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

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

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

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

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

Respectfully,

(signed) *"Massimo M. Geremia"*

Massimo M. Geremia,
President and Chief Executive Officer

(signed) *"Robert G. Dion"*

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

April 29, 2015
Calgary, Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Manitok Energy Inc.

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

(signed) *"KPMG LLP"*

Chartered Accountants

April 29, 2015
Calgary, Canada

MANITOK ENERGY INC.
STATEMENTS OF FINANCIAL POSITION

(expressed in thousands of Canadian dollars)

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

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

APPROVED BY THE BOARD

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

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

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

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

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

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

MANITOK ENERGY INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Number of common shares	Share Capital	Contributed Surplus	Deficit	Total
As at December 31, 2012	70,339,014	102,668	3,753	(15,984)	90,437
Net income for the year	-	-	-	3,615	3,615
Share issuances (note 14c and 14d)	7,041,900	21,830	-	-	21,830
Share issue costs (note 14e)	-	(1,134)	-	-	(1,134)
Issued on exercise of stock options (note 17)	742,826	1,529	(613)	-	916
Normal course issuer bid (note 14f)	(3,631,400)	(5,307)	(44)	(3,572)	(8,923)
Stock-based compensation expensed (note 15)	-	-	1,301	-	1,301
Stock-based compensation capitalized (note 15)	-	-	1,054	-	1,054
As at December 31, 2013	**74,492,340**	**119,586**	**5,451**	**(15,941)**	**109,096**
Net loss for the year	-	-	-	(3,587)	(3,587)
Issued on exercise of stock options (note 17)	1,279,167	3,065	(1,200)	-	1,865
Normal course issuer bid (note 14f)	(10,491,900)	(16,950)	183	(7,247)	(24,014)
Stock-based compensation expensed (note 15)	-	-	597	-	597
Stock-based compensation capitalized (note 15)	-	-	376	-	376
As at December 31, 2014	**65,279,607**	**105,701**	**5,407**	**(26,775)**	**84,333**

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

MANITOK ENERGY INC.
STATEMENTS OF CASH FLOWS
(expressed in thousands of Canadian dollars)

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

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

1. REPORTING ENTITY AND NATURE OF OPERATIONS

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

These annual audited financial statements ("**Financial Statements**") were approved and authorized for issuance by the Board of Directors on April 29, 2015.

2. BASIS OF PREPARATION

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

The Financial Statements have been prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value. The methods used to measure fair values are discussed in note 5. The Corporation's Financial Statements include the accounts of Manitok only and are expressed in Canadian dollars, unless otherwise stated. There are no subsidiary companies.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue Recognition

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

b) Cash and Cash Equivalents

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

c) Joint Operations and Assets

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

d) Exploration and Evaluation Assets

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

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

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

e) Petroleum and Natural Gas Properties and Equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

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

(iii) Asset exchanges

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

(iv) Depletion and depreciation

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

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

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

f) Leased Assets

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

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

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

g) Provisions

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

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

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

Provisions are not recognized for future operating losses.

h) Decommissioning Obligations

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

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

i) Share-Based Payments

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

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

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

j) Finance Income and Expenses

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

k) Borrowing Costs

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

l) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are comprised of accounts receivable, accounts payable and accrued liabilities, outstanding credit facilities and the long-term financial obligation. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

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

(ii) Derivative financial instruments

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

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

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

(iii) Share capital

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

m) **Impairment**

(i) Impairment of financial assets

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

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

(ii) Impairment of non-financial assets

The Corporation's petroleum and natural gas properties and equipment are grouped into Cash Generating Units ("**CGUs**") for the purpose of assessing impairment. A CGU represents the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

CGUs are reviewed at each reporting date for indicators of potential impairment. Such indicators may include, but are not limited to, changes in the Corporation's business plan, deterioration in commodity prices or a significant downward revision of estimated recoverable reserves. If indicators of asset impairment exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount. A CGU's recoverable amount is the greater of its fair value less cost to sell and its current value in use. The calculation of the recoverable amount is sensitive to the assumptions regarding production volumes, discount rates and commodity prices. Any excess of carrying value over recoverable amount is recognized as impairment expense in income or loss.

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

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

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

n) Income Taxes

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

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

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

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

o) Flow-Through Shares

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

p) Per Common Share

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

q) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

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

(i) Identification of CGUs

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

(ii) Identification of impairment indicators

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

Key sources of estimation uncertainty:

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

(vi) Reserves

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

The Corporation's petroleum and natural gas reserves represent the estimated quantities of petroleum, natural gas and 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*.

(vii) Share-based payments

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

(viii) Decommissioning obligations

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

(ix) Impairment of non-financial assets

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

(x) Fair value of financial instruments

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

(xi) Taxes

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

Accounting Policies Adopted

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

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

Future Changes in Accounting Policies

On May 28, 2014, the IASB issued IFRS 15 *Revenue From Contracts With Customers* replacing IAS 11 *Construction Contracts*, IAS 18 *Revenue* and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. 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 fair value of petroleum and natural gas properties and equipment recognized in a business combination, is based on market values. The market value of petroleum and natural gas properties and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in petroleum and natural gas properties and equipment) and intangible exploration and evaluation assets is estimated with reference to the discounted cash flow expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

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

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

(iii) Long-term financial obligation

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

(iv) Derivatives:

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

(v) Share-based payments:

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

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

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

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

6. EXPLORATION AND EVALUATION ASSETS

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

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

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

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

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

Impairment

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

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, 2012	118,595	889	119,484
Additions	46,697	379	47,076
Asset acquisition (divestiture) (note 8)	(2,696)	-	(2,696)
Change in decommissioning obligations	(724)	-	(724)
As at December 31, 2013	161,872	1,268	163,140
Additions	50,440	202	50,642
Asset acquisition (note 9)	7,555	-	7,555
Asset divestitures (note 8)	(51,335)	(240)	(51,575)
Transfer from E&E assets (note 6)	23,199	-	23,199
Change in decommissioning obligations	2,236	-	2,236
As at December 31, 2014	**193,967**	**1,230**	**195,197**
Accumulated depletion and depreciation and impairment:			
As at December 31, 2012	(22,328)	(265)	(22,593)
Depletion and depreciation expense	(19,378)	(266)	(19,644)
Impairment expense	(1,465)	-	(1,465)
As at December 31, 2013	(43,171)	(531)	(43,702)
Asset divestitures (note 8)	15,420	158	15,578
Depletion and depreciation expense	(26,233)	(319)	(26,552)
Impairment expense	(1,557)	-	(1,557)
As at December 31, 2014	**(55,541)**	**(692)**	**(56,233)**
Net book value:			
As at December 31, 2013	118,701	737	119,438
As at December 31, 2014	**138,426**	**538**	**138,964**

At December 31, 2014, estimated future development costs of $47.0 million (December 31, 2013 – $69.0 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Manitok capitalized cash and non-cash administrative costs directly attributable to P&NG properties and equipment of $1.3 million in the year ended December 31, 2014 (2013 – $1.8 million).

Impairment

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

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

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

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

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

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

8. ASSET DIVESTITURES

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

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

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

In December 2014, Manitok divested its interest in certain oil and gas infrastructure ("**Facility Divestiture**") for approximately $12.3 million after post-closing adjustments. The Corporation did not record a gain or loss on the 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.

9. ACQUISITION

On October 31, 2014, the Corporation closed an acquisition of increased working interests in existing petroleum and natural gas assets in the Stolberg area ("Stolberg **Acquisition**"), with an effective date of October 1, 2014, for total cash consideration of approximately $7.4 million after estimated post-closing adjustments. The consideration paid by 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 obligation	(162)
Total net assets acquired	**7,393**

Consideration:	
Drawn on credit facilities	**7,393**

10. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

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

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

As at December 31, 2014, the Corporation's credit facilities consist of a $90.0 million revolving operating demand loan facility and a $15.0 million acquisition and development demand loan facility, for total credit facilities of $105.0 million. The credit facilities are secured by a fixed charge debenture on the assets of the Corporation.

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

The lending agreement provides for a financial covenant that requires the Corporation to maintain a working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the revolving operating demand loan facility divided by current liabilities excluding any current portion of an amount drawn on the credit facilities, the fair value of financial instruments and the deferred premium on financial instruments) of at least 1:1. As of December 31, 2014, the Corporation's working capital ratio was 1.3:1.

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

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

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

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

11. LONG-TERM FINANCIAL OBLIGATION

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

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

12. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Manitok estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations as at December 31, 2014 to be approximately $13.2 million (December 31, 2013 – $21.0 million) with the majority of costs anticipated to be incurred between 2025 and 2045. A risk-free discount rate of 2.3% (December 31, 2013 – 3.2%) and an inflation rate of 2% (December 31, 2013 – 2%) was used to calculate the fair value of the decommissioning obligation.

A reconciliation of the decommissioning obligations is provided below:

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

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

13. DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

14. SHARE CAPITAL

(a) Authorized:

- Unlimited number of voting common shares
- Unlimited number of preferred shares issuable in series, with rights and privileges to be designated by the Board of Directors at the time of issuance

(b) Issued and outstanding:

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

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

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

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

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

Manitok Shares for cancellation at a weighted average price of $2.54 per Manitok Share pursuant to the 2012 NCIB. The excess of the purchase price over the book value of $307,000 was recorded partially to contributed surplus ($44,000) and the remaining $0.3 million was charged to deficit.

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

On March 11, 2014, the TSX-V authorized the Corporation's notice to make a normal course issuer bid ("**March 2014 NCIB**") to purchase for cancellation up to 6.8 million Manitok Shares on the open market during the period from March 17, 2014 to March 16, 2015. For the year ended December 31, 2014, the Corporation purchased a total of 6,773,100 Manitok Shares for cancellation at a weighted average price of $2.33 per Manitok Share pursuant to the March 2014 NCIB. The excess of the purchase price over the book value of $4.8 million was charged to deficit.

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

15. ADMINISTRATIVE EXPENSES

The components of administrative expenses are as follows:

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

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

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

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

Compensation for Officers and Directors are comprised of the following:

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

[1] Includes salaries, benefits and bonuses earned by Officers and Directors comprising of: Chairman of the Board, President & Chief Executive Officer, Vice President & Chief Operating Officer, Vice President, Finance & Chief Financial Officer, Vice President, Engineering & Production, Vice President, Exploration – Plains, former Vice President, Drilling & Facilities and other independent Directors.

[2] Represents the amortization of stock-based compensation expense in the year associated with stock options granted to Officers and Directors participating in the Corporation's incentive stock option plan.

16. FINANCE EXPENSES

The components of finance expenses are as follows:

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

17. SHARE-BASED PAYMENTS

Stock Options

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

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

A summary of the Corporation's outstanding stock options as at December 31, 2014 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2012	**4,783,833**	**1.46**
Granted	2,171,100	2.99
Exercised	(742,826)	(1.23)
Forfeited	(604,667)	(2.41)
Outstanding, December 31, 2013	**5,607,440**	**1.98**
Granted	2,601,500	2.09
Exercised	(1,279,167)	(1.46)
Forfeited	(1,621,167)	(2.61)
Outstanding, December 31, 2014	**5,308,606**	**1.97**

The range of exercise prices for stock options outstanding and exercisable under the plan at December 31, 2014 is as follows:

Exercise Prices		**Awards Outstanding**			**Awards Exercisable**		
Low	High	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$1.10	$2.00	2,945,673	2.5	$1.47	1,756,671	1.2	$1.35
$2.01	$3.25	2,362,933	3.8	$2.58	316,864	3.2	$2.87
		5,308,606	**3.1**	**$1.97**	**2,073,535**	**1.5**	**$1.58**

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

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

18. PER SHARE INFORMATION

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

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

19. CAPITAL MANAGEMENT

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

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

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

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

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

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

[1] The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the revolving operating demand loan facility divided by current liabilities excluding any current portion of an amount drawn on the credit facilities, the fair value of financial instruments and the deferred premium on financial instruments) is not less than 1:1. As at December 31, 2014, the Corporation's working capital ratio was 1.3:1.

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

The capital structure of the Corporation is as follows:

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

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

[2] Adjusted working capital deficit is defined as current assets less current liabilities excluding the amount drawn on the credit facilities, the fair value of financial instruments and the deferred premium on financial instruments.

20. FINANCIAL INSTRUMENTS & RISK MANAGEMENT CONTRACTS

Manitok is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. Management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and market conditions and the Corporation's activities.

Credit Risk

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

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

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

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

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

The Corporation's accounts receivables are aged as follows:

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

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

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

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

Liquidity Risk

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

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

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

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

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

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

Market Risk

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

Commodity Price Risk

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

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

Financial Derivatives

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

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

[1] Manitok recorded $2.0 million as a deferred premium on financial instruments, which represents the amount payable to the counter-party on these contracts for the deferred put option premium of $0.35/Gigajoule.

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

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

The fair value of these commodity risk management liabilities at December 31, 2014 was $20.8 million (2013 – liabilities of $7.7 million). As at December 31, 2014, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $4.9 million of additional pre-tax income.

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

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

[1] The counter-party to this contract receives a deferred premium of $4.50 per barrel.

[2] The counter-party to this contract receives a deferred premium of $3.15 per barrel.

Physical Sales Contracts

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

Foreign Currency Risk

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

Interest Rate Risk

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

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

21. SUPPLEMENTARY CASH FLOW INFORMATION

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

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

22. COMMITMENTS

The Corporation was committed to incur exploration expenditures of $20.3 million on or before December 31, 2014, related to the Manitok CEE Flow-through Share issuance completed on November 8, 2013, as indicated in note 14d. Manitok has fulfilled the $20.3 million commitment in the period ended December 31, 2014.

On October 21, 2013, the Corporation announced that it entered into a three year Lease Issuance and Drilling Commitment Agreement with Encana Corporation, whereby Manitok acquired petroleum and natural gas leases in the Entice area of southeast Alberta. In May 2014, Encana Corporation assigned the agreement to PrairieSky Royalty Ltd. ("**PrairieSky Agreement**"). Pursuant to the PrairieSky Agreement, Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures and a minimum annual number of wells drilled, completed and tied-in or abandoned over a three year term. As at December 31, 2014, the Corporation is committed to the following minimum number of wells and minimum drilling and completion expenditures in the Entice area:

	Original Minimum Commitment		**Work Program**		**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	7	22,000	13	33,992	-	-
2015	9	33,000	-	-	3	21,008
2016	14	51,000	-	-	14	51,000
Total	30	106,000	13	33,992	17	72,008

In October 2014, the Corporation entered into a Lease Issuance and Drilling Commitment Agreement with PrairieSky, whereby Manitok acquired additional petroleum and natural gas leases in the Entice area. Pursuant to the agreement, Manitok has agreed to drill one horizontal commitment well by October 1, 2015. The Corporation is subject to a non-performance penalty of $0.5 million if the commitment is not fulfilled.

Manitok is committed to operating leases relating to new office space commencing on November 1, 2014 and expiring on November 30, 2017 and its old office premises which expires on February 28, 2017. The Corporation has subleased approximately 70% of its old premises to arm's length parties effective from November 1, 2014 for the remainder of the lease term and is currently attempting to sublease the remaining available office space. The Corporation is committed to the following aggregate minimum lease payments including expected operating costs**:**

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

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

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