Q1 Q1/2011 QUARTERLY REPORT

MANITOK ENERGY INC.

Manitok Energy is a unique oil and gas company which is positioned to take advantage of a once in a generation opportunity in the foothills of the Western Canada Sedimentary Basin for the benefit of its shareholders.

Dear Fellow Shareholders,

Manitok is pleased to report its first quarter financial results for the three months ended March 31, 2011. Highlights in the first quarter include:

- The successful drilling and testing of the first Stolberg well. After only perforating the casing, without any reservoir stimulation of any kind, the well tested at 4 mmcf/d of liquids rich natural gas and 75 bbls/d of wellhead condensate. Manitok then conducted a pressure build up over the following 2 weeks after the initial 24 hour test. The conclusion of the build up analysis, based on a report from a third party engineering firm, was that a small fracture stimulation could result in a significant increase in initial production rates, potentially up to 12-15 mmcf/d, in the well's initial production rate as compared to the test rate. Manitok has a 75% working interest in the well. The well's results validate Manitok's strategy to be an "early mover" in the exploitation of the sweet, shallow oil and liquids rich natural gas reservoirs of the Foothills.

- The production optimization of the five heavy oil wells drilled in the fourth quarter of 2010. The total Swimming field production went from about 150 bbls/d in December 2010 to over 200 bbls/d at the exit of the first quarter 2011. Average production during January and February was below 100 bbls/d due to the usual sand issues upon well start-up, cold weather and the availability of service equipment. A change of operating staff, minor equipment enhancements and an optimized oil loading schedule increased March's average production to 166 bbls/d. Thus far, Swimming heavy oil production has averaged over 200 bbls/d in the second quarter of 2011.

- A year over year increase of 89% in net undeveloped land to 84,580 acres. Manitok has continued to pursue its strategy of acquiring quality acreage in the foothills while sale values remain at a fraction of the historical average. Currently, Manitok has over 96,700 acres of net undeveloped land with an average working interest of 94%.

Production in the first quarter averaged 223 boe/d; comprised of 115 bbls/d of heavy oil and 108 boe/d of natural gas. This was an 11% increase as compared to the first quarter of 2010 and a 12% increase compared to the previous quarter. Production, in the first two months of the quarter, was hampered by periods of extremely cold weather and the typical sanding issues incurred during the start-up phase of production in newly drilled heavy oil wells. Corporate production improved in the month of March, averaging 290 boe/d and exiting at 325 boe/d. Assuming normal well downtime, production in the second quarter of 2011 should average closer to 300 boe/d. The Swimming heavy oil drilling program, scheduled to begin in early July, and the fracture stimulation and tie-in of the Stolberg well, later in the summer, will significantly increase average production in the fourth quarter of this year.

Cash flow in the first quarter was modestly negative. The largest factor affecting it was lower production levels early in the quarter and a high, at least relative to current production, level of G&A expense. The full contribution of last year's heavy oil drilling program will be reflected in the financial results of the second quarter where quarterly cash flow is expected to be positive for the first time since going public. Over a year ago, Manitok had increased its personnel, office space and its infrastructure in order to prepare for the growth that would follow once it went public in July 2010. It has also incurred additional stock exchange, legal, and accounting fees in order to meet its obligations as a reporting issuer. Since going public, Manitok has raised $56.8 million of gross equity; approximately $52.8 million of net proceeds. Only about $16.8 million of that capital has been deployed. The results of the "go public" strategy cannot be properly evaluated until the capital has been fully deployed. Management is confident that by the end of 2012, production and cash flow will both be at significantly higher levels than today, confirming the logic behind the strategy. In the meantime, with the additional production from both the Stolberg well and the heavy oil drilling program expected to come on late in the third quarter, cash flow will increase substantially in the fourth quarter of this year.

Capital expenditures for the first quarter were $4.7 million, which mainly included the Stolberg drill and completion, successful land sales, and the purchase of seismic. This was a 173% increase of year over year comparables. The remainder of 2011 will see an additional $31.3 million of capital expenditures, as per the capital budget announced on May 12, 2011. The highlights of the budget include the amount available for land acquisition, the drilling program at Stolberg, which will begin late in the third quarter, and the heavy oil drilling program at Swimming beginning in early July. We have been very successful at land sale to date this year. In particular, we recently added 5,280 acres in the Stolberg area which is adjacent to both our discovery well and to a four million barrel Cardium light oil trend. As a result, Manitok will adjust its 2011 capital budget to include two vertical drills with liquids rich natural gas targets in the Mannville, like the discovery well, and two to three horizontal drills targeting the Cardium light oil trend. Manitok will drill five to six heavy oil wells over the summer. Two are targeting new pools. If successful, our drilling inventory at Swimming would increase substantially.

Manitok's balance sheet continues to be strong. At the end of the first quarter, Manitok had $14.8 million of net working capital and zero drawn from its $2.5 million credit facility. Subsequent to the end of the first quarter, Manitok completed a successful equity issue of $28.75 million in April. After deducting commissions and fees, Manitok had a cash position of approximately $41.0 million prior to any capital spending in the second quarter. Given that capital expenditures are expected to be about $31.3 million over the remaining three quarters of the year based on the previously announced capital budget, Manitok should end the year with about $9.7 million of cash, prior to any contribution from cash flow. Manitok also expects to increase its credit facility, in the third quarter, by about $1.5 to $2.5 million. Manitok does not require any additional financing in the foreseeable future to execute its drilling program over 2011 and into 2012.

On behalf of Manitok's officers and directors, I would like to thank our employees, shareholders, and all other stakeholders, for their continued dedication and support.

Massimo M. Geremia

President and Chief Executive Officer

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Three months ended	**March 31, 2011**	March 31, 2010
OPERATING		
Average daily production		
Natural gas (mcf/d)	**643.7**	730.6
Heavy oil (bbls/d)	**114.7**	73.7
Light oil (bbls/d)	**–**	0.6
NGLs (bbls/d)	**0.8**	5.1
Total (boe/d)	**222.8**	201.2
Average realized sales price (CAD$)		
Natural gas ($/mcf)	**3.65**	5.08
Heavy oil ($/bbl)	**59.88**	64.22
Light oil ($/bbl)	**–**	76.01
NGLs ($/bbl)	**71.73**	33.38
Total ($/boe)	**41.63**	43.07
Undeveloped Land (end of period)		
Gross (acres)	**88,100**	44,640
Net (acres)	**84,580**	44,640
NETBACK		
($ per boe)		
Petroleum and natural gas revenue	**41.63**	43.07
Royalty expenses	**(2.95)**	(8.27)
Operating expenses	**(17.89)**	(15.89)
Transportation and marketing expenses	**(1.70)**	(1.97)
Operating netback	**19.09**	16.94
Administrative expenses, net	**(26.02)**	(21.49)
Interest expenses	**–**	–
Interest and other income	**2.18**	0.03
Cash flow netback	**(4.75)**	(4.52)
Depletion and depreciation expenses	**(21.49)**	(17.61)
Accretion expenses	**(0.67)**	(0.75)
Stock-based compensation expenses	**(12.19)**	(1.34)
Gain (loss) on disposition of assets	**(0.36)**	–
Deferred income tax recovery (expense)	**(40.16)**	(3.62)
Net income (loss) netback	**(79.62)**	(27.84)
FINANCIAL		
Petroleum and natural gas revenue ($)	**834,766**	779,933
Cash flow ($)(1)	**(95,336)**	(81,790)
Per share – basic and diluted ($)(2)	**(0.00)**	(0.01)
Per share – basic and diluted ($)(3)	**(0.00)**	(0.01)
Net income (loss) ($)	**(1,596,844)**	(503,928)
Per share – basic and diluted ($)(2)	**(0.05)**	(0.07)
Per share – basic and diluted ($)(3)	**(0.05)**	(0.07)
Common shares outstanding(2)		
End of period – basic	**33,696,781**	10,649,567
End of period – diluted	**36,612,281**	11,619,567
Weighted average for the period – basic	**33,696,781**	10,072,300
Weighted average for the period – diluted	**33,696,781**	10,072,300
Common shares outstanding(3)		
End of period – basic	**33,696,781**	7,987,175
End of period – diluted	**36,612,281**	8,714,675
Weighted average for the period – basic	**33,696,781**	7,554,225
Weighted average for the period – diluted	**33,696,781**	7,554,225
Capital expenditures, net ($)	**4,743,287**	1,735,103
Working capital deficiency (surplus) ($)	**(14,766,860)**	(301,237)
Revolving credit facility ($)	**–**	338,261
Total net debt ($)	**–**	37,024

(1) Cash flow denoted with "( )", is negative cash flow throughout this report.

(2) All per share and share balances for the three months ended March 31, 2010 have not been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation on July 8, 2010.

(3) All per share and share balances for the three months ended March 31, 2010 have been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation on July 8, 2010.`

Manitok Energy Inc. ("Manitok" or the "Corporation") is a junior oil and gas exploration, development and production company based in Calgary, Alberta. The Corporation formed as a result of an amalgamation between Manitok Exploration Inc. ("MEX") and Desco Resources Inc. ("Desco") pursuant to the Business Corporations Act (Alberta) on July 8, 2010 (the "Amalgamation"). The common shares of the Corporation ("Manitok Shares") are listed on the TSX Venture Exchange under the trading symbol "MEI" and began trading on July 29, 2010. Additional information relating to the Corporation, including its Annual Information Form is available for viewing under the Corporation's profile on the SEDAR website at www.sedar.com.

The following Management's Discussion and Analysis ("MD&A") is dated June 22, 2011. The unaudited interim condensed financial statements with respect to the three months ended March 31, 2011 (the "Reporting Period") as compared to the three months ended March 31, 2010 (the "Comparable Prior Period") and this MD&A have been prepared by management and approved by the Corporation's Audit Committee and Board of Directors. This MD&A should be read in conjunction with the unaudited interim condensed financial statements of the Corporation and related notes for the Reporting Period. All financial information is expressed in Canadian dollars, unless otherwise stated.

Adoption of International Financial Reporting Standards ("IFRS")

Manitok's unaudited interim condensed financial statements and the financial data included in the interim MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee that are expected to be effective as at December 31, 2011, the date of the Corporation's first annual reporting under IFRS. The adoption of IFRS does not impact the underlying economics of Manitok's operations.

The IFRS accounting polices set forth in note 3 of the unaudited interim condensed financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011 and comparative information as at and for the three months ended March 31, 2010, as at and for the twelve months ended June 30, 2010, as at and for the six months ended December 31, 2010 and an opening Statement of Financial Position at July 1, 2009. Note 21 to the interim condensed financial statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to those under IFRS. The most significant impacts of the adoption of IFRS, together with details of IFRS 1 First-time Adoption of IFRS exemptions taken, are described in the "Transition to International Financial Reporting Standards" section of this interim MD&A.

Comparative information in this interim MD&A has been restated to comply with IFRS requirements, unless otherwise indicated.

Advisories

Non-IFRS Measures

This MD&A and the Corporation's interim and annual reports uses terms commonly used in the petroleum and natural gas industry, such as "cash flow", "netback", "operating netback" and "cash flow per share", which do not have standardized meanings prescribed by IFRS and therefore may not be comparable to measures by other companies where similar terminology is used. These measures have been described and presented in this document in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity.

Cash flow denotes cash flow from operating activities as it appears on the Corporation's Condensed Statements of Cash Flows before decommissioning expenditures and changes in non-cash operating working capital and is reconciled to net income (loss) and comprehensive income (loss). Operating netback denotes petroleum and natural gas revenue less royalty expenses, operating expenses and transportation and marketing expenses. Cash flow netback denotes net income plus non-cash items including deferred income tax expense (recovery), depletion and depreciation expense, accretion expense, stock-based compensation expense and loss (gain) on disposition of assets.

BOE Conversions

The oil and natural gas industry commonly expresses production volumes and reserves on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet to one barrel of oil. The intention is to sum oil and natural gas measurement units into one basis for improved measurement of results and comparisons with other industry participants. Manitok uses the 6:1 boe measure which is the approximate energy equivalency of the two commodities at the burner tip. However, boe's do not represent an economic value equivalency at the wellhead and therefore may be a misleading measure if used in isolation.

Forward Looking Statements

This MD&A contains certain forward-looking statements and forward-looking information (hereinafter collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. These statements relate to future events or future performance and are based upon the Corporation's current internal expectations, estimates, projections, assumptions and beliefs. All statements other than statements of historical fact are forward-looking statements. In some cases, words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "would", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur, are intended to identify forward-looking statements.

Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions and known and unknown risks and uncertainties that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Corporation believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Corporation cannot guarantee future results, levels of activity, performance or achievements. Consequently, there is no representation by the Corporation that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements. Such forward-looking statements in this MD&A speak only as of the date of this MD&A.

In particular, this MD&A contains forward-looking statements pertaining to the following: (i) cash flow and capital expenditures, (ii) drilling, completion and production matters, (iii) results of operations, (iv) financial position, and (v) other risks and uncertainties described from time to time in the Corporation reports. With respect to such forward-looking statements the key assumptions on which the Corporation relies are; that future prices for crude oil and natural gas, future currency exchange rates, interest rates and future availability of debt and equity financing will be at levels and costs that allow the Corporation to manage, operate and finance its business and develop its properties and meet its future obligations; that the regulatory framework in respect of royalties, taxes and environmental matters applicable to the Corporation will not become so onerous as to preclude the Corporation from viably managing, operating and financing its business and the development of its properties; and that the Corporation will continue to be able to identify, attract and employ qualified staff and obtain the outside expertise and other equipment it requires to manage, operate and finance its business and develop its properties.

All such forward-looking statements necessarily involve risks associated with oil and gas exploration, production and marketing which may cause actual results to differ materially from those anticipated in the forward-looking statements. Some of those risks include; general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in the price of oil and natural gas; uncertainties in the estimates of reserves and in the projection of future rates of production and timing of development expenditures, changes in governmental regulation of the oil and gas industry; geological, technical, drilling and processing problems and other difficulties in producing reserves; unanticipated operating events which can damage facilities or reduce production or cause production to be shut-in or delayed; failure to obtain regulatory approvals in a timely manner; adverse conditions in the debt and equity markets; and competition from others for scarce resources.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Corporation is not under any duty to update any of the forward-looking statements after the date of this MD&A to conform such statements to actual results or to changes in the Corporation's plans or expectations, except as otherwise required by applicable securities laws.

Abbreviations

Crude Oil and Natural Gas Liquids

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

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

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

Overall Performance

Production

Production during the Reporting Period averaged 222.8 boe/d, which is an 11% increase from the average of 201.2 boe/d during the Comparable Prior Period. The increase in the Reporting Period as compared to the Comparable Prior Period is due mainly to a 56% increase in heavy oil production due to the addition of five new heavy oil wells in Swimming, which were drilled last summer and began producing in November 2010. There was also a natural gas well that was put on production for the first time in the Bolton area of Alberta, which represents approximately 15 boe/d in the Reporting Period. The increase in production from the new wells was partially offset by normal production declines in the mature heavy oil and natural gas wells and the disposition of a property in the Garrington area of Alberta on August 4, 2010, which represented approximately 10 boe/d in the Comparable Prior Period.

Production consisted of approximately 48% natural gas and 52% crude oil and natural gas liquids in the Reporting Period. See "Results of Operations – Petroleum and Natural Gas Revenue".

Commodity Prices

Average realized heavy oil prices were $59.88 per bbl in the Reporting Period, which is a 7% decrease from $64.22 per bbl the Corporation averaged in the Comparable Prior Period. Average realized natural gas prices in the Reporting Period were $3.65 per mcf which is a 28% decrease from $5.08 per mcf the Corporation averaged in the Comparable Prior Period. The prices received for Manitok's petroleum and natural gas sales are impacted by world events that dictate the level of supply and demand for crude oil and natural gas. Manitok currently does not have any commodity hedges in place and as a result is subject to fluctuations in commodity prices.

Canadian Lloydminster Hardisty oil prices averaged $61.43 per barrel in the Reporting Period as compared to $68.79 per barrel in the Comparable Prior Period. The AECO daily natural gas spot price averaged $3.70 per mmbtu in the Reporting Period as compared to $4.95 per mmbtu in the Comparable Prior Period. Such reduction in commodity prices translated into reduced cash flow in the Reporting Period.

Cash Flow and Income (loss)

Cash flow is commonly used in the oil and gas industry to analyze operating performance. Cash flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculations of similar measures for other issuers. Cash flow as presented is not intended to represent cash flow from operating activities, net income or other measures of financial performance calculated in accordance with IFRS. All references to cash flow throughout this report are based on cash flow from operating activities as per the Condensed Statements of Cash Flows before changes in non-cash working capital and decommissioning obligations.

The following schedule sets out the reconciliation of cash provided by (used for) operating activities to cash flow:

Three months ended ($)	**March 31, 2011**	March 31, 2010
Cash provided by (used for) operating activities	**(108,522)**	(167,459)
Decommissioning expenditures	**545**	–
Changes in non-cash operating working capital	**12,641**	85,669
Cash flow(1)	**(95,336)**	(81,790)
per share – basic	**(0.00)**	(0.01)
per share – diluted	**(0.00)**	(0.01)

(1) Cash flow denoted with a "( )", is negative cash flow throughout this MD&A.

Negative cash flow increased to ($95,336) ($0.00 per share) for the Reporting Period as compared to ($81,790) ($0.01 per share) for the Comparable Prior Period. The increase in negative cash flow for the Reporting Period as compared to the Comparable Prior Period was due mainly to a 21% increase in general and administrative costs on a boe basis, due to a significant increase in professional personnel levels in anticipation of the Corporation's future activity and additional legal, accounting and regulatory fees as a result of becoming a reporting issuer, offset by a 13% increase in the operating netback on a boe basis.

Manitok had a net loss of $1.6 million ($0.05 per share) for the Reporting Period as compared to a net loss of $0.5 million ($0.07 per share) for the Comparable Prior Period. The net loss for the Reporting Period was mainly attributable to a $0.2 million increase in stock-based compensation expense as a result of the stock options granted subsequent to the Comparable Prior Period and a $0.7 million increase in deferred income tax expense due to a flow-through share renunciation to shareholders in the Reporting Period.

Capital Expenditures

Capital expenditures amounted to $4.7 million during the Reporting Period as compared to $1.7 million during the Comparable Prior Period. The increase in capital expenditures for the Reporting Period as compared to the Comparable Prior Period was due mainly to the drill and completion of a well in the Stolberg area of the Alberta foothills. The majority of capital expenditures in the Comparable Prior Period were related to undeveloped land acquisitions at Alberta crown land sales that management believes were at a time of relatively weak land values in the Corporation's core areas.

Of the total capital spent, for the Reporting Period, approximately 75% was directed to drilling, completion, and equipping costs.

OUTLOOK

The Corporation's 2011 capital spending program is $36 million, which includes 3 (2.25 net) net liquids rich natural gas drills in Stolberg, Alberta, near Manitok's recent discovery well. Manitok will also drill up to six heavy oil wells in Swimming, Alberta. Approximately $26.9 million in total has been allocated to drilling, completions and facilities and $8.1 million will be used to acquire land and purchase seismic in order to continue to build a quality drilling inventory to fuel Manitok's growth over the next several years.

The Corporation anticipates average 2011 production to be about 800 to 900 boe/d, with approximately 225 to 250 bbls/d of heavy oil and liquids. The 2011 exit production rate is expected to be approximately 2,000 boe/d, with about 500 bbls/d of heavy oil, condensate and natural gas liquids.

Manitok's anticipated capital expenditures and estimated production results are based upon various assumptions as to equipment availability, well production rates, well drainage areas, success rates, timing and costs of future well drilling, the availability of capital, and future costs and availability of labour and services.

MAJOR TRANSACTIONS AFFECTING FINANCIAL RESULTS

On January 3, 2011 Manitok granted an aggregate of 1,172,000 stock options to various directors, officers, employees and key consultants of Manitok at a price of $1.23 per share which vest over a three year period and expire on January 3, 2016.

MAJOR TRANSACTIONS SUBSEQUENT TO THE REPORTING PERIOD

On April 14, 2011 Manitok closed an equity financing, completed by way of a short form prospectus, for the issuance of 17,968,750 Manitok Shares at a price of $1.60 per Manitok Share for net proceeds of approximately $26.8 million. It is anticipated proceeds of the equity issue will be used to fund the Corporation's drilling program and the acquisition of undeveloped land and seismic in 2011 and early 2012.

LIQUIDITY

Working Capital

The Corporation's working capital surplus (current assets less current liabilities), which excludes any current portion of an amount drawn on the revolving credit facility, decreased to $14.8 million at the end of the Reporting Period as compared to a $19.8 million working capital surplus at December 31, 2010. The decrease in the working capital surplus at March 31, 2011 was primarily due to the drilling of a well in the Stolberg area of the Alberta foothills.

At March 31, 2011, the major components of Manitok's current assets were: cash and cash equivalents (93%) and revenue (3%) to be received from its marketers in respect of March 2011 production, which was subsequently received in April 2011. Current liabilities mainly consisted of trade payables (91%). Cash on hand at March 31, 2011 was used to reduce outstanding trade payables in the second quarter of 2011.

Manitok has invested excess cash in a short-term interest bearing account and term deposits with its lender. The Corporation can manage its working capital using its cash flow, excess funds from its equity issuances and advances under its revolving credit facility. The Corporation did not have any liquidity issues with respect to the operation of its petroleum and natural gas business in the Reporting Period and the Comparable Prior Period.

Bank Debt

The Corporation's revolving credit facility was $NIL with an aggregate limit of $2,500,000 as at March 31, 2011 and December 31, 2010. The credit facility is currently in the process of being renegotiated and management anticipates an increase in the aggregate limit. The Corporation's credit facilities are subject to the lender's redetermination of the borrowing base limit which is directly impacted by the value of the oil and natural gas reserves.

The Corporation is not permitted, without the prior written consent of the lender, to have a working capital ratio (current assets plus any undrawn portion of the facility divided by current liabilities excluding any current portion of an amount drawn on the credit facility) of less than 1:1. Manitok was compliant with the covenant under its revolving credit facility throughout the Reporting Period and the Comparable Prior Period.

Contractual Obligations

The Corporation enters into contractual obligations in the course of conducting its day-to-day business. The following table identifies Manitok's estimated contractual obligations at March 31, 2011:

	< 1 Year	1-2 Years	3-5 Years	Thereafter
Accounts payable and accrued liabilities	5,187,842	–	–	–
Revolving credit facility	–	–	–	–
Office lease(1)	302,640	302,640	655,720	–
Total estimated contractual obligations(2)	**5,490,482**	**302,640**	**655,720**	**–**

(1) The Corporation is committed under an operating lease relating to its office premises, which began on May 1, 2010 and expires on June 30, 2015. Manitok does not presently use all of the leased premises and has sublet 5 offices to arms' length parties to recover a portion of the rental costs. The recovery of rental costs from the subleases is not reflected in the table.

(2) Contractual commitments that are routine in nature and form part of the normal course of operations for Manitok are not included in the above table.

OUTSTANDING SHARE DATA

The MEX Shares were the only class of shares outstanding and immediately prior to the Amalgamation on July 8, 2010, there were 18,807,267 MEX Shares outstanding, stock options to purchase 702,500 MEX Shares and performance warrants to purchase 267,500 MEX Shares. Subsequent to the Amalgamation, the Manitok Shares are the only class of shares outstanding. Manitok Shares began trading on the TSX Venture Exchange on July 29, 2010 under the symbol MEI. The following table summarizes the Manitok Shares issued and outstanding:

	Common Shares
MEX balance at July 1, 2009	**8,176,826**
Issue of MEX Shares on December 31, 2009(1)	1,235,741
Issue of MEX Shares on February 12, 2010(2)	1,237,000
MEX balance at June 30, 2010	**10,649,567**
Issue of MEX Shares on July 8, 2010(3)	8,157,700
MEX balance at July 8, 2010 (prior to the Amalgamation)	**18,807,267**
Issue of Manitok Shares on the Amalgamation(4)	2,625,000
Conversion of MEX shareholders on the Amalgamation(5)	(4,701,807)
Issue of Manitok Shares on December 22, 2010(6)	16,650,059
Redemption of Manitok Shares on December 23, 2010(7)	(119,268)
Issue of Manitok Shares on December 30, 2010(8)	435,530
Manitok balance at December 31, 2010	**33,696,781**
Manitok balance at March 31, 2011	**33,696,781**

(1) On December 31, 2009, MEX completed a private placement of 176,956 MEX Shares (equivalent to 132,717 Manitok Shares) issued at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) and 1,058,785 MEX Flow-through Shares (equivalent to 794,089 Manitok Flow-through Shares) issued at a price of $1.30 per MEX Flow-through Share (equivalent to $1.73 per Manitok Flow-through Share) for total net proceeds of $1.5 million. The proceeds of the equity issue were used primarily to pay the outstanding balance on the revolving credit facility.

(2) On February 12, 2010, MEX completed a private placement of 1,237,000 MEX Shares (equivalent to 927,750 Manitok Shares) issued at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) for total net proceeds of $1.3 million. The proceeds of the equity issue were used primarily to fund a portion of the Corporation's capital expenditures.

(3) On July 8, 2010, MEX completed a private placement of 4,311,700 MEX Shares (equivalent to 3,233,775 Manitok Shares) issued at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) and 3,846,000 MEX Flow-through Shares (equivalent to 2,884,500 Manitok Flow-through Shares) issued at a price of $1.30 per MEX Flow-through Share (equivalent to $1.73 per Manitok Flow-through Share) for total net proceeds of $9.1 million. Proceeds of the equity issue were used to pay the outstanding balance on the revolving credit facility and fund the Corporation's drilling program in late 2010.

(4) On the Amalgamation each Desco shareholder received 0.375 of a Manitok Share for every one Desco share held. As of the Amalgamation date, Desco had 7,000,000 common shares issued and outstanding.

(5) On the Amalgamation each MEX shareholder received 0.75 of a Manitok Share for every one MEX Share held. As of the Amalgamation date, MEX had 18,807,267 MEX Shares issued and outstanding.

(6) On December 22, 2010, Manitok completed the first tranche of a private placement of 10,031,500 Manitok Shares issued at a price of $1.00 per Manitok Share and 6,618,559 Manitok Flow-through Shares issued at a price of $1.15 per Manitok Flow-through Share for net proceeds of $16.3 million. Proceeds of the private placement will be used to fund the Corporation's drilling program in 2011.

(7) On December 23, 2010, Manitok purchased for cancellation 119,268 Manitok Shares at a price of $1.00 per Manitok Share pursuant to an arrangement with a previous employee of the Corporation.

(8) On December 30, 2010, Manitok completed the second and final tranche of a private placement of 325,400 Manitok Shares issued at a price of $1.00 per Manitok Share and 110,130 Manitok Flow-through Shares issued at a price of $1.15 per Manitok Flow-through Share for net proceeds of $0.4 million.

At June 22, 2011 there were 51,665,531 Manitok Shares outstanding and 2,935,500 stock options to purchase an equivalent number of Manitok Shares. The increase in Manitok Shares from March 31, 2011 relate to an equity financing on April 14, 2011 pursuant to a short form prospectus offering whereby Manitok issued an aggregate of 17,968,750 Manitok Shares at a price of $1.60 per Manitok Share for net proceeds to the Corporation of approximately $26.8 million.

RESULTS OF OPERATIONS

Petroleum and Natural Gas Revenue

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

	Three months ended March 31, 2011				Three months ended March 31, 2010			
	Total Revenue ($)	**Average Daily Production**	**%**	**Average ($/unit)**	Total Revenue ($)	Average Daily Production	%	Average ($/unit)
Natural gas (mcf)	**211,244**	**643.7**	**48**	**3.65**	334,360	730.6	60	5.08
Heavy oil (bbls)	**618,422**	**114.7**	**52**	**59.88**	425,836	73.7	37	64.22
Light oil (bbls)	**–**	**–**	**–**	**–**	4,401	0.6	–	76.01
Natural gas liquids (bbls)	**5,100**	**0.8**	**–**	**71.73**	15,336	5.1	3	33.38
Total P&NG revenue (boe)	**834,766**	**222.8**	**100**	**41.63**	779,933	201.2	100	43.07

The 7% increase in petroleum and natural gas revenue in the Reporting Period as compared to the Comparable Prior Period was primarily attributable to a 56% increase in the average daily production volume of heavy oil offset by a 12% decrease in the average daily production volume of natural gas and a 3% decrease in the realized commodity sales price during the Reporting Period.

Commodity Prices

Manitok's heavy oil pricing is based on Lloydminster Blend at Hardisty less a quality adjustment, blending costs, terminal charges and loss allowance. The Corporation sells virtually all of its natural gas production for prices based on the AECO daily spot price. The following table details the average reference price for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2011	Three months ended March 31, 2010	Change
Heavy oil – 12° API at Hardisty ($/bbl)	**61.43**	68.79	(10.7%)
AECO – natural gas ($/mmbtu)(1)	**3.70**	4.95	(25.3%)
Edmonton par ($/bbl)	**88.45**	80.31	10.1%

(1) $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 AECO Canadian dollar spot market prices for natural gas, Canadian dollar Lloydminster Hardisty oil prices, U.S. dollar oil prices, the U.S. and Canadian dollar exchange rate, and transportation and product quality differentials. Manitok had no financial derivatives, such as fixed commodity price contracts or other hedge type contracts during the Reporting Period and the Comparable Prior Period, but regularly monitors the market to determine if they are required. The Corporation has no current intention to enter into any such contracts at this time.

Royalty Expenses

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

	Three months ended March 31, 2011	Three months ended March 31, 2010	Change
Oil & natural gas royalties ($)	**59,163**	149,725	(60.5%)
Oil & natural gas royalties ($/boe)	**2.95**	8.27	(64.3%)
Effective royalty rate (%)(1)	**7.1%**	19.2%	(63.0%)

(1) The effective royalty rate is calculated by dividing the total aggregate royalties into petroleum and natural gas revenue for the period.

The overall effective royalty rate in the Reporting Period was 7.1% as compared to 19.2% in the Comparable Prior Period. The decrease in the effective royalty rates in the Reporting Period as compared to the Comparable Prior Period is largely due to production royalty incentives for the new heavy oils wells, brought on production in late 2010, that are subject to a 5% royalty rate in the first year of production and lower royalty rates applied to mature wells due to a reduction in production volumes and commodity prices.

Royalty and Drilling Incentives

There have been no significant changes to Alberta's royalty framework since December 31, 2010. Refer to the 2010 annual MD&A for discussion on royalty and drilling incentives proposed by the Alberta Government in 2009 and 2010.

Manitok has recorded under the Drilling Royalty Credit ("DRC") incentive program approximately $230,000 in drilling credits between April 1, 2009 and March 31, 2011. Manitok is entitled to a DRC of $200 per meter drilled, up to a maximum of 50% of the aggregate Crown royalties paid by the Corporation, for new conventional oil and gas wells spud after April 1, 2009 and rig released before April 1, 2011.

Alberta's royalty incentive programs have created a lower cost structure for Manitok. Projects have better economics under the new royalty framework as compared to the prior framework and therefore are more likely to be approved for capital spending during this current low natural gas commodity cycle.

Operating Expenses

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

	Three months ended March 31, 2011		Three months ended March 31, 2010		Change	
	($)	**$/boe**	($)	$/boe	Amount	per boe
Field operating expenses	**329,334**	**16.42**	287,812	15.89	14.4%	3.3%
Expensed workovers	**29,408**	**1.47**	–	–	–	–
Total operating expenses	**358,742**	**17.89**	287,812	15.89	24.6%	12.6%

Total operating costs per boe increased by $2.00 in the Reporting Period as compared to the Comparable Prior Period. This was due partially to the expensed workovers on heavy oil wells incurred in the Reporting Period. The remainder of the increase was due mainly to the higher proportion of heavy oil production relative to total corporate production, as heavy oil operating costs are significantly higher on a per boe basis than natural gas operating costs. Manitok will continue to monitor operating costs at all of its properties in an effort to reduce costs where possible.

Transportation and Marketing Expenses

The following table illustrates the Corporation's transportation and marketing expense for the Reporting Period and the Comparable Prior Period:

	Three months ended March 31, 2011	Three months ended March 31, 2010	Change
Transportation & marketing expenses ($)	**34,012**	35,675	(4.7%)
Transportation & marketing expenses ($/boe)	**1.70**	1.97	(13.7%)

These costs consist primarily of transportation costs and have remained relatively consistent in the Reporting Period as compared to the Comparable Prior Period.

Administrative Expenses

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

	Three months ended March 31, 2011		Three months ended March 31, 2010		Change
	($)	%	($)	%	
Cash:					
Salaries and benefits (1)	**386,699**	**61**	243,295	58	58.9%
Other	**250,839**	**39**	176,745	42	41.9%
	637,538	**100**	420,040	100	51.8%
Capitalized overhead(2)	**(115,701)**	**(18)**	(31,000)	(7)	273.2%
General & administrative expense, net	**521,837**	**82**	389,040	93	34.1%
General & administrative expense, net per boe	**26.02**		21.49		21.1%
Non-cash:					
Stock-based compensation	**327,588**	**100**	24,240	100	–
Capitalized stock-based compensation(2)	**(83,202)**	**(25)**	–	–	–
Stock-based compensation, net	**244,386**	**75**	24,240	100	–
Stock-based compensation, net per boe	**12.19**		1.34		–
Total administrative expenses, net	**766,223**	**79**	413,280	93	85.4%
Total administrative expenses, net per boe	**38.21**		22.83		67.4%

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

(2) Represents a portion of salaries and benefits 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 were $521,837 ($26.02 per boe) for the Reporting Period as compared to $389,040 ($21.49 per boe) for the Comparable Prior Period. Net G&A expenses increased on an aggregate and boe basis from the Comparable Prior Period due primarily to the costs incurred in anticipation of the Corporation's future growth. The costs included increased professional personnel levels and additional software requirements to accommodate an increase in capital spending, an increase in office rent due to larger space requirements and additional legal, accounting and regulatory fees as a result of becoming a public entity. This increase was offset by higher capitalized overhead which is attributable to the increase in development and exploration activities. Manitok also incurred $14,546 Part XII.6 taxes related to commitments arising from Manitok Shares issued on a "flow-through" basis under the Income Tax Act (Canada) in the Reporting Period as compared to $6,882 in the Comparable Prior Period.

Stock-based compensation (non-cash)

Net stock-based compensation expenses were $244,386 ($12.19 per boe) for the Reporting Period as compared to $24,240 ($1.34 per boe) for the Comparable Prior Period. The increase was mainly due to the granting of a significant number of stock options subsequent to the Comparable Prior Period. A summary of the Corporation's outstanding stock options at March 31, 2011 is set out in note 14 of the unaudited interim condensed financial statements.

Each stock option entitles the holder to purchase one common share at the exercise price.

Depletion and Depreciation Expenses

Depletion and Depreciation ("D&D") expenses were $431,017 ($21.49 per boe) for the Reporting Period as compared to $318,845 ($17.61 per boe) for the Comparable Prior Period. D&D expenses increased mainly due to a 56% increase in average heavy oil production volumes in the Reporting Period.

D&D 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.

Impairment Test

The Corporation reviewed indicators of impairment of its exploration and evaluation assets and petroleum and natural gas properties and equipment to assess for recoverability. The Corporation's assets were not impaired at March 31, 2011, but an impairment of $0.3 million was recognized for the six months ended December 31, 2010.

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, 2011		Three months ended March 31, 2010	
	($)	$/boe	($)	$/boe
Cash				
Interest on revolving credit facility	**23**	**–**	10	–
Non-cash				
Accretion on decommissioning obligations	**13,520**	**0.68**	13,560	0.75
Total finance expenses	**13,543**	**0.68**	13,570	0.75

These costs consist primarily of the accretion of the decommissioning obligations and have remained consistent in the Reporting Period as compared to the Comparable Prior Period.

Deferred Financing Fees

During the Reporting Period the Corporation incurred $164,302 in fees related to the issuance of Manitok Shares on April 14, 2011. These costs will be charged to share capital in the next fiscal quarter.

Taxes

Manitok recorded deferred income tax expense of $805,380 ($40.16 per boe) for the Reporting Period, as compared to an expense of $65,493 ($3.62 per boe) for the Comparable Prior Period. Recoveries attributed to the net loss in the Reporting Period and the Comparable Prior Period were offset by a $0.9 million charge in the Reporting Period and a $0.2 million charge in the Comparable Prior Period related to a flow-through share renunciation to shareholders.

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 ($)	2011	2010
Land	**475,982**	1,530,232
Seismic	**315,681**	43,573
Workovers and recompletions	**287,511**	23,408
Drilling and completions[1]	**3,336,990**	919
Well equipment and facilities	**177,801**	(745)
Capitalized overhead[2]	**115,701**	31,000
Total finding and development costs (F&D)	**4,709,666**	1,628,387
Acquisitions (dispositions), net	**7,205**	–
Total finding, development and acquisition costs (FD&A)	**4,716,871**	1,628,387
Administrative assets	**26,416**	106,716
Total capital expenditures	**4,743,287**	1,735,103

(1) Included in drilling and completions for the period ended March 31, 2011 is an expected recovery of $0.2 million related to the Alberta Drilling Royalty Credit Program.

(2) Represents a portion of salaries and benefits that are "directly" attributable to the exploration and development activities of the Corporation that have been capitalized.

Capital Resources

The following table sets forth a summary of the Corporation's capital resources for the Reporting Period and the Comparable Prior Period:

Three months ended March 31 ($)	2011	2010
Cash flow	**(95,336)**	(81,790)
Changes in non-cash operating working capital	**(12,641)**	(85,669)
Decommissioning expenditures	**(545)**	–
Increase (decrease) in revolving credit facility	**–**	338,261
Proceeds from share issuances	**–**	1,422,550
Share issue costs	**(9,698)**	(79,212)
Deferred financing fees	**(164,302)**	–
Changes in non-cash investing working capital	**1,885,563**	(3,283)
Total capital resources	**1,603,041**	1,510,857
Exploration and evaluation asset expenditures	**(4,188,741)**	(1,604,584)
P&NG properties and equipment expenditures	**(547,341)**	(130,519)
Property acquisitions and dispositions	**(7,205)**	–
Net change in cash and cash equivalents	**(3,140,246)**	(224,246)

SUMMARY OF QUARTERLY INFORMATION

Quarters ended	**March 31, 2011**	December 31, 2010	September 30, 2010	June 30, 2010
OPERATING				
Average daily production				
Natural gas (mcf/d)	**643.7**	604.0	533.5	610.3
Heavy oil (bbls/d)	**114.7**	97.5	67.1	79.9
Light oil (bbls/d)	**–**	–	0.2	0.7
NGLs (bbls/d)	**0.8**	0.2	3.3	5.6
Total (boe/d)	**222.8**	198.4	159.5	188.0
Average realized sales price (CAD$)				
Natural gas ($/mcf)	**3.65**	3.64	3.75	3.95
Heavy oil ($/bbls)	**59.88**	62.04	56.75	51.50
Light oil ($/bbls)	**–**	–	70.64	69.97
NGLs ($/bbls)	**71.73**	64.19	27.34	34.21
Total ($/boe)	**41.63**	41.63	37.06	36.01
OPERATING NETBACK ($ per boe)				
Petroleum and natural gas revenue	**41.63**	41.63	37.06	36.01
Royalty expenses	**(2.95)**	(3.70)	(4.48)	(4.72)
Operating expenses	**(17.89)**	(19.29)	(22.22)	(13.73)
Transportation and marketing expenses	**(1.70)**	(1.65)	(1.93)	(1.72)
Operating netback	**19.09**	16.99	8.43	15.84
FINANCIAL				
Petroleum and natural gas revenue ($)	**834,766**	759,731	543,805	615,877
Royalty expenses ($)	**(59,163)**	(67,581)	(65,760)	(80,745)
Interest and other revenue ($)	**43,675**	20,840	14,759	(392)
Total revenues, net ($)	**819,278**	712,990	492,804	534,740
Net income (loss) ($)(1)	**(1,596,844)**	(1,277,154)	685,198	(1,577,698)
Per share – basic and diluted ($)(1)(2)	**(0.05)**	(0.07)	0.04	(0.15)
Per share – basic and diluted ($)(1)(3)	**(0.05)**	(0.07)	0.04	(0.20)
Cash flow ($)(1)	**(95,336)**	(178,981)	(296,144)	(15,378)
Per share – basic and diluted ($)(1)(2)	**(0.00)**	(0.01)	(0.02)	(0.00)
Per share – basic and diluted ($)(1)(3)	**(0.00)**	(0.01)	(0.02)	(0.00)
Capital expenditures, net ($)(1)	**4,743,287**	3,280,774	1,757,099	456,073
Book value of total assets ($)(1)	**45,838,822**	44,726,978	27,421,204	16,126,262
Working capital deficiency (surplus) ($)	**(14,766,860)**	(19,780,030)	(6,659,296)	(202,985)
Revolving credit facility ($)	**–**	–	–	1,040,105
Total net debt ($)	**–**	–	–	837,120
Shareholders' equity ($)(1)	**36,113,675**	37,390,205	25,522,284	12,824,435
Common shares outstanding(2)				
End of period – basic	**33,696,781**	33,696,781	16,730,460	10,649,567
End of period – diluted	**36,612,281**	35,335,281	18,318,960	11,619,567
Weighted average for the period – basic	**33,696,781**	18,538,049	16,267,784	10,649,567
Weighted average for the period – diluted	**34,732,503**	18,603,545	16,314,887	10,649,567
Common shares outstanding(3)				
End of period – basic	**33,696,781**	33,696,781	16,730,460	7,987,175
End of period – diluted	**36,612,281**	35,335,281	18,318,960	8,714,675
Weighted average for the period – basic	**33,696,781**	18,538,049	16,267,784	7,987,175
Weighted average for the period – diluted	**34,732,503**	18,603,545	16,314,887	7,987,175

(1) Manitok's IFRS transition date was July 1, 2009 and therefore all comparative information was restated to comply with IFRS requirements, other than as at and for the three months ended June 30, 2009.

(2) All per share and share balances prior to the September 30, 2010 period have not been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation.

(3) All per share and share balances prior to the September 30, 2010 period have been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation.

SUMMARY OF QUARTERLY INFORMATION

Quarters ended	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
OPERATING				
Average daily production				
Natural gas (mcf/d)	730.6	789.8	824.0	862.6
Heavy oil (bbls/d)	73.7	66.8	72.5	49.0
Light oil (bbls/d)	0.6	1.3	1.7	1.9
NGLs (bbls/d)	5.1	4.4	7.3	7.1
Total (boe/d)	201.2	204.1	218.8	201.8
Average realized sales price (CAD$)				
Natural gas ($/mcf)	5.08	4.78	2.86	3.55
Heavy oil ($/bbls)	64.22	69.68	58.07	53.59
Light oil ($/bbls)	76.01	74.48	68.99	63.91
NGLs ($/bbls)	33.38	27.92	23.52	20.56
Total ($/boe)	43.07	42.37	31.31	29.52
OPERATING NETBACK ($ per boe)				
Petroleum and natural gas revenue	43.07	42.37	31.31	29.52
Royalty expenses	(8.27)	(6.08)	(4.13)	(3.00)
Operating expenses	(15.89)	(16.13)	(11.32)	(11.27)
Transportation and marketing expenses	(1.97)	(1.52)	(1.86)	(1.32)
Operating netback	16.94	18.64	14.00	13.93
FINANCIAL				
Petroleum and natural gas revenue ($)	779,933	795,693	630,219	542,184
Royalty expenses ($)	(149,725)	(114,205)	(83,236)	(55,027)
Interest and other revenue ($)	539	203	206	945
Total revenues, net ($)	630,747	681,691	547,189	488,102
Net income (loss) ($)(1)	(503,928)	(253,451)	(344,554)	(415,770)
Per share – basic and diluted ($)(1)(2)	(0.05)	(0.03)	(0.04)	(0.05)
Per share – basic and diluted ($)(1)(3)	(0.07)	(0.04)	(0.06)	(0.07)
Cash flow ($)(1)	(81,790)	52,495	(42,505)	14,539
Per share – basic and diluted ($)(1)(2)	(0.01)	0.01	(0.01)	0.00
Per share – basic and diluted ($)(1)(3)	(0.01)	0.01	(0.01)	0.00
Capital expenditures, net ($)(1)	1,735,103	502,849	120,323	328,313
Book value of total assets ($)(1)	17,319,385	16,436,942	16,028,472	16,559,077
Working capital deficiency (surplus) ($)	(301,237)	(436,530)	(381,667)	(170,856)
Revolving credit facility ($)	338,261	–	989,408	615,769
Total net debt ($)	37,024	–	607,741	444,913
Shareholders' equity ($)(1)	14,493,300	13,608,800	12,462,301	13,297,172
Common shares outstanding(2)				
End of period – basic	10,649,567	9,412,567	8,176,826	8,176,826
End of period – diluted	11,619,567	10,382,567	9,146,826	9,146,826
Weighted average for the period – basic	10,072,300	8,190,258	8,176,826	8,176,826
Weighted average for the period – diluted	10,072,300	8,190,258	8,201,978	8,226,800
Common shares outstanding(3)				
End of period – basic	7,987,175	7,059,425	6,132,620	6,132,620
End of period – diluted	8,714,675	7,786,925	6,860,120	6,860,120
Weighted average for the period – basic	7,554,225	6,142,694	6,132,620	6,132,620
Weighted average for the period – diluted	7,554,225	6,142,694	6,151,484	6,170,100

(1) Manitok's IFRS transition date was July 1, 2009 and therefore all comparative information was restated to comply with IFRS requirements, other than as at and for the three months ended June 30, 2009.

(2) All per share and share balances prior to the September 30, 2010 period have not been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation.

(3) All per share and share balances prior to the September 30, 2010 period have been adjusted to reflect the 75% conversion factor of shares, pursuant to the Amalgamation.

Discussion of Quarterly Results

Manitok's average production in the quarter ended March 31, 2011 was 222.8 boe/d, which is a 12% increase from 198.4 boe/d in the quarter ended December 31, 2010 and an 11% increase from 201.2 boe/d in the quarter ended March 31, 2010. The quarter over quarter production increases are a direct result of increased heavy oil production due to improved operations of the Corporation's heavy oil properties and five new heavy oil wells which came on production in November 2010. Offsetting the heavy oil production increases were normal production declines in the natural gas assets.

Manitok spent $4.7 million on capital expenditures for the current quarter as compared to $3.3 million for the quarter ended December 31, 2010 and $1.7 million during the quarter ended March 31, 2010. Capital spent in the first quarter of 2011 was primarily directed towards the drilling of a well in the Stolberg area of the Alberta foothills, while capital expenditures in the fourth quarter of 2010 related mainly to the drilling, completion and equipping of five heavy oil wells in east central Alberta and the commencement of the well in the Stolberg. Further details of the Corporation's capital expenditures for the first quarter of 2011 are set forth in the table entitled "Capital Expenditures" in this interim MD&A.

Cash flow generated by the Corporation in the quarter ended March 31, 2011 was ($95,336), as compared to ($178,981) in the quarter ended December 31, 2010 and ($81,790) in the quarter ended March 31, 2010. The negative cash flow for the above-noted quarters is due mainly to an increase in net G&A costs, partially offset by an improved operating netback in the quarter ended March 31, 2011.

Manitok has reported a net loss of 1.6 million in the first quarter of 2011 as compared to a net loss of $1.3 million in the fourth quarter of 2010 and $0.5 million in the first quarter of 2010. The net loss in the above-noted quarters is partially due to the negative cash flow and higher D&D expenses reported during the first quarter of 2011 and the fourth quarter of 2010 as a result of increases in heavy oil production volumes. In the quarter ended March 31, 2011, the Corporation also recorded a deferred tax expense of $0.9 million related to the flow-through share issuance on December 22, 2010. The Corporation recorded an impairment charge of $0.3 million and a deferred tax expense of $0.7 million related to the flow-through share issuance on July 8, 2010 in the quarter ended December 31, 2010.

The Corporation's average realized heavy oil prices averaged $59.88 per bbl in the current quarter as compared to $62.04 per bbl in the quarter ended December 31, 2010 and $64.22 per bbl in the quarter ended March 31, 2010. The average realized natural gas prices averaged $3.65 per mcf in the first quarter of 2011 as compared to $3.64 per mcf in the fourth quarter of 2010 and $5.08 per mcf in the first quarter of 2010.

MERGERS AND ACQUISITIONS

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 and the terms on which such a potential transaction would be available. As a result, Manitok 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, but 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 executed by relevant parties.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

First-time Adoption of IFRS

Manitok changed its fiscal year end from June 30 to December 31, which created a short six month transitional year ended December 31, 2010. As such, in accordance with National Instrument 52-107 and part 2.9 of Companion Policy 52-107CP, *Acceptable Accounting Principles and Auditing Standards*, the IFRS adoption date of January 1, 2011 required the restatement, for comparative purposes, of amounts reported by Manitok for the periods from September 30, 2009 to December 31, 2010, and an opening Statement of Financial Position as at July 1, 2009. Manitok's interim condensed financial statements as at and for the three month period ended March 31, 2011 and comparative financial statements as at and for the three months ended March 31, 2010, as at and for the twelve months ended June 30, 2010, as at and for the six months ended December 31, 2010 and an opening Statement of Financial Position as at

July 1, 2009 (the "transition date") have been prepared in accordance with IFRS as issued by the IASB. Previously, the Corporation prepared its annual and interim financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises. Since the interim condensed financial statements for the period ended March 31, 2011 represents the Corporation's initial presentation of its results and financial position under IFRS, they have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and IFRS 1, *First-time Adoption of IFRS*.

IFRS 1 requires the presentation of comparative information as at July 1, 2009 and subsequent comparative periods, as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of IFRS. Manitok has elected to apply the following relevant exemptions:

- IFRS 1, *First-time Adoption of IFRS*, whereby petroleum and natural gas properties and equipment balances as determined under the Corporation's previous accounting framework (Canadian GAAP) is allocated to the IFRS categories of exploration and evaluation assets and developing and producing properties. Under the exemption, for assets in the development and production phases, the amount was allocated to the underlying IFRS transitional assets on a pro-rata basis using proved plus probable reserve values as of the IFRS transition date;
- IFRS 2, *Share-based Payments*, whereby stock options that vested prior to July 1, 2009 are not required to be retrospectively restated. Therefore, IFRS 2 requirements apply only to those options that were unvested at the date of transition; and
- IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, whereby the Corporation has elected to measure decommissioning obligations as at the transition date in accordance with IAS 37 and recognize directly in retained earnings (deficit) the difference between that amount and the carrying amount of those liabilities at the date of transition determined under Canadian GAAP.

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS. A summary of the IFRS 1 mandatory and optional exemptions are also described in note 21 to the interim condensed financial statements.

Significant IFRS Accounting Policies

The IFRS accounting polices set forth in note 3 of the interim condensed financial statements have been applied in preparing the financial statements for the three months ended March 31, 2011 and comparative information as at and for the three months ended March 31, 2010, as at and for the twelve months ended June 30, 2010, as at and for the six month transitional year ended December 31, 2010 and an opening Statement of Financial Position at July 1, 2009. A detailed explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position, financial performance, and cash flow, including the reconciliations required by IFRS 1, is presented in note 21 to the interim condensed financial statements.

The adoption of IFRS does not impact the underlying economics of Manitok's operations. The most significant impacts of adoption are from the application of new accounting policies that reset the Corporation's opening financial position at July 1, 2009, and changes in the accounting for petroleum and natural gas properties and equipment, decommissioning obligations, stock-based compensation and deferred income taxes. Manitok also adopted certain presentation policies that differ from Canadian GAAP. The following discusses the significant accounting policy and presentation differences under IFRS:

Depletion and depreciation expenses

Under Canadian GAAP, the Corporation used total proved reserves in determining D&D expenses. Under IFRS, the carrying amount of petroleum and natural gas properties and equipment is depleted over the useful life of the assets. Manitok has determined that depleting on a total proved plus probable reserve basis better approximates the useful life of the Corporation's assets. D&D was calculated at the country cost center level using the unit of production method on the full cost pool of assets under Canadian GAAP. Under IFRS, the net carrying value of developed and producing assets is depleted using the unit of production method at the area level. As a result of this accounting policy difference, D&D expenses decreased during the six months ended December 31, 2010 by $306,420 (twelve months ended June 30, 2010 – $778,632 and three months ended March 31, 2010 – $217,065) from the amounts previously reported under Canadian GAAP.

Gain on disposition of assets

Under Canadian GAAP, proceeds from the disposition of assets were deducted from the full cost pool without the recognition of a gain or loss unless the disposition resulted in a change in the full cost depletion rate of 20 percent or more. Under IFRS, gains or losses on disposition of assets are measured as the difference between the proceeds and carrying value of the assets divested. As a result of this accounting policy difference, Manitok recorded a gain on disposition of assets of $1.6 million, as a result of the sale of a minor oil and gas asset in the Garrington area of Alberta in August 2010 and a gain of $0.3 million, as a result of the sale of a non-producing asset as part of a swap arrangement in December 2010.

Impairment testing

Under Canadian GAAP, the recoverable amount of Manitok's petroleum and natural gas assets under the first step of the impairment test is determined using undiscounted future cash flow from proved reserves. Under IFRS, the recoverable amount is calculated using discounted future cash flow from proved plus probable reserves. In addition, impairment testing under Canadian GAAP is performed at the country cost centre level, while under IFRS the Corporation's assets are grouped into cash-generating units based on their ability to generate largely independent cash flows. As a result of decreased forward natural gas prices which impacted the fair value less costs to sell derived from the Corporation's reserves, Manitok recognized a $0.4 million impairment charge on its July 1, 2009 transition date to IFRS, a $1.9 million impairment charge for the twelve months ended June 30, 2010 and a $0.3 million impairment charge for the six months ended December 31, 2010.

Approximately $1.5 million of the total impairment charges on July 1, 2009 and June 30, 2010 related to the Garrington asset creating a recoverable amount of $0.2 million. In August 2010, the Garrington property sold for gross proceeds $1.8 million creating a $1.6 million gain on disposition of assets during the six months ended December 31, 2010.

Decommissioning obligations

Under Canadian GAAP, Manitok used a credit-adjusted discount rate of 8% in estimating the decommissioning obligations. Under IFRS, the Corporation's policy is to estimate the decommissioning obligations using a risk-free discount rate on transition to IFRS. The effect of using a risk-free discount rate resulted in an increase of $0.4 million to the decommissioning liability with a corresponding increase to the Corporation's retained earnings (deficit) at July 1, 2009. Accretion of decommissioning obligations has decreased by approximately $5,000 per quarter since the IFRS transition date.

Stock-based compensation expenses

Under Canadian GAAP prior to June 30, 2010, the fair value of stock options was calculated using a Black-Scholes option-pricing model for each option grant and the resulting expense was recognized on a straight-line basis over the three year vesting period at a rate of one-third on each anniversary date of the stock option grant. Forfeitures of stock options were recognized as they occurred. Subsequent to June 30, 2010, the fair value of stock options was calculated on a basis consistent with IFRS.

Under IFRS, each vesting tranche of an option grant with different vesting dates was considered a separate grant for the calculation of fair value. This resulted in accelerated expense recognition that attributed higher stock-based compensation expense in early years of an option grant and less expense in later years. Manitok also applied an estimated forfeiture rate at the initial grant date. When determining the fair value of each vesting tranche under IFRS, Manitok applied an estimated weighted average option life which reflects management's expectations. Under Canadian GAAP prior to June 30, 2010, the option life was equal to the expiry period of five years.

The above accounting policy differences resulted in an increase of $16,809 to contributed surplus with a corresponding increase to the Corporation's deficit at July 1, 2009. Stock-based compensation expense remained consistent during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – decreased $36,646 and three months ended March 31, 2010 – decreased $8,077) from the amounts previously recorded under Canadian GAAP.

Administrative expenses

Under Canadian GAAP, "capitalized overhead" related to the estimated time spent on operated capital projects which are not 100% owned by the Corporation, by engineering, land, accounting and operations was based on an industry standard overhead charge per Authorization for Expenditure. Stock-based compensation was not capitalized under Canadian GAAP. Under IFRS, capitalized overhead represents a portion of salaries and benefits that are directly attributable to the exploration and development activities of the Corporation. In addition, under IFRS, Manitok has capitalized a portion of stock-based compensation directly attributable to the exploration and development of its assets.

These accounting policy differences resulted in a decrease to net general and administrative expenses (cash) by $158,700 during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – $54,691 and three months ended March 31, 2010 – $31,003) from amounts previously reported under Canadian GAAP. In addition, non-cash stock-based compensation expense decreased by $60,437 during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – $NIL and three months ended March 31, 2010 – $NIL) from amounts previously reported under Canadian GAAP.

Share capital

Under Canadian GAAP, the proceeds from the issuance of flow-through shares are recognized as shareholders' equity. The tax basis of assets related to expenditures incurred to satisfy flow-through share obligations is reduced when the renunciation of the related tax pools occurs which then increases the deferred income tax liability and reduces share capital.

Under IFRS, the amount recorded to share capital from the issuance of flow-through shares reflects the fair market value of "regular" common shares. The difference between the total value of a flow-through share issuance and the fair market value of a regular common share issuance (premium) is initially accrued as a deferred obligation when the flow-through shares are issued. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, on renunciation with Canada Revenue Agency, a deferred tax liability is recorded equal to the estimated amount of deferred income taxes payable by the Corporation as a result of the renunciations, the deferred obligation on the issuance of flow-through shares is reduced and the difference is recognized in income or loss. There is no impact to share capital on renunciation of flow-through shares.

The above accounting policy difference resulted in an increase to share capital of $717,309 at the transition date with a corresponding increase to retained earnings (deficit). The Corporation reflected an increase in share capital of $203,456 as at March 31, 2010 related to a flow-though share issuance in December 2009 and a decrease in share capital of $336,253 as at December 31, 2010 related to a flow-though share issuance in July 2010 and December 2010. As at December 31, 2010 the Corporation had a deferred obligation of $1.0 million with respect to the issuance of flow-through shares in December 2010.

Deferred income taxes

Each of the adjustments discussed above result in a change in deferred income tax assets and liabilities based on Manitok's effective tax rate. The Corporation recorded a decrease in deferred tax liabilities of $190,591 at July 1, 2009 and an increase in deferred tax liabilities of $74,604 at December 31, 2010 (June 30, 2010 – decrease of $488,201 and March 31, 2010 – decrease of $60,909) from amounts previously reported under Canadian GAAP. Additional deferred income tax expense of $220,715 for the three month period ended March 31, 2010 and $1,235,855 for the six months ended December 31, 2010 was recorded under IFRS while a reduction of $94,153 in deferred income tax expense was recorded for the twelve months ended June 30, 2010.

Reclassifications

Under Canadian GAAP, interest expense and accretion were disclosed as separate line items in income or loss. Under IFRS, these amounts were unchanged, but reported as finance expenses. Interest paid is disclosed separately as an operating item in the Condensed Statements of Cash Flows.

Under Canadian GAAP, G&A expenses (cash) and non-cash stock-based compensation expenses were disclosed as separate line items in income or loss. Under IFRS, these items were grouped and reported as administrative expenses.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of IFRS accounting policies and reported amounts of assets and liabilities and income and expenses. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The following are the critical judgments and estimations that management has made in the process of applying the Corporation's IFRS accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

Reserves

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

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

Decommissioning obligations

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

Stock-based compensation

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

Impairment of assets

The impairment testing of PP&E is based on estimates of proved plus probable reserves, production rates, forecasted petroleum and natural gas prices, future costs and other relevant assumptions. Manitok's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Corporation's assets in future periods.

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

(UNAUDITED)

(expressed in Canadian dollars)

As at	**March 31, 2011**	December 31, 2010	June 30, 2010	July 1, 2009
		(note 21)	(note 21)	(note 21)
ASSETS				
Current assets:				
Cash and cash equivalents	**18,590,498**	21,730,744	70,648	70,765
Accounts receivable (note 17)	**1,260,500**	1,254,489	575,820	287,595
Prepaid expenses and deposits	**103,704**	374,154	335,631	291,562
	19,954,702	23,359,387	982,099	649,922
Non-current assets:				
Deferred financing fees (note 4)	**164,302**	–	327,947	–
Exploration and evaluation assets (note 5)	**10,713,294**	6,487,757	2,987,434	500,863
Petroleum and natural gas properties and equipment (note 6)	**15,006,524**	14,879,834	11,828,782	15,037,620
	25,884,120	21,367,591	15,144,163	15,538,483
	45,838,822	44,726,978	16,126,262	16,188,405
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	**5,187,842**	3,579,357	779,114	479,066
Revolving credit facility (note 8)	**–**	–	1,040,105	615,769
	5,187,842	3,579,357	1,819,219	1,094,835
Non-current liabilities:				
Flow-through share premium (note 10o and 10r)	**–**	1,009,304	–	–
Decommissioning obligations (note 9)	**1,594,790**	1,617,855	1,079,290	1,363,845
Deferred income taxes	**2,942,515**	1,130,257	403,318	966,289
	4,537,305	3,757,416	1,482,608	2,330,134
	9,725,147	7,336,773	3,301,827	3,424,969
SHAREHOLDERS' EQUITY				
Share capital (note 10)	**42,723,024**	42,730,298	17,875,605	15,153,859
Contributed surplus	**1,125,174**	797,586	494,553	475,670
Deficit	**(7,734,523)**	(6,137,679)	(5,545,723)	(2,866,093)
	36,113,675	37,390,205	12,824,435	12,763,436
Commitments (note 18)				
Subsequent events (note 20)				
	45,838,822	44,726,978	16,126,262	16,188,405

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

APPROVED BY THE BOARD

Bruno P. Geremia CA
Director

Massimo M. Geremia
Director

INTERIM CONDENSED STATEMENTS OF NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(expressed in Canadian dollars, except for share information)

For the three months ended	**March 31, 2011**	March 31, 2010
		(note 21)
REVENUE		
Petroleum and natural gas	**834,766**	779,933
Royalty expenses	**(59,163)**	(149,725)
Interest and other	**43,675**	539
	819,278	630,747
EXPENSES		
Production (note 11)	**358,742**	287,812
Transportation and marketing	**34,012**	35,675
Administrative, net (note 12)	**766,223**	413,280
Depletion and depreciation (note 6)	**431,017**	318,845
Finance (note 13)	**13,543**	13,570
Loss (gain) on disposition of assets	**7,205**	–
	1,610,742	1,069,182
INCOME (LOSS) BEFORE INCOME TAXES	**(791,464)**	(438,435)
Deferred income tax expense (recovery)	**805,380**	65,493
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**(1,596,844)**	(503,928)
Net income (loss) per common share (note 15)		
basic	**(0.05)**	(0.07)
diluted	**(0.05)**	(0.07)
Weighted average common shares (note 15)		
basic	**33,696,781**	7,554,225
diluted	**33,696,781**	7,554,225

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

INTERIM CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

(expressed in Canadian dollars, except for share information)

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, July 1, 2009	8,176,826	15,153,859	475,670	(2,866,093)	12,763,436
Net income (loss) for the period	–	–	–	(1,101,932)	(1,101,932)
Share issuances (notes 10c, 10d and 10e)	2,472,741	2,843,653	–	–	2,843,653
Share issue costs (notes 10f and 10g)	–	(121,208)	–	–	(121,208)
Stock-based compensation	–	–	109,351	–	109,351
Balance, March 31, 2010	10,649,567	17,876,304	585,021	(3,968,025)	14,493,300
Balance, December 31, 2010	33,696,781	42,730,298	797,586	(6,137,679)	37,390,205
Net income (loss) for the period	–	–	–	(1,596,844)	(1,596,844)
Share issue costs	–	(7,274)	–	–	(7,274)
Stock-based compensation (note 14)	–	–	327,588	–	327,588
Balance, March 31, 2011	**33,696,781**	**42,723,024**	**1,125,174**	**(7,734,523)**	**36,113,675**

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

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(expressed in Canadian dollars)

For the three months ended	**March 31, 2011**	March 31, 2010
		(note 21)
Cash provided by (used in):		
OPERATING ACTIVITIES:		
Net income (loss)	**(1,596,844)**	(503,928)
Adjustments for items not affecting operating cash:		
Deferred income tax expense	**805,380**	65,493
Depletion and depreciation expenses	**431,017**	318,845
Stock-based compensation expenses	**244,386**	24,240
Finance expenses	**13,543**	13,570
Loss (gain) on disposition of assets	**7,205**	–
Interest paid	**(23)**	(10)
Decommissioning expenditures (note 9)	**(545)**	–
Changes in non-cash operating working capital (note 19)	**(12,641)**	(85,669)
	(108,522)	(167,459)
FINANCING ACTIVITIES:		
Increase (decrease) in revolving credit facility	**–**	338,261
Proceeds from share issuances	**–**	1,422,550
Share issue costs	**(9,698)**	(79,212)
Deferred financing fees (note 4)	**(164,302)**	–
	(174,000)	1,681,599
INVESTING ACTIVITIES:		
Proceeds from property (acquisitions) dispositions	**(7,205)**	–
Exploration and evaluation asset expenditures	**(4,188,741)**	(1,604,584)
Petroleum and natural gas properties and equipment expenditures	**(547,341)**	(130,519)
Changes in non-cash investing working capital (note 19)	**1,885,563**	(3,283)
	(2,857,724)	(1,738,386)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,140,246)**	(224,246)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**21,730,744**	294,912
CASH AND CASH EQUIVALENTS, END OF PERIOD	**18,590,498**	70,666
Cash interest paid	**23**	10
Cash taxes paid	**–**	–

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

(expressed in Canadian dollars, unless otherwise stated)

01 REPORTING ENTITY

Manitok Energy Inc. ("Manitok" or the "Corporation") is domiciled and incorporated in Canada. Manitok was formed as a result of an amalgamation between Manitok Exploration Inc. ("MEX") and Desco Resources Inc. ("Desco") pursuant to the Business Corporations Act (Alberta) on July 8, 2010 (the "Amalgamation"). MEX was a private entity, incorporated under the Business Corporations Act (Alberta) on April 20, 2005 and Desco was a reporting issuer, incorporated under the Business Corporations Act (Alberta) on July 8, 2009 which commenced trading on the TSX Venture Exchange on November 5, 2009 under the symbol "DSR.P". Manitok is listed on the TSX Venture Exchange under the symbol "MEI" which commenced trading on July 29, 2010.

The Corporation is engaged in the exploration for, and the development, production and acquisition of, petroleum and natural gas reserves in Western Canada. Currently, all of the Corporation's activities are in Alberta. Manitok's financial year end is December 31st and the Corporation's registered office is located at Suite 1400, 700 – 2nd Street S.W., Calgary, Alberta, T2P 4V5.

These interim condensed financial statements were approved and authorized for issuance by the Board of Directors on June 22, 2011.

02 BASIS OF PREPARATION

In conjunction with the Corporation's annual audited financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011, these interim condensed financial statements present Manitok's initial financial results of operations and financial position under IFRS as at and for the three months ended March 31, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). These interim condensed financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Corporation prepared its interim and annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of these interim condensed financial statements resulted in selected changes to the Corporation's accounting policies as compared to those disclosed in the Corporation's annual audited financial statements for the year ended December 31, 2010 issued under Canadian GAAP. A summary of the Corporation's significant accounting policies under IFRS is presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1, *First-time Adoption of IFRS*. Note 21 to the interim condensed financial statements contains a detailed description of the Corporation's adoption of IFRS, including a reconciliation of the financial statements previously prepared under Canadian GAAP to those under IFRS for the comparative periods.

These interim condensed financial statements have been prepared on a historical cost basis, except for certain financial and non-financial assets and liabilities, which have been measured at fair value as disclosed in note 3. The Corporation's interim condensed financial statements include the accounts of Manitok only as there are no subsidiary companies.

03 SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

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

b) Joint controlled operations and assets

Certain activities of the Corporation are conducted jointly with others where the participants have a direct ownership interest in, and jointly control, the related assets. Accordingly, the accounts of Manitok reflect only its working interest share of revenues, expenses and capital expenditures.

c) Exploration and evaluation assets

Pre-exploration costs are recognized as an expense in the period incurred. Pre-exploration activities are expenditures incurred prior to obtaining the legal rights or licenses to explore a mineral resource.

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

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

d) Petroleum and natural gas properties and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

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

(iii) Depletion and depreciation

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

Corporate assets, which include office furniture and equipment, software and computer equipment, are depreciated on a straight-line basis over the estimated useful lives of the assets, which are estimated to be four years. The Corporation records depreciation on it leasehold improvements, on a straight-line basis over the term of the building lease of five years.

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

e) Provisions

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

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

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

Provisions are not recognized for future operating losses.

f) Decommissioning obligations

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

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

g) Share-based payments

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

The fair value of equity-settled share-based awards is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the awards were granted. Measurement inputs as at the grant date include: share price, exercise price, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate (based on government bonds) applicable to the term of the award.

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

h) Finance income and expenses

Finance expense comprises interest expense on borrowings, accretion of the discount on decommissioning obligations and impairment losses (if any) recognized on financial assets. Interest income is recognized as it is earned.

i) Borrowing costs

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

j) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and outstanding credit facilities. Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured based on their classification. The Corporation has made the following classifications:

- Cash and cash equivalents are classified as financial assets at fair value, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest method. Typically, the fair value of these balances approximates their carrying value due to their short term to maturity.
- Accounts payable and accrued liabilities and outstanding credit facilities are classified as other liabilities and are measured at amortized cost using the effective interest method. Due to the short term nature of accounts payable and accrued liabilities, their carrying values approximate their fair values. The Corporation’s outstanding credit facilities bear interest at a floating rate and accordingly the fair market value approximates the carrying value before the carrying value is reduced for any remaining unamortized costs.

Financial instruments carried at fair value on the balance sheet are assessed using the following hierarchy based on the amount of observable inputs used to value the instrument.

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

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The Corporation has categorized its financial instruments according to the hierarchy described above (see note 17).

(ii) Derivative financial instruments

Derivative financial instruments may be used by the Corporation to manage economic exposure to market risks relating to commodity prices. Manitok's policy is not to utilize derivative financial instruments for speculative purposes. The Corporation does not designate its financial derivative contracts as hedges, and as such has not applied hedge accounting.

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

(iii) Share capital

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

k) Impairment

(i) Impairment of financial assets

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

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

(ii) Impairment of non-financial assets

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

CGU's are reviewed at each reporting date for indicators of potential impairment. Such indicators may include changes in the Corporation's business plan, deterioration in commodity prices, significant downward revisions of estimated recoverable reserve volumes or increases in estimated future development expenditures. If such indicators exist, an impairment test is performed by comparing a CGU's carrying value to its recoverable amount, defined as the greater of a CGU's fair value less cost to sell and its current value in use. Any excess of carrying value over recoverable amount is recognized in income or loss as additional depletion and depreciation expense.

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

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

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

l) Income taxes

The Corporation's income tax expense comprises of current and deferred tax. Income tax expense is recognized through income or loss except to the extent that it relates to items recognized directly in equity, in which case the related income taxes are also recognized in equity.

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

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

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

m) Flow-through shares

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

n) Critical accounting judgments and key sources of estimation uncertainty

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

Critical judgments in applying accounting policies:

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in these interim condensed financial statements:

(i) Reserves

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

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

(ii) Identification of cash-generating units

Manitok's assets are aggregated into cash-generating units, for the purpose of calculating impairment, based on their ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Corporation's assets in future periods.

(iii) Share-based payments

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

Key sources of estimation uncertainty:

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

(i) Decommissioning obligations

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

(ii) Impairment of petroleum and natural gas assets

For the purposes of determining whether impairment of petroleum and natural gas assets has occurred, and the extent of any impairment or its reversal, the key assumptions the Corporation uses in estimating future cash flows are future petroleum and natural gas prices, expected production volumes and anticipated recoverable quantities of proved and probable reserves. These assumptions are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates. Changes in the aforementioned assumptions could affect the carrying amounts of assets, and impairment charges and reversal will affect income or loss.

(iii) Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable income available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in income or loss in the period in which the change occurs.

o) Net Income (loss) per share

Basic per share information is computed using the weighted average number of common shares outstanding during the period. Diluted per share information is calculated using the treasury stock method, which assumes that any proceeds from the exercise of "in-the-money" stock options would be used to purchase common shares at the average market price during the period. No adjustment to diluted net income (loss) per share is made if the result of these calculations is anti-dilutive.

p) Application of new and revised IFRS Standards issued but not yet effective

Certain new accounting standards and interpretations issued but not yet effective include:

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 is expected to be published in three parts. The first part, Phase 1 – classification and measurement of financial instruments was published in October 2010. Phase 1 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Phase 1 simplifies the measurement of financial assets by classifying all financial assets as those being recorded at amortized cost or being recorded at fair value. For financial assets recorded at fair value, any change in the fair value would be recognized in income or loss. Phase 1 is required to be adopted for years beginning on or after January 1, 2013, although earlier adoption is allowed. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

(expressed in Canadian dollars, unless otherwise stated)

IFRS 7 *Financial Instruments* includes amendments issued by the IASB on *Disclosures – Transfers of Financial Assets* that increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferrer retains some level of continuing exposure in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period. These amendments are effective for annual periods beginning on or after July 1, 2011. Early application of the amendments is permitted. The adoption of this standard is not expected to have a material impact on the Corporation's financial statements.

04 DEFERRED FINANCING FEES

The fees incurred before the transaction was completed, with respect to an issuance of common shares, have been deferred. The costs will be charged to share capital upon completion of the transaction as indicated in note 20.

At March 31, 2011, the balance of deferred financing fees was $164,302 (December 31, 2010 – $NIL, June 30, 2010 – $327,947), which relates primarily to professional fees.

05 EXPLORATION AND EVALUATION ASSETS

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

	Total
Balance, July 1, 2009	500,863
Additions	2,486,571
Balance, June 30, 2010	2,987,434
Additions	3,500,323
Balance, December 31, 2010	6,487,757
Additions	4,225,537
Balance, March 31, 2011	**10,713,294**

E&E assets consist of the Company's exploration projects which are pending the determination of economic quantities of commercially producible reserves. Additions represent the Company's share of costs incurred on E&E assets during the period. There were no costs reclassified from E&E to petroleum and natural gas properties and equipment during the periods ended March 31, 2011, December 31, 2010 and June 30, 2010. Manitok capitalized administrative costs directly attributable to E&E assets of $58,610 in the three months ended March 31, 2011 (March 31, 2010 – $31,003)

In December 2010, the Corporation sold a non-producing E&E asset as part of an asset swap arrangement and recorded a gain on disposition of assets of $0.3 million.

At the end of each reporting period, the Corporation performs an impairment review of its E&E assets to ensure that the carrying values of those assets are recoverable. Any impairment of E&E assets and any eventual reversal are recognized as additional depletion and depreciation expense in the Statement of Income (loss) and Comprehensive Income (Loss). The Corporation's E&E assets were not impaired during the period.

(expressed in Canadian dollars, unless otherwise stated)

06 PETROLEUM AND NATURAL GAS PROPERTIES AND EQUIPMENT

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

	P&NG	Corporate	Total
Cost:			
Balance, July 1, 2009	19,924,913	91,871	20,016,784
Additions	339,441	28,335	367,776
Asset dispositions	(40,000)	–	(40,000)
Change in decommissioning obligations	(334,574)	–	(334,574)
Balance, June 30, 2010	19,889,780	120,206	20,009,986
Additions	3,707,140	42,772	3,749,912
Asset dispositions	(240,234)	–	(240,234)
Change in decommissioning obligations	520,115	–	520,115
Balance, December 31, 2010	23,876,801	162,978	24,039,779
Additions	567,876	26,416	594,292
Change in decommissioning obligations	(36,585)	–	(36,585)
Balance, March 31, 2011	24,408,092	189,394	24,597,486
Accumulated depletion and depreciation:			
Balance, July 1, 2009	(4,939,673)	(39,491)	(4,979,164)
Depletion and depreciation expense	(1,290,920)	(23,388)	(1,314,308)
Impairment (note 7)	(1,887,732)	–	(1,887,732)
Balance, June 30, 2010	(8,118,325)	(62,879)	(8,181,204)
Depletion and depreciation expense	(619,204)	(17,058)	(636,262)
Impairment (note 7)	(342,479)	–	(342,479)
Balance, December 31, 2010	(9,080,008)	(79,937)	(9,159,945)
Depletion and depreciation expense	(420,139)	(10,878)	(431,017)
Balance, March 31, 2011	(9,500,147)	(90,815)	(9,590,962)
Net book value:			
Balance, July 1, 2009	14,985,240	52,380	15,037,620
Balance, June 30, 2010	11,771,455	57,327	11,828,782
Balance, December 31, 2010	14,796,793	83,041	14,879,834
Balance, March 31, 2011	**14,907,945**	**98,579**	**15,006,524**

At March 31, 2011, estimated future development costs of $5.1 million (December 31, 2010 – $5.1 million, June 30, 2010 – $4.3 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 administrative costs directly attributable to P&NG properties and equipment of $85,878 in the three months ended March 31, 2011 (March 31, 2010 – $NIL)

In August 2010, the Corporation disposed of oil and gas assets in the Garrington area for gross proceeds of $1.8 million. The Corporation recorded a gain of $1.6 million on the disposition during the fiscal year ended December 31, 2010.

In September 2009, the Government of Alberta approved a drilling royalty incentive for new conventional oil and natural gas wells drilled on or after April 1, 2009, but before April 1, 2011. Included as a reduction of P&NG assets at March 31, 2011 is an expected recovery of $230,107 (December 31, 2010 – $103,896, June 30, 2010 – $NIL) related to the Alberta Drilling Royalty Credit Program.

07 IMPAIRMENT

As a result of decreasing natural gas prices and well performance in certain CGUs, Manitok recognized a $0.4 million impairment charge on its July 1, 2009 transition date to IFRS, a $1.9 million impairment charge for the twelve month period ended June 30, 2010 and a $0.3 million impairment charge for the six month period ended December 31, 2010, which were recorded as additional depletion and depreciation expense. The impairments were based on the difference between the period end net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell, based on discounted cash flows of proved plus probable reserves using forecast prices and costs and a discount rate of 10%.

Approximately $1.5 million of the total impairment charges on July 1, 2009 and June 30, 2010 related to the Garrington asset creating a recoverable amount of $0.2 million. In August 2010, the Garrington property sold for gross proceeds $1.8 million creating a $1.6 million gain on disposition of assets during the six month period ended December 31, 2010.

08 REVOLVING CREDIT FACILITY

The Corporation has a demand revolving credit facility of $2,500,000 with a major Canadian lender. The revolving credit facility allows for prime-based loans in Canadian dollars which bear interest at the prime lending rate plus 1.5%.

The facility is subject to a review by the lender at any time in its sole discretion, and at least annually. The credit facility is in the process of being redetermined at the filing date of these financial statements. Any change in or redetermination of the borrowing base limit which results in a borrowing base shortfall must be eliminated by the Corporation. The revolving credit facility is secured by a general security agreement encompassing all of the Corporation's assets.

At March 31, 2011, the Corporation had drawn $NIL (December 31, 2010 – $NIL, June 30, 2010 – $1,040,105) on the credit facility and the overall effective interest rate applicable to the prime-based loans in the credit facility was 4.5% for the three months ended March 31, 2011 (March 31, 2010 – 3.75%).

09 DECOMMISSIONING OBLIGATIONS

The Corporation's decommissioning obligations result from net ownership interests in petroleum and natural gas properties and equipment including well sites and gathering systems. Manitok estimates the total undiscounted amount of cash flows required to settle its decommissioning obligations as at March 31, 2011 to be approximately $2.4 million (December 31, 2010 – $2.4 million, June 30, 2010 – $1.5 million) with the majority of costs expected to be incurred between 2020 and 2030. A risk-free discount rate of 3.75% (December 31, 2010 – 3.52%, June 30, 2010 – 3.65%) and an inflation rate of 2% (December 31, 2010 – 2%, June 30, 2010 – 2%) were used to calculate the fair value of the decommissioning obligation.

A reconciliation of the decommissioning obligations is provided below:

As at ($)	**March 31, 2011**	December 31, 2010	June 30, 2010
Opening Balance	**1,617,855**	1,079,290	1,363,845
Obligations incurred	–	601,320	–
Obligations acquired (disposed), net	–	(36,220)	(32,790)
Actual expenditures	**(545)**	(53,945)	–
Changes in estimates	**(36,040)**	8,960	(301,784)
Accretion expense	**13,520**	18,450	50,019
Ending Balance	**1,594,790**	**1,617,855**	**1,079,290**

(expressed in Canadian dollars, unless otherwise stated)

10 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 $
MEX balance, July 1, 2009	**8,176,826**	**15,153,859**
Issued, net of costs (note 10c)	176,956	191,289
Issued, net of costs (note 10d)	1,058,785	1,144,518
Issued, net of costs (note 10e)	1,237,000	1,342,640
Tax effect of share issue costs (note 10f)	–	22,450
Tax effect of share issue costs (note 10g)	–	20,849
MEX balance, June 30, 2010 (prior to the Amalgamation)	**10,649,567**	**17,875,605**
Issued, net of costs (note 10h)	4,311,700	4,513,474
Issued, net of costs (note 10i)	3,846,000	3,974,209
Tax effect of share issue costs (note 10j)	–	223,418
MEX balance, July 8, 2010 (prior to the Amalgamation)	**18,807,267**	**26,586,706**
Issuance on the Amalgamation, net of costs (note 10k)	2,625,000	157,131
Tax effect of costs of the Amalgamation (note 10l)	–	55,879
Conversion of MEX shareholders on the Amalgamation (note 10m)	(4,701,807)	–
Manitok balance, July 8, 2010 (subsequent to the Amalgamation)	**16,730,460**	**26,799,716**
Issued, net of costs (note 10n)	10,031,500	9,287,967
Issued, net of costs (note 10o)	6,618,559	6,054,408
Share redemption (note 10p)	(119,268)	(149,086)
Issued, net of costs (note 10q)	325,400	301,282
Issued, net of costs (note 10r)	110,130	100,742
Tax effect of share issue costs (note 10s)	–	335,269
Manitok balance, December 31, 2010	**33,696,781**	**42,730,298**
Share issuance costs (note 10s)	–	(9,698)
Tax effect of share issue costs (note 10s)	–	2,424
Manitok balance, March 31, 2011	**33,696,781**	**42,723,024**

(c) On December 31, 2009, MEX issued a private placement of 176,956 Class “A” common shares of MEX (“MEX Shares”) (equivalent to 132,717 common shares of Manitok (“Manitok Shares”)) at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) for total net proceeds of $191,289.

(d) On December 31, 2009, MEX issued a private placement of 1,058,785 MEX Shares on a “flow-through” basis under the Income Tax Act (Canada) (“MEX Flow-through Shares”) (equivalent to 794,089 Manitok Shares issued on a “flow-through” basis under the Income Tax Act (Canada) (“Manitok Flow-through Shares”)) at a price of $1.30 per MEX Flow-through Share (equivalent to $1.73 per Manitok Flow-through Share) for total net proceeds of $1,303,336. As at December 31, 2010 the Corporation had incurred the entire $1,376,421 in renounced exploration expenditures. In accordance with IFRS, the amount recorded to share capital from the issuance of MEX Flow-through Shares reflects the fair market value of “regular” common shares, which was $1.15 per MEX Share less share issue costs. The difference between the total value of the MEX Flow-though Shares and the fair market value of MEX Shares of $158,818 was initially accrued as a deferred obligation when the flow-through shares were issued.

(e) On February 12, 2010, MEX issued a private placement of 1,237,000 MEX Shares (equivalent to 927,750 Manitok Shares) at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) for total net proceeds of $1,342,640.

(f) MEX recognized a future income tax benefit of $22,450 in respect of share issue costs of $85,295 incurred on the issuance of 176,956 MEX Shares and 1,058,785 MEX Flow-through Shares on December 31, 2009.

(g) MEX recognized a future income tax benefit of $20,849 in respect of share issue costs of $79,212 incurred on the issuance of 1,237,000 MEX shares on February 12, 2010.

(h) On July 8, 2010, immediately prior to the Amalgamation, MEX issued a private placement of 4,311,700 MEX Shares (equivalent to 3,233,775 Manitok Shares) at a price of $1.15 per MEX Share (equivalent to $1.53 per Manitok Share) for total net proceeds of $4,513,474.

(i) On July 8, 2010, immediately prior to the Amalgamation, MEX issued a private placement of 3,846,000 MEX Flow-through Shares (equivalent to 2,884,500 Manitok Flow-through Shares) at a price of $1.30 per MEX Flow-through Share (equivalent to $1.73 per Manitok Flow-through Share) for total net proceeds of $4,551,109. The Corporation has until December 31, 2011 to incur the $4,999,800 in exploration expenditures. In accordance with IFRS, the amount recorded to share capital from the issuance of MEX Flow-through Shares reflects the fair market value of "regular" common shares which was $1.15 per MEX Share less share issue costs. The difference between the total value of the MEX Flow-though Shares and the fair market value of MEX Shares of $576,900 was initially accrued as a deferred obligation when the flow-through shares were issued.

(j) MEX recognized a future income tax benefit of $223,418 in respect of share issue costs of $893,673 incurred on the issuance of 4,311,700 MEX Shares and 3,846,000 MEX Flow-through Shares on July 8, 2010.

(k) On the Amalgamation each Desco shareholder received 0.375 of a Manitok Share for every one Desco share held on July 8, 2010. As of the Amalgamation date, Desco had 7,000,000 common shares issued and outstanding with $157,131 in total net identifiable assets distributed to Manitok, net of costs incurred with respect to the Amalgamation.

(l) Manitok recognized a future income tax benefit of $55,879 in respect of $298,022 in costs incurred with respect to the Amalgamation.

(m) On the Amalgamation each MEX shareholder received 0.75 of a Manitok Share for every one MEX share held on July 8, 2010. As of the Amalgamation date, MEX had 18,807,267 MEX Shares issued and outstanding.

(n) On December 22, 2010, Manitok issued the first tranche of a private placement of 10,031,500 Manitok Shares at a price of $1.00 per Manitok Share for total net proceeds of $9,287,967.

(o) On December 22, 2010, Manitok issued the first tranche of a private placement of 6,618,559 Manitok Flow-through Shares at a price of $1.15 per Manitok Flow-through Share for total net proceeds of $7,047,192. The Corporation has until December 31, 2011 to incur the $7,611,343 in exploration expenditures. In accordance with IFRS, the amount recorded to share capital from the issuance of Manitok Flow-through Shares reflects the fair market value of "regular" common shares which was $1.00 per Manitok Share less share issue costs. The difference between the total value of the Manitok Flow-though Shares and the fair market value of Manitok Shares of $992,784 was initially accrued as a deferred obligation when the flow-through shares were issued.

(p) On December 23, 2010, Manitok purchased for cancellation 119,268 Manitok Shares at a price of $1.00 per Manitok Share pursuant to an arrangement with a previous employee of the Corporation. The excess of the book value of share capital over the purchase price of $29,817 has been charged to contributed surplus.

(q) On December 30, 2010, Manitok issued the second and final tranche of a private placement of 325,400 Manitok Shares at a price of $1.00 per Manitok Share for total net proceeds of $301,282 respectively.

(r) On December 30, 2010, Manitok issued the second and final tranche of a private placement of 110,130 Manitok Flow-through Shares at a price of $1.15 per Manitok Flow-through Share for total net proceeds of $117,262. The Corporation has until December 31, 2011 to incur the $126,650 in exploration expenditures. In accordance with IFRS, the amount recorded to share capital from the issuance of Manitok Flow-through Shares reflects the fair market value of "regular" common shares which was $1.00 per Manitok Share less share issue costs. The difference between the total value of the Manitok Flow-though Shares and the fair market value of Manitok Shares of $16,520 was initially accrued as a deferred obligation when the flow-through shares were issued.

(expressed in Canadian dollars, unless otherwise stated)

(s) Manitok recognized a future income tax benefit of $337,693 in respect of share issue costs of $1,350,888 incurred with respect to the issuance of 10,031,500 Manitok Shares and 6,618,559 Manitok Flow-through Shares on December 22, 2010 and the issuance of 325,400 Manitok Shares and 110,130 Manitok Flow-through Shares on December 30, 2010.

11 PRODUCTION EXPENSES

The Corporation's production expenses include all costs with respect to day-to-day well and facility operations. The components of production expenses are as follows:

For the three months ended,	March 31, 2011	March 31, 2010
Field production costs	**329,334**	287,812
Expensed workovers	**29,408**	-
Total production expenses	**358,742**	287,812

12 ADMINISTRATIVE EXPENSES

The components of administrative expenses are as follows:

For the three months ended,	March 31, 2011	March 31, 2010
Cash:		
Salaries and benefits(1)	**386,699**	243,295
Other	**250,839**	176,745
	637,538	420,040
Capitalized overhead(2)	**(115,701)**	(31,000)
General and administrative, net	**521,837**	389,040
Non-cash:		
Stock-based compensation (note 14)	**327,588**	24,240
Capitalized stock-based compensation(2)	**(83,202)**	–
Stock-based compensation, net	**244,386**	24,240
Total administrative expenses, net	**766,223**	413,280

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

(2) Represents a portion of salaries and benefits and stock-based compensation directly attributed to the exploration and development activities which have been capitalized.

13 FINANCE EXPENSES

The components of finance expenses are as follows:

For the three months ended,	March 31, 2011	March 31, 2010
Cash:		
Interest on revolving credit facility (note 8)	**23**	10
	23	10
Non-cash:		
Accretion on decommissioning obligations (note 9)	**13,520**	13,560
	13,520	13,560
Total finance expenses	**13,543**	13,570

(expressed in Canadian dollars, unless otherwise stated)

14 STOCK-BASED COMPENSATION

Stock Options

The Corporation established an Incentive Stock Option Plan (the "Plan") on June 25, 2010 whereby directors, officers, employees and key consultants may be granted options to purchase Manitok Shares at a fixed price not less than the fair market value of the stock at the time of grant, subject to certain conditions. Stock options granted under this Plan vest over a three year period at the rate of one-third on each anniversary date of the stock option grant. All stock options granted are for a five year term. The Corporation is authorized to issue stock options to a maximum of 10% of the issued and outstanding Manitok Shares pursuant to the Plan.

At March 31, 2011, the Corporation's Plan permitted the grant of options to a maximum of 3,369,678 Manitok Shares. At March 31, 2011, there remained available for issuance stock options in respect of 454,178 Manitok Shares.

A summary of the Corporation's outstanding stock options as at March 31, 2011 is presented below:

	Number	Weighted Average Exercise Price ($)
MEX balance, July 1, 2009	**702,500**	**2.09**
Granted	–	–
Cancelled or forfeited	–	–
MEX balance, June 30, 2010	**702,500**	**2.09**
Granted	1,638,500	1.10
Cancelled or forfeited(1)	(702,500)	(2.09)
Manitok balance, December 31, 2010	**1,638,500**	**1.10**
Granted	1,312,000	1.26
Cancelled or forfeited	(35,000)	1.10
Manitok balance, March 31, 2011	**2,915,500**	**1.17**

(1) Pursuant to the Amalgamation, 702,500 of MEX's unexercised stock options have been terminated and cancelled for nominal consideration on July 8, 2010.

The range of exercise prices for stock options outstanding and exercisable under the plan at March 31, 2011 is as follows:

Exercise Prices		Awards Outstanding			Awards Exercisable		
Low	High	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Quantity	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$1.10	$1.55	2,915,500	4.6	$1.17	–	–	–
		2,915,500	**4.6**	**$1.17**	**–**	**–**	**–**

Stock-Based Compensation Expense

In order to calculate the compensation expense, the fair value of the stock options are estimated using the Black-Scholes option-pricing model that takes into account, as of the grant date: exercise price, expected life, current share price, expected volatility, expected dividends, and risk-free interest rates.

During the three months ended March 31, 2011, the Corporation recorded $244,386 (March 31, 2010 – $24,240) of stock-based compensation expense, net of $83,202 (March 31, 2010 – $NIL) in capitalized amounts directly attributable to the exploration and development activities of the Corporation. In determining the stock-based compensation expense, the Corporation applied a weighted average estimated forfeiture rate of 0.9% for vesting option tranches during the three months ended March 31, 2011 (March 31, 2010 – 0.0%).

(expressed in Canadian dollars, unless otherwise stated)

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, 2011	March 31, 2010
Weighted average fair value of options granted	**$0.85**	–
Risk-free interest rate	**2.30%**	–
Expected life (years)	**4.4**	–
Expected volatility	**89.8%**	–
Expected dividends	**0.0%**	–

15 PER SHARE INFORMATION

As at	March 31, 2011	March 31, 2010
MEX weighted average shares outstanding	–	10,072,300
Conversion factor of MEX Shares on the Amalgamation (note 10m)	–	(2,518,075)
Manitok weighted average shares outstanding – basic	**33,696,781**	7,554,225
Manitok weighted average shares outstanding – diluted	**33,696,781**	7,554,225

As the Corporation reported a loss for the three month periods ended March 31, 2011 and March 31, 2010, the basic and diluted weighted average shares outstanding are the same for these periods.

16 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; to maintain a capital structure that allows Manitok the ability to finance its growth strategy using internally-generated cash flow 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 shares or debt, increase the credit facility limits, or adjust its capital spending to manage current and projected debt levels. Management expects to be able to continue to raise equity and obtain debt financing sufficient to meet both its short-term and long-term growth requirements in the current environment.

There were no changes in the Corporation's approach to capital management during the March 31, 2011 fiscal period. The capital structure of the Corporation is as follows:

As at ($)	March 31, 2011	December 31, 2010	June 30, 2010
Total shareholders' equity(1)	**36,113,675**	37,390,205	12,824,435
Total shareholders' equity as a % of total capital	**100%**	100%	94%
Working capital deficiency (surplus)(2)	**(14,766,860)**	(19,780,030)	(202,985)
Revolving credit facility	–	–	1,040,105
Total net debt(2)	–	–	837,120
Total net debt as a % of total capital	**0%**	0%	6%
Total Capital	**36,113,675**	37,390,205	13,661,555

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

(2) Working capital deficiency (surplus) is defined as current assets less current liabilities excluding the current portion of the amount drawn on the revolving credit facility. Working capital (surplus) is only included in total net debt if the Corporation is in a net debt position.

(expressed in Canadian dollars, unless otherwise stated)

During the period ended March 31, 2011, total shareholders' equity decreased mainly due to the net loss reported in the period.

The Corporation's lender requires quarterly compliance that the "working capital ratio" (as defined by the lender) is not less than the required ratio of 1:1. Manitok was in compliance with the financial covenant as at March 31, 2011, December 31, 2010 and June 30, 2010.

17 FINANCIAL INSTRUMENTS & RISK MANAGEMENT

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

Credit Risk

Cash and cash equivalents consist of bank balances, but may also include short term investments. Counter-parties for the short term investments will be selected based on credit ratings and management will monitor all investments to ensure a stable return, and complex investment vehicles with higher risk will be avoided. The Corporation's exposure to cash credit risk at the balance sheet date is very low.

Credit risk is the risk of financial loss to the Corporation if a customer fails to meet its contractual obligations. A substantial portion of the Corporation's accounts receivable are with customers in the oil and natural gas industry and are subject to normal industry credit risks. The carrying amount of accounts receivable reflects management's assessment of the maximum credit risk associated with these customers.

The following table illustrates the Corporation's maximum exposure for receivables:

As at ($)	**March 31, 2011**	December 31, 2010	June 30, 2010
Marketers	**576,495**	510,002	425,815
Joint venture partners	**113,156**	397,906	122,918
Other	**570,849**	346,581	27,087
Total Receivables	**1,260,500**	1,254,489	575,820

At March 31, 2011, approximately 46% of the Corporation's significant individual accounts receivable was due from two marketers (December 31, 2010 – 41% from two marketers, June 30, 2010 – 39% from two marketers) and about 45% was related to an amount due for GST and the Alberta Drilling Royalty Credit Program. For the period ended March 31, 2011, the Corporation received the majority of its revenue from two marketers which accounted for approximately 99% of its revenue (December 31, 2010 – 99% from two marketers, June 30, 2010 – 98% from two marketers). Receivables from marketers are normally collected on the 25th day of the month following production. Manitok mitigates the credit risk associated with these balances by establishing relationships with credit worthy companies. The Corporation historically has not experienced any material collection issues with its marketers.

Manitok attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital expenditures prior to the commencement of the joint venture project. However, joint venture receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risks exist with joint venture partners as disagreements arise that increase the potential for non-collection.

(expressed in Canadian dollars, unless otherwise stated)

The Corporation's accounts receivables are aged as follows:

As at ($)	March 31, 2011	December 31, 2010	June 30, 2010
Current (less than 30 days)	**1,121,030**	1,148,610	445,422
30 to 60 days	**58,495**	36,871	5,766
61 to 90 days	–	5,766	3,771
Over 90 days	**80,975**	63,242	120,861
Total Receivables	**1,260,500**	1,254,489	575,820

At March 31, 2011, approximately 6% of Manitok's total accounts receivable are aged over 90 days and considered past due. Approximately 70% this amount is due from a joint venture partner and the Corporation is currently in the process of resolving the outstanding balance.

Should Manitok determine that the ultimate collection of a receivable is in doubt, it will provide the necessary provision in its allowance for doubtful accounts with a corresponding charge to income or loss. If the Corporation subsequently determines an account is uncollectible, the account is written off with a corresponding charge to allowance for doubtful accounts. At March 31, 2011, Manitok's allowance for doubtful accounts balance was $NIL (December 31, 2010 – $NIL, June 30, 2010 – $NIL).

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. Manitok's approach to managing liquidity risk 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 at March 31, 2011 are to be settled in cash. Manitok utilizes prudent cash and debt management to mitigate the likelihood of encountering difficulties in meeting its financial obligations. The Corporation also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

Typically, the Corporation ensures that it has sufficient cash on demand to meet expected operational expenses, 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 reviewed and updated as considered necessary. Petroleum and natural gas production is monitored regularly and used to provide monthly current cash flow estimates. Also, Manitok utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

To facilitate the capital expenditure program, the Corporation has a reserve-based revolving credit facility, as disclosed in note 8, which is reviewed at least annually by the lender. At March 31, 2011, $2,500,000 (December 31, 2010 – $2,500,000, June 30, 2010 – $1,459,895) in unused credit was available to fund future obligations.

The following table lists the contractual obligations of the Corporation's financial liabilities as at March 31, 2011:

$	< 1 Year	1-2 Years	2-5 Years	Thereafter
Accounts payable and accrued liabilities	5,187,842	–	–	–
Revolving credit facility (1)	–	–	–	–
Total Financial Liabilities	**5,187,842**	**–**	**–**	**–**

(1) The revolving credit facility bears interest at a floating rate.

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, exchange rates and interest rates, will affect the debt level of the Corporation, as well as its income or loss and cash flow. 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 market commodity prices. A significant change in commodity prices can materially impact the Corporation's borrowing base under its revolving credit facility and may reduce the Corporation's ability to raise capital. Commodity prices for crude oil and natural gas are not only impacted by the Canadian and U.S. dollar, but also by world economic events that dictate the levels of supply and demand.

From time to time, the Corporation may attempt to mitigate commodity price risk through the use of financial derivatives. Manitok did not have any price risk management contracts in place as at or during the periods ended March 31, 2011, December 31, 2010 and June 30, 2010.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Crude oil and to a certain extent natural gas prices are based upon reference prices denominated in U.S. dollars, while the majority of the Corporation's expenses are denominated in Canadian dollars. The exchange rate effect cannot be quantified, but generally an increase in the value of the Canadian dollar as compared to the U.S. dollar will reduce the prices received by Manitok for its petroleum and natural gas sales.

When appropriate, Manitok may enter into agreements to fix the exchange rate of Canadian dollars to U.S. dollars to manage the risk. The Corporation did not have any forward exchange rate contracts in place as at or during the periods ended March 31, 2011, December 31, 2010 and June 30, 2010.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk on its revolving credit facility which bears a floating rate of interest based on prime lending rates. The remainder of Manitok's financial assets and liabilities are not exposed to interest rate risk.

A 1% change in the Canadian prime interest rate in the three month period ended March 31, 2011 would have increased (decreased) net income (loss) and comprehensive income (loss) by approximately $30 (March 31, 2010 – $30), assuming that all other variables remain constant. A sensitivity of 1% is considered reasonable given the current level of the bank prime rate and market expectations for future movements. The Corporation considers this risk to be limited and thus did not have any interest rate swaps or financial contracts in place as at or during the periods ended March 31, 2011, December 31, 2010 and June 30, 2010.

Fair Value of Financial Instruments

Manitok's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and the revolving credit facility on the balance sheet. All of Manitok's financial instruments are transacted in active markets.

The carrying value and fair value of these financial instruments at March 31, 2011 is disclosed below by financial instrument category, as well as any related loss or interest expense for the period:

$	Carrying Value	Fair Value	Loss	Interest Expense
Assets Held for Trading				
Cash and cash equivalents(1)	18,590,498	18,590,498	–	–
Loans and Receivables				
Accounts receivable(2)	1,260,500	1,260,500	–	–
Other Liabilities				
Accounts payable and accrued liabilities(2)	5,187,842	5,187,842	–	–
Revolving credit facility(3)	–	–	–	23

(1) Cash and cash equivalents are reported at fair value, based on a Level 1 designation as identified in note 3j.

(2) Accounts receivable and accounts payable and accrued liabilities are reported at amortized cost. Due to the short term nature of accounts receivable and accounts payable and accrued liabilities, their carrying values approximate their fair values.

(3) The Corporation's revolving credit facility bears interest at a floating rate and accordingly the fair market value approximates the carrying value.

(expressed in Canadian dollars, unless otherwise stated)

18 COMMITMENTS

The Corporation is committed to incur exploration expenditures of $4,999,800 related to the flow-through common share issuance completed on July 8, 2010, as indicated in note 10i. Manitok will be subject to Part XII.6 tax based on the prescribed rate on the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2011. As at March 31, 2011, the costs incurred for exploration expenditures were approximately $4.6 million.

The Corporation is committed to incur exploration expenditures of $7,737,993 related to the flow-through common share issuance completed on December 22, 2010 and December 30, 2010, as indicated in note 10o and 10r. Manitok will be subject to Part XII.6 tax based on the prescribed rate on the balance of exploration expenditures not yet incurred at the end of each month subsequent to January 31, 2011. As at March 31, 2011, the costs incurred for exploration expenditures were $NIL.

On February 17, 2010, Manitok committed to an operating lease relating to its office premises beginning May 1, 2010 which expires on June 30, 2015. Under this commitment the Corporation will pay a monthly rate of approximately $25,220, excluding occupancy costs, until the lease expires. The Corporation is committed to the following aggregate minimum lease payments:

Year	$
2011	226,980
2012	302,640
2013	302,640
2014	302,640
2015	126,100

19 SUPPLEMENTARY CASH FLOW INFORMATION

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

As at ($)	March 31, 2011	March 31, 2010
Provided by (used in):		
Accounts receivable	**(6,012)**	(23,673)
Prepaid expenses and deposits	**270,449**	(11,244)
Accounts payable and accrued liabilities	**1,608,485**	(54,035)
	1,872,922	(88,952)
Provided by (used in):		
Operating activities	**(12,641)**	(85,669)
Investing activities	**1,885,563**	(3,283)
	1,872,922	(88,952)

20 SUBSEQUENT EVENTS

On April 14, 2011, the Corporation closed an equity financing, completed by way of a short form prospectus, for the issuance of 17,968,750 Manitok Shares at a price of $1.60 per Manitok Share for total gross proceeds of $28.75 million and net proceeds of approximately $26.8 million. It is anticipated the proceeds of the equity issue will be used to fund the Corporation's drilling program and the acquisition of undeveloped land and seismic in 2011 and early 2012.

21 TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These condensed interim financial statements are the Corporation's first under IFRS.

The adoption of IFRS requires the application of IFRS 1 – *First-time Adoption of IFRS. IFRS* 1 generally requires that an entity retrospectively apply all IFRS effective at the end of its first reporting period, however IFRS 1 provides certain mandatory exceptions and permits limited optional exemptions. Certain IFRS 1 optional exemptions have been applied including:

- Deemed cost exemption for full cost oil and gas entities whereby exploration and evaluation assets were classified from the full cost pool at the amount that was recorded under previous Canadian GAAP and the remaining full cost pool was allocated to the developing and producing assets on a pro-rata basis using proved plus probable reserves values.
- Decommissioning obligation exemption that allows any changes in decommissioning obligations on transition to IFRS to be adjusted through opening retained earnings (deficit).
- Stock-based compensation exemption that allows a company to only have to evaluate share based compensation awards that were unvested as of the date of transition and issued subsequent to November 7, 2002.
- Business combinations exemption that allows a company to not have to restate any business combinations that occurred prior to the date of transition.

Manitok changed its fiscal year end from June 30 to December 31, which created a short six month transitional year ended December 31, 2010. As such, in accordance with National Instrument 52-107 and part 2.9 of Companion Policy 52-107CP, *Acceptable Accounting Principles and Auditing Standards*, the IFRS adoption date of January 1, 2011 required the restatement, for comparative purposes, of amounts reported by Manitok for the periods from September 30, 2009 to December 31, 2010, and an opening Statement of Financial Position as at July 1, 2009.

IFRS 1 requires the presentation of comparative information as at the transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. The IFRS accounting polices set forth in note 3 have been applied in preparing the interim condensed financial statements as at and for the three months ended March 31, 2011, and comparative financial statements as at and for the three months ended March 31, 2010, as at and for the fiscal year ended June 30, 2010, as at and for the six month transitional year ended December 31, 2010 and an opening Statement of Financial Position as at July 1, 2009 ("transition date"). In preparing the 2009 and 2010 comparative financial statements, the Corporation adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP.

An explanation of how the transition from Canadian GAAP to IFRS has affected the Corporation's financial position and financial performance is illustrated in the following reconciliation tables and the notes following the tables. Certain amounts in these financial statement reconciliations have been reclassified, where applicable, to conform to IAS 1, *Presentation of Financial Statements*.

(expressed in Canadian dollars, unless otherwise stated)

Statement of Financial Position as at the date of IFRS transition – July 1, 2009:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	70,765	–		70,765
Accounts receivable	287,595	–		287,595
Prepaid expenses and deposits	291,562	–		291,562
	649,922	–		649,922
Non-current assets:				
Exploration and evaluation assets	–	500,863	A	500,863
Petroleum and natural gas properties and equipment	15,909,155	(871,535)	A	15,037,620
	15,909,155	(370,672)		15,538,483
	16,559,077	(370,672)		16,188,405
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	479,066	–		479,066
Revolving credit facility	615,769	–		615,769
	1,094,835	–		1,094,835
Non-current liabilities:				
Decommissioning obligations	1,010,190	353,655	B	1,363,845
Deferred income taxes	1,156,880	(190,591)	B,H	966,289
	2,167,070	163,064		2,330,134
	3,261,905	163,064		3,424,969
SHAREHOLDERS' EQUITY				
Share capital	14,436,550	717,309	G	15,153,859
Contributed surplus	458,861	16,809	C	475,670
Deficit	(1,598,239)	(1,267,854)		(2,866,093)
	13,297,172	(533,736)		12,763,436
	16,559,077	(370,672)		16,188,405

(expressed in Canadian dollars, unless otherwise stated)

Statement of Financial Position as at March 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	70,666	–		70,766
Accounts receivable	434,826	–		434,826
Prepaid expenses and deposits	299,615	–		299,615
	805,107	–		805,107
Non-current assets:				
Exploration and evaluation assets	–	2,614,555	A	2,614,555
Petroleum and natural gas properties and equipment	16,294,908	(2,395,185)	A,B,D,E,F	13,899,723
	16,294,908	219,370		16,514,278
	17,100,015	219,370		17,319,385
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	503,870	–		503,870
Revolving credit facility	338,261	–		338,261
	842,131	–		842,131
Non-current liabilities:				
Decommissioning obligations	762,030	256,630	B	1,018,660
Deferred income taxes	1,026,203	(60,909)	H	965,294
	1,788,233	195,721		1,983,954
	2,630,364	195,721		2,826,085
SHAREHOLDERS' EQUITY				
Share capital	16,955,539	920,765	G	17,876,304
Contributed surplus	537,192	47,829	C	585,021
Deficit	(3,023,080)	(944,945)		(3,968,025)
	14,469,651	23,649		14,493,300
	17,100,015	219,370		17,319,385

(expressed in Canadian dollars, unless otherwise stated)

Statement of Financial Position as at the end of the last twelve month reporting period under Canadian GAAP – June 30, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	70,648	–		70,648
Accounts receivable	575,820	–		575,820
Prepaid expenses and deposits	335,631	–		335,631
	982,099	–		982,099
Non-current assets:				
Deferred financing fees	327,947			327,947
Exploration and evaluation assets	–	2,987,434	A	2,987,434
Petroleum and natural gas properties and equipment	16,281,462	(4,452,680)	A,B,D,E,F	11,828,782
	16,609,409	(1,465,246)		15,144,163
	17,591,508	(1,465,246)		16,126,262
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	779,114	–		779,114
Revolving credit facility	1,040,105	–		1,040,105
	1,819,219	–		1,819,219
Non-current liabilities:				
Decommissioning obligations	790,780	288,510	B	1,079,290
Deferred income taxes	891,519	(488,201)	H	403,318
	1,682,299	(199,691)		1,482,608
	3,501,518	(199,691)		3,301,827
SHAREHOLDERS' EQUITY				
Share capital	16,954,840	920,765	G	17,875,605
Contributed surplus	514,390	(19,837)	C	494,553
Deficit	(3,379,240)	(2,166,483)		(5,545,723)
	14,089,990	(1,265,555)		12,824,435
	17,591,508	(1,465,246)		16,126,262

(expressed in Canadian dollars, unless otherwise stated)

Statement of Financial Position as at the end of the last reporting period under Canadian GAAP – December 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
ASSETS				
Current assets:				
Cash and cash equivalents	21,730,744	–		21,730,744
Accounts receivable	1,254,489	–		1,254,489
Prepaid expenses and deposits	374,154	–		374,154
	23,359,387	–		23,359,387
Non-current assets:				
Exploration and evaluation assets	-	6,487,757	A	6,487,757
Petroleum and natural gas properties and equipment	20,524,904	(5,645,070)	A,B,D,E,F	14,879,834
	20,524,904	842,687		21,367,591
	43,884,291	842,687		44,726,978
LIABILITIES				
Current liabilities:				
Accounts payables and accrued liabilities	3,579,357	–		3,579,357
	3,579,357	–		3,579,357
Non-current liabilities:				
Flow-through share premium	–	1,009,304		1,009,304
Decommissioning obligations	1,073,585	544,270	B	1,617,855
Deferred income taxes	1,055,653	74,604	H	1,130,257
	2,129,238	1,628,178		3,757,416
	5,708,595	1,628,178		7,336,773
SHAREHOLDERS' EQUITY				
Share capital	42,145,786	584,512	G	42,730,298
Contributed surplus	817,423	(19,837)	C	797,586
Deficit	(4,787,513)	(1,350,166)		(6,137,679)
	38,175,696	(785,491)		37,390,205
	43,884,291	842,687		44,726,978

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Net Income (Loss) and Comprehensive Income (Loss) for the three months ended March 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
REVENUE				
Petroleum and natural gas	779,933	–		779,933
Royalty expenses	(149,725)	–		(149,725)
Interest and other	539	–		539
	630,747	–		630,747
EXPENSES				
Production	287,812	–		287,812
Transportation and marketing	35,675	–		35,675
Administrative, net	452,360	(39,080)	C,F	413,280
Depletion and depreciation	535,910	(217,065)	E	318,845
Finance	20,250	(6,680)	B	13,570
	1,332,007	(262,825)		1,069,182
INCOME (LOSS) BEFORE TAXES	(701,260)	262,825		(438,435)
Deferred income tax expense (recovery)	(155,222)	220,715	H	65,493
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(546,038)	42,110		(503,928)

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Net Income (Loss) and Comprehensive Income (Loss) for the twelve months ended June 30, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
REVENUE				
Petroleum and natural gas	2,821,722	–		2,821,722
Royalty expenses	(427,912)	–		(427,912)
Interest and other	555	–		555
	2,394,365	–		2,394,365
EXPENSES				
Production	1,053,512	–		1,053,512
Transportation and marketing	131,175	–		131,175
Administrative, net	1,389,829	(91,337)	C,F	1,298,492
Depletion and depreciation	2,092,940	1,109,100	A,E	3,202,040
Finance	92,246	(24,981)	B	67,265
	4,759,702	992,782		5,752,484
INCOME (LOSS) BEFORE TAXES	(2,365,337)	(992,782)		(3,358,119)
Deferred income tax expense (recovery)	(584,336)	(94,153)	H	(678,489)
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(1,781,001)	(898,629)		(2,679,630)

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Net Income (Loss) and Comprehensive Income (Loss) for the six months ended December 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
REVENUE				
Petroleum and natural gas	1,303,536	–		1,303,536
Royalty expenses	(133,341)	–		(133,341)
Interest and other	35,599	–		35,599
	1,205,794	–		1,205,794
EXPENSES				
Production	678,036	–		678,036
Transportation and marketing	58,399	–		58,399
Administrative, net	1,375,630	(219,137)	F	1,156,493
Depletion and depreciation	942,683	36,059	A,E	978,742
Finance	30,569	(11,350)	B	19,219
Loss (gain) on disposition of assets	–	(1,857,745)	D	(1,857,745)
	3,085,317	(2,052,173)		1,033,144
INCOME (LOSS) BEFORE TAXES	(1,879,523)	2,052,173		172,650
Deferred income tax expense (recovery)	(471,250)	1,235,855	H	764,605
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(1,408,273)	816,318		(591,955)

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Cash Flow for the three months ended March 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
Cash provided by (used in)				
OPERATING ACTIVITIES:				
Net income (loss)	(546,038)	42,110		(503,928)
Adjustments:				
Deferred income tax expense (recovery)	(155,222)	220,715	H	65,493
Depletion and depreciation expense	535,910	(217,065)	E	318,845
Stock-based compensation expense	32,317	(8,077)	C	24,240
Finance expense	20,250	(6,680)	B	13,570
Interest paid	(10)	–		(10)
Changes in non-cash operating working capital	(85,669)	–		(85,669)
	(198,462)	31,003		(167,459)
FINANCING ACTIVITIES:				
Increase (decrease) in revolving credit facility	338,261	–		338,261
Proceeds from share issuances	1,422,550	–		1,422,550
Share issue costs	(79,212)	–		(79,212)
	1,681,599	–		1,681,599
INVESTING ACTIVITIES:				
Exploration and evaluation asset expenditures	–	(1,604,584)	A	(1,604,584)
Petroleum and natural gas properties and equipment expenditures	(1,704,100)	1,573,581	A,F	(130,519)
Changes in non-cash investing working capital	(3,283)	–		(3,283)
	(1,707,383)	(31,003)		(1,738,386)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(224,246)	–		(224,246)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	294,912	–		294,912
CASH AND CASH EQUIVALENTS, END OF PERIOD	70,666	–		70,666

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Cash Flow for the twelve months ended June 30, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
Cash provided by (used in)				
OPERATING ACTIVITIES:				
Net income (loss)	(1,781,001)	(898,629)		(2,679,630)
Adjustments:				
Deferred income tax expense (recovery)	(584,336)	(94,153)	H	(678,489)
Depletion and depreciation expense	2,092,940	1,109,100	A,E	3,202,040
Stock-based compensation expense	55,529	(36,646)	C	18,883
Finance expense	92,246	(24,981)	B	67,265
Interest paid	(17,246)	–		(17,246)
Changes in non-cash operating working capital	269,163	–		269,163
	127,295	54,691		181,986
FINANCING ACTIVITIES:				
Increase (decrease) in revolving credit facility	424,336	–		424,336
Proceeds from share issuances	2,998,232	–		2,998,232
Share issue costs	(259,328)	–		(259,328)
Cost of the Amalgamation	(229,586)	–		(229,586)
	2,933,654	–		2,933,654
INVESTING ACTIVITIES:				
Proceeds from property (acquisitions) dispositions	40,000	–		40,000
Exploration and evaluation asset expenditures	–	(2,486,571)	A	(2,486,571)
Petroleum and natural gas properties and equipment expenditures	(2,799,657)	2,431,880	A,F	(367,777)
Changes in non-cash investing working capital	(301,409)	–		(301,409)
	(3,061,066)	(54,691)		(3,115,757)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(117)	–		(117)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	70,765	–		70,765
CASH AND CASH EQUIVALENTS, END OF PERIOD	70,648	–		70,648

(expressed in Canadian dollars, unless otherwise stated)

Reconciliation of Statement of Cash Flow for the six months ended December 31, 2010:

	Canadian GAAP	Effects of transition to IFRS	Notes	IFRS
Cash provided by (used in)				
OPERATING ACTIVITIES:				
Net income (loss)	(1,408,273)	816,318		(591,955)
Adjustments:				
Deferred income tax expense (recovery)	(471,250)	1,235,855	H	764,605
Depletion and depreciation expense	942,683	36,059	A,E	978,742
Stock-based compensation expense	273,216	(60,436)	F	212,780
Finance expense	30,569	(11,350)	B	19,219
Loss (gain) on disposition of assets	–	(1,857,745)	D	(1,857,745)
Interest paid	(769)	–		(769)
Decommissioning expenditures	(53,945)	–		(53,945)
Changes in non-cash operating working capital	(205,465)	–		(205,465)
	(893,234)	158,701		(734,533)
FINANCING ACTIVITIES:				
Increase (decrease) in revolving credit facility	(1,040,105)	–		(1,040,105)
Proceeds from share issuances	28,053,147	–		28,053,147
Share issue costs	(2,136,052)	–		(2,136,052)
Cash received from the Amalgamation	434,571	–		434,571
Cost of the Amalgamation	(48,304)	–		(48,304)
Redemption of common shares	(119,268)	–		(119,268)
	25,143,989	–		25,143,989
INVESTING ACTIVITIES:				
Proceeds from property (acquisitions) dispositions	1,799,910	–		1,799,910
Exploration and evaluation asset expenditures	–	(3,500,323)	A	(3,500,323)
Petroleum and natural gas properties and equipment expenditures	(6,679,085)	3,341,622	A,F	(3,337,463)
Changes in non-cash investing working capital	2,288,516	–		2,288,516
	(2,590,659)	(158,701)		(2,749,360)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,660,096	–		21,660,096
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	70,648	–		70,648
CASH AND CASH EQUIVALENTS, END OF PERIOD	21,730,744	–		21,730,744

Notes to reconciliations:

The following discussion explains the significant differences between Manitok's Canadian GAAP accounting policies and those applied by the Corporation under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. The note captions below correspond to the adjustments presented in the preceding reconciliations.

Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS.

(A) IFRS 1 deemed cost election for full cost oil and gas reporting entities

The Corporation has elected to use the IFRS 1 exemption, whereby the petroleum and natural gas properties and equipment balance, as determined under Canadian GAAP, is allocated to the IFRS categories of exploration and evaluation assets and developing and producing assets. Under the exemption, for assets in the development and production phases, the amounts were allocated on an area basis to the underlying IFRS transitional assets on a pro-rata basis using proved plus probable reserve values as of the IFRS transition date. Exploration and evaluation assets were recorded at the amounts previously recorded under Canadian GAAP.

Under IFRS, exploration and evaluation assets are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. Developing and producing assets include those expenditures for areas where technical feasibility and commercial viability has been determined and are included in the general balance of petroleum and natural gas properties and equipment.

Exploration and evaluation assets at July 1, 2009 were deemed to be $500,863, representing the unproved properties balance under Canadian GAAP. This resulted in a reclassification of $500,863 from petroleum and natural gas properties and equipment to exploration and evaluation assets as at July 1, 2009. As at December 31, 2010, the Corporation's exploration and evaluation assets totalled $6,487,757 (June 30, 2010 – $2,987,434, March 31, 2010 – $2,614,555). These exploration activities are pending the determination of economic quantities of commercially producible reserves. As such, no costs have been reclassified from exploration and evaluation to petroleum and natural gas properties and equipment during the years ended December 31, 2010 and June 30, 2010.

The Corporation performed an impairment test on its exploration and evaluation assets and petroleum and natural gas properties and equipment in accordance with the accounting policy stated in note 3. The recoverable amount of Manitok's assets were estimated based on the fair value less cost to sell approach using discounted cash flows from proved plus probable reserves, taking into consideration escalated prices and future development costs and a discount rate of 10%, as obtained from the Corporation's independent reserve report. As a result of decreased forward natural gas prices which impacted the fair value less costs to sell derived from the Corporation's reserves, Manitok recognized a $0.4 million impairment charge on its July 1, 2009 transition date to IFRS, a $1.9 million impairment charge for the twelve months ended June 30, 2010 and a $0.3 million impairment charge for the six months ended December 31, 2010. This resulted in a reduction of P&NG assets with the offset recorded as additional depletion and depreciation expense.

(B) Decommissioning obligations

The Corporation has elected to measure decommissioning obligations (formerly known as asset retirement obligations under Canadian GAAP) on transition to IFRS in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and recognize directly in retained earnings (deficit) the difference between that amount and the carrying amount of those obligations determined under Canadian GAAP at the transition date. Under Canadian GAAP, accretion on decommissioning obligations was included in depletion and depreciation expense. Under IFRS, accretion expense is included in finance expense.

Under Canadian GAAP, decommissioning obligations were discounted at a credit-adjusted risk-free rate of 8%. Under IFRS, the estimated cash flow to abandon and remediate well sites, facilities and gathering systems has been risk-adjusted and therefore the provision as at December 31, 2010 was discounted at a risk-free rate of 3.52% (June 30, 2010 – 3.65%, March 31, 2010 – 4.07%) based on Government of Canada long-term bonds.

The application of IAS 37 resulted in a $353,655 increase to decommissioning obligations with a corresponding increase to the Corporation's retained earnings (deficit) at the date of transition. This resulted in a $93,082 decrease to deferred income tax liability with a corresponding decrease to the Corporation's retained earnings (deficit) at the date of transition. As a result of the change in the discount rate applied, accretion expense decreased during the six months ended December 31, 2010 by $11,350 (twelve months ended June 30, 2010 – $24,981 and three months ended March 31, 2010 – $6,680) from the amounts previously recorded under Canadian GAAP.

(C) Share-based payments

The Corporation has elected to apply IFRS 2, *Share-based Payments* to equity instruments granted after November 7, 2002 that have not vested by the transition date. Under Canadian GAAP, stock-based compensation expense was disclosed as a separate line item in income or loss. Under IFRS, stock-based compensation expense is included in administrative expenses.

Under Canadian GAAP prior to June 30, 2010, the fair value of stock options was calculated using a Black-Scholes option-pricing model for each option grant and the resulting expense was recognized on a straight-line basis over the three year vesting period at a rate of one-third on each anniversary date of the stock option grant. Forfeitures of stock options were recognized as they occurred. Subsequent to June 30, 2010, the fair value of stock options was calculated on a basis consistent with IFRS.

Under IFRS, each vesting tranche of an option grant with different vesting dates was considered a separate grant for the calculation of fair value. This results in accelerated expense recognition which attributes higher stock-based compensation expense in early years of an option grant and less expense in later years. Manitok also applied an estimated forfeiture rate at the initial grant date. The forfeiture rate is taken into account by adjusting the number of stock options expected to vest under each vesting tranche and subsequently revising this estimate throughout the vesting period, as necessary. When determining the fair value of each vesting tranche under IFRS, Manitok applied an estimated weighted average option life for each respective tranche which reflects management's expectations. Under Canadian GAAP prior to June 30, 2010, the option life was equal to the expiry period of five years.

The application of IFRS 2 resulted in a $16,809 increase to contributed surplus with a corresponding increase to the Corporation's deficit at the date of transition. Stock-based compensation expense remained consistent during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – decreased $36,646 and three months ended March 31, 2010 – decreased $8,077) from the amounts previously recorded under Canadian GAAP. The Corporation applied a weighted average estimated forfeiture rate of 0.9% during the year ended December 31, 2010 (June 30, 2010 – 0.0%, March 31, 2010 – 0.0%).

(D) Gain (loss) on disposition of assets

Under Canadian GAAP, proceeds from the disposition of assets were applied in full against petroleum and natural gas properties and equipment, with no gain or loss recognized, unless such a disposition would change the rate of depletion and depreciation by 20 percent or more. Under IFRS, a gain or loss is recorded when petroleum and natural gas properties and equipment are sold. There was no impact of this policy on the transition date due to the IFRS 1 deemed cost exemption discussed above.

The above accounting policy difference resulted in a gain of $1.6 million, as a result of the disposition of a minor oil and gas asset in the Garrington area in August 2010 and a gain of $0.3 million, as a result of the sale of a non-producing E&E asset as part of a swap arrangement in December 2010, with a corresponding increase to petroleum and natural gas properties and equipment during the six months ended December 31, 2010. No gain or loss was recorded on the disposition of these assets under Canadian GAAP.

(expressed in Canadian dollars, unless otherwise stated)

(E) Depletion and depreciation

Under Canadian GAAP, the Corporation depleted the full cost pool based on the unit of production method using proved reserves for each country cost centre. Under IAS 16, Property, Plant & Equipment, the Corporation has elected to deplete its development and production costs on an area basis using the unit of production method over proved plus probable reserves. Exploration and evaluation costs are not amortized under IFRS.

Depleting at an area level over proved plus probable reserves resulted in a decrease to depletion and depreciation of $306,420 for the six months ended December 31, 2010 (twelve months ended June 30, 2010 – $778,632, three months ended March 31, 2010 – $217,065) from amounts previously reported under Canadian GAAP.

(F) Administrative expenses

Administrative expenses include the total cash remuneration from salaries and benefits paid to officers, employees and consultants of the Corporation, other general business expenses and non-cash stock-based compensation, net of any capitalized portions thereof. The components of administrative expenses for the 2010 comparative periods under IFRS are as follows:

($)	Six months ended December 31, 2010	Twelve months ended June 30, 2010	Three months ended March 31, 2010
Cash:			
Salaries and benefits	662,616	795,331	243,295
Other	456,886	539,395	176,745
	1,119,502	1,334,726	420,040
Capitalized overhead	(175,788)	(55,117)	(31,000)
General and administrative, net	943,714	1,279,609	389,040
Non-cash:			
Stock-based compensation	273,216	18,883	24,240
Capitalized stock-based compensation	(60,437)	–	–
Stock-based compensation, net	212,779	18,883	24,240
Total Administrative expenses, net	1,156,493	1,298,492	413,280

Under Canadian GAAP, "capitalized overhead" related to the estimated time spent on operated capital projects which are not 100% owed by the Corporation, by engineering, land, accounting and operations based on an industry standard overhead charge per Authorization for Expenditure. Stock-based compensation was not capitalized under Canadian GAAP. Under IFRS, capitalized overhead represents a portion of salaries and benefits that are directly attributable to the exploration and development activities of the Corporation. In addition, under IFRS, Manitok has capitalized a portion of stock-based compensation directly attributable to the exploration and development of its assets.

These accounting policy differences resulted in an decrease to net general and administrative expenses (cash) by $158,700 during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – $54,691, three months ended March 31, 2010 – $31,003) from amounts previously reported under Canadian GAAP. In addition, non-cash stock-based compensation expense decreased by $60,437 during the six months ended December 31, 2010 (twelve months ended June 30, 2010 – $NIL, three months ended March 31, 2010 – $NIL) from amounts previously reported under Canadian GAAP.

(G) Share capital

Under Canadian GAAP, the proceeds from the issuance of flow-through shares are recognized as shareholders' equity. The tax basis of assets related to expenditures incurred to satisfy flow-through share obligations is reduced when the renunciation of the related tax pools occurs which then increases the deferred income tax liability and reduces share capital.

Under IFRS, the amount recorded to share capital from the issuance of flow-through shares reflects the fair market value of "regular" common shares. The difference between the total value of a flow-through share issuance and the fair market value of a regular common share issuance (premium) is initially accrued as a deferred obligation when the flow-through shares are issued. Pursuant to the terms of the flow-through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. Accordingly, on renunciation with Canada Revenue Agency, a deferred tax liability is recorded equal to the estimated amount of deferred income taxes payable by the Corporation as a result of the renunciations, the deferred obligation on the issuance of flow-through shares is reduced and the difference is recognized in income or loss. There is no impact to share capital on renunciation of flow-through shares.

The above accounting policy difference resulted in an increase to share capital of $717,309 at the transition date with a corresponding increase to retained earnings (deficit). The Corporation reflected an increase in share capital of $203,456 as at March 31, 2010 related to a flow-though share issuance in December 2009 and a decrease in share capital of $336,253 as at December 31, 2010 related to a flow-though share issuance in July 2010 and December 2010. As at December 31, 2010 the Corporation had a deferred obligation of $1.0 million with respect to the issuance of flow-through shares in December 2010.

(H) Income taxes

Each of the adjustments discussed above result in a change in deferred income tax assets and liabilities based on Manitok's effective tax rate. The Corporation recorded a decrease in deferred tax liabilities of $190,591 at July 1, 2009 and an increase in deferred tax liabilities of $74,604 at December 31, 2010 (June 30, 2010 – decrease of $488,201 and March 31, 2010 – decrease of $60,909) from amounts previously reported under Canadian GAAP. Additional deferred income tax expense of $220,715 for the three month period ended March 31, 2010 and $1,235,855 for the six months ended December 31, 2010 was recorded under IFRS while a reduction of $94,153 in deferred income tax expense was recorded for the twelve months ended June 30, 2010.

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Tom Spoletini (2) (3)
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Cameron G. Vouri, P. Eng. (1)
Calgary, Alberta

Massimo M. Geremia (1) (2)
Calgary, Alberta

(1) Reserve & Occupational Health & Safety Committee Member

(2) Audit Committee Member

(3) Compensation Committee Member

OFFICERS

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President and Chief Executive Officer

Tim de Freitas, M.Sc., Ph.D.
Vice President, Exploration and
Chief Operating Officer

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

Dorothy Else
Vice President, Land

Gregory E. Peterson
Corporate Secretary

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Calgary, Alberta

AUDITORS

Kenway Mack Slusarchuk Stewart LLP
Chartered Accountants
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS

Sproule Associates Limited
Petroleum Consultants
Calgary, Alberta

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