

SHOAL POINT ENERGY LTD.
65 Queen Street West, Suite 501
Toronto, Ontario
M5H 2M5

MANAGEMENT INFORMATION CIRCULAR

This management information circular (“Information Circular”) is furnished in connection with the solicitation by management of Shoal Point Energy Ltd. (the “Company”) of proxies to be used at the annual and special meeting of Shareholders of the Company (the “Meeting”) to be held at the Sheraton Hotel, located at 123 Queen Street West, Toronto, Ontario M5H 2M9, in the City Hall Room, on Thursday, January 26, 2012, at 4:00 p.m. (Eastern time) and at any adjournment thereof for the purposes set forth in the enclosed Notice of Meeting. Except where otherwise indicated, the information contained herein is stated as of December 28, 2011.

Although it is expected that the solicitation of the proxies will be primarily by mail, proxies may also be solicited personally or by telephone or other similar means of communication by the directors and/or officers of the Company at nominal cost. The cost of solicitation will be borne by the Company. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares of the Company (“**Common Shares**”). The Company will provide, without cost to such person, upon request to the Secretary of the Company, additional copies of the foregoing documents for this purpose.

APPOINTMENT, VOTING AND REVOCATION OF PROXIES

Appointment

Any Shareholder has the right to appoint a person (who need not be a Shareholder) other than the persons designated in the enclosed form of proxy to attend and to vote and act for and on behalf of such person at the Meeting. In order to do so the Shareholder may insert the name of such person in the blank space provided in the form of proxy, or may use another appropriate form of proxy. All proxies must be deposited with Olympia Transfer Services Inc., Suite 920, 120 Adelaide Street West, Toronto, Ontario M5H 1T1 not later than 5:00 p.m. (Eastern time) on January 24, 2012, or, if the meeting is adjourned, not later than 48 hours, excluding Saturdays and holidays, preceding the time of such adjourned meeting.

Voting

Common Shares represented by any properly executed proxy in the accompanying form will be voted for or against, or withheld from voting, as the case may be, on any ballot that may be called for in accordance with the instructions given by the Shareholder. **In the absence of such direction, such Common Shares will be voted in favour of the matters set out herein.**

The accompanying form of proxy confers discretionary authority on the persons named in it with respect to amendments or variations to matters identified in the notice of Meeting or other matters that may properly come before the Meeting. As of the date hereof, management of the Company is not aware of any such amendments, variations or other matters which may come before the Meeting. In the event that other matters come before the Meeting, then the management designees intend to vote in accordance with the judgment of management of the Company.

Revocation

In addition to revocation in any other manner permitted by law, a shareholder may revoke a proxy by an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing and deposited at Olympia Transfer Services Inc., Suite 920, 120 Adelaide Street West, Toronto, Ontario M5H 1T1, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof.

Interest of Certain Persons in Matters to be Acted Upon

No person who has been a director or an officer of the Company at any time since the beginning of its last completed financial year or any associate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Beneficial Holders

The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by the Company's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the shareholder's name. Such Common Shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name of the Canadian Depository for Securities which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted (for or against resolutions) at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered shareholders by the Company. However, its purpose is limited to instructing the registered shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received

and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Information Circular and the accompanying instrument of proxy and notice of Meeting are to registered shareholders unless specifically stated otherwise.

Registered Shareholders

Registered holders of Common Shares as shown on the shareholders' list prepared as of the Record Date will be entitled to vote such shares at the Meeting on the basis of one vote for each Common Share held.

Registered shareholders may also, rather than returning the proxy received from the Company by mail or hand delivery, elect to submit a form of proxy by use of the telephone or of the Internet. Those registered holders electing to vote by telephone require a touch-tone telephone to transmit their voting preferences. Registered holders electing to vote by telephone or via the Internet must follow the instructions included in the form of proxy received from the Company.

At the date hereof, the Company has outstanding 234,642,410 Common Shares, each of which carries one vote per share. To the knowledge of the directors and officers of the Company, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over securities carrying in excess of 10% of the voting rights attached to any class of outstanding voting securities of the Company.

Persons registered on the books of the Company at the close of business on Friday, December 23, 2011 (the "**Record Date**") and persons who are transferees of any shares acquired after such record date and who have produced properly endorsed certificates evidencing such shares or who otherwise establish ownership thereof and demand, not later than 10 days before the Meeting, that their names be included in the list of shareholders, are entitled to vote at the Meeting of the Company.

PARTICULARS OF MATTERS TO BE ACTED UPON

To the knowledge of the board of directors (the "**Board**") of the Company, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

1. RECEIPT OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Company for the fiscal year ended January 31, 2011, and the report of the auditor thereon which accompany this Information Circular, will be submitted to the Meeting. Receipt at the Meeting of the auditor's report and the Company's audited consolidated financial

statement for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein.

2. ELECTION OF DIRECTORS

The Board currently consists of six directors to be elected annually. The following table states the names of the persons nominated by management for election as directors, any offices with the Company currently held by them, their principal occupations or employment during the past five years if such nominee is not presently an elected Director, the period or periods of service as directors of the Company and the approximate number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised as of the date hereof. The term of office of each director will be from the date of the meeting at which he is elected until the next annual meeting, or until his successor is elected or appointed.

Name and Municipality of Residence	Principal Occupation During the Previous Five (5) Years	Director Since	Position with the Company	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly
Howard Hanick ⁽¹⁾ Toronto ON	Partner of Feldman & Associates, Chartered Accounts from December 2009 to July 2011; consultant to St. Joseph Content, responsible for acquisition integration, from August 2001 to December 2009; President and owner of CMI Canada Inc., a full service content creation company, from August 2011 to December 2009.	October 14, 2010	Director	250,000
John Clarke ⁽²⁾⁽³⁾ Toronto, ON	Vice President, Business Development with CGX Energy Inc., since November 2009; Executive Vice President, Corporate and Director of Candax Energy Inc. from September 2004 to October 2009.	October 14, 2010	Director	175,000
Donald Sheldon ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Vancouver, BC	Director of Merus Labs International from March 2010 to December 2011; Director of Nebu Resources Inc. since October 2010; Director and CEO of Range Energy Resources Inc. from May 2005 to July 2011.	October 14, 2010	Director	1,007,460
Norman D. Kelly ⁽²⁾⁽⁴⁾ Liphook, Hampshire, UK	Director of Davidson Kelly & Co. Ltd. since June 1997; Director and President of Range Energy Resources Inc. from January 2010 to September 2010;	October 14, 2010	Director	2,900,000

Name and Municipality of Residence	Principal Occupation During the Previous Five (5) Years	Director Since	Position with the Company	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly
Brian Murray ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, ON	President and Director of Rainbow Resources Inc. since December 2010; President and Director of Nebu Resources Inc. since January 2008; President of Murcon Ltd., a private financial consulting company involved in merchant banking, since October 1990.	October 29, 2010	Director, Chief Financial Officer	1,535,000
Steven Millan St. John's, NL	President, CEO and Chairman of Canadian Imperial Venture Corp. ("CIVC") from April 1996 to February 2011; President of Cresta International Development Inc. from February 1994 to present.	December 1, 2011	Director	Nil

Notes:

- (1) *Member of the Audit Committee. Mr. Hanick is the chair of the Audit Committee.*
- (2) *Member of the Compensation Committee.*
- (3) *Member of the Disclosure Committee.*
- (4) *Member of the Nominating Committee.*

Proxies received in favour of management will be voted for the election of the above-named nominees, unless the shareholder has specified in the proxy that his or her Common Shares are to be withheld from voting in respect thereof. Management has no reason to believe that any of the nominees will be unable to serve as a director but, if a nominee is for any reason unavailable to serve as a director, proxies in favour of management will be voted in favour of the remaining nominees and may be voted for a substitute nominee unless the shareholder has specified in the proxy that his or her shares are to be withheld from voting in respect of the election of directors.

As at the date of this Information Circular, the current directors, as a group, directly or indirectly, beneficially own or exercise control or direction over 5,867,460 Common Shares, representing approximately 2.5% of the issued and outstanding Common Shares.

None of the directors:

- (a) is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director or chief executive officer or chief financial officer of any company that:
 - (i) was the subject of an order (as defined in Form 51-102F5 of National Instrument 51-102- *Continuous Disclosure Obligations*) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

- (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer, other than:
- On September 19, 2002, Mr. Sheldon was President and a director of Pro-Tech Venture Corp. (“**Pro-Tech**”), which was the subject of a cease trade order issued by the British Columbia Securities Commission (“**BCSC**”) for failure to file financial statements. This cease trade order has not been revoked;
 - On October 26, 2001, Mr. Sheldon was President and a director of Pro-Tech, which was the subject of a cease trade order issued by the Alberta Securities Commission for failing to file financial statements. This cease trade order has not been revoked;
 - On August 26, 2002, Mr. Murray was a director of High American Gold Inc. (“**High American**”), which was the subject of a cease trade order in issued by the Ontario Securities Commission. High American is currently listed on the TSXV under the name Antioquia Gold Inc;
 - On February 21, 2002, Mr. Murray was a director of Explorers Alliance Corp., which was the subject of a cease trade order issued by the BCSC for failure to file financial statements. This cease trade order has not been revoked;
 - In 1994, the BCSC issued a cease trade order against Mr. Murray for failure to file an insider report with respect to a trade in shares of Pure Gold Explorations Inc; and
 - On April 5, 2007, Mr. Millan was the CEO and a director of CIVC which was the subject of a cease trade order issued by the BCSC for failure to file financial statements. The cease trade order was revoked by the BCSC on May 8, 2007.

None of the directors:

- (b) is at the date hereof, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than:

- In August of 2003, while Mr. Hanick was Chief Financial Officer of Communicorp Corp. (“**Communicorp**”), Staz Communications inc., a wholly-owned subsidiary of Communicorp, went into receivership and operations were subsequently discontinued. In November 2003, the primary lender for Communicorp foreclosed on the undertaking and assets of Communicorp. Multimedia Inc., a wholly-owned subsidiary of Communicorp, in satisfaction of its obligations under its general security agreement;
- In June of 1999, 941037 Ontario Limited and Advance Process Fuels Inc. (subsidiaries to Process Capital Corp.) filed a proposal under the Companies’ Creditors Arrangement Act. Mr. Murray was a director of Process Capital Corp. during this time; and
- In April 2004, a plan of compromise or arrangement was granted by the Supreme Court of British Columbia to CIVC under the Companies’ Creditors Arrangement Act. Mr. Millan was, at the time, the CEO and a director of CIVC.

3. CONFIRMATION AND APPOINTMENT OF AUDITOR

On May 11, 2011, McCarney Greenwood LLP was removed as auditor of the Company. The Board appointed Schwartz Levitsky Feldman LLP, auditor of the Company to fill the vacancy created thereby. Shareholders are being asked to confirm the actions of the Board and appoint Schwartz Levitsky Feldman LLP auditor of the Company to hold office until the next annual meeting of shareholders. **Proxies received in favour of management will be voted FOR the appointment of Schwartz Levitsky Feldman LLP, as auditor of the Company to hold office until the next annual meeting of shareholders and the authorization of the directors to fix their remuneration, unless the shareholder has specified in the proxy that his or her shares are to be withheld from voting in respect thereof.** McCarney Greenwood LLP was first appointed auditor of the Company on October 3, 2003. Schwartz Levitsky Feldman LLP was appointed auditor of the Company on May 11, 2011.

In accordance with the provisions of National Instrument 51-102, annexed to this Information Circular as Appendix “A” is the requisite reporting package, including written confirmation that the notice (the “**Notice**”) of the Company to McCarney Greenwood LLP and Schwartz Levitsky Feldman LLP stating that there are no reportable events and the letters of McCarney Greenwood LLP and Schwartz Levitsky Feldman LLP to the Ontario Securities Commission stating their agreement with the Notice have been reviewed by the Board.

4. SPECIAL BUSINESS – APPROVAL OF STOCK OPTION PLAN

Shareholders are being asked to approve a new stock option plan (the “**Stock Option Plan**”) of the Company which is a rolling plan. The purpose of the Stock Option Plan is to attract, retain and motivate persons as directors, officers, key employees and consultants of the Company and its subsidiaries and to advance the interests of the Company by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company. Options may be granted under the Stock Option Plan only to directors, officers, employees, service providers and consultants of the Company and its subsidiaries and other such Eligible Persons. The number of Common Shares which may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding Common Shares as at the date of the grant of options. The maximum number of Common Shares which may be

reserved for issuance to any consultant of the Company during any 12 month period under the Stock Option Plan is 2% of the Common Shares. The maximum number of common Shares which may be reserved for issuance to employees conducting investor relations activities during any 12 month period under the Stock Option Plan is 2% of the aggregate number of Common Shares. The option price of any Common Shares cannot be less than the closing price of the Common Shares on the day immediately prior the day upon which the option is approved by the Board. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten (10) years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer, director, service provider or consultant of the Company or any of its subsidiaries or upon the optionee dying. The options are non-assignable and non-transferable. Options granted under the Stock Option Plan shall expire and terminate with a reasonable amount of time (as to be determined by the Board) following the date that an optionee ceases to be a director, officer, employee or service provider of the Company or any subsidiary, or, if the optionee dies, within six months following the death of the optionee. The Stock Option Plan contains provisions for adjustment in the number of Common Shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the Common Shares, a merger or other relevant changes in the Company's capitalization. Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of options granted under the Stock Option Plan.

Reference should be made to the full text of the Stock Option Plan which will be made available at the registered office of the Company at 65 Queen Street West, Suite 501, Toronto, ON M5H 2M5. Shareholders are being asked to approve the following resolution:

“BE IT RESOLVED THAT:

1. The Stock Option Plan of the Company as described in the Information Circular dated December 28, 2011, be and it is hereby approved.”

The Stock Option Plan must be approved by the majority of votes cast at the Meeting on the resolution. **Proxies received in favour of management will be voted FOR the foregoing resolution in respect of the Stock Option Plan, unless a shareholder has specified in the proxy that his or her shares are to be voted against such resolution.**

STATEMENT OF EXECUTIVE COMPENSATION

A. Named Executive Officers

For the purposes of this Information Circular, a Named Executive Officer (“**NEO**”) of the Company means each of the following individuals:

- (a) a chief executive officer (“**CEO**”) of the Company;
- (b) a chief financial officer (“**CFO**”) of the Company;
- (d) each of the Company’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and

- (e) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Company, nor acting in a similar capacity, at the end of that financial year.

The Company currently has the following four NEOs: George Langdon, President and Chief Executive Officer; David W. Raymond, President and Chief Executive Officer (former); R. Brian Murray, Chief Financial Officer; and W. Matthew Raymond, Chief Financial Officer (former).

B. Compensation Discussion and Analysis

The Compensation Committee of the Board is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of the Company's executive officers. The Compensation Committee ensures that total compensation paid to all NEOs is fair and reasonable and is consistent with the Company's compensation philosophy.

Compensation plays an important role in achieving short and long-term business objectives that ultimately drive business success. The Company's compensation philosophy is to foster entrepreneurship at all levels of the organization through, among other things, the granting of stock options, a significant component of executive compensation. This approach is based on the assumption that the performance of the Common Share price over the long term is an important indicator of long term performance.

The Company's compensation philosophy is based on the following fundamental principles:

1. *Compensation programs align with shareholder interests* – the Company aligns the goals of executives with maximizing long term shareholder value;
2. *Performance sensitive* – compensation for executive officers should be linked to operating and market performance of the Company and fluctuate with the performance; and
3. *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of the compensation program in compensating all NEOs were developed based on the above-mentioned compensation philosophy and are as follows:

- to attract and retain highly qualified executive officers;
- to align the interests of executive officers with shareholders' interests and with the execution of the Company business strategy;
- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and
- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

Competitive Compensation

Aggregate compensation for each NEO is designed to be competitive. The Compensation Committee reviews compensation practices of similarly situated companies in determining compensation policy. Although the Compensation Committee reviews each element of compensation for market competitiveness, and it may weigh a particular element more heavily based on the NEO's role within the Company, it is primarily focused on remaining competitive in the market with respect to total compensation.

The Compensation Committee reviews from time to time data related to compensation levels and programs of various companies that are similar in size to the Company and operate within the mining exploration and development industry, prior to making its decisions. These companies are used as the Company's primary peer group because they have similar business characteristics or because they compete with the Company for employees and investors.

The purpose of this process is to:

- understand the competitiveness of current pay levels for each executive position relative to companies with similar revenues and business characteristics;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish as a basis for developing salary adjustments and short-term and long-term incentive awards for the Compensation Committee's approval.

Aligning the Interests of the NEOs with the Interests of the Company's Shareholders

The Company believes that transparent, objective and easily verified corporate goals, combined with individual performance goals, play an important role in creating and maintaining an effective compensation strategy for the NEOs. The Company's objective is to establish benchmarks and targets for its NEOs which, if achieved, will enhance shareholder value.

A combination of fixed salary, option based compensation and cash bonuses are used to motivate executives to achieve overall corporate goals. For the 2011 financial year, the components of executive officer compensation program were:

- fixed salary;
- option based compensation; and
- cash bonus

Fixed salary comprises a portion of the total cash-based compensation; however, option based compensation represent compensation that is "at risk" and thus may or may not be paid to the respective executive officer depending on: (i) whether the executive officer is able to meet or exceed his or her applicable performance targets; and (ii) market performance of the Company's Common Shares. To date, no specific formulae have been developed to assign a specific weighting to each of these components. Instead, the board considers each performance target and the Company's performance and assigns compensation based on this assessment and the recommendations of the Compensation Committee.

Base Salary

The Compensation Committee and the board of directors approve the salary ranges for the NEOs. The base salary review for each NEO is based on assessment of factors such as current competitive market conditions, compensation levels within the peer group and particular skills, such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance of the particular individual. Comparative data for the Company's peer group is also accumulated from a number of external sources including independent consultants. The Company's policy for determining salary for executive officers is consistent with the administration of salaries for all other employees.

Annual Incentives

The Company, in its discretion, may award annual incentives in order to motivate executives to achieve short-term corporate goals. The Compensation Committee and the Board approve annual incentives.

The success of NEOs in achieving their individual objectives and their contribution to the Company in reaching its overall goals are factors in the determination of their annual bonus. The Compensation Committee assesses each NEO's performance on the basis of his or her respective contribution to the achievement of the predetermined corporate objectives, as well as to needs of the Company that arise on a day to day basis. This assessment is used by the Compensation Committee in developing its recommendations to the Board with respect to the determination of annual bonuses for the NEOs. Where the Compensation Committee cannot unanimously agree, the matter is referred to the full Board for decision. The Board relies heavily on the recommendations of the Compensation Committee in granting annual incentives.

Compensation and Measurements of Performance

Achieving predetermined individual and/or corporate targets and objectives, as well as general performance in day to day corporate activities, may trigger the award of a bonus payment to the NEO as determined by the Board upon the recommendation of the Compensation Committee. The NEO will receive a partial or full incentive payment depending on the number of the predetermined targets met and the Compensation Committee's and the Board's assessment of overall performance. The determination as to whether a target has been met is ultimately made by the Board and the Board reserves the right to make positive or negative adjustments to any bonus payment if they consider them to be appropriate.

Long Term Compensation

The Company currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Company's Stock Option Plan. For a description of the Stock Option Plan, refer to "**Special Business – Approval of Stock Option Plan.**"

C. Summary Compensation Table

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Company during three most recently completed financial years.

NEO Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽³⁾ (\$)	Non-Equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
George Langdon President and Chief Executive Officer	2011	135,000	Nil	223,295	N/A	N/A	N/A	Nil	358,295 ⁽⁴⁾
David W. Raymond President and Chief Executive Officer ⁽¹⁾	2011	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2010	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2009	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
R. Brian Murray Chief Financial Officer	2011	50,000	Nil	120,700	N/A	N/A	N/A	60,000 ⁽⁵⁾	230,700 ⁽⁶⁾
W. Mathew Raymond, Chief Financial Officer ⁽²⁾	2011	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2010	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
	2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) *Mr. David W. Raymond resigned as President and Chief Executive Officer on October 14, 2010 and Mr. Langdon was appointed in his stead;*
- (2) *Mr. Mathew Raymond resigned as Chief Financial Officer on October 14, 2010 and Mr. Murray was appointed in his stead;*
- (3) *The fair value of options granted during the year ended January 31, 2011, was estimated at the date of grant using the Black Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.76%; estimated hold period prior to exercise – 5 years; volatility in the price of the Common Shares – 80%; dividend yield – Nil; fair value - \$0.20.*
- (4) *Mr. Langdon operates and receives his compensation through Tectonics, Inc., a company controlled by Mr. Langdon.*
- (5) *One-time cash bonus awarded to Mr. Murray in November 2010.*
- (6) *Mr. Murray operates and receives his compensation through Murcon Ltd., a company controlled by Mr. Murray.*

E. Incentive Plan Awards

Outstanding Option-Based and Share-based Awards

The following table sets out for each NEO, the incentive stock options (option-based awards) and share-based awards outstanding as at January 31, 2011. These incentive stock options either vested at the time of grant or were fully vested during the year ended January 31, 2011.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (\$)	Value of unexercised in-the-money options ⁽¹⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
George Langdon	1,850,000	0.25	October 29, 2015	249,750	Nil	Nil
David W. Raymond	Nil	N/A	N/A	Nil	Nil	Nil
R. Brian Murray	1,000,000	0.25	October 29, 2015	135,000	Nil	Nil
	300,000	0.40	February 22, 2016	Nil		
W. Matthew Raymond	Nil	N/A	N/A	Nil	Nil	Nil

Note:

(1) Calculated using the closing price of the Common Shares on the CNSX on January 31, 2011 of \$0.385 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Value Vested or Earned During the Year

Options granted to the NEOs of the Company vest at the time of grant. Because the exercise price of options at the time of grant is set at or above the market price of the Common Shares on the grant date, the value of these incentive stock option grants at the time of vesting is nil.

Employment Contracts

During the fiscal year ended January 31, 2011, the Company did not have in place any employment contract between the Company or any subsidiary or affiliate thereof and any NEO.

Pension and Retirement Plans

The Company does not have any pension or retirement plans that provide for payment or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

Termination and Change of Control Benefits

The Company has not provided compensation, monetary or otherwise, during the preceding fiscal year, to any person who now acts or has previously acted as a NEO, in connection with or related to the retirement, termination or resignation of such person and the Company has provided no compensation to such persons as a result of a change of control of the Company, its subsidiaries or affiliates. The Company is not party to any compensation plan or arrangement with NEOs resulting from the resignation, retirement or the termination of employment of such person.

Director Compensation

The following table describes director compensation for non-executive directors for the year ended January 31, 2011.

COMPENSATION OF DIRECTORS ⁽¹⁾⁽²⁾				
Name	Fees earned (\$)	Option-based awards ⁽³⁾ (\$)	All other compensation (\$)	Total compensation (\$)
Donald R. Sheldon	50,000	120,700	Nil	170,700 ⁽⁴⁾
Norman D. Kelly	45,000	120,700	Nil	165,700 ⁽⁵⁾

Howard Hanick	1,000	30,175	Nil	31,175
John Clarke	1,000	30,175	Nil	31,175
Steve Millan	Nil	Nil	Nil	Nil

Notes:

- (1) Table does not include any amount paid as reimbursement for expenses.
- (2) Compensation paid to the NEOs who served as directors of the Company is disclosed in the "Summary Compensation Table". See "Statement of Executive Compensation".
- (3) The fair value of options granted during the year ended January 31, 2011, was estimated at the date of grant using the Black Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.76%; estimated hold period prior to exercise – 5 years; volatility in the price of the Common Shares – 80%; dividend yield – Nil; fair value - \$0.20.
- (4) Mr. Sheldon operates and receives his compensation through Sayonara Holdings Ltd., a company controlled by Mr. Sheldon.
- (5) Mr. Kelly operates and receives his compensation through Aberdon International Inc., a company controlled by Mr. Kelly.

Option-Based and Share-Based Awards to Directors

The following table sets out for each independent director the incentive stock options (option-based awards) and share-based awards outstanding as of January 31, 2011. These incentive stock options either vested at the time of grant or were fully vested during the year ended January 31, 2011. The closing price of the Company's Common Shares on the CNSX on January 31, 2011 was \$0.385.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date (\$)	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Donald R. Sheldon	1,000,000	0.25	October 29, 2015	135,000	Nil	Nil
	300,000	0.40	February 22, 2016	Nil	Nil	Nil
Norman D. Kelly	1,000,000	0.25	October 29, 2015	135,000	Nil	Nil
	300,000	0.40	February 22, 2016	Nil	Nil	Nil
Howard Hanick	250,000	0.25	October 29, 2015	33,750	Nil	Nil
John Clarke	250,000	0.25	October 29, 2015	33,750	Nil	Nil
Steve Millan	150,000	0.40	January 20, 2013	Nil	Nil	Nil
	250,000	0.30	December 1, 2016	21,250	Nil	Nil

Note:

- (1) Calculated using the closing price of the Common Shares on the CNSX on January 31, 2011 of \$0.385 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Value Vested or Earned During the Year

Options granted to the independent directors of the Company vest at the time of grant. Because the exercise price of options at the time of grant is set at or above the market price of the Common Shares on the grant date, the value of these incentive stock option grants at the time of vesting is nil.

Long-term Incentive Plan (LTIP) Awards

The Company currently has no Long-term Incentive Plans, other than stock options granted from time to time by the Board under the provisions of the Stock Option Plan.

Stock Appreciation Rights and Restricted Shares

No stock appreciation rights or restricted shares of the Company were granted by the Company to the NEOs of the Company during the year ended January 31, 2011.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information in respect of the Company's equity compensation plans under which equity securities of the Company are authorized for issuance, aggregated in accordance with all equity plans previously approved by the Company's Shareholders and all equity plans not approved by the Company's Shareholders as at January 31, 2011.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#)	Weighted-average Exercise Price of Outstanding Options, Warrants and Rights (\$)	Number of Securities remaining available for Future Issuance under Equity Compensation Plans (#)
Equity compensation plans approved by securityholders	12,725,000	0.25	1,193,349 ⁽¹⁾
Equity compensation plans not approved by securityholders	Nil	Nil	Nil
Total	12,725,000		1,193,349

Note:

(1) The Stock Option Plan is a "rolling" stock option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Stock Option Plan will not exceed 10% of the issued shares of the Company at the time of the stock option grant. As at January 31, 2011, 13,918,349 Common Shares may be reserved for issuance pursuant to the Stock Option Plan.

AGGREGATE INDEBTEDNESS

As of the date hereof, there was no indebtedness owing to the Company in connection with the purchase of securities or other indebtedness by any current or former executive officers, directors, employees of the Company other than as disclosed below:

Purpose	To the Company or its Subsidiaries (\$)	To Another Entity (\$)
Shares purchases	300,000	Nil
Other	Nil	Nil

Note:

(1) On October 27, 2011, the Company loaned certain directors, officers and consultants an aggregate amount of \$300,000 for the purpose of purchasing securities of the Company.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

As of the date hereof, there was no indebtedness owing to the Company by any individuals who at any time during the fiscal period ended January 31, 2011 were directors, executive officers or senior officers of the Company or associates of the foregoing, and none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any subsidiary other than as disclosed below:

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During the year ended January 31, 2011 (\$)	Amount Outstanding as at December 28, 2011 (\$)	Financially Assisted Securities Purchases During the year ended January 31, 2011	Security for Indebtedness	Amount Forgiven During the year ended January 31, 2011 (\$)
George Langdon President & CEO	Lender	Nil	54,000	Nil	Nil	Nil
R. Brian Murray CFO and Director	Lender	Nil	54,000	Nil	Nil	Nil
Donald Sheldon Director	Lender	Nil	54,000	Nil	Nil	Nil
Alex Falconer Controller	Lender	Nil	48,000	Nil	Nil	Nil
Howard Hanick Director	Lender	Nil	27,000	Nil	Nil	Nil
John Clarke Director	Lender	Nil	27,000	Nil	Nil	Nil
David Black Investor Relations Consultant	Lender	Nil	9,000	Nil	Nil	Nil

Note:

- (1) On October 27, 2011, the Company loaned certain directors, officers and consultants an aggregate amount of \$300,000 for the purpose of purchasing securities of the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Company's Board and senior management consider good corporate governance to be central to the effective and efficient operation of the Company. The Board has confirmed the strategic objective of the Company is the exploration, development, production and acquisition of oil and gas properties located in Canada, specifically in Atlantic Canada.

National Instrument 58-101 (*Disclosure of Corporate Governance Practices*) ("**NI58-101**") requires the Company to disclose its corporate governance practices by providing in the Information Circular the disclosure required by Form 58-101F2. NI58-201 establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. In certain cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. The Company will continue to review and implement corporate governance guidelines as the business of the Company progresses and becomes more active in operations.

Form 58 – 101 F2 – Corporate Governance Disclosure (Venture Issuers)

Board of Directors

The Board is currently composed of 6 directors. Form 58-102F1 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under Multilateral Instrument 52-110 ("**MI 52-110**"), which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the company's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Of the proposed

nominees, R. Brian Murray, Chief Financial Officer is an “inside” or management director and accordingly is considered not “independent”. The remaining 5 proposed directors are considered by the Board to be “independent”, within the meaning of MI 52-110. In assessing Form 58-101F2 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

Directorships

The following table sets forth the directors of the Company who currently hold directorships with other reporting issuers:

Name of Director	Reporting Issuer
Howard Hanick	Waymar Resources Inc.
John Clarke	Vena Resources Inc. CGX Energy Inc.
Donald Sheldon	Nebu Resources Inc.
R. Brian Murray	Process Capital Corp. Antioquia Gold Inc. Sea Green Capital Corp. Nebu Resources Inc. Rainbow Resources Inc.

Orientation and Continuing Education

The Board does not have a formal orientation or education program for its members. The Board’s continuing education is typically derived from correspondence with the Company’s legal counsel to remain up to date with developments in relevant corporate and securities’ law matters. Additionally, historically board members have been nominated who are familiar with the Company’s and the nature of its business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director’s participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the *Business Corporations Act* (Ontario), as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest.

Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The Nomination Committee is responsible for proposing new nominees to the Board. The Nomination Committee will select individuals with the desired background and qualifications, taking into account the needs of the Board at the time.

The Nomination Committee members are currently Mr. R. Brian Murray, Mr. Donald Sheldon and Mr. Norman D. Kelly. Mr. Sheldon and Mr. Kelly are independent. Mr. Murray is not independent by virtue of his management role with the Company.

Compensation

To determine compensation payable, the Compensation Committee reviews compensation paid for directors and executive officers of companies of similar size and stage of development and determine an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company.

The Compensation Committee members are currently Mr. John Clarke, Mr. Donald Sheldon and Mr. Norman D. Kelly, each of whom is independent.

Other Board Committees

In addition to the Audit Committee, the Company has established a Compensation Committee, a Disclosure Committee and a Nomination Committee.

The function of the Disclosure Committee is to make recommendations to the Board with respect to the Company's continuous disclosure obligations. The Disclosure Committee members are currently Mr. R. Brian Murray, Mr. Donald Sheldon and Mr. John Clarke. Mr. Sheldon and Mr. Clarke are independent. Mr. Murray is not independent by virtue of his management role with the Company.

Assessments

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning
- monitoring the performance of the Company's assets
- evaluating the principal risks and opportunities associated with the Company's business and overseeing the implementation of appropriate systems to manage these risks
- approving specific acquisitions and divestitures
- evaluating senior management
- overseeing the Company's internal control and management information systems

AUDIT COMMITTEE INFORMATION REQUIRED IN THE INFORMATION CIRCULAR OF A VENTURE ISSUER

Multilateral Instrument 52-110 (“MI52-110”) requires that certain information regarding the Audit Committee of a “venture issuer” (as that term is defined in MI52-110) be included in the management information circular sent to shareholders in connection with the issuer’s annual meeting.

Audit Committee Charter

The full text of the charter of the Company’s Audit Committee is attached hereto as Appendix “B”.

Composition of the Audit Committee

The Audit Committee members are currently Mr. Hanick (Chair), Mr. Sheldon and Mr. Murray, each of whom is a director, and financially literate and each of Mr. Hanick and Mr. Sheldon are independent in accordance with M152-110. Mr. Murray is not independent by virtue of his management role with the Company.

Relevant Education and Experience

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as an Audit Committee member and, in particular, any education or experience that would provide the member with:

1. an understanding of the accounting principles used by the Company to prepare its financial statements;
2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more persons engaged in such activities; and
4. an understanding of internal controls and procedures for financial reporting.

Howard Hanick- From 2003 to 2008 Mr. Hanick was the President and owner of CMI Canada Inc., a full service content creation company specializing in retail flyer production and catalogs. From 2001 to 2003, Mr. Hanick served as Chief Financial Officer of Communicorp. Mr. Hanick has previously served as an officer and director of several public companies including Pinetree Capital Corp. and Brownstone Ventures Inc. from 1993 to 1999. Mr. Hanick holds a Chartered Accountant designation, as well as a B.A. in Commerce from the University of Toronto.

Donald Sheldon- Mr. Sheldon is a 1966 graduate from the University of Alberta with a Bachelor of Arts degree in Economics and Philosophy, and a 1969 graduate from the University of Western Ontario with a Masters degree in Business Administration. From 1984, Mr. Sheldon was the President and director of D.S. Management Ltd. and then, since 2009, Sayonara Holdings Ltd., private companies involved in the organization and management of a number of reporting and non-reporting companies. Mr. Sheldon has

served and serves as a director or officer of various companies trading on the CNSC, the TSXV and the Toronto Stock Exchange, including, among others, Range Gold Corp. (from November 2006 to April 2010), Burnstone Ventures Inc. (since June 1992), Bard Ventures Ltd. (December 1992 to March 2007), Cross Lake Minerals Ltd. (December 2003 to April 2007), Desert Gold Ventures Inc. (December 2003 to March 2006), and Selkirk Metals Corp. (April 2005 to April 2007).

R. Brian Murray- Since 1990, Mr. Murray has been the President of Murcon Ltd., a private financial consulting company involved in merchant banking, located in Toronto, Canada. He is a Chartered Accountant and holds a Masters degree in Business Administration. Mr. Murray serves as a director for a number of public companies trading on the TSXV. Mr. Murray is also the President and a Director of Rainbow Resources Inc., the President and Director of Nebu Resources Inc. and the CFO of Sea Green Capital Corp.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

Reliance on Exemptions in MI 52-110 regarding De Minimis Non-audit Services or on a Regulatory Order Generally

Since the commencement of the Company's most recently completed financial year, the Company has not relied on:

1. the exemption in section 2.4 (*De Minimis Non-audit Services*) of MI 52-110 (which exempts all non-audit services provided by the Company's auditor from the requirement to be pre-approved by the Audit Committee if such services are less than 5% of the auditor's annual fees charged to the Company, are not recognized as non-audit services at the time of the engagement of the auditor to perform them and are subsequently approved by the Audit Committee prior to the completion of that year's audit); or
2. an exemption from the requirements of MI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of MI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Charter.

Audit Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the external auditor of the Company for professional services rendered to the Company during the fiscal years ended January 31, 2011 and 2010:

	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
Year ended January 31, 2011	25,000	Nil	Nil	Nil

Year ended January 31, 2010	40,000	Nil	Nil	Nil
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Audit Fees – aggregate fees billed for professional services rendered by the auditor for the audit of the Company’s annual financial statements as well as services provided in connection with statutory and regulatory filings.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of the Company, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since the commencement of the most recently completed financial year or in the current financial year or in any proposed transaction that has materially affected or will materially affect the Company.

STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides security holders of the Company with, in addition to any other rights that they may have at law, rights of rescission or to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to such security holders. However, such rights must be exercised within prescribed time limits. The Company’s security holders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

OTHER MATTERS WHICH MAY COME BEFORE THE MEETING

The management knows of no matters to come before the Meeting other than as set forth in the Notice of Meeting. **However, if other matters which are not known to the management should properly come before the Meeting, the accompanying proxy will be voted on such matters in accordance with the best judgment of the persons voting the proxy.**

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com. Securityholders may contact the Company in order to request copies of the Company’s consolidated financial statements at the offices of the Company at 65 Queen Street West, Suite 501, Toronto, Ontario M5H 2M5. Financial information about the Company may be found in the Company’s consolidated financial statements and Management’s Discussion and Analysis for its most recently completed financial year

GENERAL

The contents and the sending of the Notice of Meeting and this Information Circular to each shareholder of the Company entitled thereto, each director of the Company, the auditor of the Company and, where required, all applicable securities regulatory authorities have been approved by the board of directors of the Company.

DATED at Toronto, Ontario, this 28th day of December, 2011.

“George Langdon” (Signed)

George Langdon

President & Chief Executive Officer

APPENDIX "A"

CHANGE OF AUDITOR REPORTING PACKAGE

SHOAL POINT ENERGY LTD.
NOTICE OF CHANGE OF AUDITORS PURSUANT TO
NATIONAL INSTRUMENT 51-102

Ontario Securities Commission

May 11, 2011

Dear Sirs/Mesdames:

Re: Notice Regarding Proposed Change of Auditor Pursuant to National Instrument 51-102

Notice is hereby given that on May 11, 2011 the Board of Directors of Shoal Point Energy Ltd. (the "**Company**" or "**Shoal Point**") determined:

1. to remove McCarney Greenwood LLP, Chartered Accounts (the "**Former Auditor**"), as auditor of Shoal Point, effective May 11, 2011; and
2. to engage Schwartz Levitsky Feldman LLP (the "**Successor Auditor**"), as auditor of Shoal Point, effective May 11, 2011.

There have been no reservations in the Former Auditor's Report on any of the Company's financial statements commencing at the beginning of the two most recently completed fiscal years and ending on January 31, 2011. The Former Auditor did not audit any financial statements of the Company subsequent to the January 31, 2010 fiscal year of the Company.

In the opinion of the Company, prior to the removal, and as at the date hereof, there were no reportable events, including disagreements, consultations, or unresolved matters as defined in National Instrument 51-102, Continuous Disclosure Obligations, between the Former Auditor and the Company.

The contents of this Notice and the attached letters from the Former Auditor and the Successor Auditor have been reviewed by the Board of Directors.

Dated at Toronto, Ontario this 11th day of May, 2011

BY ORDER OF THE BOARD OF DIRECTORS OF
SHOAL POINT ENERGY LTD.

"George Langdon"

George Langdon
President



May 11, 2011

Ontario Securities Commission

Dear Sir or Madam:

Re: Shoal Point Energy Ltd. (the "Corporation") – Notice of Change of Auditor

We acknowledge receipt of a Notice of Change of Auditor (the "Notice") dated May 11, 2011 delivered to us by the Corporation in respect of the change of auditor of the Corporation, to be effective as of May 11, 2011.

Pursuant to National Instrument 51-102 – Continuous Disclosure Obligations (Part 4.11) of the Canadian Securities Administrators, please accept this letter as confirmation by McCarney Greenwood LLP, that we have reviewed the Notice and, based on our knowledge as at the time of receipt of the Notice, we agree with each of the statements contained therein.

We trust the foregoing is satisfactory.

Yours very truly,

“McCarney Greenwood LLP”

McCarney Greenwood LLP
Chartered Accountants
License Public Accountants

Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL



May 11, 2011

Ontario Securities Commission

Dear Sirs/Mesdames:

Re: Shoal Point Energy Ltd. (the "Company") – Notice of Change of Auditor

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* (Part 4.11) of the Canadian Securities Administrators, we hereby advise that we have read the Change of Auditor Notice dated May 10, 2011 as issued by the Company and confirm our agreement with the information contained in the Notice.

Yours very truly,

SCHWARTZ LEVITSKY FELDMAN LLP

A handwritten signature in cursive script that reads "Schwartz Levitsky Feldman LLP".

cc: The Board of Directors, Shoal Point Energy Ltd.

1167 Caledonia Road
Toronto, Ontario M6A 2X1
Tel: 416 785 5353
Fax: 416 785 5663

APPENDIX “B”

SHOAL POINT ENERGY LTD.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors (the “**Committee**”) has the responsibilities and duties as outlined below:

Mandate

The mandate of the Committee is:

1. To perform such duties as may be required by applicable legislation, regulations and policies including those of the Ontario Securities Commission (“**OSC**”), the Toronto Stock Exchange and/or the TSX Venture Exchange (collectively, the “**TSX**”) as more fully described under the heading “Duties” below:
2. To assist the Board of Directors (“**Board**”) in fulfilling its oversight responsibilities for:
 - (i) the integrity of the Corporation’s financial statements;
 - (ii) the Corporation’s compliance with legal and regulatory requirements;
 - (iii) the external auditor(s)’ qualifications and independence;
 - (iv) the performance of the Corporation’s independent auditors; and
 - (v) the system of internal control over financial reporting (“**internal controls**”).
3. To perform such other duties as may from time to time be assigned to the Committee by the Board.

Authority

4. The Committee has authority to:
 - (a) conduct or authorize investigations into any matters within its scope of responsibility;
 - (b) retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation;
 - (c) meet with Corporation officers, external auditors and outside counsel, as necessary; and
 - (d) determine appropriate funding for independent advisers.

Duties

Financial Information

5. The Committee shall:
- (a) review the quarterly and annual consolidated financial statements of the Corporation prior to approval by the Board and disclosure to the public, which review should include discussion with management and external auditors of significant issues regarding the financial results, accounting principles, practices and management estimates and judgments;
 - (b) review the quarterly and annual Management's Discussion & Analysis ("MD&A") of the Corporation's current financial results, position and future prospectus prior to review and approval by the board;
 - (c) review earnings press releases and earnings guidance press releases;
 - (d) discuss significant financial risk exposures and the steps management of the Corporation has taken to monitor, control and report such exposures;
 - (e) review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards;
 - (f) review the Corporation's Annual Information Form; and
 - (g) review the process relating to and all certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Corporation's quarterly and annual consolidated financial statements as may be required under applicable securities legislation.

Compliance

6. The Committee shall:
- (a) review investments and transactions that could adversely affect the well-being of the Corporation which may be brought to its attention by the external auditor(s) or by any officer of the Corporation;
 - (b) review the period reports on litigation matters;
 - (c) annually, review the Corporation's Environmental Policy and evaluate the Corporation's effectiveness in complying with that policy; and
 - (d) annually, review the Charter for the Committee and evaluate the Committee's effectiveness in fulfilling its mandate.

Internal Controls

7. The Committee shall:

- (a) require Corporation management to implement and maintain appropriate internal control procedures over financial reporting and review, evaluate and approve these procedures;
- (b) establish procedures for processing complaints regarding accounting, internal controls or auditing matters; and
- (c) establish procedures for responding to complaints regarding environmental matters.

External Auditors

8. The Committee shall:

- (a) have responsibility for the oversight of the external auditor(s) who shall report directly to the Committee;
- (b) retain and terminate the Corporation's external auditor(s), subject to shareholder ratification;
- (c) review the annual audit plan and letter(s) of engagement;
- (d) at least annually review the report of the external auditor(s);
- (e) review and recommend to the Board the annual fee for the audit, review the Corporation's audit related expenses and pre-approve permitted non-audit services;
- (f) approve any significant non-audit relationship with external auditor(s);
- (g) meet with the external auditor(s) and with management to discuss the quarterly and the annual consolidated financial statements including the Corporation's disclosure under MD&A; and
- (h) review with the external auditor(s) any audit problems or difficulties and management's response.

Reporting / Other Duties

9. The Committee shall:

- (a) report to the Board on the proceedings of each Committee meeting and on the Committee's recommendations at the next regularly scheduled Board meeting.
- (b) provide for an open avenue of communication between internal audit, the external auditors and the Board of Directors; and
- (c) institute and oversee special investigations as needed.

Composition

Structure

10. The Committee shall be composed of not less than three directors, a majority of whom must be resident Canadians and a majority of whom must be “unrelated directors”.
11. Each member of the Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her judgment as a member of the Committee. All members of the Committee shall have a working familiarity with basic finances and accounting practices.

Independence

12. A majority of the members of the Committee must not be current officers or employees of the Corporation or of any of its subsidiaries or affiliates nor have been such within the 36 months prior to his appointment. A majority of the members must not be persons who are affiliated with the Corporation or of any of its subsidiaries or affiliates as determined by the Board.
13. Directors’ fees (annual retainer and/or attendance fees) and incentive stock options are the only compensation a member of the Committee may be paid by the Corporation.

Appointment of Committee Members

14. Members are appointed or reappointed annually by the Board, such appointments to take effect immediately following the annual meeting of the shareholders of the Corporation. Members shall hold office until their successors are appointed or until they cease to be Directors of the Corporation.

Vacancies

15. Vacancies may be filled for the remainder of the current term of appointment of members of the Committee by the Board.

Appointment and Qualifications of Committee Chair

16. The Board shall appoint from the Committee membership a Chair for the Committee to preside at meetings. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Committee to preside at that meeting.

Meetings

Calling of Meetings

17. Meeting of the Committee may be called by:
 - (a) the Chair,
 - (b) any member of the Committee; or
 - (c) the External Auditors.

18. The Committee may call a meeting of the Board to consider any matter of concern to the Committee.
19. The Committee shall not transact business at a meeting unless a majority of the members present are resident Canadian except where:
 - (a) a resident Canadian member who is unable to be present approves in writing or by telephonic, electronic or other communications facilities the business transacted at the meeting; and
 - (b) a resident Canadian majority of members would have been present if the absent member had been present.
20. Any resolution consented to at any time during the Corporation's existence by the signatures of all the members of the Audit Committee is a valid and effective as if passed at a meeting of the members of the Audit Committee duly called, constituted and held for that purpose.

Notice of Meetings

21. Notice of meeting of the Committee shall be sent by prepaid mail, by personal delivery or other means of transmitted or recorded communications or by telephone at least 12 hours before the meeting to each member of the Committee at the member's address or communications number last recorded with the Secretary. A Committee member may in any manner waive a notice of meeting of the Committee and attendance at a meeting is a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called.

Notice to the Internal Auditor and External Auditor(s)

22. The external auditor(s) are entitled to receive notice of every meeting of the Committee and to attend and be heard at each meeting and to have the opportunity to discuss matters with the independent directors, without the presence of management.

Frequency

23. The Committee shall meet at least quarterly.

Quorum

24. The quorum for a meeting of the Committee shall be 40% of the number of members, subject to a minimum of two members.

Secretary and Minutes

25. The Chief Financial Officer of the Corporation shall act as Secretary of the Committee.
26. Minutes of meetings of the Committee shall be recorded and maintained by the Secretary of the Committee and subsequent presented to the Committee and to the Board, if require by the Board.