MANAGEMENT'S REPORT

To the Shareholders of Manitok Energy Inc.

The annual financial statements of Manitok Energy Inc. as at and for the years ended December 31, 2015 and December 31, 2014 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 Professional 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, 2016
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, 2015 and December 31, 2014, the statements of net loss and comprehensive 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 in our audits 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, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) *"KPMG LLP"*

Chartered Professional Accountants

April 29, 2016
Calgary, Canada

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

As at December 31,	**2015**	2014
ASSETS		
Current assets:		
Accounts receivable (note 20)	**18,026**	24,035
Deposits and prepaid expenses	**881**	743
Fair value of financial instruments (note 20)	**14,172**	20,783
	33,079	45,561
Non-current assets:		
Fair value of financial instruments (note 20)	**6,479**	-
Exploration and evaluation assets (note 6)	**36,351**	26,759
Petroleum and natural gas properties and equipment (note 7)	**128,796**	138,964
	171,626	165,723
	204,705	211,284
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**9,956**	47,573
Credit facilities (note 10)	**62,398**	53,258
Deferred premium on financial instruments (note 20)	**1,400**	2,019
	73,754	102,850
Non-current liabilities:		
Long-term financial obligations (note 11)	**14,948**	2,500
Deferred premium on financial instruments (note 20)	**1,396**	-
Flow-through share premium	**1,539**	-
Decommissioning obligations (note 12)	**27,718**	8,516
Deferred income taxes (note 13)	**4,810**	13,085
	50,411	24,101
	124,165	126,951
SHAREHOLDERS' EQUITY		
Share capital (note 14)	**127,765**	105,701
Contributed surplus	**6,745**	5,407
Deficit	**(53,970)**	(26,775)
	80,540	84,333
Commitments (note 22)		
Subsequent events (note 23)		
	204,705	211,284

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 LOSS AND COMPREHENSIVE LOSS

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

Years ended December 31,	**2015**	2014
REVENUE		
Petroleum and natural gas	**56,210**	107,822
Royalty expenses	**(14,586)**	(32,343)
Net revenue from petroleum and natural gas sales	**41,624**	75,479
Realized gain (loss) on financial instruments	**23,844**	(3,804)
Unrealized gain (loss) on financial instruments	**(910)**	27,760
Interest and other	**27**	31
	64,585	99,466
EXPENSES		
Operating, net of recoveries	**19,980**	12,062
Transportation and marketing	**3,531**	5,545
Administrative, net of recoveries (note 15)	**7,272**	7,467
Depletion and depreciation (note 7)	**27,382**	26,552
Finance (note 16)	**7,263**	1,434
Impairment (note 6 and 7)	**30,602**	47,641
Loss on divestitures (note 9)	**3,675**	980
	99,705	101,681
LOSS BEFORE INCOME TAXES	**(35,120)**	(2,215)
Deferred income tax expense (recovery) (note 13)	**(7,925)**	1,372
NET LOSS AND COMPREHENSIVE LOSS	**(27,195)**	(3,587)
Net loss per common share (note 18)		
Basic and diluted	**(0.36)**	(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, 2013	74,492,340	119,586	5,451	(15,941)	109,096
Net loss and comprehensive loss	-	-	-	(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	(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**
Net loss and comprehensive loss	-	-	-	(27,195)	(27,195)
Share issuance (note 14)	78,656,508	23,498	-	-	23,498
Share issue costs, net of tax (note 14)	-	(1,434)	69	-	(1,365)
Stock-based compensation expensed (note 15)	-	-	638	-	638
Stock-based compensation capitalized (note 15)	-	-	631	-	631
As at December 31, 2015	**143,936,115**	**127,765**	**6,745**	**(53,970)**	**80,540**

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,	**2015**	2014
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Net loss and comprehensive loss	**(27,195)**	(3,587)
Adjustments for items not affecting operating cash:		
Deferred income tax expense (recovery)	**(7,925)**	1,372
Depletion and depreciation	**27,382**	26,552
Impairment	**30,602**	47,641
Stock-based compensation (note 15)	**638**	597
Finance (note 16)	**7,263**	1,434
Unrealized (gain) loss on financial instruments	**910**	(27,760)
Loss on asset divestitures	**3,675**	980
Acquisition-related expenses (note 16)	**(1,892)**	-
Interest paid (note 16)	**(4,960)**	(1,249)
Decommissioning expenditures (note 12)	**(1,064)**	(180)
Changes in non-cash operating working capital (note 21)	**69**	3,294
	27,503	49,094
FINANCING ACTIVITIES:		
Increase in credit facilities	**9,140**	37,021
Increase in long-term financial obligations (note 11)	**12,448**	2,500
Proceeds from share issuances	**25,191**	-
Share issue costs	**(1,870)**	-
Proceeds from the exercise of stock options	**-**	1,865
Repurchase of common shares	**-**	(24,014)
Changes in non-cash financing working capital (note 21)	**(7,491)**	-
	37,418	17,372
INVESTING ACTIVITIES:		
Acquisitions (note 8)	**(61,549)**	(7,393)
Divestitures (note 9)	**37,049**	35,083
Exploration and evaluation asset expenditures	**(4,678)**	(46,778)
Petroleum and natural gas properties and equipment expenditures	**(11,419)**	(50,602)
Changes in non-cash investing working capital (note 21)	**(24,324)**	3,224
	(64,921)	(66,466)
NET CHANGE IN CASH	**-**	-
CASH, BEGINNING OF YEAR	**-**	-
CASH, END OF YEAR	**-**	-
Cash interest paid	**4,960**	1,249

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. 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 ("**Manitok 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, 2016.

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 years ended December 31, 2015 and December 31, 2014. 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 are prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair values are discussed in note 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 financial instruments and gain or loss on divestitures 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, 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. 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.

The Corporation may from time to time enter into farm-out arrangements while in the exploration and evaluation phase. The Corporation's policy for farm-outs is the Corporation does not record any expenditures made by the farmee on its behalf and the Corporation does not recognize a gain or loss on the farm-out arrangement, but rather designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received is credited against the costs previously capitalized in relation to the whole interest with any excess accounted for by the farmor as a gain on disposition.

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 developed and producing 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 of reserve volumes are evaluated by the Corporation's independent reserve engineers 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 assets. 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 acquisition-related expenses. 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, deposits, accounts payable and accrued liabilities, outstanding credit facilities and the long-term financial obligations. 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 receivable 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 obligations 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 the margins charged by the lender are indicative of current credit spreads and accordingly the fair value approximates the carrying value. The fair value of the long-term financial obligations 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 benchmark commodity prices 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 reserve engineers 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 and warrants 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:

(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 future net revenue from Manitok's petroleum and natural gas interests are evaluated by independent reserve engineers at least annually.

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

(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 net revenue 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) 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.

(vi) 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.

4. CHANGES IN ACCOUNTING POLICIES

Future Changes in Accounting Policies

In January 2016, the IASB issued IFRS 16 *Leases*. The standard will be effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted, provided IFRS 15 *Revenue from Contracts with Customers*, has been applied, or is applied at the same date as IFRS 16. Manitok is currently evaluating the impact of adopting IFRS 16 on the Corporation's Financial Statements.

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, 2018, 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 Manitok'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 value of petroleum and natural gas properties and equipment recognized in a business combination, is based on fair values. The fair 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 fair value of oil and natural gas interests 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, 2015 and December 31, 2014, 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 value approximates the carrying value.

(iii) Long-term financial obligations

The fair value of the long-term financial obligations at December 31, 2015, based on a discounted cash flow model assuming a 14.3% effective interest rate, is $15.0 million (December 31, 2014 – $2.5 million).

(iv) Derivatives:

The fair value of commodity price risk management contracts is determined by discounting the difference between the contracted prices and published forward benchmark commodity prices 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.

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, 2013	54,106
Additions(1)	49,975
Dispositions	(8,039)
Transfer to petroleum and natural gas properties and equipment (note 7)	(37,854)
Impairment	(31,429)
As at December 31, 2014	**26,759**
Additions(1)(2)	12,124
Acquisition(3)	4,973
Impairment	(7,505)
As at December 31, 2015	**36,351**

(1) Includes non-cash items such as capitalized stock-based compensation and decommissioning obligations.
(2) Includes a $7.1 million non-cash undeveloped land addition relating to an asset swap arrangement as disclosed in note 9.
(3) In June 2015, the Corporation completed an acquisition in southeast Alberta for $61.1 million, of which $5.0 million was allocated to E&E assets as disclosed 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 $2.4 million in the year ended December 31, 2015 (2014 – $1.9 million).

Impairment

In both the second and fourth quarters of 2015, Manitok determined the carrying value of certain E&E assets were higher than the estimated fair value less costs to sell based on an internal valuation of the assets. For the year ended December 31, 2015, Manitok recognized a total impairment charge of $7.5 million (2014 – $31.4 million).

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
Cost:			
As at December 31, 2013	161,872	1,268	163,140
Additions(1)	50,440	202	50,642
Asset acquisition	7,555	-	7,555
Asset divestitures	(51,335)	(240)	(51,575)
Transfer from E&E assets (note 6)	37,854	-	37,854
Change in decommissioning obligations	2,236	-	2,236
As at December 31, 2014	208,622	1,230	209,852
Additions(1)	11,492	178	11,670
Asset acquisition (note 8)	63,857	-	63,857
Asset divestitures (note 9)	(68,316)	-	(68,316)
Change in decommissioning obligations	12,588	-	12,588
As at December 31, 2015	**228,243**	**1,408**	**229,651**
Accumulated depletion and depreciation and impairment:			
As at December 31, 2013	(43,171)	(531)	(43,702)
Asset divestitures	15,420	158	15,578
Depletion and depreciation expense	(26,233)	(319)	(26,552)
Impairment	(16,212)	-	(16,212)
As at December 31, 2014	(70,196)	(692)	(70,888)
Asset divestitures (note 9)	20,492	-	20,492
Depletion and depreciation expense	(26,960)	(422)	(27,382)
Impairment	(23,077)	-	(23,077)
As at December 31, 2015	**(99,741)**	**(1,114)**	**(100,855)**
Carrying Amounts:			
As at December 31, 2014	138,426	538	138,964
As at December 31, 2015	**128,502**	**294**	**128,796**

(1) Includes non-cash capitalized stock-based compensation.

At December 31, 2015, estimated future development costs of $60.8 million (2014 – $47.0 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's depletion and depreciation calculation. Manitok capitalized cash and non-cash administrative costs directly attributable to P&NG properties and equipment of $1.4 million in the year ended December 31, 2015 (2014 – $1.3 million).

Impairment

The recoverable amount of P&NG Properties and Equipment is determined as the greater of fair value less cost to sell and its current value in use and is assessed at the CGU level. As a result of the loss from the asset divestitures as disclosed in note 9, along with the decrease in forward benchmark commodity prices the Corporation tested all three of its CGUs for impairment. The fair value measurement of the Company's P&NG Properties and Equipment is designated level 3 on the fair value hierarchy in note 5.

For all CGUs, fair value less costs to sell and value in use 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 engineers using discount rates of 10% to 20%.

The following table outlines the forecast benchmark commodity prices used in the impairment calculation as at December 31, 2015:

	WTI Oil ($US/bbl)	Canadian Light Sweet ($CAD/bbl)	AECO gas ($CAD/mmbtu)	$US/$CAD
2016	45.00	55.20	2.25	0.750
2017	60.00	69.00	2.95	0.800
2018	70.00	78.43	3.42	0.830
2019	80.00	89.41	3.91	0.850
2020	81.20	91.71	4.20	0.850
2021	82.42	93.08	4.28	0.850
2022	83.65	94.48	4.35	0.850
2023	84.91	95.90	4.43	0.850
2024	86.18	97.34	4.51	0.850
2025	87.48	98.80	4.59	0.850
2026	88.79	100.28	4.67	0.850
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 June 30, 2015 it was determined that the net book value in two CGUs exceeded the recoverable amount and Manitok recognized a $15.7 million impairment charge from its P&NG assets. Due to the continuing decline in forward benchmark commodity prices as at December 31, 2015 it was determined that the net book value in two CGUs exceeded the recoverable amount and Manitok recognized an additional $26.1 million impairment charge from its P&NG assets. However, due to activities in the Wayne area subsequent to the asset acquisition as disclosed in note 8 and the year-end 2015 third party reserve evaluation, it was determined the recoverable amount exceeded the net book value in the third CGU and Manitok recognized a reversal of prior impairment charges of $18.7 million in its P&NG assets.

For the year ended December 31, 2015, Manitok recognized a total impairment charge of $23.1 million net of impairment reversals from its P&NG assets (2014 - $16.2 million).

8. ACQUISITIONS

2015 Acquisitions

The revenue and net income for the post-acquisition period of the acquisitions listed below are included in the Financial Statements.

On June 12, 2015, the Corporation closed an acquisition of petroleum and natural gas assets in the Wayne area of southeast Alberta ("**Wayne Acquisition**"), with an effective date of April 1, 2015, for total cash consideration of $61.1 million after post-closing adjustments. The consideration paid by Manitok for the Wayne Acquisition was financed with the June 2015 equity financing as disclosed in note 14, asset divestitures as disclosed in note 9 and long-term financial obligations as disclosed in note 11.

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. A total of $1.9 million in acquisition-related expenses, which relate primarily to professional fees have been charged to finance expenses on the Financial Statements.

The Wayne Acquisition has contributed revenues of $10.8 million and operating income of $2.4 million since June 12, 2015 and had the Wayne Acquisition closed on January 1, 2015, estimated contributed revenues would have been an additional $12.1 million for a total of $22.9 million and estimated contributed operating income would have been $8.5 million for the year ended December 31, 2015. The pro-forma information is not necessarily indicative of the actual results that would have been achieved had the business combination closed on January 1, 2015.

Fair value of net assets acquired:	($000)
Exploration and evaluation assets	4,973
Petroleum and natural gas properties and equipment	63,402
Decommissioning obligations	(7,271)
Total net assets acquired	**61,104**

Consideration:	
Cash	**61,104**

The fair value of E&E assets have been estimated based on available third party land sale data, while P&NG assets have been estimated based on a third party reserve report using discount rates of 12% to 18%. The decommissioning obligations have been estimated using a credit adjusted discount rate of 10%.

In addition, on June 29, 2015, the Corporation closed a minor acquisition in the Carseland area for $0.3 million.

2014 Acquisitions

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 $7.4 million after post-closing adjustments. The consideration paid by Manitok 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 obligations	(162)
Total net assets acquired	**7,393**

Consideration:	
Cash	**7,393**

9. ASSET DIVESTITURES

2015 Asset Divestitures

In May 2015, the Corporation entered into an asset swap arrangement, in which Manitok provided a 4% gross overriding royalty with no deductions on its Stolberg lands ("**Stolberg GORR Divestiture**") from both the Cardium and Mannville formations in exchange for additional undeveloped lands and revised terms to the Lease Issuance and Drilling Commitment Agreement with PrairieSky Royalty Ltd. ("**PSK LIDCA**"). The estimated fair value was determined to be $7.1 million and was based on the fair value of the Stolberg GORR Divestiture assets. Manitok recorded a loss of $0.8 million on the Stolberg GORR Divestiture for the year ended December 31, 2015.

In June 2015, the Corporation divested of a 5% gross overriding royalty of revenue with no deductions from the producing wells in the Wayne area ("**Wayne GORR Divestiture**") for net cash proceeds of $6.2 million after post-closing adjustments. The Corporation did not record a gain or loss on the divesture as the carrying value approximated the proceeds received, as the assets had just been acquired at fair value.

In June 2015, Manitok entered into a production volume royalty divestiture ("**PVR Divestiture**") with a royalty corporation for net cash proceeds of $24.4 million after post-closing adjustments. The PVR Divestiture royalty volumes remain constant at 140 barrels per day of light crude oil for the first 8 years to May 31, 2023, and is then subject to a 10% decline per year thereafter. The royalty volumes are first allocated from the Corporation's Stolberg area, provided sufficient volumes are produced, and any short fall would be made up from oil production in the Wayne and Carseland areas, if it exists at that point in the future. There is an associated capital commitment as disclosed in note 22. Manitok recorded a loss of $2.8 million on the PVR Divestiture for the year ended December 31, 2015.

In June 2015, Manitok divested its interest in certain oil and gas infrastructure in the Wayne area ("**June 2015 Facility Divestiture**") for net cash proceeds of $7.1 million after post-closing adjustments. The Corporation did not record a gain or loss on the divesture as the carrying value approximated the proceeds received, as the assets had just been acquired at fair value. 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.

2014 Asset Divestitures

In February 2014, the Corporation divested of oil and gas properties for net cash proceeds of $21.8 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 net cash proceeds 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, Manitok divested its interest in certain oil and gas infrastructure in the Stolberg and Carseland areas ("**December 2014 Facility Divestiture**") for net cash proceeds of $12.3 million after post-closing adjustments. The Corporation did not record a gain or loss on the divesture 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.

10. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

($000)	**December 31, 2015**	December 31, 2014
Conforming Credit Facility	**32,398**	53,258
Non-conforming Credit Facility	**30,000**	-
Credit Facilities	**62,398**	53,258

As at December 31, 2015, the Corporation's credit facilities consisted of a $45.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and a $30.0 million non-revolving reducing demand loan facility ("**Non-Conforming Credit Facility**" and together with the Conforming Credit Facility, the "**Credit Facilities**"), for total Credit Facilities of $75.0 million.

Subsequent to December 31, 2015, the $45.0 million Conforming Credit Facility was reduced to $30.0 million in conjunction with the equity issuance as disclosed in notes 14g and 14h and the Non-Conforming Facility was maintained at $30.0 million. The following previously disclosed repayments are no longer required:

- $10.0 million on or before March 31, 2016; and
- $20.0 million on or before May 31, 2016.

The Corporation is required to repay $0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid. Subsequent to the above, Manitok monetized crude oil derivative financial instruments with its counterparty as disclosed in note 20, for a cash receipt of $12.3 million and the funds were used to reduce the Non-Conforming Credit Facility from $30.0 million to $20.0 million and as such, further reduce the available Credit Facilities from $60.0 million to $50.0 million.

The Credit Facilities are secured by a fixed charge debenture on the assets of the Corporation and are subject to review by the lender at any time in its sole discretion, and at least annually. The amount of the Credit Facilities are subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A change or redetermination of the borrowing base limit may result in a reduction in the Credit Facilities and a borrowing base shortfall must be remedied by the Corporation. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The next review date for the Credit Facilities has been set for June 1, 2016, but the current Credit Facility agreement has provided that the maximum amount of the Non-Conforming Credit Facility will be $20.0 million on June 1, 2016.

In 2016 advances under the Credit Facilities are available by way of Canadian prime rate loans. The interest rates applicable to the advances are prime plus 3.0% on the Conforming Credit Facility and prime plus 5.0% on the Non-Conforming Credit Facility. The standby fees on the undrawn Credit Facilities are based on a pricing margin related to the ratio of outstanding indebtedness to cash flow, as defined by the lender and calculated at the Corporation's previous quarter end.

The effective interest rate applicable to the total debt issued under the Credit Facilities was 4.6% for the twelve months ended December 31, 2015 (2014 – 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 Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) of at least 1:1. As of December 31, 2015, the Corporation's working capital ratio was 3.2:1.

11. LONG-TERM FINANCIAL OBLIGATIONS

In December 2014, the Corporation entered into a financing arrangement with a third party, whereby the Corporation received $2.5 million ("**December 2014 Facility Financing**"). Pursuant to the December 2014 Facility Financing, the Corporation is required to make annual payments of $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 facilities in the Stolberg area.

Manitok has the option to terminate the December 2014 Facility 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 a 13.5% rate of return over the remaining sixteen years. Upon the total payment of fees equal to 110% of the original financing ($2.8 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%.

In June 2015, the Corporation entered into a second financing arrangement with a third party, whereby the Corporation received $12.5 million ("**June 2015 Facility Financing**"). Pursuant to the June 2015 Facility Financing, the Corporation is required to make annual payments of $1.9 million over 20 years. The effective interest rate over the life of the obligation is 14.5% and the obligation is secured by certain facilities in the Wayne area.

Manitok has the option to terminate the June 2015 Facility Financing at any time by paying consideration such that the third party earns a rate of return of 14.5% percent plus a penalty for the first four years and a 14.5% rate of return over the remaining sixteen years. Upon the total payment of fees equal to 110% of the original financing ($13.8 million in payments over approximately 7.5 years), the third party has the option to require the Corporation to pay the remaining obligation, discounted at 16.0%.

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

($000)	**December 31, 2015**	December 31, 2014
Opening Balance	**2,500**	-
December 2014 Facility Financing	**-**	2,500
June 2015 Facility Financing	**12,500**	-
Principal repayments	**(52)**	-
Ending Balance	**14,948**	2,500

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 inflation adjusted undiscounted amount of cash flows required to settle its decommissioning obligations as at December 31, 2015 to be approximately $39.2 million (2014 – $13.2 million) with the majority of costs anticipated to be incurred between 2020 and 2035. A risk-free discount rate of 2.2% (2014 – 2.3%) and an inflation rate of 2.0% (2014 – 2.0%) was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

As at December 31, ($000)	**2015**	2014
Opening Balance	**8,516**	11,225
Obligations incurred	**4**	2,773
Obligations acquired	**7,280**	162
Obligations disposed	**-**	(7,974)
Actual expenditures	**(1,064)**	(180)
Changes in estimates(1)	**1,794**	2,325
Revaluation of acquired decommissioning obligations(2)	**10,777**	-
Accretion expense	**411**	185
Ending Balance	**27,718**	8,516

(1) The change in estimates consists of a change in the risk-free discount rate of $0.7 million (2014 – $0.9 million) and a change in abandonment and remediation cost estimates and future abandonment dates of $1.1 million (2014 – $1.4 million).

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

13. DEFERRED INCOME TAX

Effective July 1, 2015, the Alberta government increased the corporate general income tax rate from 10% to 12%. For the purposes of determining the current income tax, the Corporation applied a combined Canadian federal and provincial income tax rate of 26% in 2015 (2014 – 25%). For the purposes of determining the deferred income tax, the Corporation applied a combined Canadian federal and provincial effective income tax rate of 27% in 2015 (2014 – 25%). The components of deferred income tax expense include:

For the years ended December 31 ($000)	**2015**	2014
Loss before income taxes	**(35,120)**	(2,215)
Computed expected income tax recovery	**(9,131)**	(554)
Increase (decrease) in income taxes resulting from:		
Non-deductible stock-based compensation	**215**	192
Non-deductible expenses	**25**	44
Increase in Alberta corporate income tax rates	**705**	-
Flow-through share expenditures	**240**	1,683
Other	**21**	7
Deferred income tax (recovery) expense	**(7,925)**	1,372

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

As at December 31 ($000)	**2015**	2014
Deferred income tax liabilities:		
P&NG properties and equipment and E&E assets	**8,247**	11,145
Fair value of financial instruments	**5,576**	5,196
Deferred income tax assets:		
Decommissioning obligations	**(7,484)**	(2,129)
Deferred premium on financial instruments	**(755)**	(505)
Share issue costs	**(647)**	(619)
Non-capital losses	**(124)**	-
Other	**(3)**	(3)
Net deferred income tax liability	**4,810**	13,085

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

($000)	**Balance Jan 1, 2015**	**Recognized in Profit or Loss**	**Recognized in Equity**	**Flow-Through Shares**	**Balance Dec 31, 2015**
P&NG and E&E assets	11,145	(3,053)	-	155	8,247
Fair value of financial instruments - asset	5,196	380	-	-	5,576
Decommissioning obligations	(2,129)	(5,355)	-	-	(7,484)
Deferred premium on financial instruments	(505)	(250)	-	-	(755)
Share issue costs	(619)	477	(505)	-	(647)
Non-capital losses	-	(124)	-	-	(124)
Other	(3)	-	-	-	(3)
	13,085	**(7,925)**	**(505)**	**155**	**4,810**

($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**

As at December 31, 2015, the Corporation has $134.5 million in tax pools available for deduction against future taxable income, which include non-capital loss carry forwards of $0.5 million (2014 - $NIL). Discretionary tax deductions, including Canadian development expense, Canadian oil and gas property expense and capital cost allowance were used to reduce Manitok's 2015 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, 2013	**74,492,340**	**119,586**
Issued on exercise of stock options (note 17)	1,279,167	3,065
Normal course issuer bid (note 14c)	(10,491,900)	(16,950)
Outstanding, December 31, 2014	**65,279,607**	**105,701**
Issued, net of costs (note 14d)	12,587,600	9,466
Issued, net of costs (note 14e)	917,500	687
Issued, net of costs (note 14f)	6,305,077	4,685
Issued, net of costs (note 14g)	23,766,831	2,746
Issued, net of costs (note 14h)	35,079,500	3,975
Tax effect of share issue costs (note 14i)	-	505
Outstanding, December 31, 2015	**143,936,115**	**127,765**

(c) 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, 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 recorded 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 recorded 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 recorded to deficit and the excess of book value over the purchase price of $0.2 million was recorded to contributed surplus

(d) In June 2015, Manitok closed a non-brokered private placement equity financing for the issuance of 12,587,600 Manitok Shares at a price of $0.80 per Manitok Share for gross proceeds of $10.1 million (net proceeds - $9.5 million).

(e) In June 2015, Manitok closed a non-brokered private placement equity financing for the issuance of 917,500 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 $0.85 per Manitok CDE Flow-through Share for gross proceeds of $0.8 million (net proceeds - $0.7 million). The Corporation had until December 31, 2015 to incur the $0.8 million in development expenditures. The amount recorded to share capital from the issuance of Manitok CDE Flow-through Shares of $0.7 million reflects the fair value of

Manitok Shares, which was $0.80 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CDE Flow-through Shares and the fair value of Manitok Shares of $0.1 million is recognized as a flow-through share premium liability on the Financial Statements. As at December 31, 2015, the Corporation has fulfilled the entire $0.8 million of the eligible development expenditures and has fully reversed the $0.1 million of the flow-through share premium liability.

(f) In June 2015, Manitok closed a non-brokered private placement equity financing for the issuance of 6,305,077 Manitok Shares on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian exploration expense ("**Manitok CEE Flow-through Shares**") at a price of $0.95 per Manitok CEE Flow-through Share for gross proceeds of $6.0 million (net proceeds - $5.6 million). The Corporation has until December 31, 2016 to incur the $6.0 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of $4.7 million reflects the fair value of Manitok Shares, which was $0.80 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $0.9 million is recognized as a flow-through share premium liability on the Financial Statements. As at December 31, 2015, the Corporation has fulfilled $0.7 million of the eligible exploration expenditures and has reversed $0.1 million of the flow-through share premium liability.

(g) In December 2015, Manitok closed the first tranche of a private placement equity financing for the issuance of 23,766,831 Manitok Shares at a price of $0.13 per Manitok Share for gross proceeds of $3.1 million (net proceeds - $2.7 million). A total of 800,000 Manitok Shares were purchased by insiders.

(h) In December 2015, Manitok closed the first tranche of a private placement equity financing for the issuance of 35,079,500 Manitok CEE Flow-through Shares at a price of $0.15 per Manitok CEE Flow-through Share for gross proceeds of $5.3 million (net proceeds - $4.7 million). A total of 310,700 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2016 to incur the $5.3 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of $4.0 million reflects the fair value of Manitok Shares, which was $0.13 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $0.7 million is recognized as a flow-through share premium liability on the Financial Statements. As at December 31, 2015, the Corporation has not fulfilled any of the eligible exploration expenditures.

(i) Manitok recognized a deferred income tax benefit of $0.5 million related to the share issue costs of $1.9 million incurred with respect to the issuance of 12,587,600 Manitok Shares, 917,500 Manitok CDE Flow-through Shares and 6,305,077 Manitok CEE Flow-through Shares in June 2015 and 23,766,831 Manitok Shares and 35,079,500 Manitok CEE Flow-through Shares in December 2015.

Broker Warrants

In connection with the equity issuance as disclosed in notes 14g and 14h, Manitok issued 1,170,712 Manitok Share purchase warrants ("**Broker Warrants**"), with each Broker Warrant entitling the holder to acquire one Manitok Share at an exercise price of $0.13 per Manitok Share for a period of 18 months after the date of issuance of such Broker Warrants.

The fair value of each broker warrant granted in the period of $0.1 million was included in share issue costs and was estimated using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

For the years ended December 31	2015
Weighted average fair value of warrants granted	**$0.06**
Risk-free interest rate	**0.48%**
Expected life (years)	**1.5**
Expected volatility	**98%**
Estimated forfeiture rate	**-**
Expected dividends	**-**

15. ADMINISTRATIVE EXPENSES

The components of administrative expenses are as follows:

For the years ended December 31 ($000)	**2015**	2014
Cash:		
Salaries and benefits[1]	**5,597**	6,180
Other [2]	**4,520**	4,118
	10,117	10,298
Operating overhead recoveries	**(302)**	(622)
Capitalized overhead[3]	**(3,181)**	(2,806)
General and administrative, net	**6,634**	6,870
Non-cash:		
Stock-based compensation	**1,269**	973
Capitalized stock-based compensation[3]	**(631)**	(376)
Stock-based compensation, net	**638**	597
Total administrative expenses, net	**7,272**	7,467

(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.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation. The key management personnel compensation is comprised of the following:

For the years ended December 31 ($000)	**2015**	2014
Salaries and benefits[1]	**1,608**	1,706
Stock-based compensation[2]	**747**	970
Total key management remuneration	**2,355**	2,676

(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 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)	**2015**	2014
Cash:		
Interest and fees on Credit Facilities	**4,960**	1,249
Acquisition-related expenses[1]	**1,892**	-
	6,852	1,249
Non-cash:		
Accretion on decommissioning obligations (note 12)	**411**	185
Total finance expenses	**7,263**	1,434

(1) Acquisition-related expenses are associated with the Wayne Acquisition, as disclosed in note 8.

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, 2015, the Corporation's Plan permitted the grant of options to a maximum of 14,393,612 Manitok Shares. At December 31, 2015, there remained available for issuance stock options in respect of 9,166,179 Manitok Shares. No stock options were exercised in the twelve months ended December 31, 2015. For stock options exercised during the twelve months ended December 31, 2014, the weighted average trading price was $2.40 per Manitok Share.

A summary of the Corporation's outstanding stock options as at December 31, 2015 is presented below:

	Number of stock options	Weighted Average Exercise Price ($)
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**
Granted	1,302,500	0.77
Expired	(667,340)	(1.10)
Forfeited	(716,333)	(1.89)
Outstanding, December 31, 2015	**5,227,433**	**1.79**

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2015 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
0.18	1.00	1,237,000	4.2	0.77	-	-	-
1.01	2.00	1,928,333	2.0	1.57	1,363,333	1.3	1.56
2.01	3.12	2,062,100	2.8	2.61	925,900	2.6	2.71
		5,227,433	**2.8**	**1.79**	**2,289,233**	**1.8**	**2.02**

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	2015	2014
Weighted average fair value of options granted	**$0.42**	$1.13
Risk-free interest rate	**0.65%**	1.36%
Expected life (years)	**4.1**	4.0
Expected volatility	**73%**	71%
Estimated forfeiture rate	**9.7%**	9.0%
Expected dividends	**-**	-

18. PER SHARE INFORMATION

For the years ended December 31	2015	2014
Net loss and comprehensive loss ($000)	**(27,195)**	(3,587)
Weighted average Manitok Shares outstanding - basic	**76,292,523**	69,365,940
Weighted average Manitok Shares outstanding - diluted	**76,292,523**	69,365,940
Net loss per share – basic and diluted ($)	**(0.36)**	(0.05)

The weighted average diluted Manitok Shares outstanding at December 31, 2015 excludes 5,227,433 (2014 – 5,308,606) stock options that are anti-dilutive. As the Corporation reported a loss for the years ended December 31, 2015 and 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 anticipates it will be able to continue to obtain financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

The Corporation's Credit Facilities are subject to a review of the borrowing base limit by the lender at any time in its sole discretion, and at least annually, which is directly impacted by the value of Manitok's petroleum and natural gas reserves. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. Subsequent to December 31, 2015, the $45.0 million Conforming Credit Facility was reduced to $30.0 million in conjunction with the equity issuance as disclosed in notes 14g and 14h and the Non-Conforming Credit Facility was maintained at $30.0 million. The following previously disclosed repayments are no longer required:

- $10.0 million on or before March 31, 2016; and
- $20.0 million on or before May 31, 2016.

The Corporation is required to repay $0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid. Subsequent to the above, Manitok monetized crude oil derivative financial instruments with its counterparty for a cash receipt of $12.3 million and the funds were used to reduce the Non-Conforming Credit Facility from $30.0 million to $20.0 million and as such further reduce the available Credit Facilities from $60.0 million to $50.0 million.

There were no changes in the Corporation's approach to capital management in 2015.

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

As at	December 31, 2015	December 31, 2014
Maximum borrowing base limit		
Conforming Credit Facility(1)	45,000	90,000
Non-Conforming Credit Facility(1)	30,000	-
Acquisition and development demand loan facility(2)	-	15,000
Long-term financial obligations (note 11)	14,948	2,500
	89,948	107,500
Principle amount utilized		
Drawn Conforming Credit Facility	(32,398)	(53,258)
Drawn Non-Conforming Credit Facility	(30,000)	-
Long-term financial obligations (note 11)	(14,948)	(2,500)
Outstanding letters of credit(3)	(290)	-
	(77,636)	(55,758)
Undrawn Credit Facilities	**12,312**	51,742

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) is not less than 1:1. As at December 31, 2015, the Corporation's working capital ratio was 3.2:1.

(2) The acquisition and development demand loan facility was 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. This facility was canceled in 2015.

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

The capital structure of the Corporation is as follows:

As at December 31 ($000)	**2015**	2014
Total shareholders' equity(1)	**80,540**	84,333
Total shareholders' equity as a % of total capital	**54%**	52%
Adjusted working capital (surplus) deficit(2)	**(8,951)**	22,795
Drawn on Credit Facilities	**62,398**	53,258
Long-term financial obligations	**14,948**	2,500
Total net debt	**68,395**	78,553
Total net debt as a % of total capital	**46%**	48%
Total Capital(3)	**148,935**	162,886

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

(2) Adjusted working capital (surplus) 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.

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

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, 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, 2015 is 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)	**2015**	2014
Marketers	**3,982**	5,409
Joint venture partners	**2,755**	14,890
Other	**11,289**	3,736
Total Receivables	**18,026**	24,035

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 $1.4 million of the joint venture receivable has been collected subsequent to December 31, 2015.

Other receivables are due mainly to the realized gain of financial instruments of $2.9 million for the month of December 2015 and the net proceeds of $7.5 million from the equity issuance as indicated in notes 14g and 14h which have been fully collected in January 2016.

The Corporation's accounts receivables are aged as follows:

As at December 31 ($000)	**2015**	2014
Current (less than 30 days)	**16,499**	16,452
30 to 60 days	**306**	5,357
61 to 90 days	**285**	809
Over 90 days	**936**	1,417
Total Receivables	**18,026**	24,035

At December 31, 2015, approximately 5% 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 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, 2015 and December 31, 2014.

Liquidity Risk

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

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

To facilitate the capital expenditure program, the Corporation has reserve-based Credit Facilities, as disclosed in note 10. Additionally, Manitok is evaluating measures such as, equity financing, alternative debt arrangements, joint venture opportunities, asset acquisitions or divestitures and other third party funding alternatives that will reduce the Corporation's bank indebtedness. The Corporation believes it has sufficient cash flow to meet its operating and capital commitments as they come due, however the Corporation is dependent on its lender. Manitok has not received an indication if its lender will demand repayment in the next twelve months, however, the demand nature including the Non-Conforming Facility does create uncertainty.

The following table lists the contractual obligations of the Corporation's financial liabilities as at December 31, 2015:

($000)	Carrying Amount	2016	2017 - 2018	2019 – 2020	Thereafter
Accounts payable and accrued liabilities	9,956	9,956	-	-	-
Drawn Credit Facilities	62,398	62,398	-	-	-
Deferred premium on financial instruments	2,796	1,400	1,396	-	-
Long-term financial obligations(1)	14,948	2,235	4,470	4,470	32,134
Total Financial Liabilities	**90,098**	**75,989**	**5,866**	**4,470**	**32,134**

(1) The long-term financial obligations are $2.2 million per year for 20 years as set forth in note 11. The majority of the annual payment relates to interest and the current portion of the principal payments are immaterial.

Market Risk

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

Commodity Price Risk

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

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

Financial Derivatives

As at December 31, 2015, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value ($000)
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$80.15	Swap(1)	4,160
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD$ WTI	$79.75	Swap(2)	6,936
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD$ WTI	$80.15	Option(1)	(170)
Oil	500 bbls/d	January 1, 2018 to December 31, 2018	CAD$ WTI	$79.75	Option(2)	(438)
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD$ WTI	$75.00 -$90.00	Collar(3)	5,794
Oil	500 bbls/d	January 1, 2016 to December 31, 2017	CAD$ WTI	$70.00 -$90.00	Collar(4)	4,369
Total						**20,651**
Current assets						**14,172**
Non-current assets						**6,479**

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

(2) The counter-party to this contract holds a one-time option no later than December 29, 2017 to extend a swap on 500 barrels per day of oil at CAD$79.75 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.

(3) Manitok recorded $1.6 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of $4.50 per barrel.

(4) Manitok recorded $1.2 million as a deferred premium on financial instruments liability, which represents the amount payable to the counter-party on this contract for the deferred premium of $3.15 per barrel.

The fair value of these commodity risk management contracts at December 31, 2015 was an asset of $20.7 million (2014 – $20.8 million). The fair value measurement of derivative financial instruments is classified as level 2 of the fair value hierarchy in note 5. As at December 31, 2015, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $6.7 million of additional pre-tax income.

Subsequent to December 31, 2015, the Corporation monetized the following derivative financial instruments for a cash receipt of $12.3 million to reduce bank indebtedness:

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

Subsequent to the above-noted monetization the Corporation holds the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$80.15	Swap
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD$ WTI	$80.15	Option
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$75.00 -$90.00	Collar
Oil	500 bbls/d	January 1, 2016 to December 31, 2016	CAD$ WTI	$70.00 -$90.00	Collar

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation may also enter in physical sales contracts to manage commodity risk. These contracts are considered normal executory contracts and are not recorded at fair value in the financial statements. As at December 31, 2015, the Corporation had no physical sales contracts in place and there were no physical sales contracts entered subsequent to December 31, 2015.

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, 2015 and December 31, 2014.

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 including the long-term financial obligations are not exposed to interest rate risk.

A 1% change in the CAD prime interest rate in 2015 would have changed net loss by approximately $0.7 million (2014 - $0.3 million) 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, 2015 and December 31, 2014.

21. SUPPLEMENTARY CASH FLOW INFORMATION

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

For the years ended December 31 ($000)	**2015**	2014
Provided by (used in):		
Accounts receivable	**6,009**	(5,456)
Deposits and prepaid expenses	**(138)**	(286)
Accounts payable and accrued liabilities	**(37,617)**	12,260
	(31,746)	6,518
Provided by (used in):		
Operating activities	**69**	3,294
Financing activities	**(7,491)**	-
Investing activities	**(24,324)**	3,224
	(31,746)	6,518

22. COMMITMENTS

Lease Issuance and Drilling Commitment Agreement

According to the PSK LIDCA, Manitok committed to the following annual work program including minimum annual drilling and completion expenditures and a minimum annual number of wells drilled, completed and tied-in or abandoned:

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

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

	Revised Minimum Commitment		Work Program Incurred		Remaining Minimum Commitment	
Year	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)
2014	13	34,000	13	34,000	-	-
2015	1	5,250	1	5,250	-	-
2016	9	30,750	-	-	9	30,750
2017	8	35,750	-	-	8	35,750
April 30, 2018	5	20,250	-	-	5	20,250
Total	36	126,000	14	39,250	22	86,750

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

PVR Divestiture Capital Commitments

Pursuant to the PVR Divestiture as disclosed in note 9, Manitok is committed to incur a minimum capital commitment of $10.0 million per year in 2016, 2017 and 2018 on drilling, completion, re-completion, workover, equipping and tie-in for the production of wells targeting the Carseland and/or Wayne areas. This commitment is included in the PSK LIDCA commitment and is not an additional commitment.

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

Office Rent Commitment

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

Year	($000)
2016	2,540
2017	1,476

Flow-through Share Commitments

The Corporation is committed to incur exploration expenditures of $6.0 million on or before December 31, 2016, related to the Manitok CEE Flow-through Share issuance completed in June 2015, as indicated in note 14f. Manitok will be subject to Part XII.6 tax based on the prescribed rate on the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2016. As at December 31, 2015, the costs incurred for exploration expenditures were $0.7 million leaving $5.3 million to be spent on or before December 31, 2016.

The Corporation is committed to incur exploration expenditures of $5.3 million on or before December 31, 2016, related to the Manitok CEE Flow-through Share issuance completed in December 2015, as indicated in note 14h. Manitok will be subject to Part XII.6 tax based on the prescribed rate on the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2016. As at December 31, 2015, no costs have been incurred for exploration expenditures, leaving $5.3 million to be spent on or before December 31, 2016.

These Flow-through Share commitments will be included in the PSK LIDCA commitment as there are several exploration opportunities within the undeveloped land acreage in the PSK LIDCA.

Facility Fee Commitments

As disclosed in note 9, Manitok closed the December 2014 Facility Divestiture for gross cash proceeds of $12.5 million and the June 2015 Facility Divestiture for gross cash proceeds of $7.5 million. The Corporation has entered into an agreement for the exclusive use of the above-noted oil and gas infrastructure, which includes a monthly facility fee that is included in operating expenses. The Corporation is committed to the following annual facility fees associated with agreements for the exclusive use of oil and gas infrastructure:

Year	($000)
2016	2,937
2017	2,937
2018	2,937
2019	2,937
2020	2,937
2021	2,937
2022	2,937
2023	506

23. SUBSEQUENT EVENTS

- As disclosed in note 10, the $45.0 million Conforming Credit Facility was reduced to $30.0 million in conjunction with the equity issuance as disclosed in notes 14g and 14h and the Non-Conforming Facility was maintained at $30.0 million. The following previously disclosed repayments are no longer required:
  - $10.0 million on or before March 31, 2016; and
  - $20.0 million on or before May 31, 2016.

  The Corporation is required to repay $0.4 million per month on the Non-Conforming Credit Facility beginning on February 1, 2016 and continuing every month thereafter until it is fully repaid.
- As disclosed in note 10 and 20, Manitok monetized crude oil derivative financial instruments with its counterparty for a total cash receipt of $12.3 million and the funds were used to reduce the Non-Conforming Credit Facility from $30.0 million to $20.0 million and as such further reduce Manitok's Credit Facilities from $60.0 million to $50.0 million.
- In the first quarter of 2016, Manitok closed the final two tranches of a private placement equity financing (see notes 14g and 14h) for the issuance of 15,973,631 Manitok Shares at a price of $0.13 per Manitok Share and 1,170,000 Manitok CEE Flow-through Shares at a price of $0.15 per Manitok CEE Flow-through Share for gross proceeds of $2.3 million. In connection with the final tranches of the equity issuance Manitok issued 70,414 Broker Warrants, with each Broker Warrant entitling the holder to acquire one Manitok Share at an exercise price of $0.13 per Manitok Share for a period of 18 months after the date of issuance of such Broker Warrants.
- In March 2016, Manitok closed an asset acquisition of a natural gas processing plant in the Carseland area along with associated natural gas production, the related gathering systems, undeveloped land and a sales gas line tied into the ATCO south sales system. Total cash consideration for the acquisition is $4.8 million prior to customary closing adjustments.
- In March 2016, Manitok closed an asset acquisition of a property from a partner. Manitok exchanged a 19.9% non-operated working interest in a gas plant in a non-core area, where it has no current throughput volumes, for a 17.5% average working interest in the property, along with an average 45% associated working interest in undeveloped land.
- In April 2016, Manitok entered into a letter agreement for a best-efforts private placement offering of up to $10.0 million ("**Offering**"). The Offering will consist of Manitok Shares issued at a price of $0.21 per Manitok Share and Manitok CEE Flow-through Shares at a price of $0.24 per Manitok CEE Flow-through Share with the gross proceeds from the issuance of the Manitok CEE Flow-through Shares not to exceed $4.5 million. The Offering is expected to close in tranches with the first tranche to close on or about May 5, 2016. The net cash proceeds from the Offering of the Manitok Shares will be used to reduce the Corporation’s bank indebtedness and the net cash proceeds from the Offering of the Manitok CEE Flow-through Shares will be used to earn eligible Canadian exploration expenses.