



ESTATE NUMBER 25-2332583
25-2332610

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE CALGARY

PROCEEDING IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF MANITOK ENERGY INC.
IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF RAIMOUNT ENERGY CORP.

DOCUMENT **Application**

Gowling WLG (Canada) LLP
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ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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NOTICE TO RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the application is heard as shown below:

Date January 12, 2018
Time 2:00 p.m.
Where Calgary Courts Center (Commercial List)
Before Whom The Honourable Madame Justice Horner

Go to the end of this document to see what else you can do and when you must do it.

Remedy Claimed or Sought

1. Manitok Energy Inc. (“**Manitok**”) applies for the following relief, substantially in the form of Order attached as **Schedule “A”** hereto (the “**Interim Financing Order**”):
 - (a) Abridging the time required for service of this Application and supporting materials to the date service was effected; declaring that this Application is properly returnable on January 12, 2018; declaring that service of the Application in the manner described in the Affidavit of Service is good and sufficient;
 - (b) approving the terms of the DIP loan agreement dated January 11, 2018 (the “**SCCC DIP Term Sheet**”) entered into between Manitok as borrower and SCCC Petroleum Corporation as lender (“**SCCC Canada**”);
 - (c) declaring that the directors and officers (the “**D&Os**”) of Manitok shall be indemnified against obligations and liabilities that they may incur in their capacity as directors or officers after the commencement of these proceedings (the “**Indemnity**”);
 - (d) granting the following priority charges over all of Manitok’s assets, rights, undertakings and property (collectively, the “**Manitok Property**”):
 - (i) a charge in favour of the Proposal Trustee (as defined below) and legal counsel for each of the Proposal Trustee and Manitok in the amount of \$300,000 (the “**Administration Charge**”), ranking in priority to all existing charges over the Manitok Property, including any security currently existing in favour of NBC (as defined below) (the “**NBC Charge**”);
 - (ii) a charge in favour of SCCC Canada in respect of the SCCC DIP Term Sheet in the amount of \$3,000,000 (the “**DIP Charge**”) over the Manitok Property ranking subordinate to the Priority Administration Charge, but in priority to all existing charges over the Manitok Property including the NBC Charge;
 - (iii) a charge in favour of the D&Os in respect of the Indemnity in the amount of \$500,000 (the “**D&O Charge**”) over the Manitok Property, ranking subordinate to the NBC Charge (subject to the Proposal Trustee’s review and report on the

security of NBC), the DIP Charge and the Administration Charge but in priority to all other existing charges over the Manitok Property; and

- (e) Such further and other relief as counsel for Manitok may advise and this Honourable Court may permit.

Grounds for Making This Application:

Background

2. Manitok is a public company based in Calgary, Alberta, whose outstanding shares of common stock are listed on the TSX Venture Exchange under the symbol "MEI".
3. Manitok and its wholly owned subsidiary Raimount Energy Corp. ("**Raimount**") filed a Notice of Intention (the "**NOI**") to make a Proposal (the "**Proposal**") under section 50.4 (1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), on January 10, 2018, at which time FTI Consulting Canada Inc. was named as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with the Proposal (the "**Proposal Proceedings**").
4. As of January 10, 2018, Manitok's outstanding indebtedness on both a secured and unsecured basis is approximately \$123,343,699.30 in the aggregate.
5. As a junior oil and gas exploration and production company, Manitok's financial stability including its ability to access necessary capital markets is highly sensitive to the market prices, at any given time, of crude oil and natural gas.
6. In recent years, due to lower than expected market prices for crude oil and natural gas, Manitok has struggled to cover its capital expenditure and drilling commitments.
7. Manitok's obligations include but are not limited to certain credit facilities (the "**Credit Facilities**") provided to it by its senior secured lender, the National Bank of Canada ("**NBC**").
8. In approximately May of 2017, notwithstanding that Manitok was not in payment default under the Credit Facilities, NBC advised Manitok that it was no longer interested in continuing to provide the Credit Facilities and that Manitok should seek to obtain alternative financing sufficient to repay the indebtedness owed by Manitok to NBC in full (the "**NBC Indebtedness**").

9. On December 29, 2017 NBC delivered to Manitok a formal demand for payment (the “**Demand Letter**”) of the NBC Indebtedness by no later than January 8, 2018. The Demand Letter enclosed a Notice of Intention to Enforce Security pursuant to section 244(1) of the BIA.
10. Subsequent to the delivery of the Demand Letter, Manitok and NBC agreed to extend the period proscribed under section 244(1) of the BIA until 2pm on January 10, 2018.
11. In response to receipt of the Demand Letter, Manitok with the assistance of its legal counsel, Gowling WLG, significantly accelerated its efforts to develop a viable strategy to repay the NBC Indebtedness and avoid the deleterious effects the appointment of a receiver and manager would have on its stakeholders. These efforts resulted in the development of a proposal framework (the “**Proposal Framework**”).
12. The Proposal Framework, which will result in NBC being repaid in full, can be implemented on an expedited basis as part of the Proposal Proceedings.
13. With the assistance of the Proposal Trustee, Manitok has established a budget for the period ending March 31, 2018, pursuant to which, in accordance with its typical cash flow cycle and in light of NBC having terminated the Credit Facilities, Manitok will require \$3,000,000 in immediate short-term funding (the “**Interim Funding Requirement**”) to enable the company to maintain limited essential operations during the course of the proposal proceedings and pursue implementation of the Proposal Framework.
14. Manitok seeks approval of the SCCC DIP Term Sheet and the granting of the DIP Charge in order to ensure that the Interim Funding Requirement is met.
15. It is contemplated that the Proposal Trustee, counsel to the Proposal Trustee and counsel to Manitok will be granted a first priority Court-ordered charge on the Manitok Property up to a maximum amount of \$300,000 in respect of their fees and disbursements, incurred at their standard rates and charges.
16. The Proposal Trustee, the Proposal Trustee’s legal counsel and Manitok’s legal counsel are essential to conclude a successful proposal and to implement the Proposal Framework. Accordingly, Manitok is seeking approval of the Administration Charge.

17. Manitok's ability to make a successful proposal to its creditors will only be possible with the continued participation of the company's D&Os. These personnel are critical to the viability of Manitok's continuing business and the implementation of the Proposal Framework.
18. The D&Os have advised that in light of the uncertainty surrounding their personal liability as directors and officers (as applicable), their continued service and involvement in the proposal proceedings is conditional upon being provided the Indemnity by Manitok and the Court granting the D&O Charge to secure the Indemnity.

Material or Evidence to be Relied On:

19. The First Report of the Proposal Trustee (to be filed);
20. The Affidavit of Massimo Geremia dated January 11, 2018; and
21. Such further and other material as counsel for Manitok may advise and this Honourable Court may permit.

Applicable Rules:

22. Rules 1.2, 1.3, 1.4, 3.8, 11.27 and 13.5; and
23. Such further and other rules as counsel for Manitok may advise and this Honourable Court may permit.

Applicable Acts and Regulations:

24. Sections 50.6, 64.1 and 64.2, *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3; and
25. Such further acts and regulations as counsel for Manitok may advise and this Honourable Court may permit.

Any Irregularity Complained of or Objection Relied On:

25. There are no irregularities complained of or objections relied on.

How the Application is Proposed to be Heard or Considered:

26. Manitok proposes that the Application be heard in person or by telephone with one, some or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.