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Manitok Energy Inc. Announces Strategic Combination With Questfire Energy Corp. to Form Canada's Newest Intermediate Energy Producer with Greater Than 10,000 boe/d of Production

CALGARY, ALBERTA, July 7, 2017

Manitok Energy Inc. ("**Manitok**") (TSXV: MEI) and Questfire Energy Corp. ("**Questfire**") (TSXV: Q.A) are pleased to announce that on July 5, 2017 they have entered into a definitive agreement (the "**Arrangement Agreement**") providing for the acquisition by Manitok of all the issued and outstanding common shares of Questfire (the "**Questfire Shares**") pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Acquisition**").

In addition, Manitok is in the final stages of negotiating a new credit facility with a syndicate of lenders (the "**Lender**") in connection with obtaining a new $132.2 million credit facility consisting of $117.2 million senior secured term facility with a $15.0 million delayed draw acquisition facility (the "**Credit Facility**") to finance the Acquisition. Manitok intends to close the Credit Facility concurrently with the Acquisition.

The Arrangement

Under the terms of the Arrangement Agreement, Questfire shareholders will receive, for each Questfire Share held, 2.25 Manitok common shares ("**Manitok Shares**"). The aggregate transaction value is approximately $55.4 million including $51.8 million to replace the bank debt, infrastructure-backed debt, other Questfire obligations, anticipated transaction costs (including due diligence, legal, accounting and various fees), expected proceeds from the exercise of in-the-money options to purchase Questfire Shares, severance costs and change of control payments. The transaction will be financed with the Credit Facility and issuance of common shares. Upon the completion of the Acquisition, Manitok and Questfire shareholders will hold approximately 86% and 14% of the pro forma shares of the resulting issuer, respectively.

Arrangement Agreement

Pursuant to the Arrangement Agreement, Manitok and Questfire have agreed that the Acquisition will be completed by way of a plan of arrangement under the *Business Corporations Act* (Alberta). The Arrangement Agreement provides for non-solicitation covenants, subject to the fiduciary obligations of the board of directors of Questfire, and the right of Manitok to match any Superior Proposal (as defined in the Arrangement Agreement) within 72 hours. The Arrangement Agreement provides for mutual non-completion fees of $2.0 million in the event that the Acquisition is not completed or is terminated by either party in certain circumstances.

The Arrangement Agreement provides that the completion of the Acquisition is subject to certain conditions, including the receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange, the approval of holders of Questfire Shares including the approval of disinterested Questfire shareholders, the approval of the Court of Queen's Bench of Alberta and the closing of the Credit Facility.

A joint management information circular outlining the details of the Arrangement Agreement and the Acquisition is anticipated to be mailed to the holders of Questfire Shares on July 20, 2017 for a shareholder meeting to be held on or before August 15, 2017 where holders of Questfire Shares will vote on the Acquisition. Closing of the Credit Facility is one of the conditions to the closing of the Acquisition.

Following the completion of the Acquisition, Manitok's current board of directors and management team will manage the pro forma resulting issuer.

Questfire Board Recommendation and Lock-Up Agreements

The board of directors of Questfire has, based upon, among other things, a verbal fairness opinion from Integral Wealth Securities Limited, unanimously approved the Acquisition and Questfire's execution of the Arrangement Agreement, determined that the Acquisition is in the best interests of Questfire and its shareholders and recommends that holders of Questfire Shares vote in favour of the Acquisition. All directors and officers of Questfire, representing more than 40% of the issued and outstanding Questfire Shares, have entered into support agreements with Manitok pursuant to which they have agreed to vote their Questfire Shares in favour of the Acquisition.

Strategic Rationale

Management and the board of directors of each of Manitok and Questfire believe that the combined asset bases will provide synergistic benefits to both Manitok shareholders and to Questfire shareholders.

Size and Scale Improves Access to Capital: The combination of Manitok and Questfire creates an intermediate oil & gas company with a stable and diverse asset base. The pro forma resulting issuer will have production exceeding 10,600 boe/d (32% oil), proved plus probable reserves of 57 million boe, annualized adjusted EBITDA of $22.2 million, and total proved plus probable PV10 reserve value of $470 million, effective December 31, 2016, based on management prepared pro forma aggregation of reserves based on the independent reserves evaluation of Manitok's reserves effective December 31, 2016, prepared in accordance with the COGE Handbook and National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**") by Sproule Associates Limited ("**Sproule**") and dated April 28, 2017 (the "**Manitok Report**") and the independent reserves evaluation of Questfire's reserves effective December 31, 2016, prepared in accordance with the COGE Handbook and NI 51-101 by GLJ Petroleum Consultants Ltd. ("**GLJ**") and dated March 10, 2017 (the "**Questfire Report**"). The larger resulting issuer is expected to have better access to capital and higher relevance to the capital markets than each of Manitok and Questfire as standalone entities.

Addition of Complementary, High Quality Assets: Questfire's land position in Lookout Butte and west central Alberta are complimentary to Manitok's existing asset portfolio. Manitok believes that its management team possesses the technical expertise and experience required to successfully develop and exploit the oil potential of the shallower geological formations at Lookout Butte. Questfire also has most of its production in close proximity to Manitok's existing assets in the Willesden Green area in west central Alberta, where there are development opportunities in the Cardium oil and Mannville liquids rich gas formations.

Significantly Improved Cost Profile: The Acquisition is expected to decrease the combined entity's corporate cost structure through cost savings from areas including, but not limited to, public company reporting, executive compensation and general operating overhead. In addition, proximity between certain Manitok and Questfire assets creates cost saving opportunities through scale and quick payback capital projects. Manitok believes a material reduction in operating and general and administrative expenses can be realized going forward.

Liquidity Unlocks Shareholder Value: Upon the closing of the Acquisition and the Credit Facility, Manitok is expected to have cash on hand in excess of $20 million and access to a delayed draw acquisition facility of $15 million (the "**Acquisition Facility**"). Manitok plans to use the funds to increase its production and reserves through its newly funded capital program and to pursue accretive acquisitions to create additional shareholder value. Current low oilfield service costs allow Manitok to drill and to develop its land base at attractive economics. Furthermore, Manitok is of the view that it is an opportune time to make strategic acquisitions at highly attractive prices, while the current market conditions prevail.

Upon Close, the Term Debt Financing Allows Focus on Long Term Value Creation: Prior to the Acquisition, both Manitok and Questfire had demand credit facilities outstanding with their respective senior lenders, which are each subject to a regular, bi-annual, borrowing base redetermination, as well as infrastructure-backed debt. Being able to replace the demand loans with the proposed Credit Facility is anticipated to result in balance sheet stability and certainty around financial planning, which provides management with additional opportunities to create long term shareholder value.

Numerous Low Risk Future Opportunities: There are recompletion opportunities that would provide quick turn-around production volume additions. These recompletions include: multiple zones in wellbores at Lookout Butte, three oil locations and five gas locations in west central Alberta. In addition, in west central Alberta there are three oil wells that can be re-activated with artificial lift installations. Also, compressor facility consolidations would enhance productivity at both Medicine Hat and Oberlin. Among the many drilling prospects that Questfire has in inventory, several offer low risk opportunities including: two drill ready locations at Viking-Kinsella, two at Morningside and one at Open Lake.

Pro Forma Summary

On a management estimated pro forma basis, the resulting issuer is anticipated to have the following attributes:

		Pre-Acquisition		
		Manitok	**Questfire**	**Pro Forma**
Shares Outstanding(1)	(mm)	319.7	22.8	371.1
Market Capitalization(2)	($mm)	$22.4	$3.6	$26.0
Total Debt Outstanding(3)	($mm)	$76.2	$47.9	$148.4
Less: Cash at closing	($mm)	-	-	$20.0
Enterprise Value	($mm)	$98.6	$51.5	$154.4
2017 Q1 Production	(boe/d)	6,300 (63% gas)	4,310 (77% gas)	10,610 (68% gas)
2017 Q1 Annualized Adjusted EBITDA(4)	($mm)	$14.9	$7.3	$22.2
Gross Reserves(5)				
Proved Developed Producing	(mmboe)	9.7 (59% gas)	13.5 (66% gas)	23.1 (63% gas)
Proved	(mmboe)	17.0 (55% gas)	17.6 (68% gas)	34.6 (62% gas)
Proved Plus Probable	(mmboe)	28.2 (57% gas)	28.9 (62% gas)	57.0 (59% gas)
NPV10% Before Tax(5)				
Proved Developed Producing	($mm)	$114.9	$94.6	$209.5
Proved	($mm)	$188.3	$113.6	$301.9
Proved Plus Probable	($mm)	$299.8	$170.2	$470.0
Total Undeveloped Land(6)	(000 acres)	336	93	429

(1) Upon completion of the Acquisition, assuming the exercise of all of the in-the-money options of Questfire, the cancellation of all of the out-of-the money options of Questfire and warrants of Questfire. Pro forma shares does not include $6.0 mm of Manitok Shares to be issued in connection with the termination of the infrastructure-backed debt at a deemed per Manitok Share price equal to 5-day volume weighted average price of Manitok Shares, calculated based on 5 consecutive trading days of Manitok Shares on the TSX Venture Exchange immediately preceding the date of the termination of such infrastructure-backed debt.

(2) Assumes Manitok Share price of $0.07 as of July 5, 2017, being the closing price of Manitok Shares prior to the date of this press release and assumes pro forma closing price remains unchanged.

(3) Total debt outstanding is equal to the sum of outstanding bank debt, term loans, infrastructure-backed debt and principal balances outstanding on Collateralized Exchange Listed Notes™ as at March 31, 2017. Pro forma balance is estimated as at closing of the transaction, and includes expected transaction costs and option proceeds from the exercise of in-the-money options of Questfire. See "*Non-GAAP Measures*" in the advisories at the end of this press release.

(4) Adjusted EBITDA for the quarter ended March 31, 2017, multiplied by 4. See "Non-GAAP Measures" in the advisories at the end of this press release.

(5) Gross interest before royalties; based on the Manitok Report prepared by Sproule and the Questfire Report prepared by GLJ.

(6) As at June 30, 2017 for Manitok and as at December 31, 2016 for Questfire.

(7) Reserves and net present value numbers are based on the Manitok Report prepared by Sproule and the Questfire Report prepared by GLJ.

Proposed New Credit Facility

Manitok is currently in the final stages of negotiating the Credit Facility with the Lenders which is to be completed concurrently with the closing of the Acquisition. The proposed Credit Facility will increase the resulting issuer's pro forma borrowing capacity by way of a new multi-tranche first lien secured term loan credit facility of $132.2 million, which includes a $117.2 million term loan (the "**Term Loan**") bearing a consolidated coupon rate of 11.3% with warrants to purchase 10% of the fully-diluted Manitok Shares following the completion of the Acquisition with an exercise price equal to Manitok's volume weighted average price for the 30 calendar days prior to the closing of the Credit Facility. The Term Loan is subject to standard covenants, tests and conditions for first lien term loans of this nature. The Credit Facility also includes a $15.0 million delayed draw term loan previously referred to herein as the "Acquisition Facility" with draw down conditions that are customary to facilities of this nature. Upon completion, the resulting issuer will extinguish the existing reserves based bank credit facilities and infrastructure-backed debt of both Manitok and Questfire, and will have an average cost of debt capital of 11.1% versus the current 9.7% and will have $20.0 million of additional liquidity at close.

Summary of Debt Outstanding of the Pro Forma Entity

Below summarizes the debt outstanding of the pro forma entity:

Debt Outstanding ($mm)	**Outstanding**
Term Loan	$117.2
Collateralized Exchange Listed Notes™	$ 31.2
Total Debt Outstanding	**$148.4**

It is anticipated that concurrently with the closing of the Acquisition and the Credit Facility, Manitok's demand credit facility, Manitok's infrastructure-backed debt, Questfire's demand credit facility and Questfire's infrastructure-backed debt will be extinguished.

The pro forma resulting issuer shall have total debt outstanding of approximately $148.4 million, comprised of the Term Loan of $117.2 million and Collateralized Exchange Listed™ Notes of $31.2 million.

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 Acquisition 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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Caution Respecting BOE

*The term barrels of oil equivalent ("**BOE**") may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl and an Mcfe conversion ratio of 1 Bbl:6 Mcf are based on an approximate energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Since the value ratio based on the current price of crude oil compared to natural gas is significantly different from the energy equivalency conversion ratio of 6:1, utilizing a conversion based on a 6:1 ratio is misleading as an indication of value.*

Forward-looking Information Cautionary Statement

This press release contains forward-looking statements. More particularly, this press release contains statements concerning the terms of the Acquisition and the Credit Facility, the timing and completion of the Acquisition and the Credit Facility, the anticipated benefits of the Acquisition and the Credit Facility to Manitok, Questfire and the shareholders of both Manitok and Questfire, including, but not limited to, having better access to capital and decrease in corporate cost structure (including reduction in operating and general and administrative expenses) and the anticipated extinguishment of both Manitok's and Questfire's current long term demand credit facility and infrastructure-backed debt following the completion of the Arrangement and the Credit Facility.

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

Although Manitok and Questfire believe 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 and Questfire can give no assurance that they 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 or Questfire to complete the Acquisition at all or on the terms announced, not obtaining the required court, shareholder and regulatory approvals, a lender not approving the amendment to a credit facility 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 and Questfire's SEDAR profiles at www.sedar.com.

Forward-looking statements are based on estimates and opinions of management of Manitok and Questfire at the time the statements are presented. Manitok and Questfire 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 and Questfire undertake no obligation to update or revise any forward-looking statements, except as required by applicable securities laws.

The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Non-GAAP Financial Measures

*This press release contains a reference to "Adjusted EBITDA". Such measure does not have standardized meanings prescribed by generally accepted accounting principles ("**GAAP**"), including International Financial Reporting Standards ("**IFRS**") and therefore should not be considered in isolation. Such reported amount and the underlying calculation are not necessarily comparable or calculated in an identical manner to a similarly titled measure of other companies where similar terminology is used. Where such measure is used it should be given careful consideration by the reader. Such measure has been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Corporation's liquidity and its ability to generate funds to finance its operations.*

Adjusted EBITDA is derived from net income (loss) before interest expense, interest and other income, foreign exchange, current and deferred income tax expense (recovery), acquisition-related expenses, depletion and depreciation expense, impairment expense, stock-based compensation expense, accretion expense, unrealized gains or losses on financial instruments, gains or losses on asset divestitures and the change in fair value of marketable securities. Both managements of Manitok and Questfire believe that in addition to net income (loss), Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by an issuer's principal business activities prior to consideration of how these activities are financed and taxed, how assets are depleted, depreciated, *amortized and impaired, the impact of foreign exchange, or how the results are affected by the accounting standards associated with stock-based compensation, unrealized gains or losses on financial instruments, gains or losses on asset divestitures and the change in fair value of marketable securities***.**

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.