MANITOK ENERGY INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited *(expressed in thousands of Canadian dollars)*

	September 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Marketable securities (note 5)	**218**	-
Accounts receivable (note 18)	**5,713**	18,026
Deposits and prepaid expenses	**645**	881
Fair value of financial instruments (note 18)	**849**	14,172
	7,425	33,079
Non-current assets:		
Fair value of financial instruments	**-**	6,479
Exploration and evaluation assets (note 6)	**40,133**	36,351
Petroleum and natural gas properties and equipment (note 7)	**139,588**	128,796
	179,721	171,626
	187,146	204,705
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**7,729**	9,956
Credit facilities (note 10)	**40,031**	62,398
Deferred premium on financial instruments (note 18)	**352**	1,400
	48,112	73,754
Non-current liabilities:		
Long-term financial obligations (note 11)	**14,879**	14,948
Deferred premium on financial instruments	**-**	1,396
Fair value of financial instruments (note 18)	**225**	-
Flow-through share premium	**1,546**	1,539
Decommissioning obligations (note 12)	**35,463**	27,718
Deferred income taxes	**1,573**	4,810
	53,686	50,411
	101,798	124,165
SHAREHOLDERS' EQUITY		
Share capital (note 13)	**139,589**	127,765
Warrants (note 14)	**518**	-
Contributed surplus	**7,484**	6,745
Deficit	**(62,243)**	(53,970)
	85,348	80,540
Liquidity (note 18)		
Commitments (note 19)		
Subsequent events (note 20)		
	187,146	204,705

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
REVENUE				
Petroleum and natural gas	**11,509**	14,548	**29,432**	43,490
Royalty expenses	**(3,315)**	(4,134)	**(8,614)**	(11,180)
Net revenue from petroleum and natural gas sales	**8,194**	10,414	**20,818**	32,310
Realized gain on financial instruments	**1,912**	6,426	**19,715**	16,380
Unrealized gain (loss) on financial instruments	**(2,009)**	11,014	**(17,583)**	(3,428)
	8,097	27,854	**22,950**	45,262
EXPENSES				
Operating, net of recoveries	**4,747**	6,414	**15,211**	15,261
Transportation and marketing	**730**	698	**1,796**	2,828
Administrative, net of recoveries	**1,634**	1,787	**5,097**	5,821
Depletion and depreciation	**5,094**	5,781	**13,408**	22,356
Finance	**1,732**	1,601	**5,179**	5,656
Impairment	**-**	-	**-**	17,943
Change in fair value of marketable securities (note 5)	**15**	-	**15**	-
(Gain) loss on divestitures (note 9)	**-**	19	**(6,893)**	3,616
	13,952	16,300	**33,813**	73,481
NET INCOME (LOSS) BEFORE INCOME TAXES	**(5,855)**	11,554	**(10,863)**	(28,219)
Deferred income tax expense (recovery)	**(1,334)**	3,238	**(2,590)**	(6,282)
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(4,521)**	8,316	**(8,273)**	(21,937)
Net income (loss) per common share (note 16)				
Basic and diluted	**(0.02)**	0.10	**(0.05)**	(0.30)

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

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

	Number of common shares	Share Capital	Warrants	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	-	-	-	-	(21,937)	(21,937)
Share issuance	19,810,177	15,848	-	-	-	15,848
Share issue costs, net of tax	-	(737)	-	-	-	(737)
Stock-based compensation expensed	-	-	-	533	-	533
Stock-based compensation capitalized	-	-	-	546	-	546
As at September 30, 2015	**85,089,784**	**120,812**	**-**	**6,486**	**(48,712)**	**78,586**
As at December 31, 2015	143,936,115	127,765	-	6,745	(53,970)	80,540
Net loss for the period	-	-	-	-	(8,273)	(8,273)
Share issuance (note 13)	41,907,890	6,686	-	-	-	6,686
Share issue costs, net of tax (note 13)	-	(631)	-	4	-	(627)
Corporate acquisition (note 8)	41,207,196	5,769	518	-	-	6,287
Stock-based compensation expensed	-	-	-	434	-	434
Stock-based compensation capitalized	-	-	-	301	-	301
As at September 30, 2016	**227,051,201**	**139,589**	**518**	**7,484**	**(62,243)**	**85,348**

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

MANITOK ENERGY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited *(expressed in thousands of Canadian dollars)*

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Cash provided by (used in):				
OPERATING ACTIVITIES:				
Net income (loss) and comprehensive income (loss)	**(4,521)**	8,316	**(8,273)**	(21,937)
Adjustments for items not affecting operating cash:				
Deferred income tax expense (recovery)	**(1,334)**	3,238	**(2,590)**	(6,282)
Depletion and depreciation	**5,094**	5,781	**13,408**	22,356
Impairment	**-**	-	**-**	17,943
Stock-based compensation	**155**	141	**434**	533
Finance	**1,732**	1,601	**5,179**	5,656
Unrealized (gain) loss on financial instruments	**2,009**	(11,014)	**17,583**	3,428
Change in fair value of marketable securities	**15**	-	**15**	-
(Gain) loss on divestitures	**-**	19	**(6,893)**	3,616
Acquisition-related expenses	**(158)**	(20)	**(381)**	(1,974)
Interest paid	**(1,439)**	(1,438)	**(4,361)**	(3,411)
Decommissioning expenditures	**(122)**	(310)	**(173)**	(390)
Changes in non-cash operating working capital	**(1,572)**	15	**2,316**	3,476
	(141)	6,329	**16,264**	23,014
FINANCING ACTIVITIES:				
Increase (decrease) in credit facilities	**(3,662)**	(4,578)	**(22,367)**	12,113
Increase (decrease) in long-term financial obligations	**(23)**	(18)	**(69)**	12,466
Proceeds from share issuance (note 13)	**1,500**	-	**6,949**	16,840
Share issue costs (note 13)	**(266)**	-	**(859)**	(1,010)
Changes in non-cash financing working capital	**3,009**	-	**7,491**	-
	558	(4,596)	**(8,855)**	40,409
INVESTING ACTIVITIES:				
Acquisitions (note 8)	**(4)**	-	**(4,523)**	(62,846)
Corporate acquisition (note 8)	**5,020**	-	**5,020**	-
Divestitures (note 9)	**-**	(26)	**-**	37,055
Exploration and evaluation asset expenditures	**(2,092)**	(1,244)	**(3,475)**	(3,456)
Petroleum and natural gas properties and equipment expenditures	**(702)**	(2,620)	**(4,226)**	(8,503)
Changes in non-cash investing working capital	**(2,639)**	2,157	**(205)**	(25,673)
	(417)	(1,733)	**(7,409)**	(63,423)
NET CHANGE IN CASH	**-**	-	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-	**-**	-
CASH, END OF PERIOD	**-**	-	**-**	-

The accompanying notes are an integral part of these condensed interim consolidated 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 consolidated financial statements ("**Consolidated 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 nine months ended September 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 Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on November 29, 2016.

b) Basis of measurement

The Consolidated 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, except as described in note 3. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these Consolidated 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 Consolidated 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 Consolidated Financial Statements include the accounts of Manitok and its wholly owned subsidiary, Raimount Oil and Gas Inc. and are expressed in Canadian dollars, unless otherwise stated. All intercompany transactions and balances have been eliminated.

3. CHANGES IN ACCOUNTING POLICIES

There were no new or amended accounting standards or interpretations issued during the period ended September 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.

In conjunction with the Raimount Energy Inc. acquisition as disclosed in note 8, the Corporation acquired certain marketable securities as disclosed in note 5. The Corporation considers these marketable securities to be held for trading and accordingly values them at fair value at the end of each reporting period with changes in fair value recognized in net income.

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. MARKETABLE SECURITIES

The Corporation holds 1,450,000 common shares of a public company trading on the TSX-V that were acquired as part of the Raimount Energy Inc. acquisition as disclosed in note 8. The shares were valued at $0.15 per share for a total fair value of approximately $0.2 million at September 30, 2016. The fair value measurement of marketable securities is classified as level 1 of the fair value hierarchy in note 4.

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, 2014	26,759
Additions(1)	12,124
Acquisitions	4,973
Impairment	(7,505)
As at December 31, 2015	**36,351**
Additions(1)	3,915
Acquisition(2)	1,350
Dispositions	(445)
Transfer to petroleum and natural gas properties and equipment(3)	(986)
E&E Expense(4)	(52)
As at September 30, 2016	**40,133**

(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 8 and $0.6 million was allocated to E&E assets. In August 2016, the Corporation completed the corporate acquisition of Raimount Energy Inc. for $6.3 million as disclosed in note 8 and $0.8 million was allocated to E&E assets.

(3) In the third quarter of 2016, the Corporation participated in the drilling of a well in southeast Alberta pursuant to a farm-out agreement, and the well was bought on production during the third quarter.

(4) The Corporation expensed approximately $0.1 million of E&E expenditures related to lease rental costs on previously impaired undeveloped lands. The expense was included in depletion and depreciation expense on the Consolidated Financial Statements.

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 $1.3 million in the nine months ended September 30, 2016 (September 30, 2015 – $1.9 million).

Impairment

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

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, 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	4,317	9	4,326
Acquisitions (note 8)	11,962	-	11,962
Asset divestitures (note 9)	(2,140)	-	(2,140)
Transfer from E&E assets (note 6)	986	-	986
Change in decommissioning obligations	6,982	-	6,982
As at September 30, 2016	**250,350**	**1,417**	**251,767**
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 9)	2,032	-	2,032
Depletion and depreciation expense	(13,162)	(194)	(13,356)
As at September 30, 2016	**(110,871)**	**(1,308)**	**(112,179)**
Net book value:			
As at December 31, 2015	128,502	294	128,796
As at September 30, 2016	**139,479**	**109**	**139,588**

At September 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 $0.6 million in the nine months ended September 30, 2016 (September 30, 2015 – $1.2 million).

Impairment

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

8. ACQUISITIONS

The following transactions have been accounted for as business combinations pursuant to IFRS 3, using the acquisition method of accounting, 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 Consolidated Financial Statements. The amounts below are estimates, which were made by management at the time of the preparation of these Consolidated Financial Statements based on information then available. Amendments may be made to these amounts as values subject to estimates are finalized.

Asset Acquisitions

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, before post-closing adjustments and was based on the fair value of the acquired assets. The pro forma information from January 1, 2016 to the closing date are not material.

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. The pro forma information from January 1, 2016 to the closing date are not material.

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%.

Corporate Acquisition

a) In August 2016, the Corporation 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 ("**Raimount Arrangement Warrants**") in exchange for each Raimount common share held. As a result of the Raimount Arrangement, Manitok issued 41,207,196 Manitok Shares and 10,301,837 Raimount Arrangement Warrants which have an exercise price of $0.30 per Manitok Share for a term of two years.

A total of $0.3 million in acquisition-related expenses, which relate primarily to professional fees have been charged to finance expenses on the Consolidated Financial Statements. The Raimount Arrangement has contributed immaterial revenues and operating income since the closing date and had the Raimount Arrangement closed on January 1, 2016, the estimated contributed revenues would have been $0.2 million and the estimated contributed operating loss would have been $0.1 million for the period ended September 30, 2016. The pro-forma information is not necessarily indicative of the actual results that would have been achieved had the business combination closed on January 1, 2016. The amounts below are estimates, which were made by management at the time of the preparation of these Consolidated Financial Statements based on accounting and tax information then available. Amendments may be made to these amounts as accounting and tax values subject to estimation are finalized.

Fair value of net assets acquired:	**($000)**
Cash	5,020
Net working capital deficit	(719)
Marketable securities	232
Exploration and evaluation assets	790
Petroleum and natural gas properties and equipment	553
Deferred income tax asset	672
Decommissioning obligations	(261)
Total net assets acquired	**6,287**

Consideration:	
Manitok Shares (note 13)	5,769
Raimount Arrangement Warrants (note 14)	518
Total consideration	**6,287**

The fair value of P&NG assets have been estimated based on anticipated natural gas reserves using discount rates of 10% for the proved reserves. The decommissioning obligations have been estimated using a credit adjusted discount rate of 10% and the deferred income tax asset relates primarily to the temporary differences for non-capital losses and the decommissioning obligations.

9. ASSET DIVESTMENTS

As disclosed in note 8, 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, before post-closing adjustments 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 nine months ended September 30, 2016.

10. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

($000)	**September 30, 2016**	December 31, 2015
Conforming Credit Facility	**25,831**	32,398
Non-conforming Credit Facility	**14,200**	30,000
Credit Facilities	**40,031**	62,398

As at September 30, 2016, the Corporation's credit facilities consisted of a $30.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and a $14.2 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 $44.2 million. Subsequent to September 30, 2016 the $30.0 million Conforming Credit Facility and the $14.2 million Non-Conforming Credit Facility was maintained. 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. Information related to liquidity risk is disclosed in note 18.

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 nine months ended September 30, 2016 (September 30, 2015 – 4.2%).

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 September 30, 2016, the Corporation's working capital ratio was 1.4 to 1.

11. 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)	**September 30, 2016**	December 31, 2015
Opening Balance	**14,948**	2,500
Facility Financing Agreement	**-**	12,500
Principal repayments	**(69)**	(52)
Ending Balance	**14,879**	14,948

12. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Manitok estimates the total inflation adjusted undiscounted amount of cash flows required to settle its decommissioning obligations as at September 30, 2016 to be approximately $47.7 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)	**September 30, 2016**	December 31, 2015
Opening Balance	**27,718**	8,516
Obligations incurred	**91**	4
Obligations acquired (note 8)	**680**	7,280
Obligations disposed	**(482)**	-
Actual expenditures	**(173)**	(1,064)
Changes in estimates[(1)]	**3,077**	1,794
Revaluation of acquired decommissioning obligations[(2)]	**4,115**	10,777
Accretion expense	**437**	411
Ending Balance	**35,463**	27,718

(1) The change in estimates consists of a change in the risk-free discount rate of $2.7 million (December 31, 2015 – $0.7 million) and a change in abandonment and remediation cost estimates and future abandonment dates of $0.4 million (December 31, 2015 – $1.1 million).

(2) These amounts relate to the revaluation of acquired decommissioning obligations related to the asset acquisitions disclosed in note 8 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%.

13. 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 13c)	23,766,831	2,746
Issued, net of costs (note 13d)	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 13e)	15,473,631	1,752
Issued, net of costs (note 13f)	1,170,000	129
Issued, net of costs (note 13g)	500,000	65
Issued, net of costs (note 13h)	8,435,945	1,330
Issued, net of costs (note 13i)	7,994,980	1,231
Issued, net of costs (note 13j)	8,333,334	1,317
Issued (note 13k)	41,207,196	5,769
Tax effect of share issue costs (note 13l)	-	231
Outstanding, September 30, 2016	**227,051,201**	**139,589**

(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 Consolidated Financial Statements. As at September 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 Consolidated Financial

Statements. As at September 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 Consolidated Financial Statements. As at September 30, 2016, the Corporation has not fulfilled any of the eligible exploration expenditures.

(j) 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 (net proceeds - $1.3 million). In August 2016, the Subscription Receipts were exchanged for Manitok Shares on a 1 to 1 basis.

(k) In August 2016, the Corporation issued 41,207,196 Manitok Shares pursuant to the Raimount Arrangement as disclosed in note 8. The Manitok Shares were issued at a value of $5.8 million based on Manitok's trading price of $0.14 on the closing date of August 19, 2016.

(l) Manitok recognized a deferred income tax benefit of $0.2 million related to the share issue costs of $0.9 million incurred with respect to the issuance of Manitok Shares and Manitok CEE Flow-through Shares.

14. WARRANTS

Raimount Arrangement Warrants

In connection with the Raimount Arrangement as disclosed in note 8, Manitok issued Raimount Arrangement Warrants in August 2016, with each Raimount Arrangement Warrant entitling the holder to acquire one Manitok Share at an exercise price of $0.30 per Manitok Share for a period of two years after the date of issuance of such Raimount Arrangement Warrants. The fair value of the Raimount Arrangement Warrants were estimated using the Black-Scholes option-pricing model.

A summary of the Corporation's outstanding Raimount Arrangement Warrants as at September 30, 2016 is presented below:

	Number of Raimount Arrangement Warrants	Amount ($000s)
Outstanding, December 31, 2015	**-**	**-**
Issued (expire August 19, 2018)	10,301,837	518
Outstanding, September 30, 2016	**10,301,837**	**518**

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

As at	August 19, 2016
Weighted average fair value of warrants granted	**$0.05**
Risk-free interest rate	**0.57%**
Expected life (years)	**2.0**
Expected volatility	**103%**
Estimated forfeiture rate	**-**
Expected dividends	**-**

Broker Warrants

In connection with the equity issuances as disclosed in notes 13c to 13e, 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. The fair value of Broker Warrants were recorded to share issuance costs.

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

	Number of Broker Warrants	Weighted Average Exercise Price ($)
Outstanding, December 31, 2014	**-**	**-**
Issued (expire June 30, 2017)	1,170,713	0.13
Outstanding, December 31, 2015	**1,170,713**	**0.13**
Issued (expire July 26, 2017)	70,414	0.13
Outstanding, September 30, 2016	**1,241,127**	**0.13**

The fair value of each Broker Warrant was recorded to share issuance costs and was estimated using the Black-Scholes option-pricing model with weighted average assumptions for grants as follows:

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Weighted average fair value of options granted	**-**	-	**$0.06**	-
Risk-free interest rate	**-**	-	**0.48%**	-
Expected life (years)	**-**	-	**1.5**	-
Expected volatility	**-**	-	**98%**	-
Estimated forfeiture rate	**-**	-	**-**	-
Expected dividends	**-**	-	**-**	-

15. SHARE-BASED PAYMENTS

Stock Options

At September 30, 2016, the Corporation's stock option plan permitted the grant of options to a maximum of 22,705,120 of Manitok Shares. At September 30, 2016, there remained available for issuance options of 6,102,520 Manitok Shares. No stock options were exercised in the nine months ended September 30, 2016 and September 30, 2015.

A summary of the Corporation's outstanding stock options as at September 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	12,445,100	0.16
Expired	(540,833)	(1.24)
Forfeited	(529,100)	(0.36)
Outstanding, September 30, 2016	**16,602,600**	**0.63**

The range of exercise prices for stock options outstanding and exercisable under the plan at September 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	12,082,600	4.5	0.16	-	-	-
0.51	1.00	1,122,833	3.4	0.81	383,165	3.4	0.81
1.01	1.50	5,000	0.5	1.45	5,000	0.5	1.45
1.51	2.00	1,345,500	2.0	1.70	802,167	1.3	1.77
2.01	2.50	1,378,167	2.4	2.39	927,669	2.4	2.39
2.51	3.12	668,500	1.3	3.06	668,500	1.3	3.06
		16,602,600	**3.9**	**0.63**	**2,786,501**	**1.9**	**2.15**

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

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Weighted average fair value of options granted	**$0.05**	$0.32	**$0.08**	$0.44
Risk-free interest rate	**0.63%**	0.55%	**0.59%**	0.64%
Expected life (years)	**3.6**	3.8	**3.6**	4.1
Expected volatility	**82%**	75%	**78%**	73%
Estimated forfeiture rate	**15%**	10.4%	**17%**	9.1%
Expected dividends	**-**	-	**-**	-

16. PER SHARE INFORMATION

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Net income (loss) ($000)	**(4,521)**	8,316	**(8,273)**	(21,937)
Weighted average Manitok Shares outstanding - basic	**200,127,000**	85,089,784	**175,044,023**	73,112,325
Weighted average Manitok Shares outstanding - diluted	**200,127,000**	85,089,784	**175,044,023**	73,112,325
Net income (loss) per share – basic and diluted ($)	**(0.02)**	0.10	**(0.05)**	(0.30)

As the Corporation reported a loss for the three and nine months ended September 30, 2016 and the nine months ended September 30, 2015, the basic and diluted weighted average shares outstanding are the same for those periods. The weighted average diluted Manitok Shares outstanding for the three and nine months ended September 30, 2016 excludes 16,602,600 (September 30, 2015 – 5,463,433) stock options, 1,241,127 Broker Warrants (September 30, 2015 – NIL) and 10,301,837 Raimount Arrangement Warrants (September 30, 2015 – NIL) that are anti-dilutive.

17. 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	**September 30, 2016**	December 31, 2015
Maximum borrowing base limit		
Conforming Credit Facility[(1)]	**30,000**	45,000
Non-Conforming Credit Facility[(1)]	**14,200**	30,000
Long-term financial obligations (note 11)	**14,879**	14,948
	59,079	89,948
Principle amount utilized		
Drawn Conforming Credit Facility	**(25,831)**	(32,398)
Drawn Non-Conforming Credit Facility	**(14,200)**	(30,000)
Long-term financial obligations (note 11)	**(14,879)**	(14,948)
Outstanding letters of credit[(2)]	**(290)**	(290)
	(55,200)	(77,636)
Undrawn Credit Facilities	**3,879**	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 September 30, 2016 the Corporation's working capital ratio was 1.4 to 1.

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

The capital structure of the Corporation is as follows:

($000)	**September 30, 2016**	December 31, 2015
Total shareholders' equity[(1)]	**85,348**	80,540
Total shareholders' equity as a % of total capital	**60%**	54%
Adjusted working capital deficit (surplus)[(2)]	**1,153**	(8,951)
Drawn on Credit Facilities	**40,031**	62,398
Long-term financial obligations	**14,879**	14,948
Total net debt	**56,063**	68,395
Total net debt as a % of total capital	**40%**	46%
Total Capital[(3)]	**141,411**	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.

18. 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)	**September 30, 2016**	December 31, 2015
Marketers	**3,828**	3,982
Joint venture partners	**1,092**	2,755
Other	**793**	11,289
Total Receivables	**5,713**	18,026

Other receivables are due mainly to the realized gain on financial instruments of $0.6 million for the month of September 2016, which have been fully collected in October 2016.

The Corporation's accounts receivables are aged as follows:

($000)	**September 30, 2016**	December 31, 2015
Current (less than 30 days)	**5,007**	16,499
30 to 60 days	**99**	306
61 to 90 days	**227**	285
Over 90 days	**380**	936
Total Receivables	**5,713**	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 10. 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 19, 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. 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 September 30, 2016:

($000)	**Carrying Amount**	**2016**	**2017 - 2018**	**2019 – 2020**	**Thereafter**
Accounts payable and accrued liabilities	7,729	7,729	-	-	-
Drawn Credit Facilities	40,031	40,031	-	-	-
Deferred premium on financial instruments	352	352	-	-	-
Long-term financial obligations(1)	14,879	559	4,470	4,470	32,134
Total Financial Liabilities	**62,991**	**48,671**	**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 11. The majority of the annual payment relates to interest and the current portion of the principal payments are immaterial.

Market Risk

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

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Corporation's cash flows and borrowing base limit under its Credit Facilities. Lower commodity prices may also reduce the Corporation's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada 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 Consolidated Financial Statements at fair value, with the changes in fair value being recognized in income or loss.

Financial Derivatives

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

Product	Notional Quantity	Remaining Term	Reference	Strike Price	Type of Contract	Fair Value ($000)
Oil	500 bbls/d	October 1, 2016 to December 31, 2016	CAD$ WTI	$80.15	Swap(1)	730
Oil	500 bbls/d	January 1, 2017 to December 31, 2017	CAD$ WTI	$80.15	Option(1)	(47)
Oil	500 bbls/d	October 1, 2016 to December 31, 2016	CAD$ WTI	$75.00 -$90.00	Collar(2)	507
Oil	500 bbls/d	October 1, 2016 to December 31, 2016	CAD$ WTI	$70.00 -$90.00	Collar(3)	303
Oil	250 bbls/d	January 1, 2017 to December 31, 2017	US$ WTI	$46.00	Option(4)	(126)
Oil	250 bbls/d	January 1, 2017 to December 31, 2017	US$ WTI	$41.00	Option(5)	(287)
Oil	250 bbls/d	January 1, 2017 to December 31, 2017	US$ WTI	$42.60	Option(6)	(254)
Oil	250 bbls/d	January 1, 2017 to December 31, 2017	US$ WTI	$42.00	Option(7)	(153)
Natural gas	4,000 GJs/d	January 1, 2017 to December 31, 2017	CAD$ AECO	$2.28	Option(8)	(49)
Total						**624**
Current assets						**849**
Non-current liabilities						**(225)**

(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 $0.2 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 $0.1 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.
(4) Manitok entered an option contract with a floor price of US$46.00 per barrel for the period indicated and upside participation of 50% in the event the US$ WTI reference price is above the floor price.
(5) Manitok entered an option contract with a floor price of US$41.00 per barrel for the period indicated and upside participation of 65% in the event the US$ WTI reference price is above the floor price.
(6) Manitok entered an option contract with a floor price of US$42.60 per barrel for the period indicated and upside participation of 60% in the event the US$ WTI reference price is above the floor price.
(7) Manitok entered an option contract with a floor price of US$42.00 per barrel for the period indicated and upside participation of 70% in the event the US$ WTI reference price is above the floor price.
(8) Manitok entered an option contract with a floor price of CAD$2.28 per gigajoule for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.

The fair value of these commodity risk management contracts at September 30, 2016 was $0.6 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 September 30, 2016, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $0.5 million of additional pre-tax income.

Subsequent to September 30, 2016, the Corporation entered into the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Natural gas	4,000 GJs/d	January 1, 2017 to December 31, 2017	CAD$ AECO	$2.52	Option(1)

(1) Manitok entered an option contract for a pricing floor of CAD$2.52 per gigajoule for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the pricing floor.

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation has entered in physical sales contracts to manage commodity risk. These contracts are considered normal executory contracts and are not recorded at fair value in the Consolidated Financial Statements. The Corporation holds the following physical sales contracts as at September 30, 2016:

Product	Volume	Remaining Term	Strike Price	Type of Contract
Natural gas	5,000 GJ/d	October 1, 2016 to December 31, 2016	$2.52	AECO fixed price

The Corporation has not entered into any physical sales contracts subsequent to September 30, 2016.

19. 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 September 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	12	15,700	-	15,050
2017	8	35,750	-	-	8	35,750
April 30, 2018	5	20,250	-	-	5	20,250
Total	36	126,000	26	54,950	13	71,050

(1) The drilling commitment spending in 2016 relates to one well spud in September 2016 drilled by the Corporation for costs to date of about $0.8 million, 10 (1.4 net) wells drilled for costs to date of approximately $13.3 million pursuant to a farm-out agreement and one well spud in June 2016 for costs to date of about $1.6 million pursuant to a 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 to additional 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 ("**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 September 30, 2016, the costs incurred for exploration expenditures were $2.4 million leaving $8.9 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 13f and 13i. As at September 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	734
2017	2,937
2018	2,937
2019	2,937
2020	2,937
2021	2,937
2022	2,937
2023	506

Office Rent Commitment

Manitok has committed to a new operating lease relating to new office space commencing November 2016 and expiring on November 30, 2025, which includes a rent free period to December 31, 2017 and various other rent reduction allowances. Manitok remains committed to two other operating leases relating to its previous office premises expiring on February 28, 2017 and November 30, 2017. The Corporation has subleased approximately 82% of the square footage of its previous office space to arm's length parties for the remainder of the lease terms. The Corporation is committed to the following aggregate minimum lease payments including expected operating costs:

Year	($000)
2016	638
2017	1,237
2018	821
2019	821
2020	1,084
2021	1,270
2022	1,369
2023	1,420
2024	1,420
2025	1,128

20. SUBSEQUENT EVENTS

- On October 27, 2016, the Corporation closed a marketed underwritten offering of 212,071 units of Manitok ("**Units**") for total aggregate gross proceeds of $21.2 million (the "**Offering**"). Each Unit consisted of a $100 principal amount senior secured note due 2021 with an interest rate of 10.5% per annum ("**Collateralized Exchange Listed Notes**" or "**CEL Notes**") and 164 common share purchase warrants ("**CEL Warrants**"). The Units immediately separated into CEL Notes and CEL Warrants at issuance. The CEL Notes will mature on November 15, 2021. Interest on the CEL Notes will be payable quarterly in arrears. Each CEL Warrant will entitle the holder thereof to purchase one common share of Manitok at an exercise price equal to $0.18 per common share, subject to adjustment, at any time until November 15, 2021. The CEL Notes and the CEL Warrants are governed by a note indenture and a warrant indenture, respectively, between the Corporation and Computershare Trust Company of Canada. The Corporation used a portion of the net proceeds of the Offering for certain oil and gas assets as disclosed below and the remaining net proceeds of the Offering were used to reduce the amount drawn on the Credit Facilities.
- On October 28, 2016, the Corporation closed an asset acquisition of oil and natural gas production along with an emulsion handling facility, the related gathering systems and undeveloped land. Total consideration for the acquisition was $13.5 million prior to transaction costs and customary closing adjustments, which included $9.0 million of cash and $4.5 million of CEL Notes
- On November 29, 2016, Manitok closed an equity financing completed by way of a short form base shelf prospectus as supplemented by a prospectus supplement dated November 22, 2016 for the issuance of 7,562,923 Manitok Shares at a price of $0.13 per Manitok Share, 4,599,829 Manitok Shares on a "flow-through" basis under the *Income Tax Act* (Canada) in respect of Canadian development expense ("**Manitok CDE Flow-through Shares**") at a price of $0.14 per Manitok CDE Flow-through Share, and 23,605,879 Manitok CEE Flow-through Shares at a price of $0.145 per Manitok CEE Flow-through Share for gross proceeds of $5.1 million.