Depletion and depreciation (\$/boe)	20.45	12.88	59%	16.16	13.09	23%

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 in the fourth quarter of 2014 to \$7.7 million (\$20.45/boe) as compared to \$5.9 million (\$12.88/boe) for the Comparable Prior Period. In 2014, D&D expenses increased to \$26.6 million (\$16.16/boe) as compared to \$19.6 million (\$13.09/boe) for the Comparable Prior Period. The increase in D&D expenses in the three and twelve month periods is due to proved plus probable reserves being added during 2014, at a higher cost than the cumulative amounts for prior periods, mainly related to negative technical revisions of proved plus probable reserves in the Stolberg area.

Asset Impairment Assessment

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

Manitok reviews CGUs at each reporting date for both internal and external indicators of potential impairment. Potential CGU impairment indicators include, but are not limited to, changes to Manitok's business plan; deterioration in commodity prices; negative changes in technological, economic, legal, capital or operating environment; adverse changes to the physical condition of a CGU; current expectation that a material CGU (or a significant component thereof), is more likely than not to be sold or otherwise disposed of before the end of its previously estimated useful life; non-compliance of financial debt covenants; deterioration in the financial and operational performance of a CGU; net assets exceeding market capitalization; and significant downward revisions of estimated recoverable proved plus probable reserves of a CGU. If impairment indicators exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount.

The Corporation performed an impairment assessment of its exploration and evaluation assets and petroleum and natural gas assets on a CGU basis and determined there were impairment indicators relating to the decline in forecasted crude oil and natural gas prices and a downward revision of estimated proved plus probable recoverable reserves as at December 31, 2014. As a result, the Corporation tested all of its CGUs for impairment. For all CGUs, fair value less costs to sell were based on the net present value of the before tax cash flow from proved plus probable oil and natural gas reserves estimated by the Corporation's third party reserve evaluators using discount rates of 10% to 20% and the internally estimated fair value of undeveloped lands based on land sales and industry activity in the area. In determining the appropriate discount rate, the Corporation referenced recent market transactions completed on assets similar to those in the CGUs.

It was determined that the net book value of exploration and evaluation assets exceeded the recoverable amount and Manitok recognized a \$46.1 million impairment charge in 2014, primarily related to exploratory drilling, geological and geophysical, and land costs. In 2013, the Corporation recorded a \$3.3 million impairment charge related to exploration and evaluation assets.

The impairment test on petroleum and natural gas assets determined that the net book value exceeded the recoverable amount and Manitok recognized a \$1.6 million impairment charge in 2014 compared to a \$1.5 million impairment charge in 2013.

As the recoverable amount of the CGUs are sensitive to a decrease in commodity prices, further impairment charges could be recorded in future periods. Alternatively, an improvement of commodity prices could reverse any impairment charges recorded to date, less applicable depletion and depreciation charges.

Finance Expenses

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

	Three months ended December 31, 2014		Three months ended December 31, 2013		Variance	
	\$000	\$/boe	\$000	\$/boe	\$	\$/boe
<i>Cash:</i>						
Interest and fees on credit facilities	519	1.39	168	0.37	209%	276%
<i>Non-cash:</i>						
Accretion on decommissioning obligations	51	0.15	81	0.18	(37%)	(17%)
Total finance expenses	570	1.54	249	0.55	129%	180%

	Twelve months ended December 31, 2014		Twelve months ended December 31, 2013		Variance	
	\$000	\$/boe	\$000	\$/boe	\$	\$/boe
<i>Cash:</i>						
Interest and fees on credit facilities	1,249	0.76	573	0.38	118%	100%
<i>Non-cash:</i>						
Accretion on decommissioning obligations	185	0.11	306	0.20	(40%)	(45%)
Total finance expenses	1,434	0.87	879	0.58	63%	50%

The aggregate cash finance expenses in the three and twelve month Reporting Periods included increased interest charges from higher average outstanding bank indebtedness as compared to the Comparable Prior Periods.

The Corporation's average outstanding bank indebtedness was approximately \$47.2 million and \$26.5 million in the three and twelve month Reporting Periods as compared to \$10.6 million and \$4.3 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 3.4% and 3.5% in the three and twelve month Reporting Periods as compared to 3.5% and 3.5% in the Comparable Prior Periods.

The aggregate non-cash finance expenses in the three and twelve month Reporting Periods decreased 37% and 40% from the Comparable Prior Periods due mainly to the Foothills Asset Divestiture.

(Gain) Loss on Divestiture of Assets

In February 2014, Manitek completed the Foothills Asset Divestiture for total cash consideration of approximately \$21.9 million after post-closing adjustments. Manitek recorded a loss of approximately \$1.3 million (\$1.0 million, net of tax), as a result of the disposition. In May 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. In December 2014, Manitek completed the Facility Divestiture for approximately \$12.3 million after post-closing adjustments. The Corporation did not record a gain or loss on the Facility Divestiture as the carrying value approximated the proceeds received.

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.

Income Taxes

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

	Three months ended December 31			Twelve months ended December 31		
	2014	2013	Variance	2014	2013	Variance
Deferred income tax expense (recovery) (\$000)	(825)	1,239	(167%)	1,372	4,049	(66%)
Deferred income tax expense (recovery) (\$/boe)	(2.20)	2.70	(181%)	0.84	2.70	(69%)

For the fourth quarter of 2014, the Corporation recorded a deferred income tax recovery of \$0.8 million compared to a deferred income tax expense of \$1.2 million in the Comparable Prior Period due mainly to an increase in the net loss before income taxes in 2014 compared to 2013.

In 2014, the deferred income tax expense decreased to \$1.4 million from \$4.0 million in 2013 due to decreased net income before taxes, partially offset by exploration expenditures utilized in a flow through share renunciation.

The Corporation's estimated income tax pools were \$121.7 million as at December 31, 2014. Management expects that future taxable income will be available to utilize the accumulated tax pools. The components of the Corporation's estimated income tax pools are indicated in the table below.

As at December 31 (\$000)	2014	2013
Cumulative Canadian Exploration Expense	30,018	18,451
Cumulative Canadian Development Expense	42,901	26,660
Cumulative Canadian Oil and Gas Property Expense	31,241	46,559
Undepreciated Capital Cost	15,084	17,041
Share issue costs	2,478	4,301
	121,722	113,012

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:

(\$000)	Three months ended December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Land	170	20,698	1,014	23,338
Seismic	259	478	1,484	898
Workovers and recompletions	254	250	1,336	738
Drilling and completions	20,362	19,780	72,625	46,542
Well equipment and facilities	10,000	2,188	17,888	9,082
Capitalized overhead ⁽¹⁾	756	793	2,806	1,800
Total finding and development costs (F&D)	31,801	44,187	97,153	82,398
Property acquisition ⁽²⁾	7,393	-	7,393	-
Property divestitures ⁽³⁾	(12,291)	(20)	(35,083)	(3,413)
Total finding, development and acquisition costs (FD&A)	26,903	44,167	69,463	78,985
Administrative and other assets	46	69	227	380
Total capital expenditures⁽⁴⁾	26,949	44,236	69,690	79,365

(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 Stolberg Acquisition.

(3) Includes the Foothills Asset Divestiture, the divestiture of minor non-producing properties, and the Facility Divestiture.

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

In the fourth quarter of 2014, the Corporation drilled a total of 7 gross (4.9 net) wells. Of these 7 wells, 3 (0.9 net) were drilled in the Stolberg area and 4 (4.0 net) were drilled in the Entice area. The equipping and facilities capital spent relates to facilities construction and tie-in costs in both the Entice and Stolberg areas.

In 2014, Manitok has drilled a total of 29 gross (20.8 net) wells. Of these 29 wells, 15 (6.8 net) were drilled in the Stolberg area and 14 (14.0 net) were drilled in the Entice area.

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

(\$000)	Three months ended December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Exploration and evaluation	17,567	30,874	46,778	36,641
Petroleum and natural gas properties and equipment, net	9,382	13,362	22,912	42,724
Total capital expenditures⁽¹⁾	26,949	44,236	69,690	79,365

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

The Corporation incurred \$17.6 million of exploration and evaluation additions in the fourth quarter of 2014. Approximately \$17.4 million related to drilling and completion costs in the Entice area, and \$0.2 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 December 31		Twelve months ended December 31	
	2014	2013	2014	2013
Funds from operations	10,766	14,117	45,980	41,554
Changes in non-cash operating working capital	(1,980)	(2,575)	3,294	(4,166)
Decommissioning expenditures	(160)	(38)	(180)	(222)
Increase in credit facilities	5,160	11,672	37,021	13,136
Proceeds from long-term financial obligation	2,500	-	2,500	-
Proceeds from share issuances	-	25,000	-	25,000
Share issue costs	-	(1,512)	-	(1,512)
Proceeds from the exercise of stock options	212	881	1,865	916
Repurchase of common shares	(3,257)	(5,307)	(24,014)	(8,923)
Changes in non-cash investing working capital	13,708	1,998	3,224	13,437
Total capital resources	26,949	44,236	69,690	79,220
Exploration and evaluation asset expenditures	(17,567)	(30,874)	(46,778)	(36,641)
Petroleum and natural gas properties and equipment expenditures	(14,280)	(13,382)	(50,602)	(46,137)
Property acquisitions	(7,393)	-	(7,393)	-
Property divestitures	12,291	20	35,083	3,413
Net increase (decrease) in cash	-	-	-	(145)

Working Capital

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

As at, (\$000)	December 31, 2014	December 31, 2013
Working capital deficit	57,289	37,634
Current portion of the credit facilities	(53,258)	(16,237)
Current portion of the deferred premium on financial instruments	(2,019)	(1,278)
Current portion of the fair value of financial instruments	20,783	(3,842)
Adjusted working capital deficit	22,795	16,277

The Corporation's adjusted working capital deficit increased to \$22.8 million at December 31, 2014 as compared to \$16.3 million at December 31, 2013. The adjusted working capital deficit at December 31, 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 December 31, 2014, the major component of Manito's current assets, excluding the fair value of financial instruments, was revenue (22%) to be received from its marketers in respect of December 2014 production and accounts receivable from joint venture partners (60%) related to joint capital and operating activities in which Manito is the operator. Approximately 60% of the receivables from marketers and joint venture partners has been received subsequent to December 31, 2014. Current liabilities excluding the amount drawn on the credit facilities, the fair value of financial instruments and the deferred premium on financial instruments largely consist of trade

payables (67%) 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, and at this time, Manitok expects that such counterparties will be able to meet their financial obligations.

The Corporation manages its working capital using a combination of its funds from operations and advances under its credit facilities and if applicable funds from debt and equity issuances and asset divestitures. If applicable, 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 \$53.3 million as at December 31, 2014, with an aggregate limit on the revolving operating demand loan facility of \$90.0 million as compared to \$16.2 million as at December 31, 2013, with an aggregate limit of \$85.0 million. 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 were reviewed by the lender subsequent to December 31, 2014, and due to the current commodity price environment and negative technical revisions of proved plus probable reserves in the Stolberg area, the acquisition and development demand loan facility, which has never been utilized was cancelled and the operating demand loan facility was reduced from \$90.0 million to \$75.0 million, comprised of a \$30.0 million revolving operating demand loan facility and a \$45 million non-revolving reducing demand loan facility. The Corporation has evaluated the reductions of the credit facilities and management believes the Corporation will be able to fulfill its 2015 commitments with its current resources and anticipated 2015 funds from operations. Additionally, Manitok is evaluating various measures, such as asset divestitures and other third party funding alternatives that will reduce the Corporation's bank indebtedness.

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

As at December 31 (\$000)	Credit facilities reduction	2014	2013
Maximum borrowing base limit			
Revolving operating demand loan facility ⁽¹⁾	30,000	90,000	85,000
Non-revolving reducing demand loan facility ⁽¹⁾	45,000	-	-
Acquisition and development demand loan facility ⁽¹⁾⁽²⁾	-	15,000	20,000
Long-term financial obligation	2,500	2,500	-
	77,500	107,500	105,000
Principle amount utilized			
Drawn credit facilities	(53,258)	(53,258)	(16,237)
Long-term financial obligation	(2,500)	(2,500)	-
	(55,758)	(55,758)	(16,237)
Undrawn credit facilities	21,742	51,742	88,763

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the 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. As at December 31, 2014 the Corporation's working capital ratio was 1.3:1.

(2) The acquisition and development demand loan facility is restricted and subject to approval by the Corporation's lender, when utilized 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 December 31, 2014:

(\$000)	2015	2016	2017 - 2019	Thereafter
Accounts payable and accrued liabilities	47,573	-	-	-
Drawn on credit facilities	53,258	-	-	-
Long-term financial obligation ⁽¹⁾	360	360	1,080	5,400
Deferred premium on financial instruments ⁽²⁾	2,019	-	-	-
Minimum drilling and completion expenditures ⁽³⁾	21,008	51,000	-	-
Firm transportation agreement ⁽⁴⁾	315	393	-	-
Facility fees ⁽⁵⁾	1,812	1,812	5,436	5,436
Office leases ⁽⁶⁾	2,503	2,514	1,484	-
Total estimated contractual obligations⁽⁷⁾	128,848	56,079	8,000	10,836

(1) Pursuant to a facilities financing agreement, Manitok is committed to pay annual facility fees of \$360,000 for 20 years, including interest payments.

(2) Manitok is committed to pay a deferred premium on financial instruments, which represents the deferred put option premium payable to the counter-party of the contracts at a weighted average of \$0.35/GJ.

(3) Pursuant to a lease issuance and drilling commitment agreement with Encana Corporation, Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures over a three year term. In May 2014, Encana Corporation assigned the agreement to PrairieSky Royalty Ltd. ("**PrairieSky Agreement**").

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

(5) In conjunction with the Facility Divestiture, the Corporation is required to pay monthly facility fees of \$150,990 for a maximum period of 96 months starting in January 2015.

(6) Manitok is committed to operating leases relating to new office premises commencing on November 1, 2014 and expiring on November 30, 2017 and its old office premises which expires on February 28, 2017. The Corporation has subleased approximately 70% of its old premises to arm's length parties, effective from November 1, 2014 for the remainder of the lease term and is currently attempting to sublease the remaining available office space. The recovery of rental costs from the subleases are not included in the table.

(7) 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 December 31, 2014 to be approximately \$13.2 million and will be incurred as follows: 2015 - \$0.5 million, 2016 - \$0.3 million, 2017 to 2019 - \$1.1 million and \$11.3 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 December 31, 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	1,279,167
Repurchase of Manitok Shares ⁽²⁾	(10,491,900)
Outstanding, December 31, 2014	65,279,607

(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 2013 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 year ended December 31, 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 ("March 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 year ended December 31, 2014, the Corporation purchased a total of 6,773,100 Manitok Shares for cancellation at a weighted average price of \$2.33 per Manitok share pursuant to the March 2014 NCIB program. On October 30, 2014, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("November 2014 NCIB") to purchase for cancellation up to 6.3 million Manitok Shares on the open market during the period from November 3, 2014 to November 2, 2015. For the year ended December 31, 2014, the Corporation purchased a total of 852,900 Manitok Shares for cancellation at a weighted average price of \$1.45 per Manitok Share pursuant to the November 2014 NCIB.

At April 29, 2015, there were 65,279,607 Manitok Shares outstanding and 6,435,773 stock options to purchase an equivalent number of Manitok Shares.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
OPERATING								
Average daily production								
Light oil (bbls/d)	2,257	2,066	2,695	3,028	2,755	1,781	2,016	1,701
Natural gas (mcf/d)	10,713	10,931	11,417	13,352	12,868	11,735	11,692	10,810
NGLs (bbls/d)	30	74	46	98	89	82	81	83
Total (boe/d)	4,072	3,962	4,644	5,351	4,989	3,819	4,045	3,586
Average realized sales price (CAD\$)								
Light oil (\$/bbl)	71.96	95.17	103.18	96.92	82.30	101.86	89.77	89.09
Natural gas (\$/mcf)	3.83	4.25	4.81	6.51	4.03	2.73	3.95	3.70
NGLs (\$/bbl)	67.29	98.93	110.86	97.92	76.48	77.70	73.92	84.25
Total (\$/boe)	50.45	63.20	72.80	72.88	57.21	57.55	57.64	55.39
OPERATING NETBACK (\$ per boe)⁽¹⁾								
Petroleum and natural gas sales	50.45	63.20	72.80	72.88	57.21	57.55	57.64	55.39
Realized gain (loss) on financial instruments	6.67	(4.69)	(6.19)	(4.10)	(0.48)	(4.59)	(0.96)	0.86
Royalty income	-	-	0.01	0.02	0.01	0.03	0.61	0.44
Royalty expenses	(11.61)	(19.64)	(23.98)	(22.23)	(10.18)	(16.55)	(13.21)	(16.12)
Operating expenses, net	(7.65)	(6.73)	(7.58)	(7.35)	(8.83)	(5.90)	(6.42)	(9.14)
Transportation and marketing expenses	(3.17)	(3.47)	(3.66)	(3.21)	(3.10)	(2.56)	(2.93)	(2.79)
Operating netback ⁽¹⁾	34.69	28.67	31.40	36.01	34.63	27.98	34.73	28.64
FINANCIAL								
Petroleum and natural gas revenue (\$000)	18,902	23,037	30,771	35,112	26,260	20,228	21,441	18,021
Royalty expenses (\$000)	(4,349)	(7,157)	(10,132)	(10,705)	(4,670)	(5,814)	(4,863)	(5,202)
Realized gain (loss) on financial instruments (\$000)	2,499	(1,709)	(2,618)	(1,976)	(220)	(1,614)	(355)	278
Unrealized gain (loss) on financial instruments (\$000)	27,577	8,394	(2,036)	(6,175)	(3,591)	(2,063)	148	(3,035)
Interest and other revenue (\$000)	6	22	-	3	13	34	24	36
Total revenue, net (\$000)	44,635	22,587	15,985	16,259	17,792	10,771	16,395	10,098
Funds from operations (\$000) ⁽¹⁾	10,766	8,556	11,197	15,461	14,117	8,252	11,324	7,861
Per share - basic (\$) ⁽¹⁾	0.16	0.13	0.16	0.21	0.19	0.12	0.16	0.11
Per share - diluted (\$) ⁽¹⁾	0.16	0.12	0.16	0.21	0.19	0.12	0.16	0.11
Net income (loss) (\$000)	(2,774)	7,900	(9,044)	331	(1,417)	336	4,831	(135)
Per share - basic (\$)	(0.04)	0.12	(0.13)	-	(0.02)	-	0.07	-
Per share - diluted (\$) ⁽²⁾	(0.04)	0.11	(0.13)	-	(0.02)	-	0.07	-
Capital expenditures, net (\$000)	26,949	22,832	17,669	2,240	44,236	17,499	6,335	11,295
Book value of total assets (\$000)	211,284	197,362	178,300	185,390	192,580	150,129	139,671	135,648
Adjusted working capital deficit (\$000) ⁽¹⁾	22,795	11,067	17,676	19,947	16,277	16,855	9,226	6,354
Drawn on credit facilities (\$000)	53,258	48,098	22,311	6,685	16,237	4,565	-	7,130
Long-term financial obligation (\$000)	2,500	-	-	-	-	-	-	-
Total net debt (\$000) ⁽¹⁾	78,553	59,165	39,987	26,632	32,514	21,420	9,226	13,484
Shareholders' equity (\$000)	84,333	89,714	86,550	102,256	109,096	94,076	95,877	91,024
Common shares outstanding								
End of period - basic	65,279,607	66,996,440	69,020,407	71,615,406	74,492,340	68,999,040	70,086,140	70,357,180
End of period - diluted	70,588,213	71,566,714	74,114,181	77,689,147	80,099,780	75,704,480	76,661,580	76,759,280
Weighted average for the period - basic	65,924,473	68,143,633	70,390,367	73,097,543	72,638,096	69,401,001	70,219,904	70,348,151
Weighted average for the period - diluted	66,255,000	69,108,544	71,402,527	74,334,096	74,371,392	71,431,314	72,139,108	72,758,478

(1) Funds from operations, funds from operations per share, operating netback, adjusted 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 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.
- 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 program.
- 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 \$4.9 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 a lease issuance and drilling commitment 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 program.
- 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 Foothills Asset Divestiture of \$1.3 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 March 2014 NCIB programs.
- 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 Divestiture.
- 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 impairment 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 March 2014 NCIB program.

- In the third quarter of 2014, average production volumes decreased to 3,962 boe/d compared to 4,644 boe/d in the second quarter of 2014. Approximately 450 boe/d of the decrease is attributed to 3 gross (1.5 net) Cardium oil wells that were shut-in July 2014 in order to properly manage the Stolberg reservoir pressure, to ensure the maximum recovery of its oil in place, and about 230 boe/d is attributed to natural production declines in the Stolberg area with limited new well production additions in the quarter.
- P&NG revenue decreased by \$7.7 million in the third quarter of 2014 from the second quarter of 2014 as a result of the decreased production volumes and decreased commodity prices.
- Funds from operations decreased by \$2.6 million in the third quarter of 2014 from the second quarter of 2014 mainly attributable to lower P&NG revenue.
- In the third quarter of 2014, Manitok recorded net income of \$7.9 million, which was primarily the result of an unrealized gain on financial instruments of \$8.4 million as a result of the decrease in WTI crude oil price.
- The Corporation repurchased 2,068,300 Manitok Shares in the third quarter of 2014 at an average price of \$2.39 per share, pursuant to its March 2014 NCIB program.
- P&NG revenue decreased by \$4.1 million in the fourth quarter of 2014 from the third quarter of 2014 as a result of the decreased realized commodity prices.
- Funds from operations increased by \$2.2 million in the fourth quarter of 2014 from the third quarter of 2014 mainly attributable to a realized gain on financial instruments and a decrease in royalty expenses, partially offset by lower P&NG revenue.
- In the fourth quarter of 2014, the unrealized gain on financial instruments increased by \$19.2 million from the third quarter of 2014 due to the significant decrease in commodity prices.
- Net income (loss) for the fourth quarter of 2014 was a loss of \$2.8 million, compared to net income of \$7.9 million in the third quarter of 2014. The decrease was primarily the result of an impairment charge of \$34.0 million in the fourth quarter of 2014, partially offset by the increase in the unrealized gain on financial instruments.
- Total net debt increased by \$19.4 million to \$78.6 million as at December 31, 2014 from September 30, 2014 due primarily to capital expenditures and the Stolberg Acquisition in the fourth quarter of 2014, partially offset by the Facility Divestiture.
- The Corporation repurchased 1,878,500 Manitok Shares in the fourth quarter of 2014 at an average price of \$1.73 per share, pursuant to its March 2014 NCIB and November 2014 NCIB programs.

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 the 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 the reservoir, and the 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 NGLs 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 and gathering systems at different stages of development and construction of assets. 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 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

Accounting Policies Adopted

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 Policies

On May 28, 2014, the IASB issued *IFRS 15 Revenue From Contracts With Customers* replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue* and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Manitok is currently assessing the impact of adopting IFRS 15, however, it anticipates that this standard will not have a material impact on the Corporation's financial statements.

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 aligns hedge accounting more closely with risk management. The new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however under the new standard, more hedging strategies that are used for risk management will qualify for hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018. As the Corporation does not currently apply hedge accounting it anticipates that this standard will not have a material impact on Manitoak's 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.

MANAGEMENT'S REPORT

To the Shareholders of Manito Energy Inc.

The annual financial statements of Manito Energy Inc. as at and for the years ended December 31, 2014 and December 31, 2013 were prepared by management within the acceptable limits of materiality and are in accordance with International Financial Reporting Standards. Management is responsible for ensuring that the financial and operating information presented in this annual report is consistent with that shown in the financial statements.

The financial statements have been prepared by management in accordance with the accounting policies as described in the notes to the financial statements. Timely release of financial information sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. When necessary, such estimates are based on informed judgments made by management.

Management has designed and maintains an appropriate system of internal controls to provide reasonable assurance that all assets are safeguarded and financial records are properly maintained to facilitate the preparation of financial statements for reporting purposes.

KPMG LLP, an independent firm of Chartered Public Accountants appointed by shareholders, have conducted an examination of the corporate and accounting records in order to express their opinion on the financial statements.

The Audit Committee, consisting of non-management directors, has met with representatives of KPMG LLP and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. The Board of Directors has approved the financial statements on the recommendation of the Audit Committee.

Respectfully,

(signed) *"Massimo M. Geremia"*

Massimo M. Geremia,
President and Chief Executive Officer

(signed) *"Robert G. Dion"*

Robert G. Dion,
Vice President, Finance & Chief Financial Officer

April 29, 2015
Calgary, Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Manitok Energy Inc.

We have audited the accompanying financial statements of Manitok Energy Inc., which comprise the statements of financial position as at December 31, 2014 and December 31, 2013, the statements of net income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manitok Energy Inc. as at December 31, 2014 and December 31, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "KPMG LLP"

Chartered Accountants

April 29, 2015

Calgary, Canada

MANITOK ENERGY INC.
STATEMENTS OF FINANCIAL POSITION
(expressed in thousands of Canadian dollars)

As at December 31,	2014	2013
ASSETS		
Current assets:		
Accounts receivable (note 20)	24,035	18,579
Deposits and prepaid expenses	743	457
Fair value of financial instruments (note 20)	20,783	-
	45,561	19,036
Non-current assets:		
Exploration and evaluation assets (note 6)	26,759	54,106
Petroleum and natural gas properties and equipment (note 7)	138,964	119,438
	165,723	173,544
	211,284	192,580
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	47,573	35,313
Credit facilities (note 10)	53,258	16,237
Deferred premium on financial instruments (note 20)	2,019	1,278
Fair value of financial instruments	-	3,842
	102,850	56,670
Non-current liabilities:		
Long-term financial obligation (note 11)	2,500	-
Fair value of financial instruments	-	3,876
Flow-through share premium	-	2,102
Decommissioning obligations (note 12)	8,516	11,225
Deferred income taxes (note 13)	13,085	9,611
	24,101	26,814
	126,951	83,484
SHAREHOLDERS' EQUITY		
Share capital (note 14)	105,701	119,586
Contributed surplus	5,407	5,451
Deficit	(26,775)	(15,941)
	84,333	109,096
Commitments (note 22)		
Subsequent event (note 10)		
	211,284	192,580

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

APPROVED BY THE BOARD

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

(signed) "Gregory E. Peterson"
Gregory E. Peterson LL.B., Director

MANITOK ENERGY INC.**STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)***(expressed in thousands of Canadian dollars, except per share amounts)*

Years ended December 31,	2014	2013
REVENUE		
Petroleum and natural gas	107,822	85,950
Royalty expenses	(32,343)	(20,549)
Net revenue from petroleum and natural gas sales	75,479	65,401
Realized loss on financial instruments	(3,804)	(1,911)
Unrealized gain (loss) on financial instruments	27,760	(8,541)
Interest and other	31	107
	99,466	55,056
EXPENSES		
Operating, net of recoveries	12,062	11,438
Transportation and marketing	5,545	4,302
Administrative, net of recoveries (note 15)	7,467	7,031
Depletion and depreciation (note 7)	26,552	19,644
Finance (note 16)	1,434	879
Impairment (note 6 and 7)	47,641	4,815
(Gain) loss on divestitures (note 8)	980	(717)
	101,681	47,392
INCOME (LOSS) BEFORE INCOME TAXES	(2,215)	7,664
Deferred income tax expense (note 13)	1,372	4,049
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(3,587)	3,615
Net income (loss) per common share (note 18)		
basic	(0.05)	0.05
diluted	(0.05)	0.05

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

MANITOK ENERGY INC.**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***(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 for the year	-	-	-	3,615	3,615
Share issuances (note 14c and 14d)	7,041,900	21,830	-	-	21,830
Share issue costs (note 14e)	-	(1,134)	-	-	(1,134)
Issued on exercise of stock options (note 17)	742,826	1,529	(613)	-	916
Normal course issuer bid (note 14f)	(3,631,400)	(5,307)	(44)	(3,572)	(8,923)
Stock-based compensation expensed (note 15)	-	-	1,301	-	1,301
Stock-based compensation capitalized (note 15)	-	-	1,054	-	1,054
As at December 31, 2013	74,492,340	119,586	5,451	(15,941)	109,096
Net loss for the year	-	-	-	(3,587)	(3,587)
Issued on exercise of stock options (note 17)	1,279,167	3,065	(1,200)	-	1,865
Normal course issuer bid (note 14f)	(10,491,900)	(16,950)	183	(7,247)	(24,014)
Stock-based compensation expensed (note 15)	-	-	597	-	597
Stock-based compensation capitalized (note 15)	-	-	376	-	376
As at December 31, 2014	65,279,607	105,701	5,407	(26,775)	84,333

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

MANITOK ENERGY INC.
STATEMENTS OF CASH FLOWS

(expressed in thousands of Canadian dollars)

Years ended December 31,	2014	2013
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Net income (loss)	(3,587)	3,615
Adjustments for items not affecting operating cash:		
Deferred income tax	1,372	4,049
Depletion and depreciation	26,552	19,644
Impairment	47,641	4,815
Stock-based compensation (note 15)	597	1,301
Finance (note 16)	1,434	879
Unrealized (gain) loss on financial instruments	(27,760)	8,541
(Gain) loss on divestitures	980	(717)
Interest paid (note 16)	(1,249)	(573)
Decommissioning expenditures (note 12)	(180)	(222)
Changes in non-cash operating working capital (note 21)	3,294	(4,166)
	49,094	37,166
FINANCING ACTIVITIES:		
Increase in credit facilities	37,021	13,136
Proceeds from long-term financial obligation (note 11)	2,500	-
Proceeds from share issuances	-	25,000
Share issue costs	-	(1,512)
Proceeds from the exercise of stock options	1,865	916
Repurchase of common shares	(24,014)	(8,923)
	17,372	28,617
INVESTING ACTIVITIES:		
Acquisitions of petroleum and natural gas properties and equipment	(7,393)	-
Divestitures of petroleum and natural gas properties and equipment	35,083	3,413
Exploration and evaluation asset expenditures	(46,778)	(36,641)
Petroleum and natural gas properties and equipment expenditures	(50,602)	(46,137)
Changes in non-cash investing working capital (note 21)	3,224	13,437
	(66,466)	(65,928)
NET CHANGE IN CASH	-	(145)
CASH, BEGINNING OF YEAR	-	145
CASH, END OF YEAR	-	-
Cash interest paid	1,249	573

The accompanying notes are an integral part of these 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 31st 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 annual audited financial statements ("**Financial Statements**") were approved and authorized for issuance by the Board of Directors on April 29, 2015.

2. BASIS OF PREPARATION

The Financial Statements present Manitok's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") as at and for the year ended December 31, 2014, including the 2013 comparable period. The Financial Statements have been prepared in accordance with IFRS accounting policies and methods of computation as set forth in note 3.

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 methods used to measure fair values are discussed in note 5. The Corporation's Financial Statements include the accounts of Manitok only and are expressed in Canadian dollars, unless otherwise stated. There are no subsidiary companies.

Operating, transportation and marketing expenses in income or loss are presented as a combination of function and nature in conformity with industry practice. Depletion and depreciation expense, impairment expense, finance expenses, gain or loss on divestitures and gain or loss on financial instruments are presented in a separate line by their nature, while net administrative expenses are presented on a functional basis. Significant expenses such as salaries and benefits and stock-based compensation are presented by their nature in the notes to the Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these Financial Statements.

a) Revenue Recognition

Revenue from the sale of petroleum and natural gas is recognized when volumes are delivered and title passes to an external party at contractual delivery points and are recorded gross of transportation charges incurred by the Corporation. The costs associated with the delivery, including transportation and production-based royalty expenses, are recognized in the same period in which the related revenue is earned and recorded.

b) Cash and Cash Equivalents

Cash may consist of cash on hand, deposits and term investments held with a financial institution, with an original maturity of three months or less.

c) Joint Operations and Assets

Certain activities of the Corporation are conducted jointly with others where the participants have a direct ownership interest in the related assets. Accordingly, the accounts of Manitok reflect only its working interest share of revenues, expenses and capital expenditures related to these jointly owned assets. The relationship with joint owned asset partners have been referred to as joint venture in the remainder of the Financial Statements as this is common terminology in the Canadian oil and gas industry.

d) Exploration and Evaluation Assets

Costs incurred prior to obtaining the right to explore a mineral resource are recognized as an expense in the period incurred.

Intangible exploration and evaluation expenditures are initially capitalized and may include mineral license acquisitions, geological and geophysical evaluations, technical studies, exploration drilling and testing and other directly attributable administrative costs. Tangible assets acquired which are consumed in developing an intangible exploration asset are recorded as part of the cost of the exploration asset. The costs are accumulated in cost centers by exploration area pending the determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource in an exploration area is considered to be determinable when economical quantities of proven reserves are determined to exist. A review of each exploration project by area is carried out at each reporting date to ascertain whether such reserves have been discovered. Upon determination of commercial proven reserves, associated exploration costs are transferred from exploration and evaluation assets to developing and producing petroleum and natural gas properties and equipment as reported on the Financial Statements. Exploration and evaluation assets are reviewed for impairment prior to any such transfer. Assets classified as exploration and evaluation are not subject to depletion and depreciation until they are reclassified to petroleum and natural gas properties and equipment.

e) Petroleum and Natural Gas Properties and Equipment

(i) Recognition and measurement

Petroleum and natural gas properties and equipment are measured at cost less accumulated depletion and depreciation and accumulated impairment losses.

Petroleum and natural gas properties and equipment consists of the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Petroleum and natural gas assets include developing and producing interests such as mineral lease acquisitions, geological and geophysical, drilling and completion, facility and production equipment, other directly attributable administrative costs and the initial estimate of the costs of dismantling and removing an asset and restoring the site on which it was located.

(ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability are recognized as developing and producing petroleum and natural gas properties and equipment when they increase the future economic benefits embodied in the specific asset to which they relate. Such capitalized petroleum and natural gas properties and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on an area basis. The cost of day-to-day servicing of an item of petroleum and natural gas properties and equipment is expensed in income or loss as incurred.

Petroleum and natural gas properties and equipment are de-recognized upon divestiture or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the divestiture of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in income or loss.

(iii) Asset exchanges

Exchanges that involve only exploration and evaluation assets are accounted for at carrying value. Exchanges of development and production assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of the assets given up or the assets received cannot be reliably estimated. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more reliable. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. Any gain or loss on the de-recognition of the asset given up is recognized in income or loss.

(iv) Depletion and depreciation

The net carrying value of developing and producing petroleum and natural gas assets is depleted on an area basis using the unit of production method. This depletion calculation includes actual production in the period and total estimated proved and probable reserves attributable to the assets being depleted, taking into account total capitalized costs plus estimated future development costs necessary to bring those reserves into production. Relative volumes of reserves and production (before royalties) are converted at the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil. These estimates are reviewed by the Corporation's independent reserves evaluator at least annually.

Capitalized plant turnaround costs are depreciated on a straight-line basis over the estimated time until the next turnaround is completed. Corporate assets, which include office furniture and equipment, field equipment, software and computer equipment, are depreciated on a straight-line basis over the useful lives of the assets, which are estimated to be four years.

When significant parts of property and equipment, including petroleum and natural gas interests, have different useful lives, they are accounted for as separate items (major components). Depletion and depreciation methods and useful lives for petroleum and natural gas properties and equipment are reviewed at each reporting date.

f) Leased Assets

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, which are not recognized on the Corporation's Statements of Financial Position. Payments made under operating leases are recognized in income or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

g) Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive), as a result of a past event, if it is probable that the Corporation will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is significant).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are not recognized for future operating losses.

h) Decommissioning Obligations

The Corporation's activities give rise to dismantling, restoration and site disturbance remediation activities. Costs related to abandonment, reclamation and remediation activities are estimated by management based on risk-adjusted current costs which take into consideration current technology in accordance with existing legislation and industry practices.

Decommissioning obligations are measured at the present value of the best estimate of expenditures required to settle the present obligations at the reporting date. When the fair value of the liability is initially measured, the estimated cost, discounted using a pre-tax risk-free discount rate, is capitalized by increasing the carrying amount of the related petroleum and natural gas properties and equipment. The increase in the provision due to the passage of time, which is referred to as accretion, is recognized as a finance expense. Actual costs incurred upon settlement of the liability are charged against the obligation to the extent that the obligation was previously established. The carrying amount capitalized in petroleum and natural gas properties and equipment is depleted in accordance with the Corporation's depletion and depreciation policy. The Corporation reviews the obligation at each reporting date and revisions to the estimated timing of cash flows, discount rates and estimated costs will result in an increase or decrease to the obligations and the related petroleum and natural gas properties and equipment. Any difference between the actual costs incurred upon settlement of the obligation and recorded liability is recognized in income or loss.

i) Share-Based Payments

Equity-settled share-based awards granted by the Corporation include stock options granted to Directors, Officers, employees and key consultants. The fair value determined at the grant date of an award is expensed on a graded basis over the vesting period of each respective tranche of an award with a corresponding increase to contributed surplus. In calculating the expense of share-based awards, the Corporation revises its estimate of the number of equity instruments expected to vest by applying an estimated forfeiture rate for each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary, with a final adjustment to reflect the actual number of awards that vest. Upon the exercise of share-based awards, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. In the event that vested share-based awards expire without being exercised, previously recognized compensation costs associated with such awards are not reversed. The expense related to share-based awards is included within administrative expenses in income or loss.

The fair value of share-based payments is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical daily traded volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividend yield and the risk-free interest rate (based on government bonds) applicable to the term of the award.

A portion of share-based compensation expense directly attributable to the exploration and development of the Corporation's assets are capitalized.

j) Finance Income and Expenses

Finance expenses include interest expense on borrowings, standby fees on the unutilized credit facilities, renewal fees of the credit facilities, accretion of the discount on decommissioning obligations, impairment losses recognized on financial assets and corporate acquisition costs. Interest income is recognized as it is earned.

k) Borrowing Costs

Borrowing costs incurred for the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial. The capitalization rate, used to determine the amount of borrowing costs to be capitalized, is the weighted average interest rate applicable to the Corporation's outstanding borrowings during the period. All other borrowing costs are charged to income or loss using the effective interest method.

l) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are comprised of accounts receivable, accounts payable and accrued liabilities, outstanding credit facilities and the long-term financial obligation. Non-derivative financial

instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- Accounts receivables are measured at amortized cost using the effective interest method. Typically, the fair value of these balances approximates the carrying value due to the short term to maturity.
- Accounts payable and accrued liabilities, outstanding credit facilities and the long-term financial obligation are measured at amortized cost using the effective interest rate method. Due to the short term nature of accounts payable and accrued liabilities, the carrying value approximates fair value. The Corporation's outstanding credit facilities bear interest at a floating rate and accordingly the fair market value approximates the carrying value. The fair value of the long-term financial obligation is the same as the carrying value on the date of issuance and the interest rate approximates market value.

(ii) Derivative financial instruments

Derivative financial instruments may be used by the Corporation to manage economic exposure to market risks relating to commodity prices, exchange rates and interest rates. Manitok's policy is not to utilize derivative financial instruments for speculative purposes. The Corporation does not designate its financial derivative contracts as hedges, and as such does not apply hedge accounting. As a result, all financial derivatives are classified at fair value through income or loss and are recorded on the Financial Statements at fair value. Transaction costs are recognized in income or loss when incurred.

The fair value of commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the date of the Financial Statements, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options is based on option models that use published information with respect to volatility, prices and interest rates.

The Corporation accounts for any forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the Financial Statements. Settlements on physical sales contracts are recognized in petroleum and natural gas sales in income or loss.

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a reduction in share capital, net of any tax effects.

m) Impairment

(i) Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognized in income or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Impairment of non-financial assets

The Corporation's petroleum and natural gas properties and equipment are grouped into Cash Generating Units ("CGUs") for the purpose of assessing impairment. A CGU represents the smallest group of assets that

generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

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 a CGU's carrying value to its recoverable amount. A CGU's recoverable amount is the greater of its fair value less cost to sell and its current value in use. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. Any excess of carrying value over recoverable amount is recognized as impairment expense in income or loss.

In assessing the value in use, the estimated future cash flows from proved and probable reserves are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money. Fair value less costs to sell is determined as the amount that would be obtained from the disposition of the asset in an arm's length transaction between knowledgeable and willing parties. The petroleum and natural gas future prices used in the impairment test are based on period-end commodity price forecasts estimated by the Corporation's independent reserves evaluator and are adjusted for petroleum and natural gas differentials, transportation and marketing costs specific to the Corporation.

Where circumstances change such that an impairment no longer exists or is less than the amount previously recognized, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount as long as the revised estimate does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the CGU in prior periods. A reversal of an impairment loss is recognized immediately through income or loss.

Exploration and evaluation assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability of an exploration area, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to CGUs.

n) Income Taxes

Manitok is a corporation as defined under the *Income Tax Act* (Canada) and is subject to Canadian federal and provincial taxes. Manitok is only subject to provincial taxes in Alberta as currently all activities are in that jurisdiction. The Corporation's income tax expense include current and/or deferred tax. Income tax expense is recognized through income or loss except to the extent that it relates to items recognized directly in equity, in which case the related income taxes are also recognized in equity.

Current tax is the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available to utilize the deductible temporary differences. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is expected to be settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation anticipates, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

o) Flow-Through Shares

The Corporation may issue flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value of the flow-through shares issued and the value that would have been received for common shares as at the date of announcement of the flow-through share issuance is initially recognized as a liability on the Financial Statements. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Corporation as a result of the renunciation and the difference is recognized as a deferred tax expense.

p) Per Common Share

Basic per share information is computed using the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the treasury stock method, which assumes that any proceeds from the exercise of “in-the-money” stock options would be used to purchase common shares at the average market price during the period. No adjustment to diluted net income (loss) per share is made if the result of these calculations is anti-dilutive. The average market value of the Corporation’s shares for the purpose of calculating the dilutive effect is based on average quoted market prices for the time that the common shares were outstanding during the period.

q) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of 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 the critical judgments that management has made in the process of applying the Corporation’s 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 estimated recoverable reserves, significant adverse effect on the financial and operational performance of a CGU, 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:

(vi) 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,

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

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 the reservoir and the 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 Manitoak'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. Manitoak's oil and gas reserves are determined in accordance with the standards contained in National Instrument 51-101 *Standard of Disclosures for Oil and Gas Activities* and the *Canadian Oil and Gas Evaluation Handbook*.

(vii) 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 forfeitures at the initial grant date.

(viii) Decommissioning obligations

The Corporation estimates future remediation costs of production facilities, well sites and gathering systems at different stages of development and construction of the assets. 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.

(ix) 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.

(x) Fair value of financial instruments

The fair value of financial instruments where active market quotes are not available is estimated using the Corporation's assessment of available market inputs. These estimates may vary from the actual prices received upon settlement of the financial instruments.

(xi) Taxes

Manitoak 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 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 Manitoak to realize the deferred tax assets recorded at the balance sheet date could be impacted.

4. CHANGES IN ACCOUNTING POLICIES

Accounting Policies Adopted

Effective January 1, 2014, the Corporation adopted IFRIC 21 *Levies*, which addresses payments made to government bodies. There was no impact to the Corporation's Financial Statements as a result of adopting this new standard.

Effective January 1, 2014, the Corporation adopted IAS 32 *Financial Instruments: Presentation*, which 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 Policies

On May 28, 2014, the IASB issued IFRS 15 *Revenue From Contracts With Customers* replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue* and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Manitoak is currently assessing the impact of adopting IFRS 15, however, it anticipates that this standard will not have a material impact on the Corporation's Financial Statements.

On July 24, 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 aligns hedge accounting more closely with risk management. The new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however under the new standard, more hedging strategies that are used for risk management will qualify for hedge accounting. IFRS 9 is effective for years beginning on or after January 1, 2018. As the Corporation does not currently apply hedge accounting it anticipates that this standard will not have a material impact on Manitoak's Financial Statements.

5. 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. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Petroleum and natural gas properties and equipment and exploration and evaluation assets

The fair value of petroleum and natural gas properties and equipment recognized in a business combination, is based on market values. The market value of petroleum and natural gas properties and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

(included in petroleum and natural gas properties and equipment) and intangible exploration and evaluation assets is estimated with reference to the discounted cash flow expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

(ii) Accounts receivable, deposits, accounts payable and accrued liabilities and credit facilities

The fair value of accounts receivable, deposits, accounts payable and accrued liabilities and the credit facilities are estimated as the present value of future cash flow, discounted at the market rate of interest at the reporting date. At December 31, 2014 and December 31, 2013, the fair value of these balances approximated their carrying value due to their short term to maturity. The Corporation's credit facilities bear interest at a floating rate and the margins charged by the lender are indicative of current credit spreads. Accordingly the fair market value approximates the carrying value.

(iii) Long-term financial obligation

The fair value of the long-term financial obligation at December 31, 2014, based on a discounted cash flow model assuming a 13.4% effective interest rate, is approximately \$2.5 million (December 31, 2013 – \$NIL).

(iv) Derivatives:

The fair value of commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the date of the Financial Statements, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates). The fair value of options is based on option models that use published information with respect to volatility, prices and interest rates.

(v) Share-based payments:

The fair value of share-based payments is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility in share price (based on weighted average historical daily traded volatility), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividend yield and the risk-free interest rate (based on government bonds).

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

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

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy level. The fair value measurement of derivative financial instruments has a fair value hierarchy of level 2.

6. EXPLORATION AND EVALUATION ASSETS

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

(\$000)	Total
As at December 31, 2012	20,311
Additions ⁽¹⁾	37,145
Impairment	(3,350)
As at December 31, 2013	54,106
Additions ⁽¹⁾	49,975
Dispositions ⁽²⁾	(8,039)
Transfer to petroleum and natural gas properties and equipment	(23,199)
Impairment	(46,084)
As at December 31, 2014	26,759

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

(2) In the year ended December 31, 2014, the Corporation completed asset divestments for combined proceeds of \$35.1 million, of which \$8.0 million related to E&E assets as set forth in note 8.

E&E assets consist of the Corporation's exploration projects which are pending the determination of economic quantities of proven reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period. Manitok capitalized cash and non-cash administrative costs directly attributable to E&E additions of \$1.9 million in the year ended December 31, 2014 (2013 – \$1.1 million).

Impairment

In the year ended December 31, 2014, Manitok determined the carrying value of certain exploratory drilling, geological and geophysical, and land costs were higher than the estimated fair value less costs to sell based on the net present value of the before tax cash flow from proved plus probable oil and natural gas reserves estimated by the Corporation's third party reserve evaluators using discount rates of 10% to 20% and an internal valuation of undeveloped land. An impairment charge of \$46.1 million (2013 – \$3.4 million) was recorded in the Financial Statements, of which \$2.2 million related to expiring land. Any impairment of E&E assets and any eventual reversal are recognized in income or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

7. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

(\$000)	P&NG	Corporate	Total
<i>Cost:</i>			
As at December 31, 2012	118,595	889	119,484
Additions	46,697	379	47,076
Asset acquisition (divestiture) (note 8)	(2,696)	-	(2,696)
Change in decommissioning obligations	(724)	-	(724)
As at December 31, 2013	161,872	1,268	163,140
Additions	50,440	202	50,642
Asset acquisition (note 9)	7,555	-	7,555
Asset divestitures (note 8)	(51,335)	(240)	(51,575)
Transfer from E&E assets (note 6)	23,199	-	23,199
Change in decommissioning obligations	2,236	-	2,236
As at December 31, 2014	193,967	1,230	195,197
<i>Accumulated depletion and depreciation and impairment:</i>			
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 (note 8)	15,420	158	15,578
Depletion and depreciation expense	(26,233)	(319)	(26,552)
Impairment expense	(1,557)	-	(1,557)
As at December 31, 2014	(55,541)	(692)	(56,233)
<i>Net book value:</i>			
As at December 31, 2013	118,701	737	119,438
As at December 31, 2014	138,426	538	138,964

At December 31, 2014, estimated future development costs of \$47.0 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 \$1.3 million in the year ended December 31, 2014 (2013 – \$1.8 million).

Impairment

As a result of the decline in forecast crude oil and natural gas prices and a downward revision of estimated proved plus probable recoverable reserves in the Stolberg area, the Corporation tested all of its CGUs for impairment. The recoverable amounts for all CGUs were based on the the greater of its fair value less cost to sell and its current value in use.

For all CGUs, fair value less costs to sell were based on the net present value of the before tax cash flow from proved plus probable oil and natural gas reserves estimated by the Corporation's third party reserve evaluators using discount rates of 10% to 20% and the internally estimated fair value of undeveloped lands based on land sales and industry activity in the area.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

The forward commodity price estimates used in the December 31, 2014 impairment test are as follows:

	WTI Oil (\$US/bbl)	Canadian Light Sweet (\$CAD/bbl)	AECO gas (\$CAD/mmbtu)	\$US/\$CAD
2015	65.00	70.35	3.32	0.850
2016	80.00	87.36	3.71	0.870
2017	90.00	98.28	3.90	0.870
2018	91.35	99.75	4.47	0.870
2019	92.72	101.25	5.05	0.870
2020	94.11	103.85	5.13	0.870
2021	95.52	105.40	5.22	0.870
2022	96.96	106.99	5.31	0.870
2023	98.41	108.59	5.40	0.870
2024	99.89	110.22	5.49	0.870
2025	101.38	111.87	5.58	0.870
thereafter	+1.5%/yr	+1.5%/yr	+1.5%/yr	

(1) Product sale prices will reflect these reference prices with further adjustments for product quality differentials and transportation to point of sale.

At December 31, 2014 it was determined that the net book value of certain CGUs exceeded the recoverable amount and Manitoq recognized a \$1.6 million impairment charge (December 31, 2013 - \$1.5 million). Any impairment of P&NG assets and any eventual reversal are recognized in income or loss.

8. ASSET DIVESTITURES

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.

In February 2014, the Corporation divested of oil and gas properties for total cash consideration of approximately \$21.9 million after post-closing adjustments. The Corporation recorded a loss of \$1.3 million on the divestiture during the year ended December 31, 2014.

In May 2014, the Corporation divested of minor non-producing properties for total cash consideration of \$0.9 million. The Corporation recorded a net gain of \$0.3 million on the divestiture during the year ended December 31, 2014.

In December 2014, Manitoq divested its interest in certain oil and gas infrastructure ("**Facility Divestiture**") for approximately \$12.3 million after post-closing adjustments. The Corporation did not record a gain or loss on the divestiture as the carrying value approximated the proceeds received. The Corporation has entered into an agreement for the exclusive use of the oil and gas infrastructure, which include monthly facility fees included in commitments as set forth in note 22.

9. ACQUISITION

On October 31, 2014, the Corporation closed an acquisition of increased working interests in existing petroleum and natural gas assets in the Stolberg area ("Stolberg Acquisition"), with an effective date of October 1, 2014, for total cash consideration of approximately \$7.4 million after estimated post-closing adjustments. The consideration paid by Manitoq for the Stolberg Acquisition was financed with the existing credit facilities.

The transaction has been accounted for as a business combination pursuant to IFRS 3, using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The Stolberg Acquisition has contributed revenues of \$0.5 million and operating income of \$0.3 million during the year ended December 31, 2014 and had the Stolberg Acquisition closed on January 1, 2014, estimated contributed revenues would have been \$4.2 million and estimated contributed operating income would have been \$2.5 million for the year ended December 31, 2014.

Fair value of net assets acquired:	(\$000)
Petroleum and natural gas properties and equipment	7,555
Decommissioning obligation	(162)
Total net assets acquired	7,393
Consideration:	
Drawn on credit facilities	7,393

10. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

(\$000)	December 31, 2014	December 31, 2013
Revolving operating demand loan facility	53,258	16,237
Acquisition and development demand loan facility ⁽¹⁾	-	-
Credit facilities	53,258	16,237

(1) The acquisition and development demand loan facility is restricted and subject to approval by the Corporation's lender, when utilized 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.

As at December 31, 2014, the Corporation's credit facilities consist of a \$90.0 million revolving operating demand loan facility and a \$15.0 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 revolving operating demand loan facility are available by way of Canadian prime rate loans and bankers' acceptances. The interest rates applicable to the advances and the standby fees on the undrawn credit facilities are based on a pricing margin and will change as a result of the ratio of outstanding indebtedness to cash flow, as defined by the lender and calculated at the Corporation's previous quarter end. The effective interest rate applicable to the total debt issued under the credit facility was 3.5% (2013 – 3.5%).

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 December 31, 2014, the Corporation's working capital ratio was 1.3:1.

Subsequent to December 31, 2014, the credit facilities were reviewed by the lender due to the current commodity price environment and negative technical revisions to the Corporation's proved plus probable reserves in the Stolberg area. The acquisition and development demand loan facility, which has never been utilized was cancelled and the operating demand loan facility was reduced from \$90.0 million to \$75.0 million, which is comprised of a \$30.0 million revolving operating demand loan facility and a \$45.0 million non-revolving reducing demand loan facility.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

Advances under the new non-revolving reducing demand loan facility are available by way of Canadian prime rate loans and bankers' acceptances. The interest rates applicable to the advances on the non-revolving reducing demand loan facility are based on the same pricing margin as the revolving operating demand loan facility plus:

- an additional 2.0% from inception to the end of the third month the advance is outstanding;
- an additional 3.0% from the fourth to the end of the sixth month the advance is outstanding;
- an additional 4.0% from the seventh to the end of the ninth month the advance is outstanding; and
- an additional 5.0% if the advance is outstanding more than nine months.

The credit facilities are subject to review by the lender at any time in its sole discretion, and at least annually. The amount of the credit facilities are subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A change or redetermination of the borrowing base limit may result in a reduction in the credit facilities and a borrowing base shortfall must be remedied by the Corporation. The next review date for the credit facilities has been set for September 1, 2015.

11. LONG-TERM FINANCIAL OBLIGATION

In December 2014, the Corporation entered into a financing arrangement with a third party, whereby the Corporation received \$2.5 million. Under the financing arrangement, the Corporation is required to make annual payments of about \$0.4 million over 20 years. The effective interest rate over the life of the obligation is 13.5% and the obligation is secured by certain oil batteries in the Stolberg area.

Manitok has the option to terminate the financing at any time by paying consideration such that the third party earns a rate of return of 13.5% percent plus a penalty for the first four years and 13.5% rate of return over the remaining sixteen years. Upon the total payment of fees equal to 110% of the original financing (\$2.75 million in payments over approximately 7.5 years), the third party has the option to require the Corporation to pay the remaining obligation, discounted at 17.0%.

12. 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 December 31, 2014 to be approximately \$13.2 million (December 31, 2013 – \$21.0 million) with the majority of costs anticipated to be incurred between 2025 and 2045. A risk-free discount rate of 2.3% (December 31, 2013 – 3.2%) and an inflation rate of 2% (December 31, 2013 – 2%) was used to calculate the fair value of the decommissioning obligation.

A reconciliation of the decommissioning obligations is provided below:

As at December 31, (\$000)	2014	2013
Opening Balance	11,225	11,476
Obligations incurred	2,773	995
Obligations acquired	162	-
Obligations disposed	(7,974)	-
Actual expenditures	(180)	(222)
Changes in estimates ⁽¹⁾	2,325	(1,330)
Accretion expense	185	306
Ending Balance	8,516	11,225

(1) The change in estimates consists of a change in the risk-free discount rate of \$0.9 million (2013 – \$1.6 million credit) and a change in abandonment and remediation cost estimates and future abandonment dates of \$1.4 million (2013 – \$0.3 million).

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

13. DEFERRED INCOME TAX

The provision for deferred income taxes differs from the result that would be obtained by applying the combined Canadian federal and provincial income tax rate of 25.0% in 2014 (2013 – 25.0%). The components of deferred income tax expense include:

For the years ended December 31 (\$000)	2014	2013
Net income (loss) before income taxes	(2,215)	7,664
Computed expected income tax expense (recovery)	(554)	1,916
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	192	343
Non-deductible expenses	44	9
Flow-through share expenditures	1,683	1,781
Other	7	-
Deferred income tax expense	1,372	4,049

The components of deferred income tax assets and liabilities are as follows:

As at December 31 (\$000)	2014	2013
Deferred income tax liabilities:		
P&NG properties and equipment and E&E assets	11,145	15,744
Fair value of financial instruments	5,196	-
Deferred income tax assets:		
Decommissioning obligations	(2,129)	(2,806)
Fair value of financial instruments	-	(1,930)
Deferred premium on financial instruments	(505)	(319)
Share issue costs	(619)	(1,075)
Other	(3)	(3)
Net deferred income tax liability	13,085	9,611

A continuity of the net deferred income tax liabilities is provided below:

(\$000)	Balance Jan 1, 2014	Recognized in Profit or Loss	Recognized in Equity	Flow-Through Shares	Balance Dec 31, 2014
P&NG and E&E assets	15,744	(6,701)	-	2,102	11,145
Fair value of financial instruments - asset	-	5,196	-	-	5,196
Decommissioning obligations	(2,806)	677	-	-	(2,129)
Fair value of financial instruments - liability	(1,930)	1,930	-	-	-
Deferred premium on financial instruments	(319)	(186)	-	-	(505)
Share issue costs	(1,075)	456	-	-	(619)
Other	(3)	-	-	-	(3)
	9,611	1,372	-	2,102	13,085

(\$000)	Balance Jan 1, 2013	Recognized in Profit or Loss	Recognized in Equity	Flow-Through Shares	Balance Dec 31, 2013
P&NG and E&E assets	11,891	1,908	-	1,945	15,744
Fair value of financial instruments - asset	356	(356)	-	-	-
Decommissioning obligations	(2,869)	63	-	-	(2,806)
Fair value of financial instruments - liability	(310)	(1,620)	-	-	(1,930)
Deferred premium on financial instruments	(160)	(159)	-	-	(319)
Share issue costs	(1,158)	461	(378)	-	(1,075)
Non-capital losses	(3,752)	3,752	-	-	-
Other	(3)	-	-	-	(3)
	3,995	4,049	(378)	1,945	9,611

As at December 31, 2014, the Corporation has approximately \$121.7 million in tax pools available for deduction against future taxable income, which include non-capital loss carry forwards of \$NIL (December 31, 2013 - \$NIL). Discretionary tax deductions, including Canadian exploration expense, Canadian development expense, Canadian oil and gas property expense and capital cost allowance were used to reduce Manitoak's taxable income to \$NIL.

14. SHARE CAPITAL

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

	Number of common shares	Amount (\$000)
Outstanding, December 31, 2012	70,339,014	102,668
Issued, net of costs (note 14c)	1,403,000	4,065
Issued, net of costs (note 14d)	5,638,900	16,253
Tax effect of share issue costs (note 14e)	-	378
Issued on exercise of stock options (note 17)	742,826	1,529
Normal course issuer bid (note 14f)	(3,631,400)	(5,307)
Outstanding, December 31, 2013	74,492,340	119,586
Issued on exercise of stock options (note 17)	1,279,167	3,065
Normal course issuer bid (note 14f)	(10,491,900)	(16,950)
Outstanding, December 31, 2014	65,279,607	105,701

- (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 Financial Statements 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 had 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 Financial Statements when the Manitok CEE Flow-through Shares were issued. In 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

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

Manitok Shares for cancellation at a weighted average price of \$2.54 per Manitok Share pursuant to the 2012 NCIB. The excess of the purchase price over the book value of \$307,000 was recorded partially to contributed surplus (\$44,000) and the remaining \$0.3 million 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. The excess of the purchase price over the book value of \$3.3 million was charged to deficit. For the year ended December 31, 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. 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 ("**March 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 year ended December 31, 2014, the Corporation purchased a total of 6,773,100 Manitok Shares for cancellation at a weighted average price of \$2.33 per Manitok Share pursuant to the March 2014 NCIB. The excess of the purchase price over the book value of \$4.8 million was charged to deficit.

On October 30, 2014, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**November 2014 NCIB**") to purchase for cancellation up to 6.3 million Manitok Shares on the open market during the period from November 3, 2014 to November 2, 2015. For the year ended December 31, 2014, the Corporation purchased a total of 852,900 Manitok Shares for cancellation at a weighted average price of \$1.45 per Manitok Share pursuant to the November 2014 NCIB. The excess of the purchase price over the book value of \$0.1 million was charged to deficit and the excess of book value over the purchase price of \$0.2 million was charged to contributed surplus.

15. ADMINISTRATIVE EXPENSES

The components of administrative expenses are as follows:

For the years ended December 31 (\$'000)	2014	2013
<i>Cash:</i>		
Salaries and benefits ⁽¹⁾	6,180	4,913
Other ⁽²⁾	4,118	3,077
	10,298	7,990
Operating overhead recoveries	(622)	(460)
Capitalized overhead ⁽³⁾	(2,806)	(1,800)
General and administrative, net	6,870	5,730
<i>Non-cash:</i>		
Stock-based compensation	973	2,355
Capitalized stock-based compensation ⁽³⁾	(376)	(1,054)
Stock-based compensation, net	597	1,301
Total administrative expenses, net	7,467	7,031

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

Compensation for Officers and Directors are comprised of the following:

For the years ended December 31 (\$000)	2014	2013
Salaries and benefits ⁽¹⁾	1,706	2,139
Stock-based compensation ⁽²⁾	970	894
Officers and Directors compensation	2,676	3,033

- (1) Includes salaries, benefits and bonuses earned by Officers and Directors comprising of: Chairman of the Board, President & Chief Executive Officer, Vice President & Chief Operating Officer, Vice President, Finance & Chief Financial Officer, Vice President, Engineering & Production, Vice President, Exploration – Plains, former Vice President, Drilling & Facilities and other independent Directors.
- (2) Represents the amortization of stock-based compensation expense in the year associated with stock options granted to Officers and Directors participating in the Corporation's incentive stock option plan.

16. FINANCE EXPENSES

The components of finance expenses are as follows:

For the years ended December 31 (\$000)	2014	2013
<i>Cash:</i>		
Interest and fees on credit facilities	1,249	573
<i>Non-cash:</i>		
Accretion on decommissioning obligations (note 12)	185	306
Total finance expenses	1,434	879

17. SHARE-BASED PAYMENTS

Stock Options

The Corporation established an Incentive Stock Option Plan ("Plan") whereby Directors, Officers and employees of, and consultants and advisors to, the Corporation may be granted options to purchase Manitok Shares at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions. Stock options granted under this Plan vest over a three year period at the rate of one-third on each anniversary date of the stock option grant. All stock options granted are for a five year term. Each stock option entitles the holder to purchase one Manitok Share at the exercise price. The Corporation is authorized to issue stock options to a maximum of 10% of the issued and outstanding Manitok Shares pursuant to the Plan.

At December 31, 2014, the Corporation's Plan permitted the grant of options to a maximum of 6,527,961 Manitok Shares. At December 31, 2014, there remained available for issuance stock options in respect of 1,219,355 Manitok Shares. For stock options exercised during 2014, the weighted average trading price was \$2.40 (2013 - \$2.44) per Manitok Share.

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013

A summary of the Corporation's outstanding stock options as at December 31, 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	2,601,500	2.09
Exercised	(1,279,167)	(1.46)
Forfeited	(1,621,167)	(2.61)
Outstanding, December 31, 2014	5,308,606	1.97

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 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	\$2.00	2,945,673	2.5	\$1.47	1,756,671	1.2	\$1.35
\$2.01	\$3.25	2,362,933	3.8	\$2.58	316,864	3.2	\$2.87
		5,308,606	3.1	\$1.97	2,073,535	1.5	\$1.58

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

For the years ended December 31	2014	2013
Weighted average fair value of options granted	\$1.13	\$1.79
Risk-free interest rate	1.36%	1.39%
Expected life (years)	4.0	4.0
Expected volatility	71%	82%
Estimated forfeiture rate	9.0%	4.6%
Expected dividends	-	-

18. PER SHARE INFORMATION

For the years ended December 31	2014	2013
Net income (loss) (\$000)	(3,587)	3,615
Weighted average Manitok Shares outstanding - basic	69,365,940	70,654,634
Weighted average Manitok Shares outstanding - diluted	69,365,940	72,596,161
Net income (loss) per share - basic (\$)	(0.05)	0.05
Net income (loss) per share - diluted (\$)	(0.05)	0.05

The weighted average diluted Manitok Shares outstanding at December 31, 2014 excludes 5,308,606 (2013 - 1,815,286) stock options that are anti-dilutive. As the Corporation reported a loss for the year ended December 31, 2014, the basic and diluted weighted average shares outstanding are the same for that period.

19. CAPITAL MANAGEMENT

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

Manitok strives to properly exploit its current asset base and to acquire top quality assets. As such, the Corporation is not averse to maintaining a higher ratio of debt to total capital if management determines the assets it is acquiring or the projects it is drilling are of high quality. However, the Corporation manages its capital structure and makes adjustments considering changes in economic conditions and the risk characteristics of the assets. In order to maintain or adjust the capital structure, ManitoK may issue new ManitoK Shares or debt, obtain other third party funding alternatives, divest of assets or adjust its capital spending to manage current and projected debt levels. Management expects to be able to continue to obtain financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

The Corporation's credit facilities are subject to a review of the borrowing base limit by the lender at any time in its sole discretion, and at least annually, which is directly impacted by the value of ManitoK's petroleum and natural gas reserves. Subsequent to December 31, 2014, the credit facilities were reviewed by the lender due to the current commodity price environment and negative technical revisions to the Corporation's proved plus probable reserves in the Stolberg area. The acquisition and development demand loan facility, which has never been utilized, was cancelled and the operating demand loan facility was reduced from \$90.0 million to \$75.0 million, which is comprised of a \$30.0 million revolving operating demand loan facility and a \$45.0 million non-revolving reducing demand loan facility.

There were no changes in the Corporation's approach to capital management in 2014.

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

As at December 31 (\$000)	Credit facilities reduction	2014	2013
Maximum borrowing base limit			
Revolving operating demand loan facility ⁽¹⁾	30,000	90,000	85,000
Non-revolving reducing demand loan facility ⁽¹⁾	45,000	-	-
Acquisition and development demand loan facility ⁽¹⁾⁽²⁾	-	15,000	20,000
Long-term financial obligation	2,500	2,500	-
	77,500	107,500	105,000
Principle amount utilized			
Drawn credit facilities	(53,258)	(53,258)	(16,237)
Long-term financial obligation	(2,500)	(2,500)	-
	(55,758)	(55,758)	(16,237)
Undrawn credit facilities	21,742	51,742	88,763

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the 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. As at December 31, 2014, the Corporation's working capital ratio was 1.3:1.

(2) The acquisition and development demand loan facility is restricted and subject to approval by the Corporation's lender, when utilized 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.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

The capital structure of the Corporation is as follows:

As at December 31 (\$000)	2014	2013
Total shareholders' equity ⁽¹⁾	84,333	109,096
Total shareholders' equity as a % of total capital	52%	77%
Adjusted working capital deficit ⁽²⁾	22,795	16,277
Drawn on credit facilities	53,258	16,237
Long-term financial obligation	2,500	-
Total net debt	78,553	32,514
Total net debt as a % of total capital	48%	23%
Total Capital	162,886	141,610

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

(2) Adjusted 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.

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

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from Manitok's receivables from joint venture partners and petroleum and natural gas marketers. Cash and cash equivalents, when applicable, consists of bank balances, but may also include short term investments. Counter-parties for the short term investments are selected based on credit ratings and management will monitor all investments to ensure a stable return and complex investment vehicles with higher risk will be avoided. The Corporation's exposure to cash credit risk at December 31, 2014 is very low.

The carrying amount of accounts receivable reflects management's assessment of the credit risk associated with these customers. The following table illustrates the Corporation's maximum exposure for accounts receivables:

As at December 31 (\$000)	2014	2013
Marketers	5,409	12,053
Joint venture partners	14,890	5,608
Other	3,736	918
Total Receivables	24,035	18,579

Receivables from marketers are normally collected on the 25th day of the month following production. Manitok mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. The Corporation historically has not experienced any material collection issues with its marketers.

Manitok attempts to mitigate the credit risk from joint venture receivables by obtaining pre-approval of significant capital expenditures and collecting cash calls from joint venture partners prior to significant capital projects. However, joint venture receivables are from participants in the petroleum and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exist with joint venture partners as disagreements occasionally arise that increases the potential for non-collection. The Corporation does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners, however the Corporation does have the ability to withhold production from joint venture partners in the event of non-payment. Approximately \$10.0 million of the joint venture receivable has been collected subsequent to December 31, 2014.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

The Corporation's accounts receivables are aged as follows:

As at December 31 (\$000)	2014	2013
Current (less than 30 days)	16,452	11,654
30 to 60 days	5,357	3,893
61 to 90 days	809	1,881
Over 90 days	1,417	1,151
Total Receivables	24,035	18,579

At December 31, 2014, approximately 6% of Manitok's total accounts receivable are aged over 90 days and considered past due. The majority of these past due amounts are from various joint venture partners.

Commodity price risk management contracts are used by the Corporation to manage economic exposure to market risk relating to commodity prices. Manitok manages credit risk exposure related to derivative assets by selecting investment grade counterparties and by not entering into contracts for trading or speculative purposes.

The carrying amount of accounts receivable, cash and cash equivalents and commodity price risk management contracts represents the maximum credit risk exposure. Should Manitok determine that the ultimate collection of a financial instrument is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to income or loss. If the Corporation subsequently determines an account is uncollectible, the account is written off with a corresponding charge to allowance for doubtful accounts. Manitok believes all accounts receivable balances are collectable and as a result, did not have an allowance for doubtful accounts balance as at December 31, 2014 and December 31, 2013.

Liquidity Risk

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

All of the Corporation's contractual financial liabilities can be settled in cash. Typically, the Corporation ensures that it has sufficient cash on demand to meet expected operational expenditures, including the servicing of financial obligations. To achieve this objective, the Corporation prepares annual capital expenditure budgets, which are approved by the Board of Directors and are regularly reviewed and updated as considered necessary. Petroleum and natural gas production is monitored daily and is used to provide monthly cash flow estimates. Also, Manitok utilizes authorizations for expenditures on both operated and non-operated projects to manage capital expenditures. The Corporation also attempts to match its payment cycle with the collection of petroleum and natural gas revenue on the 25th of each month. Should commodity prices deteriorate materially, Manitok may adjust its capital spending accordingly to ensure that it is able to service its short-term financial obligations.

To facilitate the capital expenditure program, the Corporation has reserve-based credit facilities, as disclosed in note 10. Additionally, Manitok is evaluating measures, such as asset divestitures and other third party funding alternatives that will reduce the Corporation's bank indebtedness.

The following table lists the contractual obligations of the Corporation's financial liabilities as at December 31, 2014:

(\$000)	Carrying Amount	2015	2016 - 2017	2018 - 2019	Thereafter
Accounts payable and accrued liabilities	47,573	47,573	-	-	-
Drawn revolving credit facility	53,258	53,258	-	-	-
Deferred premium on financial instruments	2,019	2,019	-	-	-
Long-term financial obligation ⁽¹⁾	2,500	360	720	720	5,400
Total Financial Liabilities	105,350	103,210	720	720	5,400

(1) The long-term financial obligation is \$0.4 million per year for 20 years, as set forth in note 11.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

Market Risk

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its credit facilities. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada ("CAD") and the United States of America ("US"), but also by world events that dictate the levels of supply and demand.

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

Financial Derivatives

As at December 31, 2014, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value (\$'000)
Oil	1,000 bbls/d	January 1, 2015 to December 31, 2015	CAD\$ WTI	\$95.00	Swap	10,455
Oil	500 bbls/d	January 1, 2015 to December 31, 2015	CAD\$ WTI	\$91.00	Swap	4,488
Natural gas	1,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.73	Put option ⁽¹⁾	396
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.85	Put option ⁽¹⁾	2,184
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.85	Put option ⁽¹⁾	2,184
Natural gas	5,000 GJ/d	January 1, 2015 to December 31, 2015	CAD\$ AEEO	\$3.80	Put option ⁽¹⁾	2,100
Oil	1,000 bbls/d	January 1, 2016 to December 31, 2016	CAD\$ WTI	\$95.00	Swaption ⁽²⁾	(556)
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD\$ WTI	\$91.00	Swaption ⁽³⁾	(468)
Total						20,783

Current assets **20,783**

- (1) Manitok recorded \$2.0 million as a deferred premium on financial instruments, which represents the amount payable to the counter-party on these contracts for the deferred put option premium of \$0.35/Gigajoule.
- (2) 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.
- (3) 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 December 31, 2014 was \$20.8 million (2013 – liabilities of \$7.7 million). As at December 31, 2014, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately \$4.9 million of additional pre-tax income.

Subsequent to December 31, 2014, the Corporation entered into the following derivative financial instrument:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$75.00 - \$90.00	Collar ⁽¹⁾
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD\$ WTI	\$70.00 - \$90.00	Collar ⁽²⁾

- (1) The counter-party to this contract receives a deferred premium of \$4.50 per barrel.
- (2) The counter-party to this contract receives a deferred premium of \$3.15 per barrel.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation also entered in physical sales contracts during 2014 to manage commodity risk. These contracts were considered normal executory contracts and are not recorded at fair value in the financial statements. As at December 31, 2014, the Corporation had no physical sales contracts in place as all the 2014 contracts expired on October 31, 2014. There were no physical sales contracts entered into subsequent to December 31, 2014.

Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The exchange rate effect cannot be quantified, but generally an increase in the value of the CAD dollar as compared to the US dollar will reduce the prices received by ManitoK for its petroleum and natural gas sales. The Corporation had no forward exchange rate derivative financial instruments in place as at or during the years ended December 31, 2014 and December 31, 2013.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation's credit facilities are exposed to interest rate risk on floating interest rate indebtedness due to fluctuations in market interest rates. The remainder of ManitoK's financial assets and liabilities are not exposed to interest rate risk.

A 1% change in the CAD prime interest rate in 2014 would have changed after-tax income or loss by approximately \$0.2 million (2013 - \$32,000) assuming that all other variables remain constant. A sensitivity of 1% is considered reasonable given the current level of market interest rates and market expectations for future movements. The Corporation considers this risk to be limited and thus did not enter into any interest rate derivative financial instruments as at or during the years ended December 31, 2014 and December 31, 2013.

21. SUPPLEMENTARY CASH FLOW INFORMATION

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

For the years ended December 31 (\$000)	2014	2013
Provided by (used in):		
Accounts receivable	(5,456)	(11,556)
Deposits and prepaid expenses	(286)	72
Accounts payable and accrued liabilities	12,260	20,755
	6,518	9,271
Provided by (used in):		
Operating activities	3,294	(4,166)
Investing activities	3,224	13,437
	6,518	9,271

22. 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 14d. Manitok has fulfilled the \$20.3 million commitment in the period ended December 31, 2014.

On October 21, 2013, the Corporation announced that it entered into a three year Lease Issuance and Drilling Commitment Agreement with Encana Corporation, whereby Manitok acquired petroleum and natural gas leases in the Entice area of southeast Alberta. In May 2014, Encana Corporation assigned the agreement to PrairieSky Royalty Ltd. ("**PrairieSky Agreement**"). Pursuant to the PrairieSky 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 December 31, 2014, the Corporation is committed to the following minimum number of wells and minimum drilling and completion expenditures in the Entice area:

Year	Original Minimum Commitment		Work Program		Remaining Minimum Commitment	
	Number of wells	Drilling and Completion Expenditures (\$000)	Number of wells	Drilling and Completion Expenditures (\$000)	Number of wells	Drilling and Completion Expenditures (\$000)
2014	7	22,000	13	33,992	-	-
2015	9	33,000	-	-	3	21,008
2016	14	51,000	-	-	14	51,000
Total	30	106,000	13	33,992	17	72,008

In October 2014, the Corporation entered into a Lease Issuance and Drilling Commitment Agreement with PrairieSky, whereby Manitok acquired additional petroleum and natural gas leases in the Entice area. Pursuant to the agreement, Manitok has agreed to drill one horizontal commitment well by October 1, 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 old office premises which expires on February 28, 2017. The Corporation has subleased approximately 70% of its old premises to arm's length parties effective from November 1, 2014 for the remainder of the lease term and is currently attempting to sublease the remaining available office space. The Corporation is committed to the following aggregate minimum lease payments including expected operating costs:

Year	(\$000)
2015	2,503
2016	2,514
2017	1,484

In conjunction with the Facility Divestiture during the fourth quarter of 2014 as set forth in note 8, the Corporation is committed to the following annual facility fees:

Year	(\$000)
2015	1,812
2016	1,812
2017	1,812
2018	1,812
2019	1,812
2020	1,812
2021	1,812
2022	1,812

OFFICERS

Massimo M. Geremia
President and Chief Executive Officer

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

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

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

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

Gregory E. Peterson, LL.B.
Corporate Secretary

DIRECTORS

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

Massimo M. Geremia
Calgary, Alberta

Wilfred A. Gobert ^{(1) (2) (3)}
Calgary, Alberta

R. Keith Macleod, P. Eng. ^{(1) (3)}
Calgary, Alberta

Dennis L. Nerland, QC ^{(2) (3)}
Calgary, Alberta

Gregory E. Peterson, LL.B. ^{(2) (3)}
Calgary, Alberta

Tom Spoletini ^{(1) (2) (3)}
Calgary, Alberta

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

SOLICITOR

Gowling Lafleur Henderson LLP
Calgary, Alberta

AUDITOR

KPMG LLP
Chartered Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATOR

Sproule Associates Limited
Calgary, Alberta

BANKER

National Bank of Canada
Calgary, Alberta

TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Symbol: MEI.V

WEBSITE

www.manitokenergy.com

HEAD OFFICE

2600, 585 – 8th Avenue S.W.
Calgary, Alberta T2P 1G1
Phone: 403-984-1750
Fax: 403-984-1749
Email info@manitok.com

⁽¹⁾ Reserve and Occupational Health & Safety Committee Member

⁽²⁾ Audit Committee Member

⁽³⁾ Compensation Committee Member

