OPERATIONAL AND FINANCIAL SUMMARY

Three months ended March 31,	2017	2016
OPERATING		
Average daily production		
Light oil (bbls/d)	**1,629**	1,812
Natural gas (mcf/d)	**23,700**	14,305
NGLs (bbls/d)	**721**	211
Total (boe/d)	**6,300**	4,407
Average realized sales price		
Light oil ($/bbl)	**58.59**	36.48
Natural gas ($/mcf)	**2.87**	2.03
NGLs ($/bbl)	**34.49**	21.58
Total ($/boe)	**29.89**	22.63
NETBACK AND COST ($ per boe)		
Petroleum and natural gas sales	**29.89**	22.63
Processing revenue	**0.93**	0.57
Realized gain (loss) on financial instruments	**(0.82)**	39.72
Royalty income	**0.03**	-
Royalty expenses	**(7.16)**	(6.24)
Operating expenses, net of recoveries	**(11.98)**	(14.69)
Transportation and marketing expenses	**(1.48)**	(1.53)
Operating netback(1)	**9.41**	40.46
General and administrative expenses, net of recoveries	**(2.83)**	(3.85)
Interest and financing expenses	**(3.53)**	(4.11)
Funds from operations netback(1)	**3.05**	32.50
FINANCIAL		
Petroleum and natural gas revenue ($000)	**16,962**	9,074
Funds from operations ($000)(1)	**1,942**	13,035
Per share – basic and diluted ($)(1)	**0.01**	0.08
Net income (loss) ($000)	**(3,826)**	3,602
Per share – basic and diluted ($)(2)	**(0.01)**	0.02
Common shares outstanding		
End of period – basic	**262,819,832**	161,079,746
End of period – diluted	**330,541,540**	177,452,639
Weighted average for the period – basic	**262,819,832**	156,066,181
Weighted average for the period – diluted	**262,819,832**	156,339,714
Capital expenditures, net of divestitures ($000)	**2,207**	6,166
Adjusted working capital deficit ($000)(1)	**2,761**	141
Drawn on credit facilities ($000)	**40,139**	44,529
Net bank debt(1) ($000)	**42,900**	44,670
Senior Secured Notes	**18,247**	-
Long-term financial obligations ($000)	**14,829**	14,925
Net debt(1) ($000)	**75,976**	59,595

(1) Funds from operations, funds from operations per share, funds from operations netback, operating netback, adjusted working capital deficit, net bank debt and net debt do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Measures paragraph in the Advisories section of this MD&A.

(2) The basic and diluted weighted average shares outstanding are the same for periods in which the Corporation records a net loss and when all the outstanding stock options and warrants are anti-dilutive.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Manitok Energy Inc. ("**Manitok**" or the "**Corporation**") is a junior oil and gas exploration, development and production company based in Calgary, Alberta. The Corporation conducts its operations in the Western Canadian Sedimentary Basin and currently all of its activities are in Alberta. Manitok's common shares ("**Manitok Shares**") are listed for trading on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**".

The following Management's Discussion and Analysis ("**MD&A**") of financial condition and results of operations for Manitok is dated May 30, 2017 and should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements ("**Consolidated Financial Statements**") and related notes as at and for the three months ended March 31, 2017 and 2016, the audited consolidated financial statements and related notes for the year ended December 31, 2016 as well as the Corporation's Annual Information Form dated May 1, 2017 ("**AIF**"), that is available electronically under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com and on the Corporation's website at www.manitokenergy.com. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. This MD&A in respect of the three months ended March 31, 2017 (the "**Reporting Period**") as compared to the three months ended March 31, 2016 (the "**Comparable Prior Period**") has been prepared by management and approved by the Corporation's Audit Committee and Board of Directors. All financial information is expressed in Canadian dollars, unless otherwise stated.

ADVISORIES

Unaudited Numbers

*All financial amounts referred to in this MD&A and the Corporation's first quarter report for the Reporting Period and the Comparable Prior Period ("**Q1 Report**") are management's best estimates and are unaudited.*

Non-GAAP Measures

*This MD&A and the Q1 Report contains references to measures used in the oil and natural gas industry such as "funds from operations", "funds from operations netback", "funds from operations per share", "operating netback", "adjusted working capital deficit", "net bank debt" and "net debt". These measures do not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**"), including International Financial Reporting Standards ("**IFRS**") and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used, they should be given careful consideration by the reader. These measures have been described and presented in the MD&A and Q1 Report in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.*

Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income (loss) as determined in accordance with IFRS, as an indicator of Manitok's performance or liquidity. Funds from operations is used by Manitok to evaluate operating results and Manitok's ability to generate cash flow to fund capital expenditures and repay indebtedness. Funds from operations denotes cash flow from operating activities as it appears on the Corporation's Statement of Cash Flows before decommissioning expenditures, acquisition-related expenses and changes in non-cash operating working capital. Funds from operations is also derived from net income (loss) plus acquisition-related expenses and non-cash items including deferred income tax expense (recovery), depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments, gains or losses on asset divestitures and the change in fair value of marketable securities. Funds from operations netback is calculated on a per boe basis and funds from operations per share is calculated as funds from operations divided by the weighted average number of basic and diluted common shares outstanding. Operating netback denotes petroleum and natural gas revenue, processing revenue, royalty income and realized gains or losses on financial instruments less royalty expenses, operating expenses and transportation and marketing expenses calculated on a per boe basis. Adjusted working capital deficit (surplus) includes current assets less current liabilities excluding the current portion of the amount drawn on the credit facilities, the current portion of the fair value of financial instruments and provisions. Manitok uses net bank debt and net debt as a measure to assess its financial position.

Net bank debt includes outstanding bank indebtedness plus adjusted working capital deficit (surplus) and net debt includes net bank debt plus the senior secured notes and the long-term financial obligations.

Barrels of Oil Equivalent

*The term barrels of oil equivalent ("**boe**") may be misleading, particularly if used in isolation. Per boe amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 bbl) of crude oil. The boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.*

Forward-Looking Information

This MD&A and the Q1 Report contain forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information relates to future events or future performance and is based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All information other than historical fact is forward-looking information. Information relating to reserves is forward-looking as it involves the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities estimated and that it will be commercially viable to produce the reserves in the future. Words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words that convey certain events or conditions "may" or "will" occur are intended to identify forward-looking information. In particular, this MD&A and the Q1 Report contains forward-looking information relating to the Corporation's planned strategy in terms of planned capital spending and sources of funding; the Corporation's intentions to manage commodity risk by entering into certain derivative contracts; and the intention to drill and complete future wells. Such statements reflect the Corporation's forecasts, estimates and expectations, as they relate to the Corporation's current views based on its experience and expertise with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

While the Corporation anticipates remaining disciplined with its 2017 capital program, readers are cautioned that the Corporation may make adjustments depending on business conditions and commodity prices throughout the fiscal year. Actual spending may vary due to a variety of factors, including changes to certain key expectations and assumptions set out below.

By their nature, forward-looking information involves a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to the following: future commodity prices; currency exchange rates; inflation rates; well production rates; well drainage areas; success rates for future drilling; availability of labour and services; interest rates; and future availability of debt and equity financing being at levels and costs that allow the Corporation to manage, operate and finance its business, develop its properties and meet its future obligations. With respect to estimates of reserve volumes, a key assumption is the validity of the data used by Sproule Associates Limited in its independent reserves evaluation. With respect to future wells to be drilled, a key assumption is that geological and other technical interpretations performed by the Corporation's technical staff, which indicate that commercially economic reserves can be recovered from the Corporation's land as a result of drilling such future wells, are valid. Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intensions or expectations upon which it is based will occur. Although the Corporation believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Forward-looking information necessarily involves both known and unknown risks associated with oil and natural gas exploration, production, transportation and marketing such as uncertainty of geological and technical data, imprecision of reserves estimates, operational risks, uncertainty in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production, costs and expenses, health, safety and environmental risks, *uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, loss of market demand, general economic conditions affecting the ability to access sufficient capital, changes in law and government regulation of the oil and gas industry and competition from others for scarce resources.*

The foregoing list of risk factors is not exhaustive. Additional information on these other risk factors that could affect operations or financial results are included in the Corporation's most recent Annual Information Form and in other reports filed with Canadian securities regulatory authorities. Forward-looking information is based on estimates and opinions of management at the time the information is presented. The Corporation is not under any duty to update and does not intend or assume any obligation to update the forward-looking information after the date of this MD&A and Q1 Report to conform such information to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws. All subsequent forward-looking statements, whether written or oral, attributable to the Corporation or persons acting on the Corporation's behalf, are expressly qualified in their entirety by these cautionary statements.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
bbls/d	barrels per day
Mbbls	thousand barrels
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
Mboe	thousand barrels of oil equivalent
NGLs	natural gas liquids

Natural Gas

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
Mmcf	million cubic feet
Mmcf/d	million cubic feet per day
mmbtu	million British thermal units
GJ	Gigajoule
GJ/d	Gigajoules per day

Other

AECO	benchmark natural gas price determined at the AECO "C" hub in southeast Alberta
WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma
°API	the measure of the density or gravity of liquid petroleum products

MAJOR TRANSACTIONS SUBSEQUENT TO THE REPORTING PERIOD

- On April 28, 2017, the Corporation and Craft Oil Ltd. ("**Craft**") entered into an arrangement agreement (the "**Arrangement Agreement**"), whereby Manitok will acquire all of the issued and outstanding common shares of Craft by way of a plan of arrangement under the *Business Corporations Act* (Alberta) for $6.6 million of Manitok Shares. The special meeting of the shareholders of Craft with respect to the Arrangement Agreement is to be held on June 5, 2017.
- On May 24, 2017, the Corporation announced amended terms for the PSK LIDCA, which includes:
  - reducing the remaining drilling and completion expenditure commitment from $56.0 million to $24.0 million, with $8.0 million required by December 31, 2017 and the remaining $16.0 million required by August 31, 2018;
  - the early surrender of approximately 148,000 acres of undeveloped leased lands located mostly in the northern end of the Entice block in Manitok's Beiseker and Strathmore areas and the payment of cash consideration of approximately $2.0 million;
  - granting a 4% gross overriding royalty ("**GORR**") on its working interests on developed and undeveloped lands at Willesden Green and a 4% GORR on its working interest on undeveloped lands at Stolberg; and
  - conveyance of its proprietary interest in various 2D and 3D seismic data sets and related tax pools while obtaining a concurrent 15 year seismic data license to such 2D and 3D seismic data.

FUNDS FROM OPERATIONS AND NET INCOME (LOSS)

Funds from Operations

Management uses funds from operations to analyze operating performance. Funds from operations and funds from operations per share are non-GAAP measures defined by the Corporation as cash operating activities from the consolidated Statements of Cash Flows before decommissioning expenditures, acquisition-related expenses and changes in non-cash operating working capital. Funds from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income (loss) as determined in accordance with GAAP, as an indicator of Manitok's performance or liquidity. Funds from operations per share is calculated based on the weighted average number of basic and diluted common shares outstanding. Manitok's calculation of funds from operations is considered to be a key measure of the ability to generate the cash necessary to fund capital expenditures and repay indebtedness.

The following schedule sets out the reconciliation of cash from operating activities, as determined in accordance with IFRS to funds from operations for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31	
($000, except per share information)	**2017**	2016
Cash from operating activities	**2,316**	15,991
Adjustments:		
Decommissioning expenditures	**168**	42
Acquisition-related expenses	**268**	-
Changes in non-cash operating working capital	**(810)**	(2,998)
Funds from operations	**1,942**	13,035
per share – basic and diluted	**0.01**	0.08

Funds from operations decreased by 85% to $1.9 million ($0.01 per diluted share) for the first quarter of 2017 as compared to $13.0 million ($0.08 per diluted share) in the Comparable Prior Period. The decrease is due primarily to a decrease in realized gains on financial instruments and increase in royalties and operating expenses, partially offset by the increase in petroleum and natural gas revenue from higher commodity prices and natural gas production volumes.

Net Income (Loss)

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

	Three months ended March 31	
($000, except per share information)	**2017**	2016
Net income (loss)	**(3,826)**	3,602
per share – basic and diluted	**(0.01)**	0.02

Net loss increased to $3.8 million ($0.01 per diluted share) for the first quarter of 2017 as compared to net income of $3.6 million ($0.02 per diluted share) in the Comparable Prior Period. The increase in the net loss and net loss per share were due primarily to the decreased funds from operations and a decrease in the gain on asset divestitures, partially offset by the unrealized gain on financial instruments.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

The following table details Manitok's petroleum and natural gas ("**P&NG**") revenue, production and average realized sales prices by product for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2017				Three months ended March 31, 2016			
	Total Revenue ($000)	**Average Daily Production**	**%**	**Average ($/unit)**	Total Revenue ($000)	Average Daily Production	%	Average ($/unit)
Light oil (bbls)	**8,588**	**1,629**	**26**	**58.59**	6,015	1,812	41	36.48
Natural gas (mcf)	**6,119**	**23,700**	**63**	**2.87**	2,645	14,305	54	2.03
NGLs (bbls)	**2,239**	**721**	**11**	**34.49**	414	211	5	21.58
Total P&NG sales (boe)	**16,946**	**6,300**	**100**	**29.89**	9,074	4,407	100	22.63
Royalty revenue	**16**	**-**	**-**	**0.03**	-	-	-	-
Total P&NG revenue (boe)	**16,962**	**6,300**	**100**	**29.92**	9,074	4,407	100	22.63
Processing revenue	**528**	**-**	**-**	**0.93**	230	-	-	0.57
Total	**17,490**	**6,300**	**100**	**30.85**	9,304	4,407	100	23.20

Total P&NG revenue for the first quarter of 2017 increased 87% to $17.0 million compared to $9.1 million in the Comparable Prior Period. The increase of $7.9 million consists of $6.5 million due to higher realized prices and $2.1 million attributed to higher natural gas and NGL volumes partially offset by a $0.7 million reduction due to lower light oil volumes.

Production

Production averaged 6,300 boe/d in the three month Reporting Period as compared to 4,407 boe/d in the Comparable Prior Period. The average light oil production decreased to 1,629 bbls/d in the three month Reporting Period from 1,812 bbls/d in the Comparable Prior Period, while the average natural gas and NGL production increased to 23.7 Mmcf/d and 721 bbls/d, respectively in the three month Reporting Period from 14.3 Mmcf/d and 211 bbls/d in the Comparable Prior Period. The reduction in light oil production is due mainly to natural declines, partially offset by wells drilled in the Carseland and Wayne areas and an asset acquisition in the fourth quarter of 2016. The increase in natural gas and NGL volumes is due mainly to the asset acquisition in the fourth quarter of 2016 which contributed about 7.2 Mmcf/d and 368 bbls/d, respectively in the three month Reporting Period.

Commodity Prices

Manitok sells all of its crude oil on a spot basis and its natural gas production for prices based on the AECO daily spot price and may enter into physical sales contracts. The following table details the average reference price for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2017	2016	Variance
Benchmark prices			
Light oil – WTI ($US/bbl)(1)	**51.90**	33.45	55%
Light oil – WTI ($CAD/bbl)	**68.71**	45.93	50%
Light oil – Canadian light sweet ($/bbl)(1)	**64.74**	41.22	57%
Natural gas – AECO daily spot ($/mmbtu) (2)	**2.69**	1.83	47%
Exchange rate – ($CAD/$US)	**1.3238**	1.3732	(4%)
Average realized prices			
Light oil ($/bbl)	**58.59**	36.48	61%
Natural gas ($/mcf)	**2.87**	2.03	41%
NGLs ($/bbl)	**34.49**	21.58	60%
Average realized price ($/boe)	**29.89**	22.63	32%
Price differentials			
Canadian light sweet/WTI CAD ($/bbl)	**(3.97)**	(4.71)	(16%)
Realized light oil/Canadian light sweet ($/bbl)	**(6.15)**	(4.74)	30%
Realized natural gas/AECO daily spot ($/mcf)	**0.18**	0.20	(10%)

(1) Information obtained from the Sproule Associates Limited website at www.sproule.com.
(2) $1.00/mmbtu = $1.00/mcf based on a standard heat value mcf.

The price the Corporation receives for its P&NG production depends on a number of factors, including the average benchmark prices for crude oil and natural gas, the Canadian/US dollar exchange rate and transportation and product quality differentials.

Manitok's average realized commodity price increased 32% to $29.89/boe from $22.63/boe in the three month Reporting Period due to increased benchmark prices for crude oil and natural gas.

Manitok's P&NG sales are impacted by world events that dictate the level of supply and demand for petroleum and natural gas. The Corporation is subject to fluctuations in commodity prices, which is partially mitigated with the use of derivative risk management contracts (see "Financial Instruments").

Financial Instruments

The Corporation has entered into certain commodity price risk management contracts in order to reduce volatility in its financial results and to protect its funds from operations and anticipated capital expenditure program. The Corporation's current strategy is to hedge a portion of its oil and natural gas production, using a combination of financial derivatives and/or physical delivery sales contracts to manage commodity risk.

Financial Derivatives

As at March 31, 2017, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value ($000)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$46.00	Option(1)	(194)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$41.00	Option(2)	(306)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$42.60	Option(3)	(288)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$42.00	Option(4)	(219)
Natural gas	4,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.28	Option(5)	(74)
Natural gas	4,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.52	Option(6)	65
Natural gas	2,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.20	Option(7)	(56)
Natural gas	2,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.10	Option(8)	(79)
Total liability						**(1,151)**

(1) Manitok entered an option contract with a floor price of US$46.00/bbl for the period indicated and upside participation of 50% in the event the US$ WTI reference price is above the floor price.
(2) Manitok entered an option contract with a floor price of US$41.00/bbl for the period indicated and upside participation of 65% in the event the US$ WTI reference price is above the floor price.
(3) Manitok entered an option contract with a floor price of US$42.60/bbl for the period indicated and upside participation of 60% in the event the US$ WTI reference price is above the floor price.
(4) Manitok entered an option contract with a floor price of US$42.00/bbl for the period indicated and upside participation of 70% in the event the US$ WTI reference price is above the floor price.
(5) Manitok entered an option contract with a floor price of CAD$2.28/GJ for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.
(6) Manitok entered an option contract with a floor price of CAD$2.52/GJ for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.
(7) Manitok entered an option contract with a floor price of CAD$2.20/GJ for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.
(8) Manitok entered an option contract with a floor price of CAD$2.10/GJ for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.

Subsequent to March 31, 2017, the Corporation entered into the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Natural gas	2,500 GJs/d	June 1, 2017 to December 31, 2017	CAD$ AECO	$2.61	Option(1)

(1) Manitok entered an option contract with a floor price of CAD$2.61/GJ for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.

The following table provides a summary of the realized and unrealized gain (loss) on financial instruments:

	Three months ended March 31			
	2017		2016	
	$000	**$/boe**	$000	$/boe
Realized gain (loss) on financial instruments	**(467)**	**(0.82)**	15,929	39.72
Unrealized gain (loss) on financial instruments	**1,725**	**3.04**	(10,218)	(25.48)

Physical Sales Contracts

In addition to the financial derivative contracts discussed above, the Corporation may enter into physical sales contracts to manage commodity risk. These contracts are considered normal executory contracts and are not recorded at fair value in the consolidated financial statements. There are no physical sales contracts outstanding as at March 31, 2017.

Royalty Expenses

Royalties are paid to the Government of Alberta and other land and mineral rights owners. The following table illustrates the Corporation's royalty expenses by product for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2017			Three months ended March 31, 2016		
	($000)	**Effective Royalty Rate(1)**	**Average ($/unit)**	($000)	Effective Royalty Rate(1)	Average ($/unit)
Light oil and NGLs (bbls)	**3,388**	**31.3%**	**16.02**	2,186	34.0%	11.88
Natural Gas (mcf)(2)	**672**	**11.0%**	**0.31**	315	11.9%	0.24
Total Royalties (boe)	**4,060**	**23.9%**	**7.16**	2,501	27.6%	6.24

(1) The effective royalty rate is calculated by dividing the royalties into the applicable P&NG sales category and into total sales for the period.
(2) Includes natural gas cost allowance credits received from the government of Alberta.

Royalties for the three month Reporting Period were $4.1 million as compared to $2.5 million for the Comparable Prior Period. The increase in aggregate royalties is due mainly to the higher average realized commodity prices and additional revenue from the asset acquisition in the fourth quarter of 2016. The decrease in the effective royalty rate is due mainly to the higher percentage of natural gas assets included in the asset acquisition in the fourth quarter of 2016.

Operating Expenses

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

	Three months ended March 31, 2017		Three months ended March 31, 2016		Variance	
	$000	**$/boe**	$000	$/boe	$	$/boe
Field operating expenses	**6,804**	**12.00**	5,866	14.63	16%	(18%)
Recoveries	**(80)**	**(0.14)**	(91)	(0.23)	(12%)	(39%)
Field operating expenses, net	**6,724**	**11.86**	5,775	14.40	16%	(18%)
Expensed workovers and other	**67**	**0.12**	118	0.29	(43%)	(59%)
Total operating expenses	**6,791**	**11.98**	5,893	14.69	15%	(18%)

Operating expenses for the Reporting Period were $6.8 million ($11.98/boe) as compared to $5.9 million ($14.69/boe) for the Comparable Prior Period. The higher aggregate costs in the Reporting Period are due mainly to increased production volumes.

On a per boe basis, operating costs decreased 18% from $14.69 to $11.98 in the Reporting Period due mainly to an increased percentage of natural gas production volumes, which incur lower operating costs than light oil production volumes.

Transportation and Marketing Expenses

The following table illustrates the Corporation's transportation and marketing (**"T&M"**) expenses for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2017	2016	Variance
Total T&M expenses ($000)	**837**	612	37%
Total T&M expenses ($/boe)	**1.48**	1.53	(3%)

Total T&M expenses for the Reporting Period were $0.8 million ($1.48/boe) as compared to $0.6 million ($1.53/boe) for the Comparable Prior Period. The higher aggregate costs in the Reporting Period are due mainly to increased production volumes.

On a per boe basis, T&M expenses were consistent with the Comparable Prior Period.

Operating Netback

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

	Three months ended March 31		
($/boe)	**2017**	2016	Variance
Realized P&NG sales price	**29.89**	22.63	32%
Processing revenue	**0.93**	0.57	63%
Royalty income	**0.03**	-	-
Royalty expenses	**(7.16)**	(6.24)	15%
Operating expenses, net of recoveries	**(11.98)**	(14.69)	(18%)
Transportation and marketing expenses	**(1.48)**	(1.53)	(3%)
Operating netback before realized gain on financial instruments	**10.23**	0.74	1,282%
Realized gain (loss) on financial instruments	**(0.82)**	39.72	(102%)
Operating netback	**9.41**	40.46	(77%)

Manitok's operating netback was $9.41/boe in the first quarter of 2017, which is 77% lower than $40.46/boe in the Comparable Prior Period. The decrease was due primarily to the monetization of crude oil derivative financial instruments for a cash receipt of $12.3 million or $30.67/boe in the first quarter of 2016, which was recorded in realized gain on financial instruments, partially offset by higher realized P&NG prices and lower operating expenses.

Administrative Expenses

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

	Three months ended March 31, 2017		Three months ended March 31, 2016		Variance
	$000	**%**	$000	%	$
Cash:					
Salaries and benefits(1)	**1,193**	**57**	1,181	52	1%
Other(2)	**906**	**43**	1,074	48	(16%)
	2,099	**100**	2,255	100	(7%)
Operating overhead recoveries	**(38)**	**(2)**	(62)	(3)	(39%)
Capitalized overhead recoveries(3)	**(454)**	**(22)**	(651)	(29)	(30%)
General and administrative expenses, net	**1,607**	**76**	1,542	68	4%
General and administrative expenses, net per boe	**2.83**		3.85		(26%)
Non-cash:					
Stock-based compensation	**269**	**100**	231	100	16%
Capitalized stock-based compensation(3)	**(80)**	**(30)**	(112)	(48)	(29%)
Stock-based compensation, net	**189**	**70**	119	52	59%
Stock-based compensation, net per boe	**0.33**		0.30		10%
Total administrative expenses, net	**1,796**	**76**	1,661	67	8%
Total administrative expenses, net per boe	**3.16**		4.15		(24%)

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

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

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

General and administrative (cash)

Net General and Administrative ("**G&A**") expenses increased 4% on an aggregate basis to $1.6 million in the three month Reporting Period as compared to $1.5 million in the Comparable Prior Period. On a per boe basis, G&A costs decreased 26% from $3.85 to $2.83 in the Reporting Period due mainly to increased production volumes.

Stock-based compensation (non-cash)

Net stock-based compensation expense was $0.2 million in the Reporting Period as compared to $0.1 million in the Comparable Prior Period.

A summary of the Corporation's outstanding stock options is presented below:

	Number	**Weighted Average Exercise Price ($)**
As at December 31, 2015	5,227,433	1.79
Granted	12,445,100	0.16
Expired	(608,333)	(1.31)
Forfeited	(614,100)	(0.62)
As at December 31, 2016	16,450,100	0.62
Granted	9,324,000	0.16
Expired	(443,000)	(1.85)
Forfeited	(3,932,000)	(1.88)
As at March 31, 2017	**21,399,100**	**0.16**

Each stock option entitles the holder to purchase one Manitok Share upon payment of the exercise price.

Finance Expenses

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	$000	**$/boe**	$000	$/boe
Cash:				
Interest and fees on credit facilities	**1,664**	**2.93**	1,650	4.11
Realized foreign exchange	**3**	**0.01**	-	-
Effective interest on Senior Secured Notes	**68**	**0.12**	-	-
Acquisition-related expenses(1)	**268**	**0.47**	-	-
	2,003	**3.53**	1,650	4.11
Non-cash:				
Accretion on discount of Senior Secured Notes	**41**	**0.07**	-	-
Accretion on decommissioning obligations and other	**488**	**0.86**	149	0.37
	529	**0.93**	149	0.37
Total finance expenses	**2,532**	**4.46**	1,799	4.48

(1) Acquisition-related expenses incurred in 2017 that are associated mainly with continuing costs related to the asset acquisition in the fourth quarter of 2016.

The aggregate cash finance expenses in the Reporting Period included credit facility interest charges of $0.6 million (March 2016 - $0.8 million), interest on the long-term financial obligations of $0.5 million (March 2016 – $0.5 million) and interest on the Senior Secured Notes of $0.6 million (March 2016 – $NIL).

The Corporation's average outstanding bank indebtedness was approximately $36.0 million in the Reporting Period as compared to $48.1 million in the Comparable Prior Period, calculated as the simple average of the daily amounts. The effective interest rate applicable to the credit facilities was 6.4% in the Reporting Period as compared to 6.7% in the Comparable Prior Period.

The accretion charges are non-cash and are comprised of the accretion of decommissioning obligations that relates to the passage of time until the Corporation will incur to retire its assets and restore the asset locations to a condition which meets or exceeds environmental standards and the accretion of the Corporations discount on its Senior Secured Notes. The increase in accretion of decommissioning obligations is due to the increase in assets from the asset acquisition in the fourth quarter of 2016.

The effective interest charge associated with the Corporation's Senior Secured Notes is based on the effective interest rate method in order to amortize the transaction costs related to the issue and to accrete the Senior Secured Notes to its face value of $21.2 million over the term of the debt.

Depletion and Depreciation Expense

The following table compares depletion and depreciation expenses ("**D&D**") for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31		
	2017	2016	Variance
Depletion and depreciation ($000)	**6,679**	4,450	50%
Depletion and depreciation ($/boe)	**11.78**	11.10	6%

D&D expense is a function of the estimated proved plus probable reserve additions, the finding and development costs attributable to those reserves, the associated future development capital required to recover those reserves and production in the period. The Corporation determines its D&D expenses on an area basis.

D&D expenses increased in the first quarter of 2017 to $6.7 million or $11.78/boe as compared to $4.5 million or $11.10/boe for the Comparable Prior Period. The increase in aggregate D&D expense is due mainly to increased production volumes, while the per unit cost was consistent with the Comparable Prior Period.

Asset Impairment Assessment

Impairment is recognized when the carrying value of an asset or group of assets exceeds its recoverable amount, defined as the higher of its value in use or fair value less costs of disposal. Any asset impairment that is recorded is recoverable to its original value less any associated DD&A expense should there be indicators that the recoverable amount of the asset has increased in value since the time of recording the initial impairment.

In the first quarter of 2017, Manitok performed an impairment assessment of its exploration and evaluation ("**E&E**") assets and developed and producing ("**D&P**") assets on a CGU basis and determined there were no impairment indicators identified in the Reporting Period. As a result, an impairment test was not required as at March 31, 2017.

Income Taxes

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

	Three months ended March 31		
	2017	2016	Variance
Deferred income tax expense (recovery) ($000)	**(81)**	1,390	(106%)
Deferred income tax expense (recovery) ($/boe)	**(0.14)**	3.47	(104%)

Manitok has not recognized its deferred tax asset of $1.6 million in the Reporting Period.

CAPITAL EXPENDITURES AND CAPITAL RESOURCES

Capital Expenditures

The following table sets forth a summary of the Corporation's capital expenditures incurred during the Reporting Period and the Comparable Prior Period:

	Three months ended March 31	
($000)	**2017**	2016
Land	**102**	55
Geologic and geophysical	**115**	86
Workovers and recompletions	**917**	227
Drilling and completions	**504**	116
Well equipment and facilities	**56**	508
Capitalized overhead(1)	**454**	651
Total finding and development costs (F&D)	**2,148**	1,643
Acquisitions	**91**	4,519
Divestitures	**(55)**	-
Total finding, development and acquisition costs (FD&A)	**2,184**	6,162
Administrative and other assets	**23**	4
Total capital expenditures(2)	**2,207**	6,166

(1) Represents a portion of salaries and benefits that are directly attributable to the exploration and development activities of the Corporation that have been capitalized.
(2) Excludes non-cash items such as capitalized stock-based compensation and decommissioning obligations.

In the first quarter of 2017, 1 gross (0.05 net carried interest) well was drilled pursuant to a farm-out agreement in the Rockyford area of southeast Alberta.

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

	Three months ended March 31	
($000)	**2017**	2016
Exploration and evaluation	**659**	1,238
Property and equipment, net	**1,548**	4,928
Total capital expenditures(1)	**2,207**	6,166

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

Decommissioning Obligations

At March 31, 2017, Manitok has recorded decommissioning obligations of $90.0 million (December 2016 - $87.0 million) for the future abandonment and reclamation of Manitok's properties. The estimated decommissioning liability includes assumptions in respect of actual costs to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors in order to calculate the undiscounted total future liability. The future liability has been discounted at the risk free rate of 2.3% (December 2016 – 2.3%). Abandonment cost estimates are derived from both third party and government sources and operational knowledge of the properties. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined. The increase in the obligation from December 31, 2016 is due mainly to an asset acquisition in the first quarter of 2017.

Accretion expense is the increase in the decommissioning obligations resulting from the passage of time. The Corporation's Liability Management Rating ("**LMR**") with the Alberta Energy Regulator ("**AER**") was 2.84 as at March 31, 2017 (December 2016 – 3.05). The LMR reflects the results of a comparison of the Corporation's deemed assets to its deemed liabilities and is updated monthly. An LMR rating of less than 1.0 would require the Corporation to pay a deposit to the AER.

CAPITAL RESOURCES AND LIQUIDITY

Working Capital

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

As at ($000)	**March 31, 2017**	December 31, 2016
Working capital deficit	**45,290**	46,354
Current portion of the Credit Facilities	**(40,139)**	(33,083)
Current portion of provisions for building lease obligations	**(1,239)**	(1,321)
Current portion of the fair value of financial instruments	**(1,151)**	(2,876)
Adjusted working capital deficit	**2,761**	9,074

The Corporation's adjusted working capital deficit decreased from $9.1 million at December 31, 2016 to $2.8 million as at March 31, 2017. The reduction in the adjusted working capital deficit is offset by an increase in bank indebtedness in the period, due mainly to the payment of accounts payable in the first quarter of 2017.

At March 31, 2017, the major component of Manitok's current assets was the revenue to be received from its marketers in respect of March 2017 production ($7.5 million) with the majority received in April 2017 and accounts receivable from joint venture partners related to joint capital and operating activities in which Manitok is the operator ($1.4 million). Manitok routinely assesses the financial strength of its marketers and joint venture partners and at this time, Manitok expects that such counterparties will be able to meet their financial obligations. Current liabilities excluding the amount drawn on the credit facilities, provisions for building lease obligations and the fair value on financial instruments largely consist of trade and accrued liabilities ($2.0 million) related to the Corporation's capital program and trade and joint venture payables and accrued liabilities ($8.6 million) related to the Corporation's operations.

The Corporation manages its working capital using a combination of its funds from operations and advances under its credit facilities and if applicable funds from debt and equity issuances and asset divestitures.

Bank Indebtedness

As at March 31, 2017, the Corporation's credit facilities consisted of a $30.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and a $11.5 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 $41.5 million. The Corporation is required to repay $0.5 million per month on the Non-Conforming Credit Facility until it is fully repaid.

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

As at	**March 31, 2017**	December 31, 2016
Maximum borrowing base limit		
Conforming Credit Facility(1)	**30,000**	30,000
Non-Conforming Credit Facility(1)	**11,500**	13,300
	41,500	43,300
Principle amount utilized		
Drawn Conforming Credit Facility	**(28,639)**	(19,783)
Drawn Non-Conforming Credit Facility	**(11,500)**	(13,300)
Outstanding letters of credit(2)	**(470)**	(230)
	(40,609)	(33,313)
Undrawn credit facilities	**891**	9,987

(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 provisions) is not less than 1 to 1. As at March 31, 2017 there was a breach of the covenant as the Corporation's working capital ratio was 0.9 to 1, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach.

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

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, well performance, reserve additions and commodity prices. The Credit Facilities are demand in nature and the lender may reduce the borrowing base at its sole discretion at any time. Subsequent to March 31, 2017, the Corporation entered the Arrangement Agreement and has negotiated a $32.0 million reduction in its future capital commitments, (see "Major Transactions Subsequent to the Reporting Period"), which has significantly improved its financial position. However, based on budgeted cash flow from operating activities at current forward strip crude oil and natural gas prices, and available credit facilities, which are demand facilities and a portion of which is non-conforming and requires repayment, the Corporation is unable to meet its commitments (see "Contractual Obligations"). Furthermore, as at March 31, 2017 there was a breach of its credit facility covenant as the Corporation's working capital ratio was 0.9 to 1, which is below the 1 to 1 requirement, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach. As a result, Manitok is in the process of identifying and pursuing alternative debt arrangements, joint venture arrangements, property acquisitions or divestitures, corporate mergers and acquisitions and other recapitalization opportunities to satisfy its obligations, but there is no assurance that the Corporation will be able to access the various financing alternatives. Should the Corporation fail to meet its commitments, the outstanding capital commitment shortfall amount and all debt obligations may become due and payable to the counterparties immediately and/or loss of lands. 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. Manitok has not received an indication if its lender will demand repayment in the next twelve months, however, the demand nature including the Non-Conforming Facility does create uncertainty. The next review date for the Credit Facilities has been set for May 31, 2017.

Management recognizes the current economic environment relating to the oil and gas industry has made access to both debt and equity capital challenging for many companies, and as such have made cost reduction and capital management initiatives to manage spending and indebtedness. The Corporation continually monitors its capital structure and capital program in response to changes in business conditions, including changes in economic conditions, forecasted commodity prices and resulting funds from operations, indebtedness and the risk and timing of capital investments.

Contractual Obligations

The Corporation enters into contractual obligations in the course of conducting its day-to-day business. The following table identifies Manitok's material contractual obligations at March 31, 2017:

($000)	2017	2018	2019 - 2021	Thereafter
Accounts payable and accrued liabilities	12,688	-	-	-
Drawn on Credit Facilities	40,139	-	-	-
Senior Secured Notes(1)	1,670	2,227	27,609	-
Long term financial obligations(2)	1,676	2,235	6,705	29,899
Minimum drilling and completion(3)(4)(5)	34,393	20,250	-	-
Firm transportation agreement(6)	913	1,203	549	-
Facility fees(7)	2,203	2,937	8,811	3,443
Office leases(8)	755	817	3,163	5,323
Total estimated contractual	**94,437**	**29,669**	**46,837**	**38,665**

(1) In accordance with the $21.2 million of 10.5% Senior Secured Notes, which matures on November 15, 2021, interest of $0.6 million is payable quarterly to the holders of record immediately preceding February 1, May 1, August 1 and November 1.

(2) In conjunction with facility financing agreements incurred in December 2014 and June 2015, Manitok is committed to pay monthly facility payments of $0.2 million to June 2035, which relates primarily to interest charges.

(3) Pursuant to a Lease Issuance and Drilling Commitment Agreement with PrairieSky Royalty Ltd. ("**PSK LIDCA**"), Manitok has agreed to an annual work program including minimum annual drilling and completion expenditures until April 30, 2018. In an effort to reduce the Corporation's PSK LIDCA commitment in 2016 and potentially 2017, the Corporation entered into a farm-out agreement with a private oil and gas company ("**Farmee**") in 2015, whereby the Farmee committed to spend a minimum of $20.0 million from the fourth quarter of 2015 to the end of 2016 in the Rockyford area of Alberta and due to the level of success achieved with the drilling, has led to additional capital spending in 2017, as the Farmee has the option to drill the offset wells before the end of 2017 ("**Farm-out Agreement**"). The entire capital spend from the Farm-out Agreement will be fully allocated to Manitok's PSK LIDCA capital commitment. Subsequent to March 31, 2017, Manitok has negotiated a $32.0 million reduction in the drilling and completion commitment (see "Major Transactions Subsequent to the Reporting Period").

(4) Pursuant to a production volume royalty divestiture in 2015, Manitok is committed to incur a minimum capital commitment of $10.0 million per year in 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 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 of 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. Due to commodity prices Manitok did not drill two gross wells in Stolberg in 2016.

(5) The remaining flow-through share exploration spending commitments of $4.2 million on or before December 31, 2017 are anticipated to be met with the PSK LIDCA commitment as there are exploration opportunities within the undeveloped land acreage in the PSK LIDCA.

(6) The Corporation is committed to transport natural gas from a gas processing facility to the NOVA pipeline system.

(7) In conjunction with the oil and gas facility divestitures in December 2014 and June 2015, the Corporation is required to pay monthly facility fees of $0.2 million until June 2023, which are included in operating expenses.

(8) 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. Pursuant to a corporate acquisition in 2016, Manitok is also committed to office space with lease payments commencing July 1, 2017 to June 30, 2025 for a total commitment of about $0.9 million. The Corporation is in the process of mitigating this obligation by subleasing the space to a third party. Manitok also remains committed to an operating lease relating to its previous office premises expiring on November 30, 2017. The Corporation has subleased approximately 20% of the cost of its previous office space to arm's length parties for the remainder of the lease terms. The recovery of rental costs from the subleases are not included in the table.

OFF-BALANCE SHEET TRANSACTIONS

Manitok was not involved in any off-balance sheet transactions that would result in a material change to its financial position, performance or funds from operations during the Reporting Period and Comparable Prior Period.

RELATED PARTY TRANSACTIONS

Other than the payment of compensation to key management personnel, the Corporation has not entered into any related party transactions in the Reporting Periods.

OUTSTANDING SHARE DATA

As at March 31, 2017, the Manitok Shares are the only class of shares issued and outstanding. Manitok Shares began trading on the TSX-V on July 29, 2010 under the symbol "**MEI**". The following table summarizes the Manitok Shares issued and outstanding:

	Manitok Shares
Outstanding, December 31, 2015	**143,936,115**
Issue of Manitok Shares in January and February 2016(1)	17,143,631
Issue of Manitok Shares in May 2016(2)	16,430,925
Issue of Manitok Shares in August 2016(3)	8,333,334
Issue of Manitok Shares in August 2016(4)	41,207,196
Issue of Manitok Shares in November 2016(5)	35,768,631
Outstanding, December 31, 2016 and March 31, 2017	**262,819,832**

(1) In the first quarter of 2016, Manitok closed the final tranches of a private equity financing for the issuance of 15,973,631 Manitok Shares at a price of $0.13 per Manitok Share and 1,170,000 Manitok CEE Flow-through Shares at a price of $0.15 per Manitok CEE Flow-through Share for gross proceeds of $2.3 million (net proceeds - $2.0 million).

(2) In the second quarter of 2016, Manitok closed a private equity financing for the issuance of 8,435,945 Manitok Shares at a price of $0.18 per Manitok Share and 7,994,980 Manitok CEE Flow-through Shares at a price of $0.21 per Manitok CEE Flow-through Share for gross proceeds of $3.2 million (net proceeds - $2.8 million).

(3) In the third quarter of 2016, Manitok closed a non-brokered private placement offering of 8,333,334 Subscription Receipts at a price of $0.18 per Subscription Receipt for gross proceeds of $1.5 million (net proceeds - $1.3 million). The Subscription Receipts were exchanged for Manitok Shares on a 1 to 1 basis.

(4) In the third quarter of 2016, Manitok completed the Raimount Arrangement, in which each Raimount shareholder received six (6) Manitok Shares and one and one-half (1.5) Raimount Arrangement Warrants in exchange for each Raimount common share held. As a result, 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 (see "Major Transactions Affecting Financial Results").

(5) In the fourth quarter of 2016, Manitok closed an equity financing by way of a short form base shelf prospectus as supplemented by the Corporation's prospectus supplement for the issuance of 7,562,923 Manitok Shares at a price of $0.13 per Manitok Share, 4,599,829 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 $5.0 million (net proceeds - $4.5 million

As at May 30, 2017, there were 262,819,832 Manitok Shares outstanding, 21,399,100 stock options and a total of 46,322,608 warrants to purchase an equivalent number of Manitok Shares.

SUMMARY OF QUARTERLY INFORMATION

Quarters Ended	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
OPERATING								
Average daily production								
Light oil (bbls/d)	**1,629**	1,864	1,642	1,519	1,812	2,002	2,176	1,864
Natural gas (mcf/d)	**23,700**	22,281	14,017	11,004	14,305	13,540	12,412	15,435
NGLs (bbls/d)	**721**	545	298	235	211	200	190	84
Total (boe/d)	**6,300**	6,123	4,276	3,587	4,407	4,459	4,434	4,521
Average realized sales price (CAD$)								
Light oil ($/bbl)	**58.59**	56.43	50.17	49.42	36.48	47.83	51.85	63.71
Natural gas ($/mcf)	**2.87**	3.23	2.54	1.49	2.03	2.73	3.20	2.89
NGLs ($/bbl)	**34.49**	30.63	23.82	24.86	21.58	27.88	29.50	55.98
Total ($/boe)	**29.89**	31.67	29.25	27.11	22.63	31.01	35.65	37.18
OPERATING NETBACK ($ per boe)(1)								
Petroleum and natural gas revenue	**29.89**	31.67	29.25	27.11	22.63	31.01	35.65	37.18
Processing revenue	**0.93**	0.31	0.42	0.49	0.58	0.64	0.41	0.24
Realized gain (loss) on financial instruments	**(0.82)**	1.64	4.86	5.74	39.72	18.20	15.75	10.86
Royalty income	**0.03**	0.02	-	-	-	-	-	-
Royalty expenses	**(7.16)**	(7.82)	(8.42)	(8.57)	(6.24)	(8.30)	(10.13)	(8.78)
Operating expenses, net	**(11.98)**	(11.59)	(12.49)	(15.19)	(14.70)	(12.15)	(16.13)	(11.52)
Transportation and marketing expenses	**(1.48)**	(0.78)	(1.86)	(1.39)	(1.53)	(1.72)	(1.71)	(2.35)
Operating netback(1)	**9.41**	13.45	11.76	8.19	40.46	27.68	23.84	25.63
FINANCIAL								
Petroleum and natural gas revenue ($000)	**16,962**	17,848	11,509	8,849	9,074	12,720	14,548	15,297
Processing revenue ($000)	**528**	175	169	159	230	266	165	100
Royalty expenses ($000)	**(4,060)**	(4,406)	(3,315)	(2,798)	(2,501)	(3,406)	(4,134)	(3,613)
Realized gain (loss) on financial instruments ($000)	**(467)**	924	1,912	1,874	15,929	7,464	6,426	4,466
Unrealized gain (loss) on financial instruments ($000)	**1,725**	(3,148)	(2,009)	(5,356)	(10,218)	2,518	11,014	(10,328)
Total revenue, net ($000)	**14,688**	11,393	8,266	2,728	12,514	19,562	28,019	5,922
Funds from operations ($000)(1)	**1,942**	4,038	1,711	(244)	13,035	8,488	6,643	7,341
Per share – basic and diluted ($)(1)	**0.01**	0.02	0.01	-	0.08	0.10	0.08	0.11
Net income (loss) ($000)	**(3,826)**	(16,421)	(4,521)	(7,354)	3,602	(5,258)	8,316	(26,852)
Per share – basic and diluted ($)(2)	**(0.01)**	(0.07)	(0.02)	(0.04)	0.02	(0.06)	0.10	(0.39)
Capital expenditures, net of divestitures ($000)	**2,207**	27,569	2,798	3,260	6,166	2,847	3,890	28,959
Book value of total assets ($000)	**250,549**	252,865	187,146	190,401	194,014	204,705	206,644	199,995
Adjusted working capital deficit (surplus) ($000)(1)	**2,761**	9,074	1,153	1,853	141	(8,951)	598	(1,575)
Drawn on Credit Facilities ($000)	**40,139**	33,083	40,031	43,693	44,529	62,398	65,371	69,949
Net bank debt ($000)(1)	**42,900**	42,157	41,184	45,546	44,670	53,447	65,969	68,374
Senior Secured Notes ($000)	**18,247**	18,138	-	-	-	-	-	-
Long-term financial obligations ($000)	**14,829**	14,856	14,879	14,902	14,925	14,948	14,966	14,984
Net debt ($000)(1)	**75,976**	75,151	56,063	60,448	59,595	68,395	80,935	83,358
Shareholders' equity ($000)	**70,680**	74,237	85,348	82,034	86,398	80,540	78,586	69,965
Common shares outstanding								
End of period - basic	**262,820**	262,820	227,051	177,511	161,080	143,936	85,090	85,090
End of period - diluted	**330,542**	325,593	255,197	193,889	177,453	150,334	90,553	91,565
Weighted average for the period – basic and diluted	**262,820**	239,616	200,164	169,037	156,340	85,729	85,090	68,751

(1) Funds from operations, funds from operations per share, operating netback, adjusted working capital deficit (surplus), net bank debt and net debt do not have standardized meanings prescribed by generally accepted accounting principles and therefore should not be considered in isolation. These reported amounts and their underlying calculations are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where these measures are used they should be given careful consideration by the reader. Refer to the Non-GAAP Measures paragraph in the Advisories section of this MD&A.

(2) The basic and diluted weighted average shares outstanding are the same for periods in which the Corporation records a net loss and when all the outstanding stock options and warrants are anti-dilutive.

Discussion of Quarterly Results

The P&NG industry is cyclical in nature and the Corporation's financial position, results of operations and funds from operations are principally impacted by production levels and commodity prices.

Significant events that have impacted the Corporation's results during the past eight quarters include:

- In the second quarter of 2015, Manitok closed an acquisition in the Wayne area for cash consideration of $61.1 million after post-closing adjustments.
- The Corporation closed an equity financing in June 2015 for net proceeds of $15.8 million.
- Net income for the third quarter of 2015 was $8.3 million, compared to a net loss of $26.9 million in the second quarter of 2015. The increase was primarily the result of an increased unrealized gain on financial instruments in the third quarter of 2015, while the prior quarter included a $3.6 million loss on divestitures and an impairment charge of $17.9 million.
- The Corporation closed an equity financing in December 2015 for net proceeds of $7.5 million.
- Adjusted working capital changed to a surplus of $9.0 million at December 31, 2015, compared to a deficit as at September 30, 2015 due mainly to the net proceeds of $7.5 million from the equity financing in December 2015 being received in January 2016.
- Net loss for the fourth quarter of 2015 was $5.3 million compared to net income of $8.3 million in the third quarter of 2015. The net loss was due mainly to an impairment charge of $12.7 million in the fourth quarter of 2015.
- In the first quarter of 2016, the Corporation monetized crude oil derivative financial instruments for a cash receipt of $12.3 million or $30.67/boe to reduce bank indebtedness, which was recorded in realized gain on financial instruments.
- Funds from operations increased by $4.5 million in the first quarter of 2016 from the fourth quarter of 2015 mainly attributable to the monetization of crude oil derivative financial instruments for $12.3 million and an aggregate decrease to royalty expenses partially offset by a decrease in petroleum and natural gas revenue from the sharp decline in commodity prices and increases in operating and interest expenses.
- The net income in the first quarter of 2016 was $3.6 million compared to a net loss of $5.3 million in the fourth quarter of 2015. The increase in net income was due mainly to increased funds from operations and a $6.9 million gain on an asset divestiture in the first quarter of 2016 and an impairment charge of $12.7 million in the fourth quarter of 2015, partially offset by an increase in the unrealized loss on financial instruments.
- The Corporation closed an equity financing in May 2016 for net proceeds of $2.8 million.
- In the second quarter of 2016, average daily production decreased 820 boe/d from the first quarter of 2016 due mainly to gas plant turnarounds in both southeast Alberta and the foothills which decreased production by 640 boe/d. Subsequent to the plant turnarounds, Manitok continued to shut-in the majority of its natural gas wells due to low natural gas prices, which decreased production by an additional 316 boe/d.
- Funds from operations decreased by $13.3 million in the second quarter of 2016 from the previous quarter, which was mainly attributable to the monetization of crude oil derivative financial instruments for $12.3 million in the first quarter of 2016.
- The net loss in the second quarter of 2016 was $7.4 million compared to a net income of $3.6 million in the first quarter of 2016. The increase in net loss was due mainly to decreased funds from operations and a $6.9 million gain on an asset divestiture in the first quarter of 2016.
- The Corporation closed a subscription receipts offering in August 2016 for net proceeds of $1.3 million.
- The Corporation completed a corporate acquisition in August 2016, which included assets of approximately $5.0 million of cash, no indebtedness and 65 boe/d (95% gas) of production, for common shares and warrants of Manitok.
- In October 2016, the Corporation completed an asset acquisition which included approximately 1,750 boe/d of production (34% oil and liquids). 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.
- In October 2016, the Corporation issued the Senior Secured Notes and used a portion of the net proceeds for the October 2016 asset acquisition and the remaining net proceeds of the Offering were used to reduce the amount drawn on its credit facilities.
- The Corporation closed an equity financing in November 2016 for net proceeds of $4.5 million.

- Net loss for the fourth quarter of 2016 was $16.4 million, compared to a net loss of $4.5 million in the third quarter of 2016. The increase in net loss was due mainly to an impairment charge of $18.5 million in the fourth quarter of 2016, partially offset by a gain on the October 2016 asset acquisition of $5.2 million.

POTENTIAL TRANSACTIONS

Within its focus area, the Corporation is always reviewing potential property acquisitions and corporate mergers and acquisitions for the purposes of determining whether any such potential transaction is of interest to the Corporation, as well as the terms on which such a potential transaction would be available. As a result, the Corporation may from time to time be involved in discussions or negotiations with other parties or their agents in respect of potential property acquisitions and corporate merger and acquisition opportunities. The Corporation is not committed to any such potential transaction and cannot be reasonably confident that it can complete any such potential transaction until appropriate legal documentation has been signed by the relevant parties.

The Corporation may fail to realize the perceived benefits of any proposed acquisition. The Corporation may not realize the expected benefits and synergies from any proposed acquisition or may encounter difficulties in achieving these anticipated benefits. There can be no assurance that the Corporation will realize these benefits in the time expected or at all. This could have a negative impact on the business, operating profit or overall financial condition of the Corporation.

CRITICAL ACCOUNTING ESTIMATES

The Corporation's financial and operating results incorporate certain estimates including:

- estimated revenues, royalties and operating expenses on production as at a specific reporting date, but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated DD&A that are based on estimates of oil and gas reserves that the Corporation expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;
- estimated value of decommissioning obligations that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated share-based compensation expense using the Black-Scholes option pricing model; and
- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

The Corporation has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

FUTURE ACCOUNTING PRONOUNCEMENTS

Future accounting pronouncements with a potential impact on the Corporation are summarized in Note 4 of the Corporation's annual audited financial statements for the year ended December 31, 2016.

RISKS FACTORS & RISK MANAGEMENT

The liquidity position of Manitok is restricted and the continued operation of Manitok will be improved by a material increase in future commodity prices and an increase in proved and probable reserves based on the Corporation's drilling program. The Corporation is involved in regular discussions with its lender and is continually pursuing other financing opportunities such as equity financings, alternative debt arrangements, joint venture opportunities, property acquisitions or divestitures and other recapitalization opportunities and is taking steps to manage its spending and leverage including the implementation of cost reduction and capital management initiatives. Ongoing exploration and development of Manitok's properties will require substantial additional capital investment. Failure to secure additional financing may result in a delay or postponement of development of these properties. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to Manitok.

Manitok monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations, royalty regime or taxation. In addition, Manitok maintains a level of liability, business interruption and property insurance which is believed to be adequate for the Corporation's size and activities, but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. See "Forward-Looking Information" in this MD&A and "Risk Factors" in Manitok's most recently filed Annual Information Form for additional information.

IMPACT OF NEW ENVIRONMENTAL REGULATIONS

The oil and gas industry is currently subject to regulation pursuant to a variety of provincial and federal environmental legislation, all of which is subject to governmental review and revision from time to time. Such legislation provides for, among other things, restrictions and prohibitions on the spill, release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, such legislation sets out the requirements with respect to oilfield waste handling and storage, habitat protection and the satisfactory operation, maintenance, abandonment and reclamation of well and facility sites. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability and the imposition of material fines and penalties.

MANITOK ENERGY INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited *(expressed in thousands of Canadian dollars)*

	March 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Marketable securities	**94**	109
Accounts receivable (note 14)	**9,178**	9,788
Deposits and prepaid expenses	**655**	797
	9,927	10,694
Non-current assets:		
Exploration and evaluation (note 3)	**28,127**	27,405
Property and equipment (note 4)	**212,495**	214,766
	240,622	242,171
Total assets	**250,549**	252,865
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**12,688**	19,768
Provisions for building lease obligations	**1,239**	1,321
Credit facilities (note 5)	**40,139**	33,083
Fair value of financial instruments (note 14)	**1,151**	2,876
	55,217	57,048
Non-current liabilities:		
Senior secured notes (note 6)	**18,247**	18,138
Long-term financial obligations (note 7)	**14,829**	14,856
Flow-through share premium	**460**	542
Provisions for building lease obligations	**1,017**	1,047
Decommissioning obligations (note 8)	**90,099**	86,997
	124,652	121,580
Total liabilities	**179,869**	178,628
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**143,849**	143,849
Warrants (note 10)	**1,288**	1,288
Contributed surplus	**8,033**	7,764
Deficit	**(82,490)**	(78,664)
Total shareholders' equity	**70,680**	74,237
Going concern (note 2a)		
Commitments (note 15)		
Subsequent events (note 14, 16)		
	250,549	252,865

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 March 31,	**2017**	2016
REVENUE		
Petroleum and natural gas	**16,962**	9,074
Processing revenue	**528**	230
Royalty expenses	**(4,060)**	(2,501)
	13,430	6,803
Realized gain (loss) on financial instruments	**(467)**	15,929
Unrealized gain (loss) on financial instruments	**1,725**	(10,218)
	14,688	12,514
EXPENSES		
Operating	**6,791**	5,893
Transportation and marketing	**837**	612
Administrative, net of recoveries	**1,796**	1,661
Depletion and depreciation (note 4)	**6,679**	4,450
Finance	**2,532**	1,799
Change in fair value of marketable securities	**15**	-
Gain on asset divestitures	**(55)**	(6,893)
	18,595	7,522
INCOME (LOSS) BEFORE INCOME TAXES	**(3,907)**	4,992
Deferred income tax expense (recovery)	**(81)**	1,390
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(3,826)**	3,602
Net income (loss) per common share (note 12)		
Basic and diluted	**(0.01)**	0.02

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)*

	Share Capital	Warrants	Contributed Surplus	Deficit	Total
As at December 31, 2015	127,765	-	6,745	(53,970)	80,540
Net income and comprehensive income	-	-	-	3,602	3,602
Share issuance	2,229	-	-	-	2,229
Share issue costs, net of tax	(208)	-	4	-	(204)
Stock-based compensation expensed	-	-	119	-	119
Stock-based compensation capitalized	-	-	112	-	112
As at March 31, 2016	**129,786**	**-**	**6,980**	**(50,368)**	**86,398**
As at December 31, 2016	143,849	1,288	7,764	(78,664)	74,237
Net loss and comprehensive loss	-	-	-	(3,826)	(3,826)
Stock-based compensation expensed	-	-	189	-	189
Stock-based compensation capitalized	-	-	80	-	80
As at March 31, 2017	**143,849**	**1,288**	**8,033**	**(82,490)**	**70,680**

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 March 31,	2017	2016
OPERATING ACTIVITIES:		
Net income (loss)	**(3,826)**	3,602
Adjustments for items not affecting operating cash:		
Deferred income tax expense (recovery)	**(81)**	1,390
Depletion and depreciation	**6,679**	4,450
Stock-based compensation	**189**	119
Finance	**2,532**	1,799
Provision for building lease obligations	**(119)**	-
Unrealized (gain) loss on financial instruments	**(1,725)**	10,218
Change in fair value of marketable securities	**15**	-
Gain on asset divestiture	**(55)**	(6,893)
Interest paid and other	**(1,667)**	(1,650)
Acquisition-related expenses	**(268)**	-
Decommissioning expenditures (note 8)	**(168)**	(42)
Changes in non-cash operating working capital	**810**	2,998
	2,316	15,991
FINANCING ACTIVITIES:		
Increase (decrease) in credit facilities	**7,056**	(17,869)
Decrease in long-term financial obligation	**(27)**	(23)
Proceeds from share issuances	**-**	2,252
Share issue costs	**-**	(279)
Changes in non-cash financing working capital	**-**	7,491
	7,029	(8,428)
INVESTING ACTIVITIES:		
Acquisitions	**(91)**	(4,519)
Divestitures	**55**	-
Exploration and evaluation asset expenditures	**(659)**	(678)
Property and equipment expenditures	**(1,512)**	(969)
Changes in non-cash investing working capital	**(7,138)**	(1,397)
	(9,345)	(7,563)
NET CHANGE IN CASH	**-**	-
CASH, BEGINNING OF PERIOD	**-**	-
CASH, END OF PERIOD	**-**	-
Cash interest paid	**1,664**	1,650

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 in western Canada and currently all of the Corporation's activities are in Alberta. Manitok's financial year end is December 31st and the Corporation's office is located at Suite 700, 444 – 7th Avenue S.W., Calgary, Alberta, Canada T2P 0X8. Manitok common shares ("**Manitok Shares**") are listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "**MEI**".

2. BASIS OF PREPARATION AND GOING CONCERN

a) Going Concern

These unaudited condensed interim consolidated financial statements ("**Consolidated Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") on a going concern basis, which asserts that the Corporation has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business. Subsequent to March 31, 2017, the Corporation has entered the Arrangement Agreement and negotiated a $32.0 million reduction in its future capital commitments as indicated in note 16, which has significantly improved its financial position. However, based on budgeted cash flow from operating activities at current forward strip crude oil and natural gas prices, and available credit facilities, which are demand facilities and a portion of which is non-conforming and requires repayment, the Corporation is unable to meet its commitments as outlined in note 15. Furthermore, as at March 31, 2017 there was a breach of its credit facility covenant as the Corporation's working capital ratio was 0.9 to 1, which is below the 1 to 1 requirement, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach. As a result, Manitok is in the process of identifying and pursuing alternative debt arrangements, joint venture arrangements, property acquisitions or divestitures, corporate mergers and acquisitions and other recapitalization opportunities to satisfy its obligations, but there is no assurance that the Corporation will be able to access the various financing alternatives. Should the Corporation fail to meet its obligations in note 15, the outstanding capital commitment shortfall amount and all debt obligations may become due and payable to the counterparties immediately and/or loss of lands. These circumstances result in a material uncertainty surrounding the Corporation's ability to continue as a going concern and create significant doubt as to the ability of the Corporation to meet its obligations as they come due and, accordingly the appropriateness of the use of accounting principles applicable to a going concern.

The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of the Corporation's assets, liabilities, revenues, expenses and balance sheet classifications that would be necessary if the going concern assumption is not appropriate. Such adjustments could be material.

b) Statement of compliance

These Consolidated Financial Statements present Manitok's financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2017, including the 2016 comparable period. The Consolidated 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**") and have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2016. Certain information and disclosures normally included in the notes to the audited consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors on May 30, 2017.

c) Basis of measurement and Principles of Consolidation

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 Consolidated Financial Statements include the accounts of Manitok and its wholly owned subsidiary. All intercompany transactions and balances have been eliminated.

d) Functional and Presentation Currency

The Consolidated Financial Statements are expressed in Canadian dollars, which is the Corporation and its subsidiary's functional currency.

e) Use of Estimates and Judgement

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and revenue and expenses during the reporting period. Actual results may differ from these estimates.

In preparing the Consolidated Financial Statements, the judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2016.

3. 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, 2015	36,351
Additions	14,264
Acquisitions	2,110
Dispositions	(445)
Transfer to property and equipment	(15,197)
Impairment	(9,678)
As at December 31, 2016	27,405
Additions(1)	722
As at March 31, 2017	**28,127**

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

E&E assets consist of the Corporation's exploration projects which are pending the determination of economic quantities of proven reserves. Additions represent the Corporation's share of costs incurred on E&E assets during the period. Manitok capitalized cash and non-cash administrative costs directly attributable to E&E additions of $0.4 million in the three months ended March 31, 2017 (March 31, 2016 – $0.5 million).

Impairment

There are no indicators of impairment as at March 31, 2017.

4. PROPERTY AND EQUIPMENT

The components of the Corporation's property and equipment ("**P&E**") are as follows:

($000)	P&E	Corporate	Total
Cost:			
As at December 31, 2015	228,243	1,408	229,651
Additions	6,922	955	7,877
Acquisition	60,034	-	60,034
Divestitures	(2,140)	-	(2,140)
Transfer from E&E assets	15,197	-	15,197
Change in decommissioning costs	31,744	-	31,744
As at December 31, 2016	340,000	2,363	342,363
Additions	1,501	23	1,524
Acquisitions	572	-	572
Change in decommissioning costs	2,312	-	2,312
As at March 31, 2017	**344,385**	**2,386**	**346,771**
Accumulated depletion and depreciation and impairment:			
As at December 31, 2015	(99,741)	(1,114)	(100,855)
Divestitures	2,032	-	2,032
Depletion and depreciation expense	(19,692)	(265)	(19,957)
Impairment	(8,817)	-	(8,817)
As at December 31, 2016	(126,218)	(1,379)	(127,597)
Depletion and depreciation expense	(6,619)	(60)	(6,679)
As at March 31, 2017	**(132,837)**	**(1,439)**	**(134,276)**
Carry amounts:			
As at December 31, 2016	213,782	984	214,766
As at March 31, 2017	**211,548**	**947**	**212,495**

At March 31, 2017, estimated future development costs of $109.4 million (December 31, 2016 – $109.4 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 $0.1 million in the three months ended March 31, 2017 (March 31, 2016 – $0.2 million).

Impairment

There are no indicators of impairment as at March 31, 2017.

5. CREDIT FACILITIES

The components of the Corporation's credit facilities include:

($000)	March 31, 2017	December 31, 2016
Conforming Credit Facility	**28,639**	19,783
Non-conforming Credit Facility	**11,500**	13,300
Credit Facilities	**40,139**	33,083

As at March 31, 2017, the Corporation's credit facilities consisted of a $30.0 million revolving operating demand loan facility ("**Conforming Credit Facility**") and an $11.5 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 $41.5 million. The Corporation is currently required to repay $0.5 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 date for the Credit Facilities have been set for May 31, 2017. Information related to liquidity risk is disclosed in note 14.

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 6.4% for the three months ended March 31, 2017 (March 31, 2016 – 6.7%).

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 provisions) of at least 1 to 1. As of March 31, 2017, there was a breach of the covenant as the Corporation's working capital ratio was 0.9 to 1, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach.

6. SENIOR SECURED NOTES

The components of the Corporation's Senior Secured Notes include:

($000)	Senior Secured Notes	Warrants	Total
As at December 31, 2015	-	-	-
Issue of Senior Secured Notes with Warrants	20,037	1,170	21,207
Issue costs	(1,976)	(115)	(2,091)
Amortization of issue costs	48	-	48
Accretion of discount	29	-	29
Deferred income tax effect	-	(285)	(285)
As at December 31, 2016	18,138	770	18,908
Amortization of issue costs	68	-	68
Accretion of discount	41	-	41
As at March 31, 2017	**18,247**	**770**	**19,017**

In October 2016, Manitok issued $21.2 million of 10.5% Senior Secured Notes with attached warrants as disclosed in note 10. The Corporation issued 212,071 units with each unit consisting of a $100 note and 164 warrants. The Senior Secured Notes mature on November 15, 2021. Interest is payable quarterly to the holders of record immediately preceding February 1, May 1, August 1 and November 1. The Senior Secured Notes are redeemable at the Corporation's option, in whole or in part, commencing November 15, 2018 at the following specified redemption prices (expressed as a percentage of the principal amount): 2018 at 107.875%, 2019 at 105.250% and 2020 and thereafter at 100%. Prior to November 15, 2018, Manitok has the option to redeem up to 50% of the Senior Secured Notes at a redemption price of 110.50% plus accrued interest with an amount of cash not greater than the net cash proceeds of certain equity offerings.

The Senior Secured Notes are secured on a second-priority basis by substantially all of the Corporation's assets and are subordinate to indebtedness under the Credit Facilities.

The Senior Secured Notes are presented net of debt issue costs of $2.0 million and will be accreted at an effective interest rate of 13.8% such that the carrying amount of the Senior Secured Notes will equal the principal amount at maturity. The Senior Secured Notes were initially recognized at fair value based on similar debt securities without the warrant feature, net of debt issue costs and subsequently are carried at amortized cost. The principal amount of the Senior Secured Notes less the initial fair value has been allocated to the warrants.

The Senior Secured Notes have no financial covenants, but have an incurrence covenant in place that limits the Corporation's ability to among other things (subject to certain exceptions, limitations and qualifications): to make certain restricted payments and investments; incur additional debt; create liens; restrict dividends or other payments; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates. There are also cross default clauses in the Trust Indenture relating to events of default under other lending agreements (see notes 5 and 7).

7. 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 over the remaining sixteen 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%.

There are cross default clauses in the Facility Financing Agreements relating to events of default under other lending agreements (see notes 5 and 6).

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

($000)	**March 31, 2017**	December 31, 2016
Opening Balance	**14,856**	14,948
Principal repayments	**(27)**	(92)
Ending Balance	**14,829**	14,856

8. DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and facilities. Manitok estimates the total undiscounted an un-escalated amount of cash flows required to settle its decommissioning obligations as at March 31, 2017 to be approximately $93.2 million (December 31, 2016 – $90.3 million) with the majority of costs anticipated to be incurred between 2020 and 2035. A risk-free discount rate of 2.3% (December 31, 2016 – 2.3%) and an inflation rate of 2.0% (December 31, 2016 – 2.0%) was used to calculate the fair value of the decommissioning obligations.

A reconciliation of the decommissioning obligations is provided below:

($000)	**March 31, 2017**	December 31, 2016
Opening Balance	**86,997**	27,718
Obligations incurred	**-**	645
Obligations acquired	**481**	27,269
Obligations disposed	**(78)**	(482)
Actual expenditures	**(168)**	(545)
Changes in estimates(1)	**78**	510
Revaluation of acquired decommissioning obligations(2)	**2,307**	31,127
Accretion expense	**482**	755
Ending Balance	**90,099**	86,997

(1) The change in estimates consists of a change in abandonment and remediation cost estimates and future abandonment dates.
(2) Relates to the revaluation of acquired decommissioning obligations with respect to acquisitions using a risk-free discount rate.

9. 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)
As at December 31, 2015	143,936,115	127,765
Issued, net of costs	77,676,521	9,939
Issued on corporate acquisition	41,207,196	5,769
Tax effect of share issue costs	-	376
As at December 31, 2016 and March 31, 2017	**262,819,832**	**143,849**

10. WARRANTS

Senior Secured Note Warrants

As part of the Senior Secured Note offering in October 2016, 34.8 million warrants ("**Senior Secured Note Warrants**") were issued. Each Senior Secured Note Warrant entitles the holder to purchase one Manitok Share at an exercise price of $0.18 per Manitok Share and the Senior Secured Note Warrants are exercisable at any time prior to November 15, 2021.

A summary of the Corporation's outstanding Senior Secured Note Warrants as at March 31, 2017 is presented below:

	Number of Raimount Arrangement Warrants	Amount ($000s)
As at December 31, 2015	-	-
Issued with Senior Secured Notes (expire November 15, 2021)	34,779,644	1,170
Deferred income tax effect	-	(285)
Warrant issuance costs	-	(115)
As at December 31, 2016 and March 31, 2017	**34,779,644**	**770**

Raimount Warrants

In connection with the acquisition of Raimount Energy Inc. in August 2016, 10.3 million warrants ("**Raimount Warrants**") were issued. Each Raimount Warrant entitles the holder to acquire one Manitok Share at an exercise price of $0.30 per Manitok Share and the Raimount Warrants are exercisable at any time prior to August 19, 2018.

A summary of the Corporation's outstanding Raimount Arrangement Warrants as at March 31, 2017 is presented below:

	Number of Raimount Arrangement Warrants	Amount ($000s)
As at December 31, 2015	-	-
Issued (expire August 19, 2018)	10,301,837	518
As at December 31, 2016 and March 31, 2017	**10,301,837**	**518**

Broker Warrants

In connection with previous equity issuances in 2015 and 2016, 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 March 31, 2017 is presented below:

	Number of Broker Warrants	Weighted Average Exercise Price ($)
As at December 31, 2015	1,170,713	0.13
Issued (expire July 26, 2017)	70,414	0.13
As at December 31, 2016 and March 31, 2017	**1,241,127**	**0.13**

11. SHARE-BASED PAYMENTS

Stock Options

At March 31, 2017, the Corporation's Incentive Stock Option Plan permitted the grant of options to a maximum of 26,281,983 Manitok Shares. At March 31, 2017, there remained available for issuance stock options in respect of 4,882,883 Manitok Shares. No stock options were exercised in the three months ended March 31, 2017 and March 31, 2016.

A summary of the Corporation's outstanding stock options as at March 31, 2017 is presented below:

	Number of stock options	Weighted Average Exercise Price ($)
As at December 31, 2015	5,227,433	1.79
Granted	12,445,100	0.16
Expired	(608,333)	(1.31)
Forfeited	(614,100)	(0.62)
As at December 31, 2016	16,450,100	0.62
Granted	9,324,000	0.16
Expired	(443,000)	(1.85)
Forfeited	(3,932,000)	(1.88)
As at March 31, 2017	**21,399,100**	**0.16**

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2017 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	0.16	21,289,100	4.0	0.16	3,318,663	3.9	0.16
0.17	0.60	110,000	3.7	0.22	31,667	3.7	0.21
		21,399,100	**4.0**	**0.16**	**3,350,330**	**3.9**	**0.16**

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

For the three months ended March 31	2017	2016
Weighted average fair value of options granted	**$0.10**	$0.09
Risk-free interest rate	**0.99%**	0.58%
Expected life (years)	**3.7**	3.5
Expected volatility	**86%**	77%
Estimated forfeiture rate	**12%**	17%
Expected dividends	**-**	-

12. PER SHARE INFORMATION

For the three months ended March 31	2017	2016
Net income (loss) and comprehensive income (loss) ($000)	**(3,826)**	3,602
Weighted average Manitok Shares outstanding - basic	**262,819,832**	156,066,181
Weighted average Manitok Shares outstanding - diluted	**262,819,832**	156,339,714
Net income (loss) per share – basic and diluted ($)	**(0.01)**	0.02

The weighted average diluted Manitok Shares outstanding at March 31, 2017 excludes 21,399,100 (March 31, 2016 – 15,131,766) stock options and 46,322,608 warrants (March 31, 2016 – NIL) that are anti-dilutive. As the Corporation reported a loss for the three months ended March 31, 2017, the basic and diluted weighted average shares outstanding are the same for that period.

13. 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 $0.5 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	March 31, 2017	December 31, 2016
Maximum borrowing base limit		
Conforming Credit Facility(1)	**30,000**	30,000
Non-Conforming Credit Facility(1)	**11,500**	13,300
	41,500	43,300
Principle amount utilized		
Drawn Conforming Credit Facility	**(28,639)**	(19,783)
Drawn Non-Conforming Credit Facility	**(11,500)**	(13,300)
Outstanding letters of credit(2)	**(470)**	(230)
	(40,609)	(33,313)
Undrawn Credit Facilities	**891**	9,987

(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 provisions) is not less than 1 to 1. As at March 31, 2017 there was a breach of the covenant as the Corporation's working capital ratio was 0.9 to 1, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach.

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

The capital structure of the Corporation is as follows:

($000)	March 31, 2017	December 31, 2016
Total shareholders' equity(1)	**70,680**	74,237
Total shareholders' equity as a % of total capital	**48%**	50%
Adjusted working capital deficit(2)	**2,761**	9,074
Drawn on Credit Facilities	**40,139**	33,083
Senior Secured Notes	**18,247**	18,138
Long-term financial obligations	**14,829**	14,856
Total net debt	**75,976**	75,151
Total net debt as a % of total capital	**52%**	50%
Total Capital(3)	**146,656**	149,388

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

(2) Adjusted working capital deficit is defined as current assets less current liabilities excluding the amount drawn on the Credit Facilities, the fair value of financial instruments and provisions.

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

14. FINANCIAL RISK MANAGEMENT & RISK MANAGEMENT CONTRACTS

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

Credit Risk

Manitok is exposed to third party credit risk through its contractual arrangements with its joint interest partners, marketers of petroleum and natural gas and other parties. In the event such entities fail to meet their contractual obligations to Manitok, such failures could have a material adverse effect. The Corporation manages the risk by reviewing the credit risk of these entities and by entering into agreements only with parties that meet certain credit tests. The maximum credit risk that the Corporation is exposed to at any point in time is the carrying value of the accounts receivable.

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)	**March 31, 2017**	December 31, 2016
Marketers	**7,522**	8,117
Joint venture partners	**1,388**	1,136
Other	**268**	535
Total Receivables	**9,178**	9,788

The majority of the credit exposure on accounts receivable at March 31, 2017, pertains to revenue for accrued March 2017 production volumes. Receivables from the marketing companies are typically collected on the 25th day of the month following production. Manitok mitigates the credit risk associated with these receivables by establishing relationships with credit worthy purchasers. The Corporation historically has not experienced any material collection issues with its marketers.

The Corporation's accounts receivables are aged as follows:

($000)	**March 31, 2017**	December 31, 2016
Current (less than 30 days)	**5,702**	8,667
30 to 60 days	**280**	251
61 to 90 days	**2,774**	294
Over 90 days	**422**	576
Total Receivables	**9,178**	9,788

At March 31, 2017, approximately 5% of Manitok's total accounts receivable are aged over 90 days and considered past due. The majority of these past due amounts are from various joint venture partners.

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 5. 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. Subsequent to March 31, 2017, the Corporation has entered the Arrangement Agreement and negotiated a $32.0 million reduction in its future capital commitments as indicated in note 16, which has significantly improved its financial position. However, based on budgeted cash flow from operating activities at current forward strip crude oil and natural gas prices, and available Credit Facilities, the Corporation is unable to meet its commitments as outlined in note 15. Furthermore, as at March 31, 2017 there was a breach of its credit facility covenant as the Corporation's working capital ratio was 0.9 to 1, which is below the 1 to 1 requirement, but the lender has provided a permanent waiver subsequent to March 31, 2017 for this specific breach. As such, 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 date for the Credit Facilities has been set for May 31, 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 March 31, 2017:

($000)	Carrying Amount	2017	2018 - 2019	2020 – 2021	Thereafter
Accounts payable and accrued liabilities	12,688	12,688	-	-	-
Provision for building lease obligation	2,256	1,204	284	271	497
Drawn Credit Facilities	40,139	40,139	-	-	-
Fair value of financial instruments	1,151	1,151	-	-	-
Senior Secured Notes (note 6)	18,247	1,670	4,453	25,382	-
Long-term financial obligations (note 7)	14,829	1,676	4,470	4,470	29,899
Total Financial Liabilities	**89,310**	**58,528**	**9,207**	**30,123**	**30,396**

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

Financial Derivatives

As at March 31, 2017, the Corporation held the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract	Fair Value ($000)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$46.00	Option[(1)]	(194)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$41.00	Option[(2)]	(306)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$42.60	Option[(3)]	(288)
Oil	250 bbls/d	April 1, 2017 to December 31, 2017	US$ WTI	$42.00	Option[(4)]	(219)
Natural gas	4,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.28	Option[(5)]	(74)
Natural gas	4,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.52	Option[(6)]	65
Natural gas	2,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.20	Option[(7)]	(56)
Natural gas	2,000 GJs/d	April 1, 2017 to December 31, 2017	CAD$ AECO	$2.10	Option[(8)]	(79)
Total liability						**(1,151)**

(1) 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.
(2) 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.
(3) 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.
(4) 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.
(5) 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.
(6) Manitok entered an option contract with a floor price 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 floor price.
(7) Manitok entered an option contract with a floor price of CAD$2.20 per gigajoule for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.
(8) Manitok entered an option contract with a floor price of CAD$2.10 per gigajoule for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.

The fair value of these commodity risk management liabilities at March 31, 2017 was a liability of $1.2 million (December 31, 2016 – liability of $2.9 million). As at March 31, 2017, a 10% decrease to the forward price curves outlined in the swap contracts above would result in approximately $1.4 million of additional pre-tax income.

Subsequent to March 31, 2017, the Corporation entered into the following derivative financial instruments:

Product	Notional Quantity	Term	Reference	Strike Price	Type of Contract
Natural gas	2,500 GJs/d	June 1, 2017 to December 31, 2017	CAD$ AECO	$2.61	Option[(1)]

(1) Manitok entered an option contract with a floor price of CAD$2.61 per gigajoule for the period indicated and upside participation of 70% in the event the CAD$ AECO reference price is above the floor price.

15. COMMITMENTS

a) 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:

	Revised Minimum Commitment		Work Program Incurred		Remaining Minimum Commitment	
Year	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)	Number of wells	Drilling and Completion Expenditures ($000)
2014	13	34,000	13	34,000	-	-
2015	1	5,250	1	5,250	-	-
2016	9	30,750	21	30,750	-	-
2017	8	35,750	1	1,357	7	34,393
April 30, 2018	5	20,250	-	-	5	20,250
Total	36	126,000	36	71,357	12	54,643

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

In the first quarter of 2017, the Farmee has drilled 1 well in the Rockyford area for costs of approximately $0.9 million as at March 31, 2017.

Subsequent to March 31, 2017, the Corporation negotiated amended terms to the PSK LIDCA which included a reduction of the remaining drilling and completion expenditure commitment from $56.0 million to $24.0 million, with $8.0 million required by December 31, 2017 and the remaining $16.0 million required by August 31, 2018 (see note 16).

b) Production Volume Royalty Divestiture Capital Commitments

Pursuant to a production volume royalty divestiture in June 2015, with a royalty corporation, 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 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. Manitok did not drill two gross wells in the Stolberg area in 2016.

c) Flow-through Share Commitments

The Corporation is committed to incur exploration expenditures of $5.3 million on or before December 31, 2017. As at March 31, 2017, the costs incurred for exploration expenditures were $1.1 million leaving $4.2 million to be incurred on or before December 31, 2017.

d) 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)
2017	2,203
2018	2,937
2019	2,937
2020	2,937
2021	2,937
2022	2,937
2023	506

e) 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. Pursuant to a corporate acquisition in 2016, Manitok is also committed to office space with lease payments commencing July 1, 2017 to June 30, 2025 for a total commitment of about $0.9 million. The Corporation is in the process of mitigating this obligation by subleasing the space to a third party. Manitok also remains committed to an operating lease relating to its previous office premises expiring on November 30, 2017. The Corporation has subleased approximately 20% of the cost 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)
2017	755
2018	817
2019	817
2020	1,080
2021	1,266
2022	1,365
2023	1,416
2024	1,416
2025	1,126

16. SUBSEQUENT EVENTS

- On April 28, 2017, the Corporation and Craft Oil Ltd. ("**Craft**") entered into an arrangement agreement (the "**Arrangement Agreement**"), whereby Manitok will acquire all of the issued and outstanding common shares of Craft by way of a plan of arrangement under the *Business Corporations Act* (Alberta) for $6.6 million of Manitok Shares. The special meeting of the shareholders of Craft with respect to the Arrangement Agreement is to be held on June 5, 2017.

- On May 24, 2017, the Corporation announced amended terms for the PSK LIDCA, which includes:
  - reducing the remaining drilling and completion expenditure commitment from $56.0 million to $24.0 million, with $8.0 million required by December 31, 2017 and the remaining $16.0 million required by August 31, 2018;
  - the early surrender of approximately 148,000 acres of undeveloped leased lands and the payment of cash consideration of approximately $2.0 million;
  - granting a 4% gross overriding royalty ("**GORR**") on its working interests on developed and undeveloped lands at Willesden Green and a 4% GORR on its working interest on undeveloped lands at Stolberg; and
  - conveyance of its proprietary interest in various 2D and 3D seismic data sets and related tax pools while obtaining a concurrent 15 year seismic data license to such 2D and 3D seismic data.

OFFICERS

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President and Chief Executive Officer

Gregory A. Vavra, LL.B.
Executive Vice President, Business Development

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

Timothy F. Jerhoff, P. Eng.
Vice President, Engineering

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

Rodger D. Perry
Vice President, Land

Gregory E. Peterson, LL.B.
Corporate Secretary

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Chairman of the Board
Calgary, Alberta

Massimo M. Geremia
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AUDITOR

KPMG LLP
Chartered Professional Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATOR

Sproule Associates Limited
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BANKER

National Bank of Canada
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TRANSFER AGENT

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(2) Reserve and Occupational Health & Safety Committee Member
(3) Compensation Committee Member

MANITOK ENERGY INC.