

Manitok Energy Inc. Provides Update on Corporate Activities, Creditor Protection and Restructuring Intention

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[Manitok Energy Inc.](#) ("Manitok" or the "Corporation") provides the following update of corporate activities related to various corporate matters and its proposed restructuring plan.

Under certain Collateralized Exchange Listed Notes™ ("CEL Notes") issued by Manitok, Manitok was required to make an interest payment on November 15, 2017 (the "November Interest Payment"). Due to ongoing liquidity issues and limits on its access to its operating facility with its senior lender, Manitok's board of directors (the "Board") determined that it was in the best interests of Manitok and its stakeholders to defer payment of the November Interest Payment until it was able to carry out transactions which would address its liquidity issues and payout and replace the senior lender. Under the CEL Notes, the failure to cure such default in paying the November Interest Payment became an event of default on December 15, 2017.

In December of 2017, Manitok negotiated an agreement with a private Hong Kong based corporation (the "Potential Investor") and its wholly owned Canadian subsidiary (the "Cdn Subsidiary") under which Manitok would acquire all the issued and outstanding shares of the Cdn Subsidiary (the "Proposed Acquisition"), which would give Manitok access to approximately \$21.7 million of cash, \$1.3 million in a form of a deposit held by Alberta Energy Regulator and certain oil assets. The purchase price for the shares of the Cdn Subsidiary would be payable by way of issuance of common shares of Manitok. The Proposed Acquisition would result in the Potential Investor becoming a "Control Person" of Manitok (as such term is defined under the TSX Venture Exchange ("TSXV") Corporate Finance Manual), thus requiring Manitok to hold a special meeting of its shareholders to obtain the requisite approval to the contemplated change to Manitok's equity structure. The completion of the Proposed Acquisition was subject to the satisfaction of a number of conditions precedent, including the completion of due diligence.

Manitok was unable to resolve its liquidity issues by December 15, 2017 and therefore was unable to make the November Interest Payment, thereby triggering an event of default under the CEL Notes. Considering this event of default, and the material nature of the Proposed Acquisition, Manitok voluntarily halted the trading of its common shares and its CEL Notes on the TSXV on December 15, 2017 pending the outcome of the Potential Investor's due diligence.

Subsequently, the Potential Investor advised Manitok that it would not proceed with the Proposed Acquisition unless Manitok was restructured to reduce its aggregate indebtedness. At that time, Manitok contacted certain stakeholders, including holders of CEL Notes and its largest shareholders, to propose a restructuring that would permit it to repay its senior lender. It obtained support from holders of CEL Notes to whom in excess of 66.67% of the aggregate principal amount was owed and in excess of \$9.0 million in new equity was committed pursuant to executed subscription agreements. Manitok also negotiated the terms of a new first lien loan from an existing stakeholder.

On December 29, 2017, the senior lender issued a letter to Manitok demanding repayment in full of the indebtedness owed by the Corporation to the senior lender and terminating the credit facilities provided by it (the "Payment Demand"). Concurrently, the senior lender sent to Manitok a notice of intention to enforce its security (the "Notice of Intention").

Under the Bankruptcy and Insolvency Act (Canada) (the "BIA"), Manitok had ten (10) days from the receipt of the Notice of Intention within which to file a Notice of Intention to Make a Proposal (a "NOI") under the BIA, failing which the senior lender would be at liberty to apply to the Court of Queen's Bench of Alberta (the "Court") for an order appointing a receiver of Manitok's property and assets. If a receiver was appointed, the receiver would have the authority to liquidate and sell the property and assets of Manitok.

During the ten (10) day period, the Board met to discuss the options available to Manitok. Based on

discussions between senior management of ManitoK, the Potential Investor and various stakeholders, the Board determined that it was in the best interest of ManitoK and its stakeholders to file an NOI with the Superintendent of Bankruptcy (the "Superintendent") under Division I of Part III of the BIA. Accordingly, ManitoK filed an NOI on January 10, 2018 naming FTI Consulting Canada Inc., as proposal trustee (the "Proposal Trustee", and the proceedings initiated by the NOI being the "Proposal Proceedings"). The Proposal Trustee is an officer of the Court and is empowered to monitor the business and affairs of ManitoK during the Proposal Proceedings, report to the Court from time to time, and to assist ManitoK in formulating a Proposal.

Under section 69(1) of the BIA, upon the filing of an NOI, no creditor may exercise a remedy against ManitoK or its property, or is permitted to commence or continue any action, execution or other proceedings for the recovery of a claim provable in bankruptcy. The BIA requires that a proposal by ManitoK to its creditors (a "Proposal") must be filed within thirty (30) days of the commencement of the filing of the NOI. The Court is authorized under the BIA to extend this time period in up to forty-five (45) day increments, to a maximum of five months after the expiry of the initial thirty (30) day period.

In order to fund its operations during the Proposal Proceedings, ManitoK and the Potential Investor entered into an agreement pursuant to which the Potential Investor would provide an interim financing credit facility, secured by a charge created by the Court. ManitoK applied to the Court for an order approving the interim credit facility and creating charges in favour of the Potential Investor to secure the indebtedness of ManitoK under the interim facility, to secure the professional fees and costs of the Proposal Trustee and counsel to ManitoK and the Proposal Trustee, and to secure the obligation of ManitoK to indemnify its directors and officers for certain liabilities arising during the Proposal Proceedings (such order being the "NOI Charges Order"). The senior lender applied for an order terminating the Proposal Proceedings and appointing a receiver of the property and assets of ManitoK.

At a hearing before the Court held on January 12, 2018, the Court adjourned the application of the senior lender sine die and granted the NOI Charges Order, subject to the final settlement of its terms. Subsequently, the senior lender and ManitoK agreed that the senior lender would provide the interim financing in place of the Potential Investor. On January 15, 2018, the Court pronounced the final settled form of the NOI Charges Order, effective January 12, 2018, which among other things approved an interim financing loan agreement with the senior lender (the "Loan Agreement"). Under the Loan Agreement, the senior lender has provided a non-revolving credit facility to ManitoK in the maximum principal amount of \$3.0 million, which may be drawn in tranches of not less than \$0.5 million and bears interest at the interim lender's prime rate plus 3.0% per annum (the "Interim Facility"). The Loan Agreement provides for two non-refundable commitment fees of \$50,000 each, of which, the first is payable at the time of first drawdown and the second is payable on the maturity of the Interim Facility. Advances under the Interim Facility may only be used by ManitoK in accordance with its 13-week cash-flow projections which are prepared by ManitoK and vetted by the Proposal Trustee in connection with the Proposal Proceedings.

During the remainder of the initial thirty (30) day period ending February 9, 2018, ManitoK will negotiate the framework and form of a Proposal with the relevant parties. The successful implementation of a Proposal is dependent on entering into a number of additional definitive agreements, potentially including a first lien credit agreement with an existing stakeholder, support agreements in respect of the Proposal with the holders of CEL Notes and other creditors, revised subscription agreements to obtain equity financing, and possibly a support agreement with the Potential Investor. ManitoK will seek an extension of the thirty (30) day period on or prior to its expiry on February 9, 2018 to have the time to complete the necessary voting required by creditors to complete the Proposal.

In addition to the foregoing, the Corporation advises that:

- (a) on or about January 8, 2018, it received notice from the lessor of the lands associated with the Lease Issuance and Drilling Commitment Agreement dated April 30, 2015, as amended (the "LIDCA"), that Manitok was in breach of the terms and conditions of the LIDCA and that a commitment payment under such agreement in the amount of \$8.0 million would be due on or before March 31, 2018;
- (b) on or about January 10, 2018, it received notice from the trustee of the CEL Notes that the missed November Interest Payment represented an Event of Default as defined by the provisions of the CEL Notes Indenture; and
- (c) the Corporation was unable to meet its entire renunciation obligations arising under the May 2016 private placement offering of 7,994,980 common shares of the Corporation issued on a "flow-through" basis with respect to "Canadian exploration expenses" within the meaning of the Income Tax Act (Canada) and regulations thereunder (collectively, the "Tax Act") (the "CEE Flow-through Shares") issued at a price of \$0.21 per CEE Flow-through Share and 23,605,879 CEE Flow-through Shares issued at a price of \$0.145 per CEE Flow-through Share (collectively, the "Flow-through Shares"). The Corporation's aggregate renunciation obligations for the Flow-through Shares is approximately \$4.1 million.

Manitok intends to address the matters referred to above as a part of the restructuring proposal.

About Manitok

Manitok is a public oil and gas exploration and development company focusing on Lithic Glauconitic light oil in southeast Alberta and Cardium light oil in west central Alberta. The Corporation utilizes its expertise, combined with the latest recovery techniques, to develop the remaining oil and liquids-rich natural gas pools in its core areas of the Western Canadian Sedimentary Basin.

Forward-looking Information Cautionary Statement

This press release contains forward-looking statements. More particularly, this press release contains statements concerning the terms and anticipated completion of the Proposal Proceedings and possible extension of 30 day stay period under the NOI past February 9, 2018.

The forward-looking statements in this press release are based on certain key expectations and assumptions made by Manitok, including expectations and assumptions concerning the prevailing market conditions, the intentions of its lender, commodity prices, and the availability of capital.

Although Manitok believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Manitok can give no assurance that it will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with adverse market conditions, the inability of Manitok to complete the Proposal Proceedings at all or on the terms announced, not obtaining the required court, shareholder and regulatory approvals and the risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserves estimates; the uncertainty of estimates and projections relating to production, costs and expenses; and health, safety and environmental risks), uncertainty as to the availability of labour and services, commodity price and exchange rate fluctuations, unexpected adverse weather conditions, general business, economic, competitive, political and social uncertainties, capital market conditions and market prices for securities and changes to existing laws and regulations. More information about certain of these risks are set out in the documents filed from time to time with the Canadian securities regulatory authorities, available on Manitok's SEDAR profiles at www.sedar.com.

Forward-looking statements are based on estimates and opinions of management of Manitok at the time the statements are presented. Manitok may, as considered necessary in the circumstances, update or revise such forward-looking statements, whether as a result of new information, future events or otherwise, but Manitok undertakes no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities issued pursuant to the Arrangement and/or the financing described herein may not be offered or sold in the United States absent registration or applicable exemption from the registration requirements.

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