CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited *(expressed in thousands of Canadian dollars)*

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Accounts receivable	**7,457**	18,026
Deposits and prepaid expenses	**592**	881
Fair value of financial instruments (note 16)	**2,985**	14,172
	11,034	33,079
Non-current assets:		
Fair value of financial instruments	**-**	6,479
Exploration and evaluation assets (note 5)	**38,450**	36,351
Petroleum and natural gas properties and equipment (note 6)	**140,917**	128,796
	179,367	171,626
	190,401	204,705
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**9,902**	9,956
Credit facilities (note 9)	**43,693**	62,398
Deferred premium on financial instruments (note 16)	**704**	1,400
	54,299	73,754
Non-current liabilities:		
Long-term financial obligations (note 10)	**14,902**	14,948
Deferred premium on financial instruments	**-**	1,396
Flow-through share premium	**1,805**	1,539
Decommissioning obligations (note 11)	**33,969**	27,718
Deferred income taxes	**3,392**	4,810
	54,068	50,411
	108,367	124,165
SHAREHOLDERS' EQUITY		
Share capital (note 12)	**132,514**	127,765
Contributed surplus	**7,242**	6,745
Deficit	**(57,722)**	(53,970)
	82,034	80,540
Liquidity (note 16)		
Commitments (note 17)		
Subsequent events (note 18)		
	190,401	204,705

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

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
REVENUE				
Petroleum and natural gas	**8,849**	15,297	**17,923**	28,942
Royalty expenses	**(2,798)**	(3,613)	**(5,299)**	(7,046)
Net revenue from petroleum and natural gas sales	**6,051**	11,684	**12,624**	21,896
Realized gain on financial instruments	**1,874**	4,466	**17,803**	9,954
Unrealized loss on financial instruments	**(5,356)**	(10,328)	**(15,574)**	(14,442)
	2,569	5,822	**14,853**	17,408
EXPENSES				
Operating, net of recoveries	**4,801**	4,640	**10,464**	8,847
Transportation and marketing	**454**	967	**1,066**	2,130
Administrative, net of recoveries	**1,802**	2,054	**3,463**	4,034
Depletion and depreciation (note 6)	**3,864**	8,619	**8,314**	16,575
Finance	**1,648**	3,358	**3,447**	4,055
Impairment	**-**	17,943	**-**	17,943
(Gain) loss on divestitures (note 8)	**-**	3,597	**(6,893)**	3,597
	12,569	41,178	**19,861**	57,181
LOSS BEFORE INCOME TAXES	**(10,000)**	(35,356)	**(5,008)**	(39,773)
Deferred income tax recovery	**2,646**	8,504	**1,256**	9,520
NET LOSS AND COMPREHENSIVE LOSS	**(7,354)**	(26,852)	**(3,752)**	(30,253)
Net loss per common share (note 14)				
Basic and diluted	**(0.04)**	(0.39)	**(0.02)**	(0.45)

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

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

	Number of common shares	Share Capital	Contributed Surplus	Deficit	Total
As at December 31, 2014	65,279,607	105,701	5,407	(26,775)	84,333
Net loss for the period	-	-	-	(30,253)	(30,253)
Share issuance	19,810,177	15,848	-	-	15,848
Share issue costs, net of tax	-	(737)	-	-	(737)
Stock-based compensation expensed	-	-	393	-	393
Stock-based compensation capitalized	-	-	381	-	381
As at June 30, 2015	**85,089,784**	**120,812**	**6,181**	**(57,028)**	**69,965**
As at December 31, 2015	143,936,115	127,765	6,745	(53,970)	80,540
Net loss for the period	-	-	-	(3,752)	(3,752)
Share issuance (note 12)	33,574,556	5,186	-	-	5,186
Share issue costs, net of tax (note 12)	-	(437)	4	-	(433)
Stock-based compensation expensed	-	-	279	-	279
Stock-based compensation capitalized	-	-	214	-	214
As at June 30, 2016	**177,510,671**	**132,514**	**7,242**	**(57,722)**	**82,034**

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

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Cash provided by (used in):				
OPERATING ACTIVITIES:				
Net loss and comprehensive loss	**(7,354)**	(26,852)	**(3,752)**	(30,253)
Adjustments for items not affecting operating cash:				
Deferred income tax recovery	**(2,646)**	(8,504)	**(1,256)**	(9,520)
Depletion and depreciation	**3,864**	8,619	**8,314**	16,575
Impairment	**-**	17,943	**-**	17,943
Stock-based compensation	**160**	174	**279**	393
Finance	**1,648**	3,358	**3,447**	4,055
Unrealized loss on financial instruments	**5,356**	10,328	**15,574**	14,442
(Gain) loss on divestitures	**-**	3,597	**(6,893)**	3,597
Acquisition-related expenses	**(223)**	(1,954)	**(223)**	(1,954)
Interest paid	**(1,272)**	(1,322)	**(2,922)**	(1,973)
Decommissioning expenditures	**(9)**	(56)	**(51)**	(80)
Changes in non-cash operating working capital	**890**	3,726	**3,888**	3,460
	414	9,057	**16,405**	16,685
FINANCING ACTIVITIES:				
Increase (decrease) in credit facilities	**(836)**	(5,430)	**(18,705)**	16,691
Increase (decrease) in long-term financial obligations	**(23)**	12,490	**(46)**	12,484
Proceeds from share issuance (note 12)	**3,197**	16,840	**5,449**	16,840
Share issue costs (note 12)	**(314)**	(1,010)	**(593)**	(1,010)
Changes in non-cash financing working capital	**(3,009)**	-	**4,482**	-
	(985)	22,890	**(9,413)**	45,005
INVESTING ACTIVITIES:				
Acquisitions (note 7)	**-**	(62,846)	**(4,519)**	(62,846)
Divestitures (note 8)	**-**	37,081	**-**	37,081
Exploration and evaluation asset expenditures	**(705)**	(1,456)	**(1,383)**	(2,212)
Petroleum and natural gas properties and equipment expenditures	**(2,555)**	(1,738)	**(3,524)**	(5,883)
Changes in non-cash investing working capital	**3,831**	(2,988)	**2,434**	(27,830)
	571	(31,947)	**(6,992)**	(61,690)
NET CHANGE IN CASH	**-**	-	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH, END OF PERIOD	**-**	-	**-**	-

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

1. REPORTING ENTITY AND NATURE OF OPERATIONS

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

2. BASIS OF PREPARATION

a) Statement of compliance

These unaudited condensed interim financial statements ("**Financial Statements**") present Manitok's financial results of operations and financial position under International Financial Reporting Standards ("**IFRS**") as at and for the three and six months ended June 30 2016, including the 2015 comparable periods. The Financial Statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("**IASB**").

These Financial Statements were approved and authorized for issuance by the Board of Directors on August 26, 2016.

b) Basis of measurement

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

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

3. CHANGES IN ACCOUNTING POLICIES

There were no new or amended accounting standards or interpretations issued during the period ended June 30, 2016 that will affect the Corporation's future reporting periods. A summary of accounting standards and interpretations that will have an impact on future reporting periods of the Corporation are described in the notes to the annual Financial Statements for the year ended December 31, 2015.

4. DETERMINATION OF FAIR VALUES

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

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

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

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

5. EXPLORATION AND EVALUATION ASSETS

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

($000)	**Total**
As at December 31, 2014	26,759
Additions(1)	12,124
Acquisitions	4,973
Impairment	(7,505)
As at December 31, 2015	**36,351**
Additions(1)	1,539
Acquisition(2)	560
As at June 30, 2016	**38,450**

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

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

E&E assets consist of the Corporation's exploration projects which are pending the determination of economic quantities of proven reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period. Manitok capitalized cash and non-cash administrative costs directly attributable to E&E assets of $1.0 million in the six months ended June 30, 2016 (June 30, 2015 – $1.6 million).

Impairment

There are no indicators of impairment as at June 30, 2016.

6. PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

($000)	P&NG	Corporate	Total
Cost:			
As at December 31, 2014	208,622	1,230	209,852
Additions	11,492	178	11,670
Asset acquisition	63,857	-	63,857
Asset divestitures	(68,316)	-	(68,316)
Change in decommissioning obligations	12,588	-	12,588
As at December 31, 2015	228,243	1,408	229,651
Additions	3,588	4	3,592
Asset acquisition (note 7)	10,959	-	10,959
Asset divestitures (note 8)	(2,140)	-	(2,140)
Change in decommissioning obligations	5,992	-	5,992
As at June 30, 2016	**246,642**	**1,412**	**248,054**
Accumulated depletion and depreciation and impairment:			
As at December 31, 2014	(70,196)	(692)	(70,888)
Asset divestitures	20,492	-	20,492
Depletion and depreciation expense	(26,960)	(422)	(27,382)
Impairment	(23,077)	-	(23,077)
As at December 31, 2015	(99,741)	(1,114)	(100,855)
Asset divestitures (note 8)	2,032	-	2,032
Depletion and depreciation expense	(8,182)	(132)	(8,314)
As at June 30, 2016	**(105,891)**	**(1,246)**	**(107,137)**
Net book value:			
As at December 31, 2015	128,502	294	128,796
As at June 30, 2016	**140,751**	**166**	**140,917**

At June 30, 2016, estimated future development costs of $60.8 million (December 31, 2015 – $60.8 million) associated with the development of the Corporation's proved and probable reserves were added to the Corporation's net book value in the depletion and depreciation calculation. Manitok capitalized cash and non-cash administrative costs directly attributable to P&NG properties and equipment of $0.4 million in the six months ended June 30, 2016 (June 30, 2015 – $0.5 million).

Impairment

There are no indicators of impairment as at June 30, 2016.

7. ASSET ACQUISITIONS

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

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

Fair value of net assets acquired:	**($000)**
Petroleum and natural gas properties and equipment	7,128
Decommissioning obligations	(102)
Total net assets acquired	**7,026**

Consideration:	
Non-operated working interest in a gas plant	**7,026**

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

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

Fair value of net assets acquired:	**($000)**
Exploration and evaluation assets	560
Petroleum and natural gas properties and equipment	4,250
Decommissioning obligations	(317)
Total net assets acquired	**4,493**

Consideration:	
Cash	**4,493**

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

8. ASSET DIVESTMENTS

As disclosed in note 7, the Corporation closed a non-cash asset exchange agreement in February 2016, in which Manitok divested of a 19.9% non-operated working interest in a gas plant in a non-core area, where it has no current throughput volumes or value in its reserve report, in exchange for a 17.5% average working interest in petroleum and natural gas assets, along with an average 45% working interest in associated undeveloped land in the Stolberg area of Alberta. The estimated fair value was determined to be $7.0 million and was based on the fair value of the acquired assets. The net book value of the divested non-core asset was $0.1 million and as a result Manitok recorded a gain of $6.9 million for the six months ended June 30, 2016.

9. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

($000)	**June 30, 2016**	December 31, 2015
Conforming Credit Facility	**25,293**	32,398
Non-conforming Credit Facility	**18,400**	30,000
Credit Facilities	**43,693**	62,398

As at June 30, 2016, the Corporation's credit facilities consisted of a $30.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and a $18.4 million non-revolving reducing demand loan facility ("**Non-Conforming Credit Facility**" and together with the Conforming Credit Facility, the "**Credit Facilities**"), for total Credit Facilities of $48.4 million. Subsequent to June 30, 2016 the $30.0 million Conforming Credit Facility was maintained and the $18.4 million Non-Conforming Credit Facility was reduced to $15.0 million, in conjunction with the subsequent events disclosed in note 18. The Corporation is required to repay $0.3 million per month on the Non-Conforming Credit Facility until it is fully repaid.

The Credit Facilities are secured by a fixed charge debenture on the assets of the Corporation and are subject to review by the lender at any time in its sole discretion, and at least annually. The amount of the Credit Facilities are subject to a borrowing base test performed on a periodic basis by the lender, based primarily on reserves and using commodity prices estimated by the lender, as well as other factors. A change or redetermination of the borrowing base limit may result in a reduction in the Credit Facilities and a borrowing base shortfall must be remedied by the Corporation. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The next review dates for the Credit Facilities have been set for December 1, 2016 and June 1, 2017 and pursuant to the current credit agreement the borrowing base shortfall may not be greater than $15.0 million as at December 1, 2016 and $5.0 million as at June 1, 2017. Information related to liquidity risk is disclosed in note 16.

Advances under the Credit Facilities are available by way of Canadian prime rate loans. The interest rates applicable to the advances are prime plus 3.0% on the Conforming Credit Facility and prime plus 5.0% on the Non-Conforming Credit Facility.

The effective interest rate applicable to the total debt issued under the Credit Facilities was 6.6% for the six months ended June 30, 2016 (June 30, 2015 – 3.7%).

The lending agreement provides for a financial covenant that requires the Corporation to maintain a working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) of at least 1 to 1. As of June 30, 2016, the Corporation's working capital ratio was 1.3 to 1.

10. LONG-TERM FINANCIAL OBLIGATIONS

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

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

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

($000)	**June 30, 2016**	December 31, 2015
Opening Balance	**14,948**	2,500
Facility Financing Agreement	**-**	12,500
Principal repayments	**(46)**	(52)
Ending Balance	**14,902**	14,948

11. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Manitok estimates the total inflation adjusted undiscounted amount of cash flows required to settle its decommissioning obligations as at June 30, 2016 to be approximately $46.5 million (December 31, 2015 – $39.2 million) with the majority of costs anticipated to be incurred between 2020 and 2035. A risk-free discount rate of 1.7% (December 31, 2015 – 2.2%) and an inflation rate of 2.0% (December 31, 2015 – 2.0%) was used to calculate the fair value of the decommissioning obligation.

A reconciliation of the decommissioning obligations is provided below:

($000)	**June 30, 2016**	December 31, 2015
Opening Balance	**27,718**	8,516
Obligations incurred	**-**	4
Obligations acquired (note 7)	**419**	7,280
Obligations disposed	**(482)**	-
Actual expenditures	**(51)**	(1,064)
Changes in estimates(1)	**2,308**	1,794
Revaluation of acquired decommissioning obligations(2)	**3,754**	10,777
Accretion expense	**303**	411
Ending Balance	**33,969**	27,718

(1) The change in estimates consists of a change in the risk-free discount rate of $2.3 million (December 31, 2015 – $0.7 million) and a change in abandonment and remediation cost estimates and future abandonment dates of $NIL (December 31, 2015 – $1.1 million).

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

12. SHARE CAPITAL

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

(b) Issued and outstanding:

	Number of common shares	Amount ($000)
Outstanding, December 31, 2014	**65,279,607**	**105,701**
Issued, net of costs	12,587,600	9,466
Issued, net of costs	917,500	687
Issued, net of costs	6,305,077	4,685
Issued, net of costs (note 12c)	23,766,831	2,746
Issued, net of costs (note 12d)	35,079,500	3,975
Tax effect of share issue costs	-	505
Outstanding, December 31, 2015	**143,936,115**	**127,765**
Issued, net of costs (note 12e)	15,473,631	1,752
Issued, net of costs (note 12f)	1,170,000	129
Issued, net of costs (note 12g)	500,000	65
Issued, net of costs (note 12h)	8,435,945	1,369
Issued, net of costs (note 12i)	7,994,980	1,274
Tax effect of share issue costs (note 12j)	-	160
Outstanding, June 30, 2016	**177,510,671**	**132,514**

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

(d) In December 2015, Manitok closed the first tranche of a private placement equity financing for the issuance of 35,079,500 Manitok Shares on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian exploration expense ("**Manitok CEE Flow-through Shares**") at a price of $0.15 per Manitok CEE Flow-through Share for gross proceeds of $5.3 million (net proceeds - $4.7 million). A total of 310,700 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2016 to incur the $5.3 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of $4.0 million reflects the fair value of Manitok Shares, which was $0.13 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $0.7 million is recognized as a flow-through share premium liability on the Financial Statements. As at June 30, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.

(e) In January 2016, Manitok closed the second tranche of a private placement equity financing for the issuance of 15,473,631 Manitok Shares at a price of $0.13 per Manitok Share for gross proceeds of $2.0 million (net proceeds - $1.8 million). A total of 26,500 Manitok Shares were purchased by insiders.

(f) In January 2016, Manitok closed the second tranche of a private placement equity financing for the issuance of 1,170,000 Manitok CEE Flow-through Shares at a price of $0.15 per Manitok CEE Flow-through Share for gross proceeds of $0.2 million (net proceeds - $0.2 million). A total of 200,000 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2017 to incur the $0.2 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of $0.1 million reflects the fair value of Manitok Shares, which was $0.13 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $23,000 is recognized as a flow-through share premium liability on the Financial Statements. As at June 30, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.

(g) In February 2016, Manitok closed the third and final tranche of a private placement equity financing for the issuance of 500,000 Manitok Shares at a price of $0.13 per Manitok Share for gross proceeds of $0.1 million (net proceeds - $0.1 million). A total of 500,000 Manitok Shares were purchased by insiders.

(h) In May 2016, Manitok closed a private placement equity financing for the issuance of 8,435,945 Manitok Shares at a price of $0.18 per Manitok Share for gross proceeds of $1.5 million (net proceeds - $1.4 million). A total of 2,222,222 Manitok Shares were purchased by insiders.

(i) In May 2016, Manitok closed a private placement equity financing for the issuance of 7,994,980 Manitok CEE Flow-through Shares at a price of $0.21 per Manitok CEE Flow-through Share for gross proceeds of $1.7 million (net proceeds - $1.5 million). A total of 114,286 Manitok CEE Flow-through Shares were purchased by insiders. The Corporation has until December 31, 2017 to incur the $1.7 million in exploration expenditures. The amount recorded to share capital from the issuance of Manitok CEE Flow-through Shares of $1.3 million reflects the fair value of Manitok Shares, which was $0.18 per Manitok Share less share issue costs. The difference between the net proceeds of Manitok CEE Flow-through Shares and the fair value of Manitok Shares of $0.2 million is recognized as a flow-through share premium liability on the Financial Statements. As at June 30, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.

(j) Manitok recognized a deferred income tax benefit of $0.2 million related to the share issue costs of $0.6 million incurred with respect to the issuance of Manitok Shares and Manitok CEE Flow-through Shares.

13. SHARE-BASED PAYMENTS

Stock Options

At June 30, 2016, the Corporation's stock option plan permitted the grant of options to a maximum of 17,751,067 of Manitok Shares. At June 30, 2016, there remained available for issuance options of 2,614,234 Manitok Shares. No stock options were exercised in the six months ended June 30, 2016 and June 30, 2015.

A summary of the Corporation's outstanding stock options as at June 30, 2016 is presented below:

	Number	Weighted Average Exercise Price ($)
Outstanding, December 31, 2014	**5,308,606**	**1.98**
Granted	1,302,500	0.77
Expired	(667,340)	(1.10)
Forfeited	(716,333)	(1.89)
Outstanding, December 31, 2015	**5,227,433**	**1.79**
Granted	10,436,000	0.16
Expired	(487,500)	(1.23)
Forfeited	(39,100)	(1.71)
Outstanding, June 30, 2016	**15,136,833**	**0.68**

The range of exercise prices for stock options outstanding and exercisable under the plan at June 30, 2016 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low ($)	High ($)	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($)
0.16	0.50	10,523,500	4.7	0.16	-	-	-
0.51	1.00	1,149,500	3.6	0.81	380,665	3.6	0.81
1.01	1.50	58,333	0.2	1.31	58,333	0.2	1.31
1.51	2.00	1,345,500	2.3	1.70	802,167	1.5	1.77
2.01	2.50	1,391,500	2.6	2.39	927,669	2.6	2.39
2.51	3.12	668,500	1.6	3.06	660,167	1.6	3.06
		15,136,833	**4.0**	**0.68**	**2,829,001**	**2.2**	**2.14**

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Weighted average fair value of options granted	**$0.13**	$0.43	**$0.09**	$0.44
Risk-free interest rate	**0.63%**	0.75%	**0.58%**	0.65%
Expected life (years)	**3.6**	3.7	**3.5**	4.1
Expected volatility	**79%**	75%	**77%**	73%
Estimated forfeiture rate	**17%**	9%	**17%**	9%
Expected dividends	**-**	-	**-**	-

Broker Warrants

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

A summary of the Corporation's outstanding Broker Warrants as at June 30, 2016 is presented below:

	Number of Broker Warrants	Weighted Average Exercise Price ($)
Outstanding, December 31, 2014	**-**	**-**
Issued	1,170,713	0.13
Outstanding, December 31, 2015	**1,170,713**	**0.13**
Issued	70,414	0.13
Outstanding, June 30, 2016	**1,241,127**	**0.13**

14. PER SHARE INFORMATION

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net loss and comprehensive loss ($000)	**(7,354)**	(26,852)	**(3,752)**	(30,253)
Weighted average Manitok Shares outstanding - basic	**168,663,250**	68,749,889	**162,364,715**	67,024,334
Weighted average Manitok Shares outstanding - diluted	**168,663,250**	68,749,889	**162,364,715**	67,024,334
Net loss per share – basic ($)	**(0.04)**	(0.39)	**(0.02)**	(0.45)
Net loss per share – diluted ($)	**(0.04)**	(0.39)	**(0.02)**	(0.45)

The weighted average diluted Manitok Shares outstanding for the three and six months ended June 30, 2016 excludes 15,136,833 (June 30, 2015 – 6,474,773) stock options that are anti-dilutive. As the Corporation reported a loss for the three and six months ended June 30, 2016 and 2015, the basic and diluted weighted average shares outstanding are the same for those periods.

15. CAPITAL MANAGEMENT

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

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

The Corporation's Credit Facilities are subject to a review of the borrowing base limit by the lender at any time in its sole discretion, and at least annually, which is directly impacted by the value of Manitok's petroleum and natural gas reserves. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. The Corporation is required to repay $0.3 million per month on the Non-Conforming Credit Facility each month until it is fully repaid.

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

As at	**June 30, 2016**	December 31, 2015
Maximum borrowing base limit		
Conforming Credit Facility(1)	**30,000**	45,000
Non-Conforming Credit Facility(1)	**18,400**	30,000
Long-term financial obligations (note 10)	**14,902**	14,948
	63,302	89,948
Principle amount utilized		
Drawn Conforming Credit Facility	**(25,293)**	(32,398)
Drawn Non-Conforming Credit Facility	**(18,400)**	(30,000)
Long-term financial obligations (note 10)	**(14,902)**	(14,948)
Outstanding letters of credit(2)	**(290)**	(290)
	(58,885)	(77,636)
Undrawn Credit Facilities	**4,417**	12,312

(1) The Corporation's lender requires quarterly compliance that the working capital ratio (current assets excluding the fair value of financial instruments plus any undrawn portion of the Conforming Credit Facility divided by current liabilities excluding any current portion of an amount drawn on the Credit Facilities, the fair value of financial instruments and the deferred premium on financial instruments) is not less than 1 to 1. As at June 30, 2016 the Corporation's working capital ratio was 1.3 to 1.

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

The capital structure of the Corporation is as follows:

($000)	June 30, 2016	December 31, 2015
Total shareholders' equity(1)	**82,034**	80,540
Total shareholders' equity as a % of total capital	**58%**	54%
Adjusted working capital deficit (surplus)(2)	**1,853**	(8,951)
Drawn on Credit Facilities	**43,693**	62,398
Long-term financial obligations	**14,902**	14,948
Total net debt	**60,448**	68,395
Total net debt as a % of total capital	**42%**	46%
Total Capital(3)	**142,482**	148,935

(1) Shareholders' equity is defined as share capital plus contributed surplus less the deficit.
(2) Adjusted working capital deficit (surplus) is defined as current assets less current liabilities excluding the amount drawn on the Credit Facilities and the current portion of the fair value of financial instruments and the deferred premium on financial instruments.
(3) Total capital is defined as total shareholder's equity plus total net debt.

16. FINANCIAL RISK MANAGEMENT

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

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.

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:

($000)	June 30, 2016	December 31, 2015
Marketers	**2,784**	3,982
Joint venture partners	**1,232**	2,755
Other	**3,441**	11,289
Total Receivables	**7,457**	18,026

Other receivables are due mainly to the realized gain on financial instruments of $0.4 million for the month of June 2016 and the net proceeds of $2.9 million from the equity issuance as indicated in notes 12h and 12i which have been fully collected in July 2016.

The Corporation's accounts receivables are aged as follows:

($000)	June 30, 2016	December 31, 2015
Current (less than 30 days)	**6,661**	16,499
30 to 60 days	**53**	306
61 to 90 days	**306**	285
Over 90 days	**437**	936
Total Receivables	**7,457**	18,026

Liquidity Risk

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

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

To facilitate the capital expenditure program, the Corporation has reserve-based Credit Facilities, as disclosed in note 9. The current economic environment relating to the oil and gas industry has made access to both debt and equity capital challenging for many companies. Manitok is evaluating measures such as, equity financing, alternative debt arrangements, joint venture opportunities, asset acquisitions or divestitures, and other third party funding alternatives that will reduce the Corporation's bank indebtedness. The Corporation believes it has sufficient cash flow to meet its operating and capital commitments as disclosed in note 17, however the Corporation is dependent on its lender. There can be no assurance that the Corporation will be successful in its efforts to renew the Credit Facilities at acceptable levels, or to arrange additional financing, if required, or complete other transactions on terms satisfactory to the Corporation or at all. The next review dates for the Credit Facilities have been set for December 1, 2016 and June 1, 2017 and pursuant to the current credit agreement, the borrowing base shortfall may not be greater than $15.0 million as at December 1, 2016 and $5.0 million as at June 1, 2017. While Manitok has not received an indication if its lender will demand repayment in the next twelve months, the demand nature including the Non-Conforming Facility does create uncertainty.

The following table lists the contractual obligations of the Corporation's financial liabilities as at June 30, 2016:

($000)	Carrying Amount	2016	2017 - 2018	2019 – 2020	Thereafter
Accounts payable and accrued liabilities	9,902	9,902	-	-	-
Drawn Credit Facilities	43,693	43,693	-	-	-
Deferred premium on financial instruments	704	704	-	-	-
Long-term financial obligations(1)	14,902	1,118	4,470	4,470	32,134
Total Financial Liabilities	**69,201**	**55,417**	**4,470**	**4,470**	**32,134**

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

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 and the United States, 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 flow and capital expenditure program. These instruments are not used for trading or speculative purposes. Manitok has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. As a result, all such financial derivative contracts are recorded on the Financial Statements at fair value, with the changes in fair value being recognized in income or loss.

Financial Derivatives

As at June 30, 2016, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Remaining Term	Reference	Strike Price	Type of Contract	Fair Value ($000)
Oil	500 bbls/d	July 1, 2016 to December 31, 2016	CAD$ WTI	$80.15	Swap[1]	1,435
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD$ WTI	$80.15	Option[1]	(133)
Oil	500 bbls/d	July 1, 2016 to December 31, 2016	CAD$ WTI	$75.00 -$90.00	Collar[2]	1,028
Oil	500 bbls/d	July 1, 2016 to December 31, 2016	CAD$ WTI	$70.00 -$90.00	Collar[3]	655
Total						**2,985**
Current assets						**2,985**

(1) The counter-party to this contract holds a one-time option no later than December 30, 2016 to extend a swap on 500 barrels per day of oil at CAD$80.15 for the period indicated. The fair value amount represents the cost the Corporation would incur to exit the contract.
(2) Manitok recorded $0.4 million as a deferred premium on financial instruments, which represents the amount payable to the counter-party for a deferred premium of $4.50 per barrel.
(3) Manitok recorded $0.3 million as a deferred premium on financial instruments, which represents the amount payable to the counter-party for a deferred premium of $3.15 per barrel.

The fair value of these commodity risk management contracts at June 30, 2016 was $3.0 million (December 31, 2015 – $20.7 million). The fair value measurement of derivative financial instruments is classified as level 2 of the fair value hierarchy in note 4. As at June 30, 2016, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $1.6 million of additional pre-tax income.

The Corporation has not entered into any additional contracts subsequent to June 30, 2016.

17. COMMITMENTS

Lease Issuance and Drilling Commitment Agreement

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

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

In accordance with the PSK LIDCA agreement and based on the level of crude oil prices in the 2015 calendar year, Manitok was allowed to defer $15.75 million of the 2015 minimum drilling and completion expenditures commitment to be allocated evenly over the remaining commitments periods of 2016 through to 2018.

As at June 30, 2016, the Corporation is committed to the following minimum number of wells and minimum drilling and completion expenditures in southeast Alberta:

	Revised Minimum Commitment		Work Program Incurred		Remaining Minimum Commitment	
Year	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)
2014	13	34,000	13	34,000	-	-
2015	1	5,250	1	5,250	-	-
2016[(1)]	9	30,750	3	4,330	6	26,420
2017	8	35,750	-	-	8	35,750
April 30, 2018	5	20,250	-	-	5	20,250
Total	36	126,000	17	43,580	19	82,420

(1) The drilling commitment spending in 2016 relates to two wells drilled for approximately $3.5 million pursuant to the Farm-out Agreement and one well spud in June 2016 for costs to date of about $0.8 million pursuant to the Seismic and Farm-out Option Agreement.

In 2015, the Corporation entered into a farm-out agreement with a private oil and gas company ("**Farmee**") whereby the Farmee has committed to spend up to a minimum of $20.0 million from the fourth quarter of 2015 to the end of 2016 in the Rockyford area of southeast Alberta and depending on the level of success achieved with the drilling, may lead up to an additional $20.0 million of capital spending, with the Farmee having an option to drill additional earning wells before the end of 2017 ("**Farm-out Agreement**"). Manitok will have the option, but not the obligation to participate in each well up to a maximum 50% interest and will be carried for a 5% working interest by the Farmee in each earning well it does not participate. The entire capital spend from the Farm-out Agreement will be fully allocated to the Corporation’s capital commitment pursuant to the PSK LIDCA. Should the Farmee fail to meet its $20.0 million spending commitment in 2016, the Farmee shall compensate Manitok in an amount equal to the difference between the actual amount spent by the Farmee and the $20.0 million commitment amount.

In 2015, the Corporation entered into a seismic review and farm-out option agreement with a private oil and gas company ("**Optionee**") whereby the Optionee elected to drill a well in the Beiseker area of southeast Alberta with the Optionee having further options to elect to drill further earning wells prior to October 31, 2016 ("**Seismic and Farm-out Option Agreement**"). Manitok was carried in the well and reserves the right to participate in subsequent wells. The entire capital spend from the Seismic and Farm-out Option Agreement will be fully allocated to the Corporation’s capital commitment pursuant to the PSK LIDCA.

Production Volume Royalty Divestiture Capital Commitment

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

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

Flow-through Share Commitments

The Corporation is committed to incur exploration expenditures of $11.3 million on or before December 31, 2016, related to a Manitok CEE Flow-through Share issuance completed in June 2015 and December 2015. As at June 30, 2016, the costs incurred for exploration expenditures were $0.7 million leaving $10.6 million to be spent on or before December 31, 2016.

The Corporation is committed to incur exploration expenditures of $1.9 million on or before December 31, 2017, related to the Manitok CEE Flow-through Share issuance completed in January 2016 and May 2016, as indicated in notes 12f and 12i. As at June 30, 2016, no costs have been incurred for exploration expenditures, leaving $1.9 million to be spent on or before December 31, 2017.

Facility Fee Commitments

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

Year	($000)
2016	1,468
2017	2,937
2018	2,937
2019	2,937
2020	2,937
2021	2,937
2022	2,937
2023	506

Office Rent Commitment

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

Year	($000)
2016	1,272
2017	1,476

18. SUBSEQUENT EVENTS

- In August 2016, Manitok completed an arrangement agreement with Raimount Energy Inc. ("**Raimount**") and 1977746 Alberta Inc. ("**Acquireco**"), being a wholly owned subsidiary of the Corporation ("**Arrangement Agreement**"). Under the terms of the Arrangement Agreement, Manitok acquired, indirectly through Acquireco, all of the issued and outstanding common shares of Raimount by way of a plan of arrangement under the *Business Corporations Act* (Alberta) ("**Raimount Arrangement**"). Each Raimount shareholder received six (6) Manitok Shares and one and one-half (1.5) Manitok Share purchase warrants ("**Manitok Warrants**") in exchange for each Raimount common share held. As a result of the Raimount Arrangement, Manitok issued 41,207,196 Manitok Shares and 10,301,799 Manitok Warrants which have an exercise price of $0.30 per Manitok Share for a term of two years.
- In July 2016, the Corporation closed a non-brokered private placement offering of 8,333,334 subscription receipts ("**Subscription Receipts**") at a price of $0.18 per Subscription Receipt for gross proceeds of $1.5 million. In August 2016, the Subscription Receipts were exchanged for Manitok Shares on a 1 to 1 basis.